

JUDICATURE (NORTHERN IRELAND) ACT 1978

Funds in Court in Northern Ireland

Statement of Accounts 2018-2019

Accounts of Funds in Court of the Court of Judicature of Northern Ireland and of the county courts in Northern Ireland in respect of the year ended 31 March 2019 together with the Certificate and Report of the Comptroller and Auditor General thereon.

*Laid before the Northern Ireland Assembly
under section 78(3) of the Judicature (Northern Ireland) Act 1978,
as amended by Schedule 18 Paragraph 22 of the Northern Ireland Act 1998
(Devolution of Policing and Justice Functions) Order 2010
by the Department of Justice on behalf of the Comptroller and Auditor General*

on

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Performance Report

Overview

This overview provides a summary of the activities and performance of the Court Funds Office for the year ended 31 March 2019.

Foreword by the Accountant General

I present the Statement of Accounts for Funds in Court in Northern Ireland for the year ended 31 March 2019.

The Court Funds Office (CFO), which is a business unit of the Northern Ireland Courts and Tribunals Service (NICTS), continues to administer the funds held in court on behalf of minors and individuals who are deemed incapable of managing their own affairs by way of mental incapacity. As at 31 March 2019, a total of £303m was held in court.

The year saw a number of actions to progress the ongoing programme of modernisation. During the year:

- changes were made to the CFO IT system to improve the efficiency of some office processes. Primarily, a fee module was implemented to enable CFO fees to be automatically calculated.
- a consultation document was issued in February 2019. The consultation period lasted for 12 weeks, closing in May 2019. The purpose of the consultation was to seek views on the future role of the court and how the funds currently under the control of the court should be managed in future. NICTS had committed to carrying out a public consultation on the management of minors' and patients' funds in response to the recommendations of the Public Accounts Committee.

At the end of March 2019, Colm McKenna stepped down from his role as an independent member of the Court Funds Judicial Liaison Group after a period of eight years. I wish to express my thanks to Colm for his considerable input to the group in that time. John West has been appointed as an independent member of the group from 1 April 2019 and I extend a warm welcome to him.

In closing, I would like to thank the staff of CFO for their commitment and hard work during the year. Despite the challenges faced, the staff continued to deliver a high quality service to clients, which include those who are the most vulnerable in society.



P. LUNEY
*Accountant General of the
Court of Judicature of Northern Ireland*

Statement of Purpose and Activities

The Court Funds Office

The Court Funds Office conducts the business of the Accountant General of the Court of Judicature of Northern Ireland and has been delegated the administrative responsibilities for funds in court. CFO is an office of the court, but administratively it operates as a discrete business unit within the Northern Ireland Courts and Tribunals Service, an agency of the Department of Justice (DoJ). It manages the funds held in court on behalf of clients, including:

- those who are deemed by the court to be incapable of managing their own affairs due to mental incapacity, or those who are wards of court. These cases relate predominately to the Court of Judicature.
- minors for whose benefit funds are lodged into court, usually as a result of a compensation award. These funds are held in court until the client claims their fund after they reach 18 years old, unless a court order instructs otherwise. These cases will arise both in the Court of Judicature and county courts.
- suitors involved in legal action where money is paid into CFO. These are cases in the Court of Judicature or the county courts. Monies are lodged into court in satisfaction or against costs as a token of intention to proceed with civil litigation. CFO will hold such monies until authorised to release them.

In addition, CFO holds funds for the Chancery Division of the Court of Judicature which acts as a receiver of last resort for the assets of individuals, partnerships or companies. CFO also holds all monetary bails received in the Court of Judicature and the county courts. Bails are retained by CFO until the court directs them to be remitted once the case has been dealt with.

The Accountant General is required to keep proper accounts in respect of funds held in court, in accordance with section 78(1) of the Judicature (Northern Ireland) Act 1978 (“the 1978 Act”). Where reference is made to the 1978 Act in this document, it should be interpreted to mean the 1978 Act, as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

This Statement of Accounts has been prepared in accordance with the direction given by the Department of Finance (DoF) in pursuance of section 78(2) of the 1978 Act.

CFO operates under the Court Funds Rules (Northern Ireland) 1979 (“the Rules”). Following the devolution of justice, the rules are made by the DoJ with the concurrence of DoF, in exercise of the powers conferred by section 82(1) of the 1978 Act.

Bank accounts

The Accountant General is required by section 79(1) of the 1978 Act to maintain a bank account for the receipt and payment of Court of Judicature and county court monies. Accounts for this purpose are held with Danske Bank, enabling the Accountant General to meet the immediate cash requirements of CFO clients.

Monies in excess of the amount required to satisfy current demands are transferred to the Commissioners for the Reduction of National Debt (CRND) for investment. Funds are then drawn down from CRND, through the NICTS Investment Account, when additional money is required for investment transactions or to meet payments out of court.

Funds held with the Commissioners for the Reduction of National Debt

In accordance with the Rules, the Accountant General operates two interest bearing accounts, namely a deposit account and a short term investment account. The funds in these accounts are held by CRND, whose main function is the investment and management of major government funds.

The rates of interest paid to clients with funds in these accounts are set by a direction from DoJ with the concurrence of DoF and for the year ended 31 March 2019 the rates were as follows:

- Deposit account 0.10%
- Short term investment account 0.50% (to 2 September 2018)
0.75% (from 3 September 2018)

Funds held on behalf of minors and persons under disability are held in the short term investment account. Other funds are held in the deposit account in accordance with the Rules.

The deposits with CRND are operated in accordance with the Administration of Justice Act 1982 (“the 1982 Act”). Where reference is made to the 1982 Act in this document, it should be interpreted to mean the 1982 Act, as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

Income generated by the deposits with CRND is used to pay the interest on the above accounts and, where sufficient funds have been generated, to contribute to the costs of administering the funds in court. Any residual surplus in a financial year, after the deduction of the above, is due to the Northern Ireland Consolidated Fund in accordance with section 39(2) of the 1982 Act. Section 39(3) of the 1982 Act provides for any deficiency in a financial year to be made good from the Northern Ireland Consolidated Fund.

Section 39(5) of the 1982 Act provides a guarantee by the Northern Ireland Consolidated Fund for the amounts paid to CRND by the Accountant General.

The arrangements between CRND and CFO in respect of the investment service provided by CRND are set out in a Memorandum of Understanding.

During 2018-19 the funds held with CRND were largely invested in overnight and short-term deposits with the Debt Management Account Deposit Facility, which is a government deposit facility. This facility enables the funds to earn a return closely related to the Bank of England base rate whilst protecting the capital and maintaining liquidity.

The funds held with CRND form the NICTS Investment Account. CRND prepare accounts under a separate direction issued by DoF. These accounts are audited separately and, since the devolution of justice powers, laid in the Northern Ireland Assembly.

Investment of funds held in court

Funds in court are held as both cash and securities. The securities held include the deposit holdings with CRND with additional holdings in government stocks and other securities. All funds held in court are vested in the name of the Accountant General and invested in accordance with orders of the court in securities designated within statutory rules.

Principal Risks and Uncertainties

Risk management is integrated into the activities of NICTS by linking risk directly to the achievement of objectives. NICTS implements effective risk management arrangements, which are detailed in a Risk Management Policy Statement. These include developing, monitoring and reviewing an Agency Risk Register which identifies the key risks, those responsible for ensuring that the risks are managed, and the action that will be taken to manage them.

Senior management are responsible for the day to day management of risk, with the Agency Board owning the overall risk management framework. The Head of CFO is responsible for ensuring the management systems within CFO are robust in respect of accountability, critical challenge and oversight of risk. Risk management is taken forward as an integral part of the business planning process and is monitored on a quarterly basis by the Audit and Risk Committee.

