

JUDICATURE (NORTHERN IRELAND) ACT 1978

Funds in Court in Northern Ireland

Statement of Accounts 2017-2018

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 2018 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 2018.

Foreword by the Accountant General

I present the Statement of Accounts for Funds in Court in Northern Ireland for the year ended 31 March 2018.

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 2018, a total of £299m was held in court.

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

- 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.
- a procurement exercise was carried out to appoint an investment manager to provide investment services from 1 July 2018. This contract will run for an initial period of five years with options to extend for up to five more years. This longer contract period will allow the investment manager to fully implement their investment ideas over the longer term without the risk of a change in investment manager resulting in a change in strategy before the full benefits are realised.
- a consultation document has been drafted and shared with the Department for final approval with a view to carrying out a public consultation during 2018-19. NICTS 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.

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 2018 the rates were as follows:

- Deposit account 0.10%
- Short term investment account 0.25% (to 3 December 2017)
0.50% (from 4 December 2017)

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 2017-18 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 five risks appearing on the CFO Risk Register at the end of 2017-18:

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

Performance Summary

Number of cases

The number of minor and patient cases with funds in court increased from 12,765 at 31 March 2017 to 12,770 at 31 March 2018. During the year, a total of 1,513 minor and patient cases were paid out in full with funds being received for 1,518 new cases.

CFO operational performance

A number of performance targets relating to CFO were published in the NICTS Business Plan for 2017-18. 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%	98.0%
	Receipt transactions will be posted on the next working day after receipt in the bank in respect of direct credits	95.0%	99.8%
	Receipts will be posted within seven days of the Registrar's payment date in respect of dividends	90.0%	94.2%
Payments	Payments will be made within seven 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%	99.5%
	Regular payments will be made on or before the due date	95.0%	99.9%
Investments	Transactions will be completed within seven days of the relevant trade date in respect of sales and purchases of stock	98.0%	99.3%
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%	95.1%
Accounts	Draft accounts to be issued to Comptroller and Auditor General for Northern Ireland in line with statutory deadline	By 30/11/17	Issued 20/06/17

Modernisation of CFO

Governance of funds in court

To improve the governance over the funds in court, CFO appointed an independent investment advisor from April 2017. The independent advisor supports CFO in evaluating the performance of the contracted investment manager. This meets one of the key recommendations of a Northern Ireland Audit Office (NIAO) Value for Money (VFM) Report published in 2014.

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 and shared with DOJ for issue, but progressing this work will depend on the political institutions.

Land Purchase Account

The Land Purchase Account has origins in a series of Acts dating from 1870, where tenants in Ireland were assisted by Government loans to purchase the freehold title of the land they occupied. Responsibility for allocating and distributing the purchase money to vendors, mortgagees and other interested parties rested with the Land Purchase Commission, Northern Ireland from 1923 to 1937, but was transferred on 1 April 1937 to the Supreme Court of Judicature of Northern Ireland.

Section 56 of the Land Law (Ireland) Act 1881 (as modified by the Northern Ireland Land Purchase (Winding Up) (Adaptation) Order 1937; S.R.&O 1937 No.306) provided for the production and audit of the Land Purchase Account. The Land Purchase Commission, Northern Ireland was abolished by the Northern Ireland Land Purchase (Winding Up) Act 1935, section 6(1) of which provided for the transfer of a residue of administrative functions to HM Treasury. By virtue of the provisions of Section 6(2) of the 1935 Act, HM Treasury arranged with the Lord Chief Justice, Northern Ireland, for the performance of the accounting functions by the Accountant General of the Court of Judicature of Northern Ireland.

Up to the 2013-14 financial year, a separate account of the Land Purchase Account was prepared in accordance with a direction from DOF and subjected to audit. The account was prepared on a cash basis and properly presented the receipts and payments for the financial year and the balances held at the year end.

The Property (Northern Ireland) Order 1997 revoked the 1881 Act in its entirety, so there is no longer a legislative requirement to prepare a separate account, except as directed by DOF. It has recently been established that the funds held in the Land Purchase Account can be dealt with in the same manner as other funds held by the Accountant General and so are able to be incorporated into these accounts. As a result, the funds held in the Land Purchase Account with Bank of Ireland, totalling £315k, were transferred into the Funds in Court in March 2018.

Accounts Directions for the preparation of a separate Land Purchase Account were issued by DOF for the financial years 2014-15, 2015-16 and 2016-17. It has been agreed with DOF and NIAO that separate accounts for these years are not required, provided that the movement on the Land Purchase Account for each year is recorded separately in the Funds in Court Statement of Accounts for 2017-18. This is included in Note 21 on page 37.

Performance Analysis

Results for the year

The results for the year are detailed on page 26 and show a deficit for the year of £1,000 (2016-17 deficit of £64,000).

As the Bank of England base rate increased from 0.25% to 0.5% during the year, the fund reported a reduced deficit in 2017-18. As with 2016-17, 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 significant contribution to the running costs. A total of £683,000 was payable to NICTS for the year to 31 March 2018. 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 2017-18, the amount recoverable totalled £20,000 (2016-17: £42,000) and this has been added to the reserves.

