

JUDICATURE (NORTHERN IRELAND) ACT 1978

Funds in Court in Northern Ireland

Statement of Accounts 2016-2017

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 2017 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

8th February 2018



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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 2017.

Foreword by the Accountant General

I present the Statement of Accounts for Funds in Court in Northern Ireland for the year ended 31 March 2017. I was appointed to the role of Accountant General of the Court of Judicature of Northern Ireland from 1 February 2017 and I would like to take this opportunity to thank my predecessor, Ronnie Armour, for the work he did during his time in the role and to wish him well for the next stage in his career.

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 2017, a total of £317m was held in court.

The year saw significant change within the office as the ongoing programme of modernisation progressed. During the year:

- a new IT system was implemented, going live in June 2016. The subsequent reorganisation of staff resources within the office resulted in significant efficiencies being generated.
- a new cost recovery mechanism was implemented in January 2017. After a public consultation in 2015, a proposal to introduce a fee structure within the office was presented to the Justice Committee. Subsequently, the necessary legislation was put in place to allow fees to be charged to clients of CFO from January 2017. This is expected to generate income towards the CFO running costs in excess of £700,000 per year, which eases a significant pressure on the NICTS budget. A cornerstone of the new legislation is to ensure that an award made to a minor is not eroded by fees charged, so cost recovery is achieved, but not at the expense of a minor's award.
- the governance of the office has been further enhanced with the appointment of an independent investment advisor from April 2017. This meets one of the key recommendations of a Northern Ireland Audit Office (NIAO) Value for Money (VFM) Report published in 2014.

In closing, I would like to thank the staff of CFO for their commitment and hard work during the year, which was a period of significant change. 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 2017 the rates were as follows:

- Deposit account 0.30% (to 25 September 2016)
 0.10% (from 26 September 2016)
- Short term investment account 0.50% (to 25 September 2016)
 0.25% (from 26 September 2016)

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 2016-17 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 2016-17:

Risk 1: Investment risk

Risk 2: The court may make poor investment decisions due to lack of expertise

Risk 3: Failure to progress outstanding NIAO VFM review or PAC recommendations

Risk 4: Inability to measure targets

Risk 5: Diminution of service standards due to reduction in resources

Risk 6: Data inconsistencies between separate IT applications

Risk 7: Fees not applied correctly

Performance Summary

Number of cases

The number of minor and patient cases with funds in court decreased from 12,892 at 31 March 2016 to 12,765 at 31 March 2017. During the year, a total of 1,654 minor and patient cases were paid out in full with funds being received for 1,527 new cases.

CFO operational performance

A number of performance targets relating to CFO were published in the NICTS Business Plan for 2016-17. The targets (and the performance achieved) are as follows:

Task	Measure of Performance	Target	Achieved
Transactions	All client purchase, sale and payment transactions will be completed within ten working days of receipt of the relevant documentation	95.0%	99.9%
Customer Services	Letters of confirmation that funds have been received by CFO will be issued within five working days of the receipt of funds (or notification of the appointment of a controller, if later)	95.0%	87.5%
Accounts	Draft accounts to be issued to Comptroller and Auditor General for Northern Ireland in line with statutory deadline	By 30/11/16	Issued 22/06/16

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 intend to carry out a public consultation and a document has been drafted for issue, but progressing this work will depend on the political institutions.

Court Funds Office IT system

During 2016-17, CFO implemented a new IT system to replace the bespoke software package that had been in use since 1995. Internal audits of CFO had previously reported in December 2012 and June 2014 that overall assurance was limited due to risks surrounding the IT system.

A supplier for the new system was procured through the government's Digital Marketplace and appointed in May 2015. A programme of development, testing and implementation was carried out and the new system went live in June 2016.

Recovery of CFO running costs

A new system of fee charging was implemented in CFO in January 2017 as the prior mechanism to fund CFO running costs from income is not sustainable in the current economic climate with interest rates at a historical low. As a result, the running costs of CFO have been met by NICTS.

It is expected that the fees will generate over £700,000 of income towards the running costs of CFO that are paid by NICTS. The fee structure will be reviewed each year to ensure that the fees remain at an appropriate level. Any shortfall between the income and costs is met by NICTS.

Performance Analysis

Results for the year

The results for the year are detailed on page 24 and show a deficit for the year of £64,000 (2015-16 deficit of £22,000).

As the Bank of England base rate reduced from 0.5% to 0.25% during the year, the fund has continued to report a deficit in 2016-17. As with 2015-16, the fund did not generate sufficient income to enable any of the running costs of CFO to be drawn down from the fund. However, the introduction of fees in January 2017 ensured that CFO clients made a partial contribution to the running costs. A total of £179,000 was payable to NICTS for the period to 31 March 2017. The deficit for the year has been offset against accumulated reserves brought forward.

DOF have agreed that a deficit caused after the deduction of interest payable to CFO clients and CRND management charges can be recovered from the Northern Ireland Consolidated Fund. In 2016-17, the amount recoverable totalled £42,000 (2015-16: £19,000) and this has been added to the reserves.

The accumulated reserves carried forward as at 31 March 2017 totalled £31,000. Under section 39(2) of the 1982 Act, all of the accumulated reserves are ultimately payable to the Northern Ireland Consolidated Fund.

Performance of client portfolio

Client income for the year, including interest allocated to their accounts, totalled £5.1m, equivalent to 1.6% of client holdings at year end (2015-16: £5.2m or 1.8%). 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 £292.1m to £316.9m during the year. Accounting for net payments to clients of £0.2m and net transfers of investments to clients of £3.0m, this represents an increase in value of £28.0m (9.6% of client holdings at the start of the year). The gain in valuation of securities held on behalf of clients was £22.9m (2015-16: loss £3.3m).