There are seven risks appearing on the CFO Risk Register at the end of 2018-19:

Risk 1: Investment risk

Risk 2: Failure to progress outstanding NIAO VFM review or PAC recommendations

Risk 3: Incorrect / inconsistent data

Risk 4: Fees not applied correctly

Risk 5: Fees recovery shortfall

Risk 6: GDPR compliance

Risk 7: Brexit

Performance Summary

Number of cases

The number of minor and patient cases with funds in court decreased from 12,770 at 31 March 2018 to 12,767 at 31 March 2019. During the year, a total of 1,454 minor and patient cases were paid out in full with funds being received for 1,451 new cases.

CFO operational performance

A number of performance targets relating to CFO were published in the NICTS Business Plan for 2018-19. The targets (and the performance achieved) are as follows:

Task	Measure of Performance	Target	Achieved
Receipts	Receipt transactions will be posted on the day of receipt in respect of cheques, cash and money orders	95.0%	97.7%
	Receipt transactions will be posted within two working days of receipt in the bank in respect of direct credits	95.0%	99.8%
	Receipts will be posted within five working days of the Registrar's payment date in respect of dividends	90.0%	87.3%
Payments	Payments will be made within five working days of receiving the relevant paperwork in respect of payments made: <ul style="list-style-type: none"> ○ to minors reaching 18 years old; ○ on foot of a court order or invoice; or ○ on receipt of a Notice of Acceptance 	95.0%	99.8%
	Regular payments will be made on or before the due date	95.0%	99.9%
Investments	Transactions will be completed within five working days of the relevant trade date in respect of sales and purchases of stock	98.0%	98.9%
Customer Services	Letters of confirmation that funds have been received by the Court Funds Office will be issued within five working days of receipt of funds in full in respect of minor cases	95.0%	99.3%
Accounts	Draft accounts to be issued to Comptroller and Auditor General for Northern Ireland in line with statutory deadline	By 30/11/18	Issued 18/06/18

Seven out of the eight targets were achieved in 2018-19. The missed target arose as some dividend receipts during the year were received through the investment manager rather than directly from the Registrar. This additional step in the dividend receipts process resulted in a delay in processing the receipt until after the target date.

Modernisation of CFO

Legislative reform

It is recognised that to make further progress in the modernisation of court funds, changes to primary legislation will be required. A number of practical improvements have been identified as priorities for legislative reform. CFO launched a public consultation in February 2019 to obtain views on the future role of the court and how the funds currently under the control of the court should be managed in future. The consultation period closed on 8 May 2019. Implementing any proposals that require legislative reform may depend on the political institutions.

Performance Analysis

Results for the year

The results for the year are detailed on page 24 and show a surplus for the year of £25,000 (2017-18 deficit of £1,000). The surplus for the year has been added to accumulated reserves brought forward.

The fund reported a surplus in 2018-19 as the Bank of England base rate increased from 0.50% to 0.75% during the year. This is the first time in a number of years that a surplus has been reported, meaning that the fund has generated sufficient income to enable a portion of the running costs of CFO to be drawn down from the fund. The surplus available to be drawn down by NICTS for 2018-19 is £19,000.

The introduction of fees in January 2017 ensures that CFO clients make a contribution to the running costs. A total of £631,000 was payable to NICTS for the year to 31 March 2019 (2017-18 £683,000).

DoF have agreed where a deficit results after the deduction of interest payable to CFO clients and CRND management charges, this can be recovered from the Northern Ireland Consolidated Fund (NICF). In 2017-18, the amount recoverable totalled £20,000.

The accumulated reserves carried forward as at 31 March 2019 totalled £75,000. Under section 39(2) of the 1982 Act, all of the accumulated reserves are ultimately payable to NICF.

Performance of client portfolio

Client income for the year, including interest allocated to their accounts, totalled £4.8m, equivalent to 1.6% of client holdings at year end (2017-18: £4.4m or 1.5%). Income has remained low this year, primarily due to the low returns available on government gilts and cash deposits held with CRND.

Total client holdings increased from £298.7m to £302.7m during the year. Accounting for net payments to clients of £6.3m and net transfers of investments to clients of £3.3m, this represents an increase in value of £13.6m (4.6% of client holdings at the start of the year). The gain in valuation of securities held on behalf of clients was £8.9m (2017-18: loss £4.9m).

Table 1 shows the market value of cash and securities held on behalf of clients as at 31 March 2019 and 31 March 2018.

Table 1	Patients		Minors		Other funds	
	(£000's)		(£000's)		(£000's)	
	31/3/19	31/3/18	31/3/19	31/3/18	31/3/19	31/3/18
Cash Account Balances	33,613	32,692	58,954	52,489	14,576	13,237
Debt Securities	47	797	-	3,486	-	-
Investment Securities	162,941	161,275	32,289	34,249	-	-
Total	196,601	194,764	91,243	90,224	14,576	13,237

Given the protective role of CFO, and subsequent low risk approach to investment, it has been the policy of CFO to invest the majority of funds lodged into court in debt securities (government gilts), as long as this is appropriate. However, the returns on government gilts during the year remained exceptionally low, meaning that for many cases the best option was for the fund to be held as cash, earning interest at the rate directed by DoJ.

During the year, total gilt holdings decreased from £4.3m to £47k. In June 2018, the remaining direct gilt holdings in active portfolios were sold as part of a portfolio restructuring exercise. Where appropriate, these funds were re-invested in a balanced portfolio with some exposure to corporate bonds and equities. Rather than investing directly in gilts, clients funds are now invested in exchange traded funds (ETFs) with underlying UK gilt holdings. These provide CFO clients with exposure to longer dated gilts.

Due to the poor return on government gilts, the investment managers have previously considered other low risk alternative investments as a way to enhance the returns on funds held without significantly increasing risk. Where considered appropriate, the investment managers recommend investment in ETFs which hold a variety of investment grade corporate bonds.

Client holdings in investment securities decreased from £195.5m to £195.2m. Sales and transfers out exceeded purchases by £13.4m, with the overall value of investment securities increasing by £8.9m. The total of £195.2m includes £24.1m worth of the ETFs with corporate bond holdings and £52.4m worth of ETFs with UK gilt holdings.

Table 2 details the investment activity during the year for minors and patients.

Table 2	Patients		Minors		Total
	Debt Securities	Investment Securities	Debt Securities	Investment Securities	
	(£000's)	(£000's)	(£000's)	(£000's)	
Opening value 1/4/18	797	161,275	3,486	34,249	199,807
Purchases	-	4,088	-	8,903	12,991
Sales	(747)	(10,583)	(3,449)	(8,347)	(23,126)
Net transfers out**	-	(1,310)	(24)	(1,959)	(3,293)
Internal transfers***	-	1,967	-	(1,967)	-
Gain/(Loss) in value	(3)	7,504	(13)	1,410	8,898
Closing value 31/3/19	47	162,941	-	32,289	195,277
% gain/(loss) in value*	(0.7)%	4.6%	(0.7)%	4.2%	4.5%

*The percentage gain in value has been calculated using the average value of holdings at the start and end of the year.

**Net transfers out represents the value of investments that have been transferred into or out of court.

***Internal transfers occur from minor accounts to patient accounts in cases where a minor becomes a patient once they turn 18.

For comparison purposes, Table 3 provides a summary of capital returns for certain types of investments for the year, measured by market indices.

Table 3		Index at 31/3/2018	Index at 31/3/2019	Movement in index	% movement in index
Investment securities	FTSE All share	3,894.17	3,978.28	84.11	2.2%
	FTSE 100	7,056.61	7,279.19	222.58	3.2%
	FTSE All World (Ex UK)	359.50	395.15	35.65	9.9%
Debt securities	FTSE Fixed rate gilts up to 5 years	92.84	91.41	-1.43	-1.5%
	FTSE Fixed rate gilts 5-15 years	186.99	190.29	3.30	1.8%
	FTSE Index-linked gilts up to 5 years	309.38	309.89	0.51	0.2%
	FTSE Index-linked gilts 5-15 years	472.68	493.41	20.73	4.4%

The indices show that investment securities generally provided positive capital returns for the year. On average, the capital value of investment securities held by CFO has increased in value by around 4.6%, which is comparable with the returns recorded by the indices.