The accumulated reserves carried forward as at 31 March 2018 totalled £50,000. 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 £4.4m, equivalent to 1.5% of client holdings at year end (2016-17: £5.1m or 1.6%). 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 decreased from £316.9m to £298.7m during the year. Accounting for net payments to clients of £8.8m and net transfers of investments to clients of £8.9m, this represents a decrease in value of £0.5m (0.1% of client holdings at the start of the year). The loss in valuation of securities held on behalf of clients was £4.9m (2016-17: gain £22.9m).

Table 1 shows the market value of cash and securities held on behalf of clients as at 31 March 2018 and 31 March 2017.

Table 1	Patients		Minors		Other funds	
	(£000's)		(£000's)		(£000's)	
	31/3/18	31/3/17	31/3/18	31/3/17	31/3/18	31/3/17
Cash Account Balances	32,692	34,384	52,489	62,694	13,237	12,289
Debt Securities	797	41,333	3,486	13,817	-	-
Investment Securities	161,275	125,404	34,249	26,143	-	-
Total	194,764	201,121	90,224	102,654	13,237	12,289

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 £55.1m to £4.3m. In September 2017, most existing direct gilt holdings were sold and replaced with investments 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 increased from £151.5m to £195.5m. Sales and transfers out exceeded purchases by £2.0m, with the overall value of investment securities falling by a further £4.9m due to a reduction in the capital value of the assets. The total of £195.5m includes £22.8m worth of the ETFs with corporate bond holdings and £54.8m 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)	(£000's)
Opening value 1/4/17	41,333	125,404	13,817	26,143	206,697
Purchases	-	50,667	-	16,906	67,573
Sales	(39,984)	(9,626)	(9,898)	(1,147)	(60,655)
Net transfers in/(out)**	(532)	(4,432)	-	(3,915)	(8,879)
Internal transfers***	269	3,055	(269)	(3,055)	-
Gain/(Loss) in value	(289)	(3,793)	(164)	(683)	(4,929)
Closing value 31/3/18	797	161,275	3,486	34,249	199,807
% gain/(loss) in value*	(1.4)%	(2.6)%	(1.9)%	(2.3)%	(2.4)%

*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 31/3/2017	Index at 31/3/2018	Movement in index	% movement in index
Investment securities	FTSE All share	3,990.00	3,894.17	-95.83	-2.4%
	FTSE 100	7,322.92	7,056.61	-266.31	-3.6%
	FTSE All World (Ex UK)	362.28	359.50	-2.78	-0.8%
Debt securities	FTSE Fixed rate gilts up to 5 years	96.73	92.84	-3.89	-4.0%
	FTSE Fixed rate gilts 5-15 years	193.59	186.99	-6.60	-3.4%
	FTSE Index-linked gilts up to 5 years	316.69	309.38	-7.31	-2.3%
	FTSE Index-linked gilts 5-15 years	481.04	472.68	-8.36	-1.7%

The indices show that investment securities generally provided negative capital returns for the year. On average, the capital value of investment securities held by CFO has decreased in value by around 2.6%, which is comparable with the returns recorded by the indices.

Gilt indices have also recorded negative returns for the year, with longer term gilts recording slightly less of a reduction than the equivalent short term gilts. 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 short 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 11. 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 2017-18 resulted in a notional audit fee of £11,500 (2016-17: £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*
24 January 2019

[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 2018
2. Outlook for the year ahead
3. Planned portfolio actions for the coming year

Review of investment markets

Our most recent '*Outlook for the year ahead*' highlighted three key themes for 2017/18:

- The US and Eurozone economies would continue to experience growth and inflation would begin to rise, specifically in the US
- In order to address this, it was likely that interest rates in the US would begin to rise and 'Quantitative easing' in Europe would be tapered
- That the high levels of returns in 2016/17, would not be repeated despite a strong start in 2017/18 and should be 'mentally banked' for those periods where returns would be lower or even negative

Having reviewed the returns on pages 8 and 9, all main benchmarks across a range of asset classes were negative, with government gilts experiencing the biggest decline. This may come as a surprise to many investors given that normally government gilts are classed as one of the lowest risk investments. However the rate of return on government gilts has been abnormally low for nearly 10 years and a correction, that is a fall in price of these securities, was required to increase the yield. This rise in yield has been accelerated by the continued strength of the global economy, primarily in the US, which has increased inflation and prompted the US Federal Reserve to raise rates and forecast more rate hikes in the near future.

Equities also delivered negative returns in the period albeit coming off a very high base from March 2017. Equities performance was surprisingly strong in the period to January 2018, given the caution we expressed in last year's outlook. For much the same reason as the decline in government bonds, the decline in equities started with a US employment report in January 2018 which highlighted that wage inflation was increasing faster than expected. This coincided with continued geo - political uncertainty primarily centred on Korea leading to one of the sharpest and fastest 10% equity market falls in recent history. It is important to note that prior to this, equity markets had gone for over 400 days without a 5% fall – the longest streak since 1929.