Table 1 shows the market value of cash and securities held on behalf of clients as at 31 March 2017 and 31 March 2016.

Table 1	Patients		Minors		Other funds	
	(£000's)		(£000's)		(£000's)	
	31/3/17	31/3/16	31/3/17	31/3/16	31/3/17	31/3/16
Cash Account Balances	34,384	33,906	62,694	58,488	12,289	12,476
Debt Securities	41,333	37,282	13,817	17,483	-	-
Investment Securities	125,404	102,776	26,143	28,860	-	-
Total	201,121	173,964	102,654	104,831	12,289	12,476

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 increased from £54.8m to £55.1m.

Due to the poor return on government gilts, the investment managers have 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 have recommended investment in exchange traded funds (ETFs) which hold a variety of investment grade corporate bonds.

Client holdings in investment securities increased from £131.6m to £151.5m. Sales and transfers out exceeded purchases by £2.6m, but the overall value of investment securities has increased significantly due to capital gains during the year. The total of £151.5m includes £23.3m worth of the ETFs with corporate bond holdings, purchased as a low risk alternative to government gilts.

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 1/4/16	37,282	102,776	17,483	28,860	186,401
Purchases	2,277	7,855	1,764	4,784	16,680
Sales	(2,538)	(9,799)	(1,160)	(2,778)	(16,275)
Net transfers in/(out)**	(88)	(642)	(946)	(1,364)	(3,040)
Internal transfers***	3,658	7,544	(3,658)	(7,544)	-
Gain/(Loss) in value	742	17,670	334	4,185	22,931
Closing value 31/3/17	41,333	125,404	13,817	26,143	206,697
% gain/(loss) in value*	1.9%	15.5%	2.1%	15.2%	11.7%

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

**Net transfers in/(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 31/3/2016	Index at 31/3/2017	Movement in index	% movement in index
Investment securities	FTSE All share	3,395.19	3,990.00	594.81	17.5%
	FTSE 100	6,174.90	7,322.92	1,148.02	18.6%
	FTSE All World (Ex UK)	277.60	362.28	84.68	30.5%
Debt securities	FTSE Fixed rate gilts up to 5 years	98.30	96.73	-1.57	-1.6%
	FTSE Fixed rate gilts 5-15 years	190.70	193.59	2.89	1.5%
	FTSE Index-linked gilts up to 5 years	309.84	316.69	6.85	2.2%
	FTSE Index-linked gilts 5-15 years	437.37	481.04	43.67	10.0%

The indices show that investment securities generally provided significant positive returns for the year. On average, the capital value of investment securities held by CFO have increased in value by around 15%, which is comparable with the returns recorded by the indices. Capital returns, particularly in international holdings, have been boosted by currency fluctuations during the year.

Gilt indices have recorded mixed returns for the year, with longer term fixed rate gilts and index-linked gilts recording positive returns. CFO gilt holdings are a mixture of index-linked and fixed rate investments, but are all short term in nature.

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 2016-17 resulted in a notional audit fee of £11,500 (2015-16: £12,000). 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*
22 January 2018

[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 2017
2. Outlook for the year ahead
3. Planned portfolio actions for the coming year

Review of investment markets

We highlighted two key themes in last year's 'Outlook for the year ahead':

- The uncertainty surrounding Brexit and the US Presidential election
- The threat of rising inflation with no commensurate rise in interest rates.

It is a fair assumption that when asked in Spring of 2016 what clients would do in the event that Britain left the EU and Donald Trump won the US election most would say that they would want their higher risk investments sold. It was therefore to many clients' surprise that the twelve months to 31 March 2017 were actually one of the strongest periods for portfolio returns over the last 5 years. Much of this return was driven by the fall in the value of the pound against both the dollar and the euro which boosted the value of investments made in these currencies. As clients may recall, we took the decision in 2013 to diversify portfolios away from the UK and into the US and Europe which has helped to generate these strong returns.

Equities (investments in companies) performed strongly in their own right. Corporate profits were relatively strong in many industry sectors and there was a general absence of significant economic difficulties during the period. These structural positives were coupled with increasing demand for equities as a result of a general move away from the low rates of return available on cash and other lower risk investments such as bonds.

Whilst the US has started to raise interest rates, rates in the UK continue to be historically low despite the significant rise in inflation; this creates difficulties for those investors who continue to hold cash balances or are exclusively invested in lower risk investments. One of the big surprises in 2016/17 was the returns generated by longer dated government bonds. A number of factors led to a very strong run into the autumn of 2016 which has recently begun to reverse. In an environment of rising inflation it will come as no surprise to investors that index linked government bonds have performed strongly.

2016/17 demonstrates why it is important to have a highly diversified portfolio and a disciplined approach to investment. It is very easy to get caught up in the general 'noise' that the media and financial markets can create. Having a highly diverse portfolio, which has the ability to perform under a variety of market conditions, coupled with a longer term disciplined approach can lead to better investor outcomes.

Outlook for the year ahead

Equity markets have performed strongly in the period to March 2017 and are now trading above their historic valuations. Lower interest rates, higher inflation, and stronger earnings are going some way to supporting valuations at these levels. It must be remembered however that equity returns experienced in 2016/17 are the exception and not the norm. We are currently comfortable with our allocation to equities though are keeping this exposure under close review. In any event, we rebalance client portfolios on an annual basis to help capture these returns on an ongoing basis.