With the exception of short term fixed rate gilts, the gilt indices noted above have also recorded positive returns for the year, with longer term gilts recording higher returns. As noted above, CFO client funds that were previously invested in direct gilt holdings are now invested in ETFs where the underlying assets are UK gilts. This has allowed CFO clients to gain exposure to the longer term gilt market, whereas before the holdings were restricted to shorter dated gilts only.

Our contracted investment managers, Davy Private Clients, have commented in respect of the investment performance within the Investment Manager's Report on page 10. They have also provided a factsheet in respect of each of their target portfolios, which can be found in Appendix A.

NIAO Value for Money Report

NIAO published a value for money report entitled "Managing and Protecting Funds Held in Court" in July 2014. The full report can be found on the NIAO website. Subsequently the NI Executive's Public Accounts Committee (PAC) invited the Department to appear before them to discuss this report. The PAC report was published in April 2015 and can be found on the NI Assembly website. The Memorandum of Reply, which includes CFO responses to the PAC report, is available on the DoF website.

Auditors

The statement of accounts for Funds in Court in Northern Ireland is audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the 1978 Act.

The audit of the financial statements for 2018-19 resulted in a notional audit fee of £12,000 (2017-18: £11,500). This charge is included within non-staff programme costs within the accounts of NICTS. The C&AG did not provide any non-audit services during the year.



P. LUNEY
*Accountant General of the
Court of Judicature of Northern Ireland*
27 January 2020

[The following report has been provided by Davy Private Clients, who are contracted to provide investment portfolio management services to CFO]

Investment Manager's Report

This report comprises three sections:

1. Review of the investment markets in the period to 31 March 2019
2. Outlook for the year ahead
3. Recent portfolio actions

Review of investment markets in the period to 31 March 2019

In the first three months of 2019, despite trailing the recovery of other major developed regions, UK equities managed to recover the losses incurred in the last quarter of 2018. The Bank of England downgraded UK growth forecasts for 2019 from 1.7% to 1.2% in February. Despite this, the economy continues to be supported by an extremely strong labour market and rising wages with unemployment at 3.9%, its lowest level since 1974. In addition, inventory levels have grown at a time when Brexit uncertainty has led to contracting business investment levels.

Early in 2018, the market experienced its first abrupt stock sell-off since the global financial crisis. This naturally led investors to contemplate whether it was time to exit equities or hold tight as such weakness is a natural part of the fluctuation of the market. Quantitative easing and low interest rates have been artificially suppressing volatility for almost a decade, but it has reappeared every time policymakers signalled normalisation, as was the case in 2018.

Despite the strong start to the year, European equities underperformed against global indices. This can be attributed to the recent collapse in gross domestic product (GDP) driven by a number of factors. This includes the looming trade war between the US and China, as well as country-specific issues including the Italian debt crisis, French political unrest and the contraction of industrial output in Germany. In the European context, the lower valuations appear to reflect the fear that regional production will not revive independently of US and Asia, meaning that the European investment story currently appears as a less attractive prospect. This is a justifiable belief given the current economic environment; the European economy is largely driven by exports and is dependent on its key trade partners, US and China, where economic growth is also slowing.

Looking to the US, equities recovered handsomely in the first months of 2019, despite earnings estimates deteriorating. Promisingly, it seems that mid-level valuations indicate that investors do not anticipate a negative outcome of China-US trade deal negotiations. Alternatively, one might interpret this as though investors are expecting that the US Federal Reserve will step in and delay tightening further and/or provide additional monetary stimulus if China-US trade deal negotiations fail.

Outlook for the year ahead

Reflecting on the noise, the next few months will be critical for markets as we await the outcomes of the US-China trade negotiations and Brexit. Amidst the uncertainty, we expect the sentiment swings that have dominated markets over the last few months to accelerate even further. However, experts assert that there are no evident bubbles in the global economy and fears of recession starting over the next 12 months are overrated.

Given the level of uncertainty around major global issues including Brexit, trade discussions, and economic growth, it is unsurprising to find that many company managements were conservative in their guidance for 2019. As a result, analyst forecasts for earnings growth in 2019 have been reduced in recent weeks and are now forecasting the lowest growth rate for several years – but, importantly, still positive growth. As the year progresses and we get more clarity on the major issues, we should see this trend stabilise, and perhaps even improve.

Recent portfolio actions

During the period it was proposed to remove the holding in Ruffer Total Return Fund, an alternative asset, from the CFO portfolios. The removal signifies a shift towards a more defensive positioning by reducing risk assets and reallocating to fixed income assets. This brings the portfolio asset allocation back in line with the simple composite benchmark. The equity weighting remains unchanged and despite recent volatility, we maintain our relatively positive view on this asset class in the near term.

Within fixed income, the weightings changed to better match our preferred duration within Gilts and our strategic view on government/corporate split. We also switched our Gilt Exchange Traded Funds from iShares to management by Lyxor. This created a cost saving of 0.13% as the Total Expense Ratio for our Gilt allocation fell from 0.20% to 0.07%. The Lyxor funds track the same benchmark, have good tracking characteristics and the replication method is physical.

Distributed yield has increased in all models and a secondary benefit of the removal of Ruffer and replacement of the iShares funds is the meaningful reduction in the Total Expense Ratio across all portfolio models.

Davy Private Clients
May 2019

Accountability Report

Statement of the Accountant General's Responsibilities

Under section 78(1)(b) of the Judicature (Northern Ireland) Act 1978 as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 the Accountant General is required to prepare a statement of accounts for each financial year in a form directed by DoF. The accounts are prepared on an accruals basis and must give a true and fair view of the income and expenditure for the financial year and the balances held at the year end.

In preparing the accounts, the Accountant General is required to comply with International Financial Reporting Standards, adapted and interpreted for the public sector context, having regard to the *Government Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accountant General has been appointed as Accounting Officer for the account. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the funds, for keeping proper records and for safeguarding assets, are set out in the Accounting Officers' Memorandum issued by DoF and published in *Managing Public Money Northern Ireland* (MPMNI).

The Accountant General is required to confirm that the statement of account as a whole is fair, balanced and understandable and that he takes personal responsibility for the statement of account and the judgements required for determining that it is fair, balanced and understandable.

So far as the Accountant General is aware, there is no relevant audit information of which the auditors are unaware. The Accountant General has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

Governance Statement

Scope of responsibility

As Accountant General of the Court of Judicature in Northern Ireland, I have responsibility, as a statutory officer, for funds in court. I have delegated the administrative responsibilities for funds in court to CFO. CFO is a discrete business unit within NICTS, which itself is an executive agency of DoJ sponsored by the Access to Justice Directorate, and is managed within the control framework of NICTS.

As an agency of DoJ, NICTS operates under a framework document that has been agreed by DoJ and DoF. The agency framework document sets out the arrangements for the effective governance, financing and operation of NICTS.

As Acting Chief Executive of NICTS, I am responsible for the day-to-day operation and administration of the organisation and the leadership and management of its staff. Managerial responsibility for CFO rests with the NICTS Head of Corporate Services.

Purpose of the governance framework

The governance framework is the system which ensures the effectiveness of the direction and control of NICTS. As Accounting Officer, I have established a governance framework and management structure to support me in the management of the key risks for NICTS, including CFO. The framework is not designed to eliminate all risk but to manage risk to a reasonable level. The framework is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

Governance framework and management structure

During 2018-19, NICTS complied with the key principles of the Corporate Governance in Central Government Departments – Code of Good Practice (Northern Ireland) 2013 which it considered applicable. The key management structures which support the delivery of effective corporate governance in NICTS and CFO are detailed below:

NICTS Agency Board

The Agency Board (the Board) provides a vital role in shaping and directing the organisation to ensure it is equipped to deliver high quality and cost effective services to court and tribunal users. The Board is responsible for business and corporate planning and reporting and the oversight of the functions of NICTS including finance, planning, performance and policy initiatives. The Board operates within the parameters of the agency framework document and the agreed terms of reference. The framework document is published on the NICTS website.