The US economy continues to show signs of steady improvement. Unemployment now stands at just 4.4% which is consistent with full levels of employment. Inflation pressure is starting to build, albeit at a slower than expected pace, and wages are also rising. President Trump has announced his tax reform plan which should boost growth, while the Federal Reserve (Fed) have indicated that they will raise rates one more time in December and potentially 3 times in 2018. Overall the US economy is forecast to expand by 2.2% in 2017.

The performance of the European economy has surprised many on the upside; however unemployment remains high in southern European nations. Brexit still remains the key focus as negotiations continue. Growth in the UK has softened and inflation continues to rise. Mark Carney has indicated the possibility of a rate hike in the UK in coming months. The European Central Bank (ECB) have signalled that they will taper their Quantitative Easing (QE) program toward the end of the year but that interest rates will remain low for the foreseeable future. Economic forecasts indicate growth of 2.1% in 2017.

We would ultimately welcome higher interest rates and lower levels of inflation for client portfolios as under such circumstances we can invest in longer dated government bonds which will provide more predictable returns.

Whilst 2017 has started strongly we do not anticipate a similar level of returns this year as was experienced last year. Indeed we have reiterated that the exceptional level of returns generated in 2016/17 should be 'mentally banked' and provisioned for future years were the returns may be lower or, at times, even negative.

Planned portfolio actions

Every client's investments are individually managed towards the Davy Investment Team's 'best ideas' which are reflected in their portfolios. Since June 2013, when we were first appointed, we have transitioned portfolios towards what we believe to be an optimal asset mix, mindful of any tax or other implications this may have. We have now largely completed this exercise. We have conducted a further rebalancing exercise during 2017/18 given the exceptional run that client's equity holdings experienced in 2016/17. Whilst this may mean some clients will have capital gains tax liabilities in this tax year, we believe it is important to capture some of the excess return that equities have generated.

As the interest rate on fixed income has started to rise, we are extending the duration of our fixed income positions. We will continue this process until we feel interest rates have 'normalised'.

**Davy Private Clients
October 2017**

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*.

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 leadership 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 Acting 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

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 framework document and the agreed terms of reference. The framework document is published on the NICTS website.

The Board met on six occasions during 2016-17. 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 2016-17 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 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 2016-17. 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 Committee

The Audit and Risk Committee 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. This committee 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 Audit and Risk Committee operates in accordance with the Audit Committee Handbook which was published on 29 May 2013 and updated on 4 April 2016. The terms of reference for the Audit and Risk Committee are included in the framework document.

The Audit and Risk Committee met on four occasions during 2016-17. 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;
- Relevant Public Accounts Committee (PAC) Reports;
- Annual Reports and Accounts; 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 2016-17. Matters discussed include:

- Investment performance;
- The implementation of an alternative funding mechanism for CFO;
- The future role of CFO; and
- The NIAO Value for Money report and recommendations.

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 and considers resources, budget, business performance and operational issues, including CFO. SPG meets approximately fortnightly.

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 to 21.

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 *Managing Public Money Northern Ireland* (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 2017 and up to the date of approval of the annual report and accounts, and 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 Business Support Branch.

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. Risks are primarily identified through risk identification workshops; they are assessed in terms of their probability of occurrence and impact on the achievement of objectives and then scored and reported on accordingly. Responsibility for the management of each risk is assigned to a risk owner and recorded on the risk register along with controls in place to mitigate the risk or action plans in place to enhance the level of control. The updated risk registers record any movement of risks in terms of impact and probability of occurrence from one period to another and this enables an appreciation of how the risk has changed over time.

Risk management is considered formally by senior management through quarterly reviews of the corporate risk register and corporate plan monitoring reports. Senior management review, recommend and implement actions to manage the risks. 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.

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 line with DOJ policies. NICTS is represented on a number of departmental groups including the Information Risk Owner Council, Accreditation Panel and Security Managers' Forum.

Any incidents are reported and managed in line with established departmental guidance. During 2016-17 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 learnt and, where appropriate, existing processes amended.

Guidance and training was provided to all staff during 2016-17, including mandatory on-line training covering Information Assurance. In addition, further training was provided for Information Asset Owners.

Under the Fujitsu contract, NICTS was responsible for accrediting all aspects of the service – networks, infrastructure and systems. Due to the migration from Fujitsu to IT Assist in January 2016, the responsibility for 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.

As a consequence of the migration, the accreditation scope for NICTS systems has changed to reflect only the aspects of the service that relate to line of business systems, typically the operating system, database and application software. NICTS was obliged to carry out full accreditation of all systems, which means that none of the systems is currently accredited.

The accreditation process is currently underway. An independent IT health-check was carried out in November 2016 and a remedial action plan has been agreed to address the vulnerabilities identified. In the case of CFO (because this is a new system), a third party supplier has been engaged to complete a new set of Risk Management Accreditation Documents. The aim is to achieve accreditation for the CFO system by March 2018.

A series of unannounced clear desk inspections were completed across the NICTS estate.

NICTS continues to monitor and review the application of information assurance policies to ensure data is handled appropriately and that any associated risks are identified and managed.

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 Audit and Risk Committee concerning internal control, 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 operated, and continues to operate, to the Public Sector Internal Audit Standards. It submitted and will continue to submit 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 2015-16 report on CFO from the external auditors made one priority three recommendation, relating to the format of reports within the Statement of Accounts.

The Head of Internal Audit has provided overall Satisfactory Assurance over the NICTS systems based on the work carried out during the year. However, in relation to CFO, internal audit reports for 2011-12, 2013-14 and 2015-16 provided limited assurance only. This level of assurance was directly related to risks surrounding the IT system. With the implementation of a new IT system in June 2016, the audit carried out during 2016-17 provided overall Satisfactory Assurance.

NICTS Agency Board Effectiveness

Board effectiveness was evaluated in September 2014 with the outcome being that the Board is fulfilling its governance requirements. The next evaluation exercise is due to be completed during 2017-18. This was due to happen in 2016/17 but did not as NICTS is awaiting a revised format from the Department.

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.

Corporate Governance in Central Government Departments – Code of Good Practice

The Corporate Governance in Central Government Departments - Code of Good Practice (NI) 2013 was published by HM Treasury and applies to DOJ. NICTS has adopted key principles as best practice where appropriate. A review of the code has identified that NICTS is compliant with key principles which are considered applicable.

Significant internal control issues

Previously, the CFO IT system had been identified as a significant issue to CFO. 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 2016-17 as a result of the assurance activity.

Audit recommendations

There was one priority one Internal Audit recommendation outstanding that has now been addressed. This recommendation was in respect of the limited assurance reported from the 2012-13 Internal Audit review of CFO as a result of the risks surrounding the IT system. All outstanding recommendations are monitored by the Audit and Risk Committee every six months.

The 2015-16 report on CFO from the external auditors made one priority three recommendation, relating to the clarity of future accounts directions and the format of reports within the Statement of Accounts. This has been addressed in liaison with DOF and within this document.

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 is taking 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. The outstanding recommendations relate to the enhancement of governance structures and the progress of legislative reform. Work is ongoing to address these, within affordability boundaries, with a draft consultation document being prepared with a view to consulting on legislative reform, although the timing of this will 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 his professional opinion on the level of assurance that he can provide based on the work done. For the 2016-17 year he has provided overall Satisfactory Assurance on the NICTS systems, including the CFO systems.



P.LUNEY
*Accountant General of the
Court of Judicature of Northern Ireland*
22 January 2018

Table 4 – Membership and attendance at Agency Board for 2016-17

Member	Position	Meetings attended (out of 6)
Mr R Armour*	Chief Executive (Chair) (until 31 January 2017)	5
Mr P Luney**	Head of Court Operations (until 31 January 2017) Acting Chief Executive (Chair) (from 1 February 2017)	4
Mrs E Topping	Head of Tribunals and Enforcement (until 31 January 2017) Acting Head of Court Operations (from 1 February 2017)	6
Mr J Coffey	Acting Head of Tribunals and Enforcement (from 13 February 2017)	1
Ms S Hetherington	Head of Corporate Services	5
Mr C McKenna***	Non-Executive Director	6
Mr D A Lavery CB	DOJ Representative	3
The Honourable Mr Justice Deeny	Judicial Representative	5
His Honour Judge McFarland (Recorder of Belfast and Presiding County Court Judge)	Judicial Representative	2
District Judge Bagnall (Presiding District Judge (Magistrates Court))	Judicial Representative	4
Mr John Duffy (President of the Appeals Tribunal)	Judicial Representative	2

*Mr R Armour left NICTS on 31 January 2017.

**Mr P Luney was appointed as Acting Chief Executive from 1 February 2017.

***Mr C McKenna joined the Board in May 2011, with his contract extended in April 2014 to run until 31 March 2016. A one year extension was granted to Mr McKenna's contract to run until 31 March 2017. A further extension was granted to run until 30 September 2017.

Table 5 – Membership and attendance at Finance Committee for 2016-17

Member	Position	Meetings attended (out of 4)
Mr R Armour	Chief Executive (Chair) (until 31 January 2017)	2
Mr P Luney	Head of Court Operations (until 31 January 2017) Acting Chief Executive (Chair) (from 1 February 2017)	4
Mrs E Topping	Head of Tribunals and Enforcement (until 31 January 2017) Acting Head of Court Operations (from 1 February 2017)	3
Mr J Coffey	Acting Head of Tribunals and Enforcement (from 13 February 2017)	1
Ms S Hetherington	Head of Corporate Services	4
Mr C McKenna	Non-Executive Director	3
The Honourable Mr Justice Deeny	Judicial Representative	3

Table 6 – Membership and attendance at NICTS Audit and Risk Committee for 2016-17

Member	Position	Meetings attended (out of 4)
Mr C McKenna	Chair	4
Mr Justice Burgess	Judicial Representative	4
Mr G Wilkinson	Non-Executive Director	2

Table 7 – Membership and attendance at Judicial Liaison Group for 2016-17

Position	Member	Meetings attended (out of 4)
Lord Justice of Appeal (Chairperson)	The Rt. Hon. Lord Justice Weatherup	4
Accountant General (until 31/01/2017)	Mr R Armour	3
Accountant General (from 01/02/2017)	Mr P Luney	1
Master (Queen's Bench and Appeals)	Master McCorry	3
Master (Care and Protection)	Master Wells	4
District Judge	District Judge Duncan	4
County Court Judge	His Hon Judge Devlin	3
Acting Official Solicitor	Ms R Johnston	0
Head of Corporate Services	Ms S Hetherington	4
Deputy Accountant General	Mr R Ronaldson	4
Office of Care and Protection	Mr N Bloomer	1
Office of Care and Protection (for Mr N Bloomer)	Ms K Campbell	2
NICTS Non-Executive Director and independent member	Mr C McKenna	3
Independent member	Mr D Murphy	4
Independent member	Mr J French	1

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly

I certify that I have audited the financial statements of the Funds in Court in Northern Ireland for the year ended 31 March 2017 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.