The Board met on four occasions during the 2018-19 financial year. At the beginning of each Board meeting members are asked by me, as the Chair, to declare any conflicts or potential conflicts of interest. To allow members to prepare and consider any potential conflicts of interest they are provided with an agenda and all papers to be discussed five working days before the meeting. During 2018-19 no potential conflicts of interest were identified in relation to CFO.

NICTS Finance Committee

The Finance Committee (the Committee) is a sub-committee of the Agency Board and assists the Board with financial oversight and budgetary control. The terms of reference for the Committee are included in the agency framework document.

The role of Finance Director in NICTS is performed by the Head of Corporate Services who advises the Committee on any material issues concerning financial oversight and budgetary control, including CFO. Management information on funds in court is presented to the Committee each quarter. The Committee met on four occasions during 2018-19. After each meeting, the Head of Corporate Services provides a highlight report to the Board covering the main issues discussed by the Committee.

NICTS Audit and Risk Assurance Committee

The Audit and Risk Committee (ARAC) is a sub-committee of the Agency Board and provides the Board and myself, as Accounting Officer, with independent assurance over the adequacy and effectiveness of the established internal control and risk management systems within NICTS, including CFO. The ARAC monitors the effective implementation of all agreed audit recommendations; examines the effectiveness of the overall risk management process; and receives assurance from the NICTS Risk Co-ordinator.

The ARAC operates in accordance with the Audit Committee Handbook (Northern Ireland) which was published on 29 May 2013 and updated on 1 April 2018. The terms of reference for ARAC are included in the framework document.

The ARAC met on six occasions during 2018-19. After each meeting, the Chair of the committee presents a report to the Agency Board covering the main issues discussed by the committee. Matters considered include:

- Changes to the Corporate Risk Register;
- NIAO Reports to Those Charged with Governance (RTTCWG);
- Internal Audit reports;
- Internal Audit work programme;
- Head of Internal Audit's Annual Assurance Statement;
- Annual Reports and Accounts;
- Updates on fraud and whistleblowing; and
- Financial Governance updates.

Court Funds Judicial Liaison Group

The Court Funds Judicial Liaison Group (the Group) provides a forum for the judiciary to express their views in relation to CFO operations. The Group is provided with an up-to-date overview of investments and a six-monthly review of investment performance. A representative of the contracted investment manager presents the six-monthly investment performance report and is in attendance at all meetings to respond to any queries from the Group in respect of the investment performance or any related issues.

Meetings are usually held at least once per legal term. The Group met on four occasions during 2018-19. Matters discussed include:

- Investment performance;
- Investment portfolio models;
- The fee regime implemented in CFO from January 2017; and
- The future role of CFO.

Strategic Planning Group

The Strategic Planning Group (SPG) is the decision making group for the senior executive team within NICTS. SPG takes a strategic look at the work of NICTS, including CFO, and considers resources, budget, business performance and operational issues. SPG meets once a month and is attended by a representative from NICS-HR. Further meetings of SPG can be called as and when required.

CFO Management Team

The CFO management team also contributes to the governance framework of CFO. The team consists of the CFO Business Manager, the Office Manager and managers of each team within CFO. The team meets regularly to review the performance of CFO and address any other business issues that arise. The team is also responsible for preparing the CFO risk register on a quarterly basis.

The CFO Business Manager meets with the Head of Corporate Services on a monthly basis to discuss the performance of CFO and report on progress against the CFO Business Plan.

Full details of the membership and attendance of the Board, its sub-Committees and the Judicial Liaison Group are shown in Tables 4-7 on pages 19 and 20.

Risk management and internal control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of NICTS, including CFO, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in MPMNI.

Internal Control

The system of internal control is not designed to eliminate all risk of failure, but to manage risk to a reasonable level to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control has been in place in NICTS for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts. This accords with DoF guidance.

NICTS has in place a range of policies and processes to ensure that it is compliant with MPMNI, policies and guidance issued by DoJ and financial delegations granted by DoJ and DoF.

Risk Management

Risk management forms a central element of the governance framework. Risk management is championed by the Head of Corporate Services, with the Agency Board owning the overall risk management framework.

A Risk Management Policy is in operation and risk co-ordinators are in place throughout NICTS. They are responsible for promoting, supporting and co-ordinating risk management in their business areas. Risk management responsibilities are included in job descriptions and there is support and provision of guidance on risk issues from the Central Management Team.

Formal branch and divisional risk management meetings take place quarterly and support the corporate risk management process and the CFO management team contributes fully to that process. Emerging risks are identified, considered and managed, and all risks are assessed in terms of their probability of occurrence and impact on the achievement of objectives and then scored and reported on accordingly.

The corporate risk appetite is set by the Agency Board and used as a starting point for setting levels of risk tolerance. Managers and Heads of Division escalate risks which have exceeded specific risk appetites to the next level of management. Risk management is considered formally by senior management through quarterly reviews of the corporate risk register and corporate plan monitoring reports. Risk is also considered by the ARAC at each of its quarterly meetings.

NICTS operates a process to enable escalation of risks to the DoJ Corporate Risk Register if risks breach the organisation's tolerance level.

Information assurance

NICTS is committed to ensuring personal data is appropriately protected and managed in accordance with data protection legislation and DoJ policies and procedures. NICTS is represented on a number of departmental groups including the Information Risk Owners' Council, Accreditation Panel and Security Managers' Forum. In addition, bi-annual updates on records and information management are provided to the NICTS ARAC

Data incidents are reported and managed in line with the DoJ Security Incident Reporting Policy that was revised to reflect changes to data protection legislation in May 2018. As a result, all data incidents are now reported to the Department to comply with the requirement to report significant data incidents to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the incident. During 2018-19 there were no incidents within CFO that were required to be reported to the Information Commissioner's Office. The findings from all investigated information assurance incidents are reviewed to identify any lessons learned and, where appropriate, existing processes amended.

The accreditation of the network and infrastructure are the responsibility of DoF's Enterprise Shared Services, who have confirmed that these elements of its service are fully accredited.

NICTS is responsible for only accrediting the aspects of the service that relate to line of business systems. Typically this relates to the operating system, database and application software. Accreditation Certificates have been issued by DoJ for all NICTS line of business systems, including the CFO systems.

NICTS continues to monitor and review the application of information assurance policies (including a series of unannounced clear desk inspections) to ensure data is handled appropriately and that any associated risks are identified and managed. IT Assist provides and hosts all NICTS information systems. They provide a resilient solution, based on high availability, redundancy and mirrored data centres. Disaster Recovery tests were completed on 1-2 August 2018 for the NICTS line of business applications.

Review of effectiveness of the governance framework

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework. The Board and I receive regular reports from the ARAC concerning internal controls, risk and governance. At the end of the reporting period, Heads of Division reviewed the stewardship statements completed by Business Managers to create a series of divisional statements from which I have been able to take assurance in respect of the management of risk and the achievement of objectives. The CFO Business Manager prepares a stewardship statement for submission to the NICTS Head of Corporate Services on a bi-annual basis.

Internal Audit operates to Public Sector Internal Audit Standards. It submits regular reports, including an independent opinion by the Head of Internal Audit, on the adequacy and effectiveness of the NICTS system of risk management, control and governance.

My review of the effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within NICTS who have responsibility for the development and maintenance of the internal control framework as well as comments made by the external auditors in their report to those charged with governance and other reports. The 2017-18 report on CFO from the external auditors did not make any recommendations.

The Head of Internal Audit has provided overall **Satisfactory Assurance** over the NICTS systems based on the work carried out during the year. In relation to CFO, an internal audit carried out during 2018-19 provided overall **Satisfactory Assurance**.

NICTS Agency Board Effectiveness

Information presented to the Board is fundamental for its assessment and understanding of the performance of NICTS. Information received is considered to be of a high standard and allows the Board to be kept informed of any issues that it needs to be aware of or take action on, and allows the Board to effectively carry out their duties. A Board evaluation exercise is normally completed annually, however as there had been significant change at Board level during the previous year it was considered it would be more appropriate to carry out a Board effectiveness review in 2019-20.