Respective responsibilities of the Accountant General and auditor

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. 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. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Funds in Court in Northern Ireland 2016-17 and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Funds in Court in Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report, Investment Manager's Report and the Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

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.

Opinion on financial statements

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 2017 and of its deficit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 and Department of Finance directions issued thereunder.

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.

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 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 Department of Finance guidance.

Report

I have no observations to make on these financial statements.



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

1 February 2018

Statement of Income and Expenditure for the year ended 31 March 2017

	Note	Year Ended 31 March	
		2017	2016
		£000	£000
Income			
Interest Income	3	1,481	1,639
Interest Expense	4	(364)	(542)
Net Interest Income		1,117	1,097
Dividend Income		3,566	3,546
Gains/(Losses) Arising from Securities	5	22,931	(3,273)
Transfer to Client Holdings		(27,626)	(1,340)
Net (Deficit) / Income		(12)	30
Expenditure			
Administrative Expenses - CFO		-	-
Management Charges from CRND		(52)	(52)
Total Expenses		(52)	(52)
Deficit transferred from Reserves		(64)	(22)

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

Statement of Financial Position as at 31 March 2017

	Note	31 March	
		2017 £000	2016 £000
Assets			
Cash and Cash Equivalents	6	1,594	812
Loans and Advances	7	107,821	104,216
Debt Securities	8	55,150	54,765
Investment Securities	9	151,547	131,636
Other Assets	10	898	882
Total Assets		317,010	292,311
Liabilities			
Clients Cash Account Balances	11	109,367	104,870
Clients Holdings in Securities	12	207,530	187,219
Other Liabilities : Payables	13	113	222
Total Liabilities		317,010	292,311

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



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

22 January 2018

Statement of Cash Flows for the year ended 31 March 2017

	Note	Year Ended 31 March	
		2017 £000	2016 £000
Cash Flows from Operating Activities			
Net Loans and Advances repaid		(3,605)	17,451
Cost of Purchases of Securities	15	(16,680)	(60,610)
Proceeds from Sales of Securities	15	16,275	53,084
Interest Received		1,502	1,620
Receipt from the Consolidated Fund		19	50
Dividends Received		3,553	3,234
Expenses		(52)	(52)
Net Cash Inflow/(Outflow) from Operating Activities		1,012	14,777
Cash Flows from Client Cash Accounts			
Lodgements from Clients	15	50,825	39,592
Payments to Clients	15	(51,055)	(54,546)
Net Cash Inflow/(Outflow) from Client Cash Accounts		(230)	(14,954)
Net Increase/(Decrease) in Cash and Cash Equivalents		782	(177)
Cash and cash equivalents at 1 April		812	989
Cash and cash equivalents at 31 March		1,594	812

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 2017, 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:

- Interest 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 Income Statement in the period they arise; and
- Valuation gains and losses on securities are recognised in the Income Statement 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.

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. 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 the NICTS, and the charges levied by CRND are included in the Income Statement. Details of CFO running costs can be found on the NICTS website.

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 Income Statement, but as the risk is borne by the clients a balancing transaction is reflected to adjust client holdings in the functional currency. In 2016-17, 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 2017 £000	Year ended 31 March 2016 £000
Cash and Cash Equivalents	-	-
Loans and Advances	351	572
Debt Securities	1,130	1,067
Total Interest Receivable	1,481	1,639
Less: Surplus payable to Northern Ireland Consolidated Fund	-	-
Total Interest Income	1,481	1,639

Debt Securities income comprises coupon interest in relation to gilt holdings held by CFO on behalf of clients. During 2016-17 and 2015-16 there were no other gilt holdings held by CFO.

4. Interest Due to Clients' Accounts

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Court Funds – Deposit Account	21	38
Court Funds – Investment Account	343	504
Total Interest Payable	364	542

5. Gains / (Losses) on Securities

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Gains/(Losses) on Client Security Holdings	22,931	(3,273)
Total Gains/(Losses) on Securities	22,931	(3,273)

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 2017	31 March 2016
	£000	£000
Sterling bank accounts	1,594	812
Cash and Cash Equivalent Holdings	1,594	812

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 2017	31 March 2016
	£000	£000
Call Notice Deposits	107,820	104,216
Ways and Means Account	1	-
Loans and Advances Holdings	107,821	104,216

8. Debt Securities

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

	31 March 2017		31 March 2016	
	Nominal £000	Market Value £000	Nominal £000	Market Value £000
Holdings held on behalf of clients	31,428	55,150	31,918	54,765
Total Debt Security Holdings	31,428	55,150	31,918	54,765
Maturity Analysis				
Maturing in less than 1 year	2	2	2	2
Maturing in more than 1 year but less than 5 years	31,426	55,148	31,858	54,568
Maturing in more than 5 years	-	-	57	195
Total Debt Security Holdings	31,428	55,150	31,917	54,765

9. Investment Securities

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

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

	31 March 2017		31 March 2016	
	Holding 000's	Market Value £000	Holding 000's	Market Value £000
Unit Trust Holdings	-	-	-	-
Stocks, Shares and Loan Notes	21,267	151,429	21,957	131,482
National Savings and Other Holdings	113	118	105	154
Total Investment Securities	21,380	151,547	22,062	131,636

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 2017 £000	31 March 2016 £000
Due from Consolidated Fund	42	19
Total Receivables	42	19

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 2017 £000	31 March 2016 £000
Holdings with CRND		
Accrued Interest on Deposits	23	45
Total CRND Accrued Interest	23	45
Client Holdings		
Accrued Coupon Interest on Gilts	386	384
Dividends Due	447	434
Total Client Accrued Income	833	818
Total Accrued Income	856	863
Total Other Assets	898	882