Significant internal control issues

Previously, the CFO IT system had been identified as a significant issue. However, this issue was resolved with the implementation of a new IT system in June 2016. No other issues have been identified as significant to CFO during 2018-19 as a result of the assurance activity.

Audit recommendations

There were two priority three Internal Audit recommendations from the 2018-19 report that have now been addressed. The recommendations were in respect of a small number of documents not being stamped with the date of receipt and the duplication of a small number of recordings in the post book. All outstanding recommendations are monitored by ARAC every six months.

The 2017-18 report on CFO from the external auditors did not make any recommendations.

A value for money audit was carried out in CFO by NIAO, commencing in 2012-13. The report entitled 'Managing and Protecting Funds Held in Court' was published on 1 July 2014 and concluded that "current arrangements and existing legislation for managing and protecting funds in court do not ensure value for money or proper accountability for clients' funds."

The recommendations in the report focus on areas of governance for which improvements may be made. These include the level of independent scrutiny, the need to modernise the underpinning legislation, the extent of performance monitoring and transparency in dealing with clients.

The Public Accounts Committee (PAC) considered the NIAO report at a hearing in February 2015. The PAC report was published on 13 May 2015 and contains six recommendations. The recommendations relate to the improvement of governance structures and business modernisation. A Memorandum of Reply was presented to the Assembly on 9 July 2015.

My management team has taken action to implement as many of those recommendations as are affordable and possible within legislative and other constraints. For example, where new legislation is required to meet a recommendation, this requires input from the wider department and cannot be progressed by NICTS alone. To date, four recommendations have been fully addressed, with significant progress having been made against the other two. One outstanding recommendation is in relation to establishing appropriate oversight arrangements for CFO in statute. The other outstanding recommendation relates to NICTS consulting on policy options in respect of the extent to which funds should be held in court. A consultation document issued in February 2019 and the consultation period closed in May 2019. A response to the consultation was published in December 2019. It is expected that full implementation of the outstanding recommendations will require legislative reform, so may be dependent on the political institutions.

Accounting officer statement on assurance

NICTS has established a robust assurance framework that includes primary assurance, through line management structures, on the achievement of objectives. This primary assurance is supplemented by secondary assurances provided through oversight of management activity and by an independent internal audit team operating to Public Sector Internal Audit Standards. They deliver an agreed prioritised programme of systems based audits covering all NICTS systems, including CFO, over time.

The Head of Internal Audit provides me with an Annual Report and her professional opinion on the level of assurance based on the work done. For the 2018-19 year, overall **Satisfactory Assurance** has been provided on the NICTS systems, including the CFO systems.



P.LUNEY
*Accountant General of the
Court of Judicature of Northern Ireland*
27 January 2020

Table 4 – Membership and attendance at Agency Board for 2018-19

Member	Position	Meetings attended (out of 4)
Mr P Luney	Acting Chief Executive (Chair)	4
Mrs E Topping	Head of Court Operations	2
Mr J Coffey	Acting Head of Tribunals and Enforcement	3
Ms S Hetherington*	Head of Corporate Services / Transformation Programme Team	3
Mrs L Laverty*	Acting Head of Corporate Services	2 (of 2)
Ms N Lappin	Non-Executive Member	4
Mr G Dalton	Non-Executive Member	4
Mr D A Lavery CB	DoJ Representative	3
The Right Honourable Lord Justice Deeny	Judicial Representative	3
His Honour Judge McFarland (Recorder of Belfast and Presiding County Court Judge)	Judicial Representative	4
District Judge Bagnall (Presiding District Judge (Magistrates' Court))	Judicial Representative	1
Mr J Duffy (President of the Appeals Tribunal)	Judicial Representative	4

* Ms Sharon Hetherington moved temporarily to the Transformation Programme Team in November 2018. Mrs Louise Laverty has temporarily replaced Ms Sharon Hetherington as Acting Head of Corporate Services.

Table 5 – Membership and attendance at Finance Committee for 2018-19

Member	Position	Meetings attended (out of 4)
Mr P Luney	Acting Chief Executive (Chair)	4
Mrs E Topping	Head of Court Operations	4
Mr J Coffey	Acting Head of Tribunals and Enforcement	2
Ms S Hetherington*	Head of Corporate Services / Transformation Programme Team	4
Mrs L Laverty*	Acting Head of Corporate Services	1 (of 1)
Mr G Dalton	Non-Executive Member	4
The Right Honourable Lord Justice Deeny	Judicial Representative	3

* Ms Sharon Hetherington moved temporarily to the Transformation Programme Team in November 2018. Mrs Louise Laverty has temporarily replaced Ms Sharon Hetherington as Acting Head of Corporate Services.

Table 6 – Membership and attendance at NICTS ARAC for 2018-19

Member	Position	Meetings attended (out of 6)
Ms N Lappin	Chair	6
The Right Honourable Mr Justice Burgess*	Judicial Representative	1 (of 2)
The Honourable Madam Justice McBride*	Judicial Representative	3 (of 4)
Mr G Wilkinson	Non-Executive Member	2

* The Right Honourable Mr Justice Burgess retired from the Board in June 2018 and was replaced by The Honourable Madam Justice McBride in September 2018.

Table 7 – Membership and attendance at Judicial Liaison Group for 2018-19

Position	Member	Meetings attended (out of 4)
High Court Judge (Chair)	The Hon. Mr Justice Maguire	4
Accountant General	Mr P Luney	2
Master (Queen's Bench and Appeals)	Master McCorry	4
Master (Care and Protection)	Master Wells	4
District Judge	District Judge Duncan	3
County Court Judge	His Hon Judge Devlin	2
Official Solicitor	Ms Mairead Holder	3
Head of Corporate Services	Ms S Hetherington*	1 (of 2)
Acting Head of Corporate Services	Mrs L Laverty*	2 (of 2)
Deputy Accountant General	Mr R Ronaldson	4
Office of Care and Protection	Mr N Bloomer	3
Independent member	Mr C McKenna	4
Independent member	Mr J French	3
Independent member (Allenbridge)	Mr J Arthur	4

* Ms Sharon Hetherington moved temporarily to another post in November 2018. Mrs Louise Laverty has temporarily replaced Ms Sharon Hetherington as Acting Head of Corporate Services.

Funds in Court in Northern Ireland 2018-19**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY****Opinion on financial statements**

I certify that I have audited the financial statements of the Funds in Court in Northern Ireland for the year ended 31 March 2019 under the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The financial statements comprise: the Statement of Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Funds in Court in Northern Ireland's affairs as at 31 March 2019 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Funds in Court in Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Board and the Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the Performance Report, Investment Manager's Report and Accountability Report and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Performance Report, Investment Manager's Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accountant General for the financial statements

As explained more fully in the Statement of Accountant General's Responsibilities, the Accountant General as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to read 'K J Donnelly', with a stylized flourish at the end.

*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

11 February 2020

Statement of Income and Expenditure for the year ended 31 March 2019

	Note	Year Ended 31 March 2019 £000	2018 £000
Income			
Interest Income	3	660	721
Interest Expense	4	(541)	(334)
Net Interest Income		119	387
Dividend Income		4,250	3,751
Gains/(Losses) Arising from Securities	5	8,898	(4,929)
Transfer (to)/from Client Holdings		(13,171)	842
Net Income		96	51
Expenditure			
Administrative Expenses - CFO		(19)	-
Management Charges from CRND		(52)	(52)
Total Expenses		(71)	(52)
Surplus transferred to Reserves		25	(1)

The notes on pages 27 to 34 form part of these accounts

Statement of Financial Position as at 31 March 2019

	Note	31 March	
		2019 £000	2018 £000
Assets			
Cash and Cash Equivalents	6	1,340	1,440
Loans and Advances	7	106,034	97,108
Debt Securities	8	47	4,283
Investment Securities	9	195,230	195,524
Other Assets	10	383	503
Total Assets		303,034	298,858
Liabilities			
Clients Cash Account Balances	11	107,143	98,418
Clients Holdings in Securities	12	195,593	200,248
Other Liabilities : Payables	13	298	192
Total Liabilities		303,034	298,858

The notes on pages 27 to 34 form part of these accounts



P. LUNEY
Accountant General of the
Court of Judicature of Northern Ireland

27 January 2020

Statement of Cash Flows for the year ended 31 March 2019

	Note	Year Ended 31 March	
		2019	2018
		£000	£000
Cash Flows from Operating Activities			
Net Loans and Advances repaid		(8,926)	10,713
Cost of Purchases of Securities	15	(12,991)	(67,573)
Proceeds from Sales of Securities	15	23,126	60,655
Interest Received		678	1,043
Receipt from the Consolidated Fund		20	42
Dividends Received		4,332	3,801
Expenses		(52)	(52)
Net Cash Inflow from Operating Activities		6,187	8,629
Cash Flows from Client Cash Accounts			
Lodgements from Clients	15	46,094	45,586
Payments to Clients	15	(52,381)	(54,369)
Net Cash Outflow from Client Cash Accounts		(6,287)	(8,783)
Net Decrease in Cash and Cash Equivalents		(100)	(154)
Cash and cash equivalents at 1 April		1,440	1,594
Cash and cash equivalents at 31 March		1,340	1,440

The notes on pages 27 to 34 form part of these accounts

Notes to the Financial Statements

1. Statement of Accounting Policies

These accounts have been prepared in accordance with a direction made by DoF under section 78 of the Judicature (Northern Ireland) Act 1978 as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified by the revaluation of certain financial assets and liabilities, and in accordance with applicable International Financial Reporting Standards (IFRS), to the extent that such requirements are relevant to the activities of the CFO.

Certain new standards, interpretations and amendments to existing standards have been published requiring adoption for periods beginning on or after 1 April 2019, but which have not been adopted early for the purposes of these accounts. It is not anticipated that the adoption of these standards will have a material impact on these accounts in the period of initial application.

1.2 Recognition of Income

Income is recognised in the accounts on the following bases:

- Income on investments is recognised as it accrues rather than on a cash received basis;
- Realised gains and losses on disposals or maturities of investments are taken to the Statement of Income and Expenditure in the period they arise; and
- Valuation gains and losses on securities are recognised in the same way as realised gains and losses and are included in the carrying value of those securities in the Statement of Financial Position. This reflects the nature of the holdings, which are held on behalf of third parties and can be ordered to be repaid at any time.

1.3 Valuation of Securities

All securities are designated as financial assets held at fair value through profit and loss, and are shown in the Statement of Financial Position at the market end-of-day mid-prices, which are provided to CFO directly by the stock exchange and the investment manager. If the investments were to be sold, they would only realise the bid price, which is lower than the mid-price. The difference between the mid-prices and bid prices is not material as the investments held are easily traded and is significantly less than 0.5% of value. The valuation method reflects the nature of the client holdings, which can be ordered to be repaid at any time and it would therefore be inappropriate to designate investment holdings as “Held to Maturity”.

1.4 Administrative Expenses

CFO administrative expenses are accounted for in the NICTS Agency Accounts. The element of these costs that are recovered by NICTS, and the charges levied by CRND are included in the Statement of Income and Expenditure.

1.5 Foreign Currency Transactions

Items included in the statement of accounts are measured using UK Sterling, which is the functional and presentational currency.

Foreign exchange gains and losses resulting from re-valuations are taken to the Statement of Income and Expenditure, but as the risk is borne by the clients a balancing transaction is reflected to adjust client holdings in the functional currency. In 2018-19, the level of foreign currency transactions was negligible.

2. Financial Risk Management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency). The CFO does not assume any financial risks in relation to its principal activity of holding funds in court, as the funds comprise solely of third party assets. The financial risks of investing in securities are borne by the clients.

The financial risks of providing the returns on deposit accounts are covered by a guarantee, on the basis that Section 39(2) of the Administration of Justice Act 1982 requires any surplus to be paid to the Northern Ireland Consolidated Fund, and Section 39(3) requires any deficits to be met by the Northern Ireland Consolidated Fund.

3. Interest Income

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Loans and Advances	638	386
Debt Securities	22	335
Total Interest Receivable	660	721
Less: Surplus payable to Northern Ireland Consolidated Fund	-	-
Total Interest Income	660	721

Debt Securities income comprises coupon interest in relation to gilt holdings held by CFO on behalf of clients. During 2018-19 and 2017-18 there were no other gilt holdings held by CFO.

4. Interest Due to Clients' Accounts

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Court Funds – Deposit Account	13	12
Court Funds – Investment Account	528	322
Total Interest Payable	541	334

5. Gains / (Losses) on Securities

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Gains/(Losses) on Client Security Holdings	8,898	(4,929)
Total Gains/(Losses) on Securities	8,898	(4,929)

6. Cash and Cash Equivalents

Cash and Cash Equivalents include balances held in bank accounts to meet the requirements for the day to day business of the office.

	31 March 2019	31 March 2018
	£000	£000
Sterling bank accounts	1,340	1,440
Cash and Cash Equivalent Holdings	1,340	1,440

7. Loans and Advances

Loans and Advances primarily represent call notice deposits placed with the Debt Management Office by the Commissioners for the Reduction of the National Debt.

	31 March 2019	31 March 2018
	£000	£000
Call Notice Deposits	106,034	97,108
Ways and Means Account	-	-
Loans and Advances Holdings	106,034	97,108

8. Debt Securities

Debt Securities comprise UK Government Gilts held on behalf of clients.

	31 March 2019		31 March 2018	
	Nominal	Market	Nominal	Market
	£000	Value	£000	Value
	£000	£000	£000	£000
Holdings held on behalf of clients	13	47	1,187	4,283
Total Debt Security Holdings	13	47	1,187	4,283
Maturity Analysis				
Maturing in less than 1 year	-	-	-	-
Maturing in more than 1 year but less than 5 years	13	47	1,187	4,283
Total Debt Security Holdings	13	47	1,187	4,283

9. Investment Securities

Investment Securities relate to holdings held by the Accountant General on behalf of clients and comprise:-

- holdings of stocks, shares and loan notes; and
- holdings of National Savings Certificates and Bonds.

	31 March 2019		31 March 2018	
	Holding 000's	Market Value £000	Holding 000's	Market Value £000
Stocks, Shares and Loan Notes	21,150	195,107	22,781	195,403
National Savings and Other Holdings	119	123	117	121
Total Investment Securities	21,269	195,230	22,898	195,524

Fair Value Hierarchy

The fair value of investments has been determined using the following hierarchy:

Category A: Where there is a quoted price for an identical asset in an active market at the reporting date.

Category B: Where such quoted prices are unavailable, the price of a recent transaction for an identical asset.

Category C: Where quoted prices are not available and recent transactions of an identical asset on their own are either unavailable or not good estimate of fair value.

The investment securities have been included at fair value within these categories as follows:

	Category A £000	Category B £000	Category C £000	Total £000
Investment Securities at 31 March 2019				
Stocks, Shares and Loan Notes	195,106	-	1	195,107
National Savings and Other Holdings	-	-	123	123
Total Investment Securities	195,106	-	124	195,230
Investment Securities at 31 March 2018				
Stocks, Shares and Loan Notes	195,402	-	1	195,403
National Savings and Other Holdings	-	-	121	121
Total Investment Securities	195,402	-	122	195,524

10. Other Assets**Receivables**

Receivables comprise of amounts due from the Consolidated Fund in accordance with Section 39(3) of the Administration of Justice Act 1982.