11. Clients' Cash Account Balances

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

	31 March 2017 £000	31 March 2016 £000
Court Funds placed on Deposit Account	11,032	11,725
Court Funds placed on Investment Account	95,986	91,580
Unclaimed balances (see note 19)	755	753
Other monies	1,594	812
Total Cash Balances	109,367	104,870

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 2017 £000	31 March 2016 £000
Debt Securities (see note 8)	55,150	54,765
Investment Securities (see note 9)	151,547	131,636
Accrued Income (see note 10)	833	818
Total Client Holdings in Securities	207,530	187,219

13. Other Liabilities : Payables

	31 March 2017 £000	31 March 2016 £000
Accumulated Reserves (see note 14)	31	53
Interest Accrued on Clients' Accounts	82	169
CFO Administrative Expenses	-	-
Total Other Liabilities : Payables	113	222

14. Accumulated Reserves

	31 March 2017	31 March 2016
	£000	£000
Opening balance	53	56
(Deficit) / Surplus for the year	(64)	(22)
Surplus payable to Northern Ireland Consolidated Fund (note 3)	-	-
Receipt due from Consolidated Fund (note 10)	42	19
Closing balance	31	53

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 2017			Year ended 31 March 2016		
	Court of Judicature £000	County Courts £000	Total £000	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	68,305	36,565	104,870	86,028	36,490	122,518
Receipts from clients	36,156	14,669	50,825	28,003	11,589	39,592
Sales of securities	16,200	75	16,275	52,659	425	53,084
Dividends and interest received	4,619	63	4,682	4,221	58	4,279
Total Receipts	56,975	14,807	71,782	84,883	12,072	96,955
Payments to clients	(39,797)	(11,258)	(51,055)	(42,939)	(11,607)	(54,546)
Cost of securities	(16,430)	(250)	(16,680)	(60,199)	(411)	(60,610)
Total Payments	(56,227)	(11,508)	(67,735)	(103,138)	(12,018)	(115,156)
Interest credited to client accounts	291	159	450	381	172	553
Transfers between Court of Judicature and county courts	10	(10)	-	151	(151)	-
Closing Balance	69,354	40,013	109,367	68,305	36,565	104,870

16. Movement in clients' securities

	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	184,548	2,671	187,219
Purchase of securities	16,430	250	16,680
Sale of securities	(16,200)	(75)	(16,275)
Net transfers in/(out)	(3,040)	-	(3,040)
Movement in market value	22,752	179	22,931
Movement in accrued income	14	1	15
Closing balance	204,504	3,026	207,530

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 2017, there were no contingent liabilities.

19. Unclaimed balances

The 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 the 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 2017			31 March 2016		
	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 2017			31 March 2016		
	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	12,674	-	12,674	10,068	—	10,068

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 2017			31 March 2016		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	229,691	73,514	303,205	227,508	73,128	300,636

Total unclaimed funds at the year end are:

- Monies on deposit of £755,289
- Equities valued at £12,674

The NICTS publishes details of unclaimed balances held by CFO on their 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 1 February 2018.

Appendix A

Portfolio factsheets

Preservation Portfolio

Portfolio Factsheet to 31 March 2017



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 investments.

Commentary

The portfolio performed strongly in the period with both equities and corporate bonds recording very strong gains.

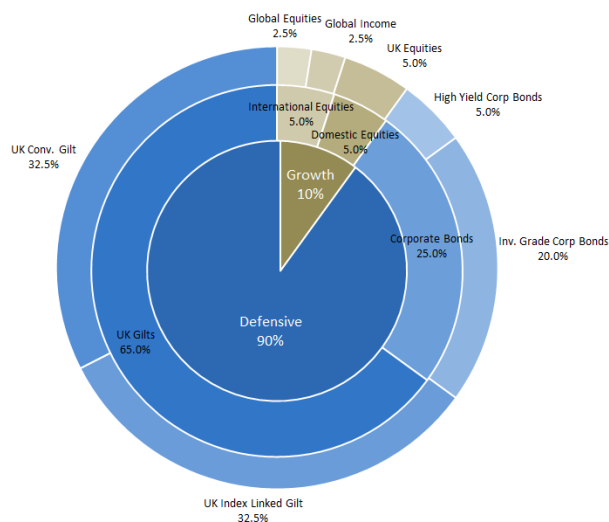
In terms of outlook we expect interest rates and inflation to rise over the medium term which is the key reason that the holdings within this portfolio are 'short duration'. Ideally, we expect government bond investments held in this portfolio to mature and be reinvested into the rising interest rate cycle.

We would caution investors that as inflation rises it will be increasingly difficult to keep pace with it unless there is a commensurate rise in interest rates.

Asset Allocation

Typically this portfolio would invest wholly in government bonds and investment grade and high yield corporate bonds.

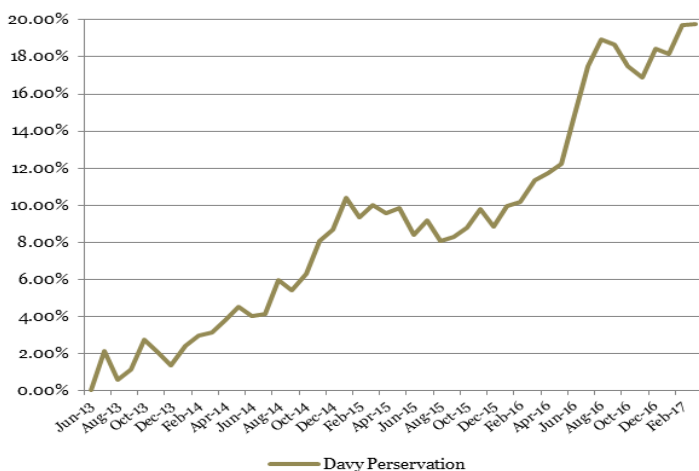
Given the low interest rate environment we tactically added a 10% weighting to higher risk investments for this portfolio to enhance the return (and risk) over the longer term.