	31 March 2019 £000	31 March 2018 £000
Due from Consolidated Fund	-	20
Total Receivables	-	20

Accrued Income

Accrued income reflects interest that has been contractually earned but remains unpaid at the year end and dividends which have been declared and are due but which have not yet been received. It does not include unpaid dividends and distributions on stocks and shares where there is no contractual commitment to make such a distribution. The balance is comprised of the following elements:-

	31 March 2019 £000	31 March 2018 £000
Holdings with CRND		
Accrued Interest on Deposits	67	42
Total CRND Accrued Interest	67	42
Client Holdings		
Accrued Coupon Interest on Gilts	1	44
Dividends Due	315	397
Total Client Accrued Income	316	441
Total Accrued Income	383	483
Total Other Assets	383	503

11. Clients' Cash Account Balances

The cash balances for which the Accountant General is liable at the year end are:-

	31 March 2019 £000	31 March 2018 £000
Court Funds placed on Deposit Account	13,367	12,042
Court Funds placed on Investment Account	91,678	84,179
Unclaimed balances (see note 19)	758	757
Other monies	1,340	1,440
Total Cash Balances	107,143	98,418

Other monies include monies paid into court in satisfaction of a judgment, which are only transferred to the Deposit Account if not claimed within 21 days (Court of Judicature) or 28 days (county courts).

12. Client Holdings in Securities

	31 March 2019 £000	31 March 2018 £000
Debt Securities (see note 8)	47	4,283
Investment Securities (see note 9)	195,230	195,524
Accrued Income (see note 10)	316	441
Total Client Holdings in Securities	195,593	200,248

13. Other Liabilities : Payables

	31 March 2019 £000	31 March 2018 £000
Accumulated Reserves (see note 14)	75	50
Interest Accrued on Clients' Accounts	204	142
CFO Administrative Expenses	19	-
Total Other Liabilities : Payables	298	192

14. Accumulated Reserves

	31 March 2019 £000	31 March 2018 £000
Opening balance	50	31
Surplus for the year	25	(1)
Surplus payable to Northern Ireland Consolidated Fund (note 3)	-	-
Receipt due from Consolidated Fund (note 10)	-	20
Closing balance	75	50

Under section 39(2) of the Administration of Justice Act 1982, the accumulated reserves are ultimately payable to the Northern Ireland Consolidated Fund.

15. Clients' Receipts and Payments During Year

	Year ended 31 March 2019			Year ended 31 March 2018		
	Court of Judicature £000	County Courts £000	Total £000	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	60,484	37,934	98,418	69,354	40,013	109,367
Receipts from clients	33,489	12,605	46,094	32,605	12,981	45,586
Sales of securities	21,164	1,962	23,126	60,318	337	60,655
Dividends and interest received	4,356	42	4,398	4,426	52	4,478
Total Receipts	59,009	14,609	73,618	97,349	13,370	110,719
Payments to clients	(41,102)	(11,279)	(52,381)	(42,512)	(11,857)	(54,369)
Cost of securities	(11,099)	(1,892)	(12,991)	(67,294)	(279)	(67,573)
Total Payments	(52,201)	(13,171)	(65,372)	(109,806)	(12,136)	(121,942)
Interest credited to client accounts	276	203	479	182	92	274
Transfers between Court of Judicature and county courts	1,657	(1,657)	-	3,405	(3,405)	-
Closing Balance	69,225	37,918	107,143	60,484	37,934	98,418

16. Movement in clients' securities

	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	198,147	2,101	200,248
Purchase of securities	11,099	1,892	12,991
Sale of securities	(21,164)	(1,962)	(23,126)
Net transfers in/(out)	(3,293)	-	(3,293)
Movement in market value	8,815	83	8,898
Movement in accrued income	(112)	(13)	(125)
Closing balance	193,492	2,101	195,593

17. Financial instruments

The principal activity of the CFO is to hold funds in court on behalf of clients. Funds are held in either an interest bearing bank account or in liquid investments as recommended by the contracted investment manager. Highly liquid holdings are held in order to meet cash flows as they fall due and to generate income that is sufficient to meet the interest obligations to clients.

18. Contingent liabilities

As at 31 March 2019, there were no contingent liabilities.

19. Unclaimed balances

CFO holds a number of accounts that are classified as unclaimed in accordance with rule 55 of the Court Funds Rules (Northern Ireland) 1979. These accounts relate to funds in court where no transactions, other than the credit of annual interest, have been processed for the specified number of years. Before an account is classified as unclaimed, CFO makes all reasonable efforts to facilitate the transfer of the funds to their beneficial owner. To reduce the risk of current and future cases being classified as unclaimed, CFO maintains contact with the guardians and controllers of those with funds in court throughout the life of the case.

Included within the unclaimed balances disclosed in note 11, there are two categories of funds. These are:

1) those cases for which the details are known, but the beneficiary of the funds in court has not been able to be traced -

	31 March 2019			31 March 2018		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	305,141	67,027	372,168	305,141	67,027	372,168

2) those cases for which the details are unknown –

	31 March 2019			31 March 2018		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	75,080	4,836	79,916	75,080	4,836	79,916
Equities	15,828	-	15,828	12,630	-	12,630

Interest and dividends received since 1995 have been pooled for practical reasons, pending allocation to a specific case when a genuine claim is received and paid out. The total pooled balance of interest and dividends is -

	31 March 2019			31 March 2018		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	231,998	73,807	305,805	230,822	73,659	304,481

Total unclaimed funds at the year end are:

- Monies on deposit of £757,889
- Equities valued at £15,828

NICTS publishes details of unclaimed balances held by CFO on its website.

20. Events after reporting period

There were no material events after the reporting period.

The Accountant General authorised these financial statements for issue on 11 February 2020.

Appendix A

Portfolio factsheets

Balanced Growth Portfolio

Factsheet as at 31 March 2019

Objective

The objective of the Balanced Growth investment strategy is to achieve long-term capital growth by investing in a balanced portfolio of domestic and international equities, fixed interest securities and alternative investments.

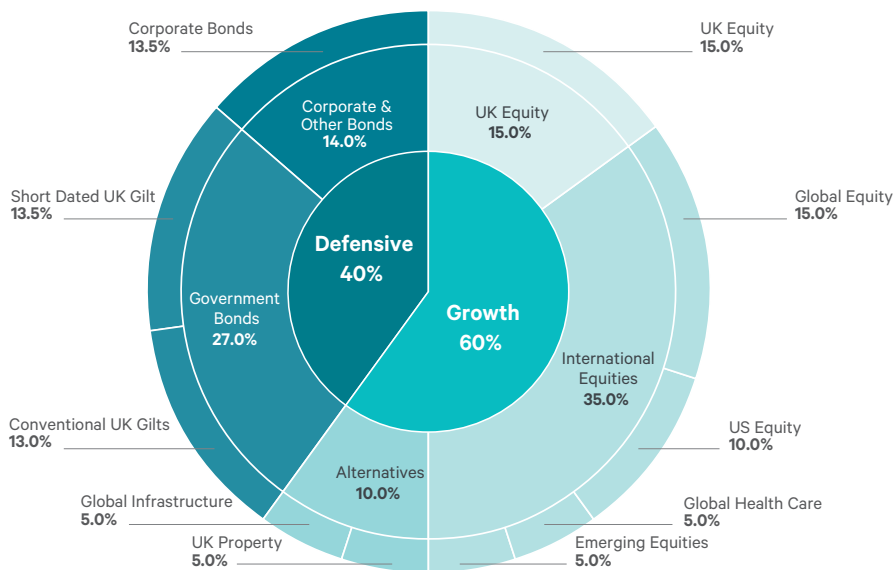
The Balanced Growth investment strategy aims to achieve a return in excess of inflation, while seeking to achieve a balance between stability of returns and capital appreciation.

Performance to 31/03/2019	6 Months	1 Year	2 Year	Since Inception 01/07/13
Balanced Growth Portfolio*	0.3%	7.2%	6.3%	49.0%
ARC Sterling Balanced Asset PCI Index	-1.6%	2.4%	3.2%	27.6%
FTSE UK PI Income Index TR	0.8%	6.2%	7.8%	46.9%

Annual Performance	2014	2015	2016	2017	2018
Balanced Growth Portfolio*	10.6%	2.5%	15.5%	6.6%	-3.4%

* Source: FE Analytics and figures are gross of fees.

Asset Allocation



Portfolio Facts at a Glance

Objective	Balanced Growth
Risk Profile	Medium to High
Target Return	4-5%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.24%
Yield	1.86%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings

	Weighting (%)
Equities	50.0
UK Equities	15.0
iShares CORE FTSE100 UCITS ETF	5.0
SSGA SPDR FTSE UK all shares UCITS ETF	10.0
International Equity	35.0
iShares MSCI WORLD ETF	15.0
iShares S&P 500 UCITS ETF	10.0
SSGA SPDR MSCI World Health Care UCITS ETF	5.0
iShares EM IMI UCITS ETF	5.0
Bonds	40.0
Government Bonds	26.5
Lyxor UK GILTS	13.0
Lyxor UK GILTS 0-5	13.5
Corporate & Other Bonds	13.5
iShares Corp BD UCITS ETF	13.5
Alternatives	10.0
Property	5.0
iShares UK Property UCITS ETF	5.0
Other Alternatives	5.0
HICL Infrastructure Company LD ORD 0.01P	5.0
Cash	0.0
Cash	0.0
Total	100.0

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Cautious Growth Portfolio

Factsheet as at 31 March 2019

Objective

The objective of the Cautious Growth investment strategy is to achieve a rate of return in excess of inflation while seeking to minimise volatility of returns by investing in a diversified portfolio of predominantly defensive assets.

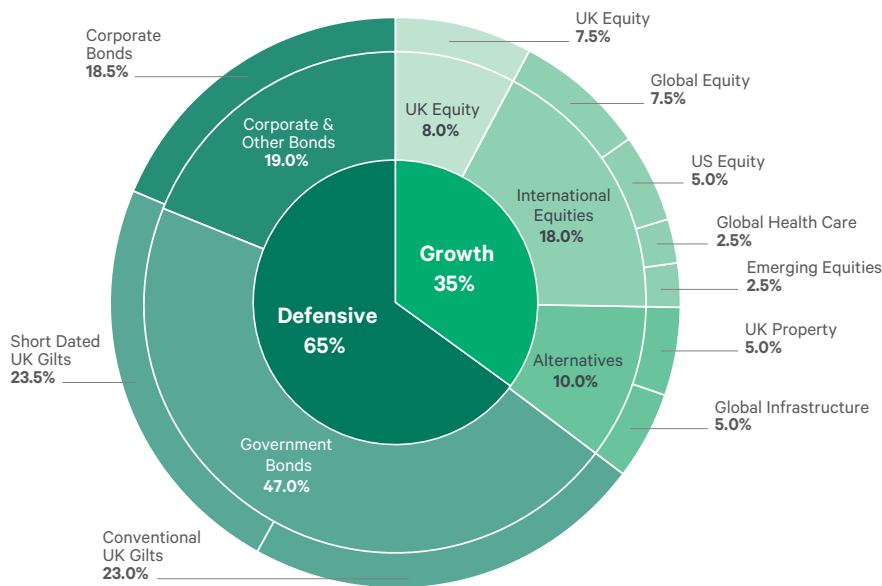
The Cautious Growth investment strategy aims to mitigate the impact of inflation by adopting a low to moderate risk mandate.

Performance to 31/03/2019	6 Months	1 Year	2 Year	Since Inception 01/07/13
Cautious Growth Portfolio*	1.5%	5.2%	4.6%	32.8%
ARC Sterling Cautious Asset PCI Index	-1.0%	0.9%	1.6%	17.6%
FTSE UK PI Conservation Index TR	1.8%	5.2%	6.6%	41.2%

Annual Performance	2014	2015	2016	2017	2018
Cautious Growth Portfolio*	8.9%	1.0%	10.9%	4.4%	-2.3%

* Source: FE Analytics and figures are gross of fees.

Asset Allocation



Portfolio Facts at a Glance

Objective	Cautious Growth
Risk Profile	Low to Medium
Target Return	3-4%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.21%
Yield	1.86%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings

	Weighting (%)
Equities	25.0
UK Equities	7.5
iShares CORE FTSE100 UCITS ETF	4.0
SSGA SPDR FTSE UK all shares UCITS ETF	3.5
International Equity	17.5
iShares MSCI WORLD ETF	7.5
iShares S&P 500 UCITS ETF	5.0
SSGA SPDR MSCI World Health Care UCITS ETF	2.5
iShares EM IMI UCITS ETF	2.5
Bonds	65.0
Government Bonds	46.5
Lyxor UK GILTS	23.0
Lyxor UK GILTS 0-5	23.5
Corporate & Other Bonds	18.5
iShares Corp BD UCITS ETF	18.5
Alternatives	10.0
Property	5.0
iShares UK Property UCITS ETF	5.0
Other Alternatives	5.0
HICL Infrastructure Company LD ORD 0.01P	5.0
Cash	0.0
Cash	0.0
Total	100.0

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Preservation Portfolio

Factsheet as at 31 March 2019

Objective

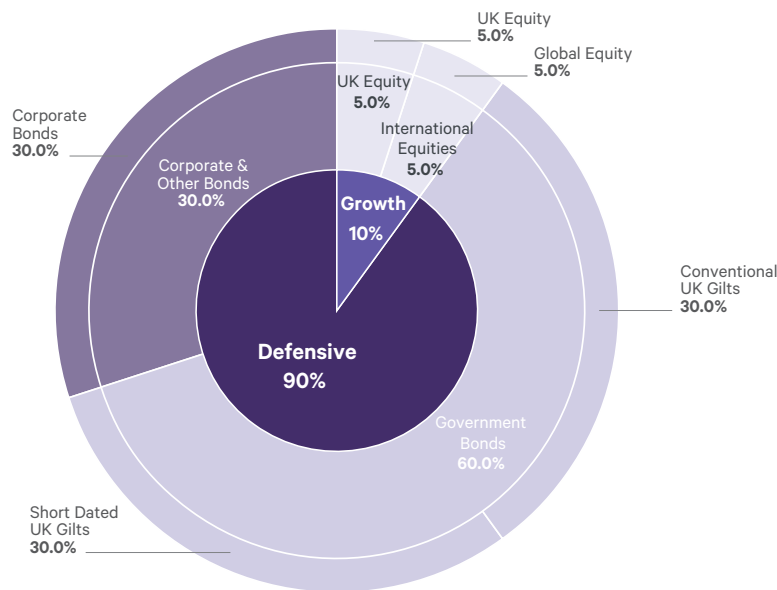
The objective of the Preservation investment strategy is to protect the value of capital and aims to achieve a long term return in line with inflation by investing predominantly in a portfolio of defensive/low risk assets.

Performance to 31/03/2019	6 Months	1 Year	2 Year	Since Inception 01/07/13
Preservation Portfolio*	2.9%	3.4%	3.7%	18.3%

Annual Performance	2014	2015	2016	2017	2018
Preservation Portfolio*	6.1%	-0.8%	7.2%	2.5%	-1.2%

* Source: FE Analytics and figures are gross of fees.

Asset Allocation



Portfolio Facts at a Glance

Objective	Preservation
Risk Profile	Low to Medium
Target Return	2-3%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Liquidity	Target Return 2-3%
Third Party Total Expense Ratio	0.14%
Yield	1.73%
Geography	Global (Primarily UK)

Current Portfolio Holdings

	Weighting (%)
Equities	10.0
UK Equities	5.0
SSGA SPDR FTSE UK all shares UCITS ETF	5.0
International Equity	5.0
iShares MSCI WORLD ETF	5.0
Bonds	90.0
Government Bonds	60.0
Lyxor UK GILTS	30.0
Lyxor UK GILTS 0-5	30.0
Corporate & Other Bonds	30.0
iShares Corp BD UCITS ETF	30.0
Alternatives	0.0
Alternatives	0.0
Cash	0.0
Cash	0.0
Total	100.0

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