Performance†** to 31/03/2017	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Preservation	0.97%	7.59%	19.79%
ARC PCI Index	n/a**	n/a**	n/a**
WMA (APCIMS) Index	n/a**	n/a**	n/a**

† Source: Davy and FE Analytics * gross of fees
** n/a as there is no applicable independent benchmark for this portfolio/risk mandate

Historic Performance



Past Performance is not a reliable guide to future performance. The value of investment may go down as well as up.

Current Portfolio Holdings

	Weighting %
Equities	10.0%
iShares FTSE 100 ETF	-
Edinburgh Investment Trust	2.5%
City of London Investment Trust	2.5%
iShares MSCI World Core ETF	2.5%
iShares S&P 500 ETF	-
STOXX Global Select Dividend ETF	2.5%
Bonds	90.0%
iShares iBoxx Corporate Bond	20.0%
City Merchants High Yield Investment Trust	5.0%
UK Treasury 2.0% 2020 Gilt	32.5%
UK Treasury 2.50% IL 2020 Gilt	32.5%
Alternatives	0.0%
Ruffer Total Return Investment Trust	-
iShares UK Property ETF	-
HICL Infrastructure Fund	-
Total	100.0%

J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange, the London Stock Exchange and Euronext. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request.

Cautious Growth

Portfolio Factsheet to 31 March 2017



Objective

The objective of the Cautious Growth investment strategy is to achieve a long term average return that potentially exceeds inflation. This is targeted by investing mainly in a portfolio of defensive/low risk investments that target returns in line with inflation, complemented with higher risk investments that target returns in excess of inflation.

Commentary

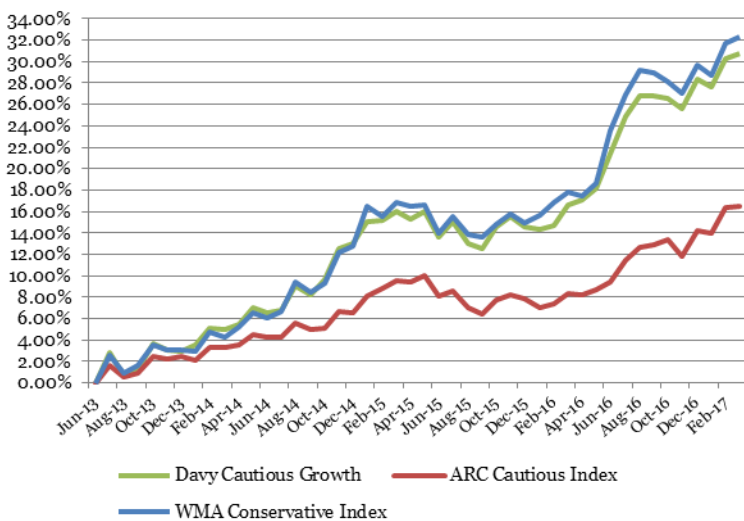
The portfolio performed strongly in the period primarily driven by equity returns in the UK and US. The fall in value of GBP versus major international currencies post 'Brexit' lead to a substantial rise in portfolio value in Summer 2016. The low interest rate environment coupled with good corporate earnings allowed the rally in equity markets to continue into 2017 further increasing returns.

2016/17 was exceptional with returns significantly ahead of target. Investors should 'mentally bank' these excess returns.

Performance†** to 31/03/2017	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Cautious Growth	3.07%	12.08%	30.72%
ARC Cautious PCI Index	3.26%	7.55%	16.54%
WMA (APCIMS) Conservative	2.62%	12.31%	32.29%

† Source: Davy and FE Analytics * gross of fees

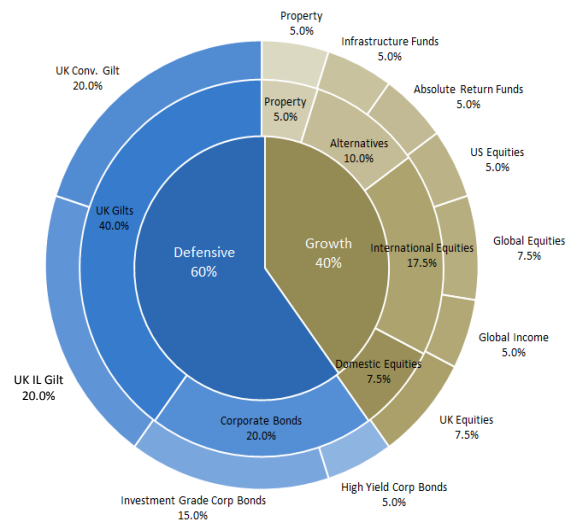
Historic Performance vs Benchmarks



Past Performance is not a reliable guide to future performance. The value of your investment may go down as well as up.

Asset Allocation

The long term strategic asset allocation for this portfolio is typically 65% in defensive investments and 35% in higher risk or growth investments. We tactically had an overweight position of 5% in higher risk investments as we deemed that they looked better value on a long term risk/reward basis.



Current Portfolio Holdings

	Weighting %
Equities	25.0%
iShares FTSE 100 ETF	4.0%
Edinburgh Investment Trust	3.5%
City of London Investment Trust	-
iShares MSCI World Core ETF	7.5%
iShares S&P 500 ETF	5.0%
STOXX Global Select Dividend ETF	5.0%
Bonds	60.0%
iShares iBoxx Corporate Bond	15.0%
City Merchants High Yield Investment Trust	5.0%
UK Treasury 2.00% 2020 Gilt	20.0%
UK Treasury 2.50% IL 2020 Gilt	20.0%
Alternatives	15.0%
Ruffer Total Return Investment Trust	5.0%
iShares UK Property ETF	5.0%
HICL Infrastructure Fund	5.0%
Total	100.0%

J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange, the London Stock Exchange and Euronext. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request.

Balanced Growth

Portfolio Factsheet to 31 March 2017



Objective

The objective of the Balanced Growth investment strategy is to achieve a long term average return sufficiently in excess of inflation to potentially provide an income and maintain capital in real terms. To achieve this, the portfolio is mainly invested in higher risk or growth investments but is complemented by a significant allocation to lower risk or defensive investments.

Commentary

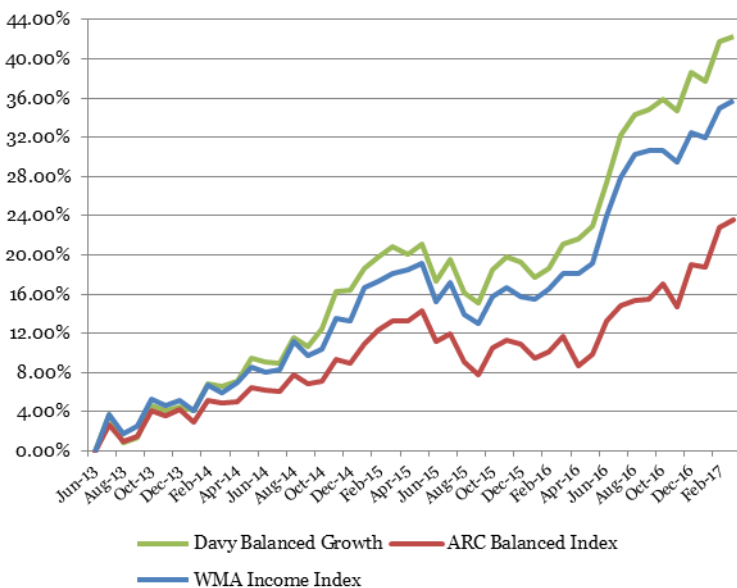
The portfolio performed strongly in the period primarily driven by equity returns in the UK and US. The fall in value of GBP versus major international currencies post 'Brexit' lead to a substantial rise in portfolio value in Summer 2016. The low interest rate environment coupled with good corporate earnings allowed the rally in equity markets to continue into 2017 further increasing returns.

2016/17 was exceptional with returns significantly ahead of target. Investors should 'mentally bank' these excess returns.

Performance ^{†*} to 31/03/2017	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Balanced Growth	5.17%	17.50%	42.25%
ARC Balanced PCI Index	6.53%	10.67%	23.61%
WMA (APCIMS) Income Index	3.72%	14.89%	35.72%

[†] Source: Davy and FE Analytics ^{*} gross of fees

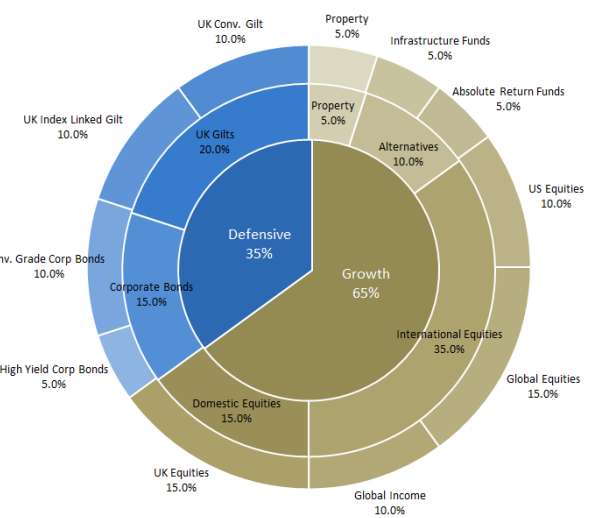
Historic Performance vs Benchmarks



Past Performance is not a reliable guide to future performance. The value of your investment may go down as well as up.

Asset Allocation

The long term strategic asset allocation for this portfolio is typically 45% in defensive investments and 55% in higher risk or growth investments. We tactically had an overweight position of 10% in higher risk investments as we deemed that they looked better value on a longer term risk/reward basis.



Current Portfolio Holdings

	Weighting %
Equities	50.0%
iShares FTSE 100 ETF	5.0%
Edinburgh Investment Trust	5.0%
City of London Investment Trust	5.0%
iShares MSCI World Core ETF	15.0%
iShares S&P 500 ETF	10.0%
STOXX Global Select Dividend ETF	10.0%
Bonds	35.0%
iShares iBoxx Corporate Bond	10.0%
City Merchants High Yield Investment Trust	5.0%
UK Treasury 2.00% 2020 Gilt	10.0%
UK Treasury 2.50% IL 2020 Gilt	10.0%
Alternatives	15.0%
Ruffer Total Return Investment Trust	5.0%
iShares UK Property ETF	5.0%
HICL Infrastructure Fund	5.0%
Total	100.0%

J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange, the London Stock Exchange and Euronext. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request.