Equity markets bottomed at the end of March – coinciding with the end of this reporting period. The combination of falling bonds and equities contributed to each of the portfolios being slightly down over the reporting period with the average portfolio down around 1% in the 12 month period. Unfortunately, in an environment where all major equity and bond markets are down it is inevitable that the portfolios would struggle. Reducing exposure to the UK equity market from 2013 onwards, a key feature of our investment strategy, did provide some protection with the international equity markets including the US and Europe outperforming the FTSE 100 and Allshare.

Outlook for the year ahead

2018/19 portfolio performance has started strongly with the losses experienced in portfolios to March 2018 being reversed. At time of writing, portfolios are up between 2.69% for the Cautious Portfolio and 5.01% for the Balanced Portfolio. These returns are broadly in line with our annual targeted returns, if these returns can be maintained to March 2019 it would be a broadly satisfactory year after a relatively flat 2017/18.

The global economy continues to grow with significant pickups experienced in both the US and the Eurozone. The UK continues to lag mainly due to the uncertainty surrounding Brexit, with many investors, consumers and businesses deferring or cancelling planned expenditure until greater certainty emerges. We believe we are now moving into the later stages of the current economic cycle. Having hit a 'soft patch' in 2015/16 the cycle is beginning to accelerate due to a flattening yield curve, improved corporate profitability and rising confidence indicators.

Geo – politics in the Middle East, Korea and Italy have recently taken centre stage and will continue to test investors' nerves at a time of elevated valuations. Against this backdrop Central Banks continue with the withdrawal of monetary stimulus with any miscalculation potentially having damaging effects on the economy. The lesson from recent years is that while all these issues can create turbulence in the short term ultimately the market takes its direction from the economic fundamentals and the business cycle. There may still be two to three years of the current economic cycle remaining but the later we move into this the less room there is for error, we therefore think it is prudent to ensure that investors remain sufficiently diversified to mitigate against any sharp and sudden pull backs.

In summary, as long as economic momentum stays strong and corporate profitability high, two out of the three key drivers for portfolio performance remain in place. Higher valuations will put a cap on how much higher they can get from here, but once the macroeconomic and profit backdrop remain in place any setback will lower prices and bring valuations back towards their long term average. While inflation is expected to rise, asset prices should be supported by this stronger corporate backdrop. However, we think investors should factor in more speedbumps like the one we've just seen as the cycle matures.

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 will be conducting a further rebalancing exercise during 2018/19 looking specifically at reducing our exposure to investment trusts and introducing some new themes to enhance diversification in portfolios. Whilst this may mean some clients will have capital gains tax liabilities in this tax year, we believe it is important to continue to diversify and identify investments that can perform in the later stages of the economic cycle.

Davy Private Clients June 2018

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 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 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 2017-18, 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 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 2017-18 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 2017-18 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 2017-18. 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 1 April 2018. The terms of reference for the Audit and Risk Committee are included in the framework document.

The Audit and Risk Committee met on five occasions during 2017-18. 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; 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 five occasions during 2017-18. Matters discussed include:

- Investment performance;
- The fee regime implemented in CFO from January 2017;
- 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 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 20 to 22.

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 2018 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 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 Audit and Risk Committee 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.

Managing the risk of fraud

NICTS complies with the DOJ Anti-Fraud and Anti-Bribery Policy and Response Plan and the DOJ Whistleblowing Policy. A fraud log is maintained and presented periodically to NICTS Audit and Risk Committee and updates are provided to Departmental Audit and Risk Committee.

Any new regulations or best practice guidance issued from DOJ, DOF or NIAO is considered.

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.

Any incidents are reported and managed in line with the DOJ Security Incident Reporting Policy. During 2017-18 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.

NICTS is represented at the DOJ GDPR Coordinators Group which is a sub-group of the Information Risk Owners' Council. The NICTS GDPR Co-ordinator is responsible for delegating GDPR implementation tasks within the Agency arising mostly from the NICS work programme. Progress updates on NICTS preparations for GDPR are provided to the Audit and Risk Committee and the Agency Board.

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. NICTS is currently working to accredit all specific line of business systems. NICTS has been granted interim accreditation for the CFO systems.

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 2016-17 report on CFO from the external auditors made one priority two recommendation, relating to the application of delegated authority limits.

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 2017-18 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 was expected to be completed during 2017-18, however as there has been significant change at Board level throughout the year it was considered it would be more appropriate to carry out a Board effectiveness review in early 2018-19.

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 2017-18 as a result of the assurance activity.

Audit recommendations

There was one priority three Internal Audit recommendation from the 2017-18 report that has now been addressed. This recommendation was in respect of documentation being scanned and filed to the correct client account. All outstanding recommendations are monitored by the Audit and Risk Committee every six months.

The 2016-17 report on CFO from the external auditors made one priority two recommendation, relating to the application of delegated authority limits. This has been addressed.

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 of these recommendations is in relation to establishing the 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 is well-developed and it is hoped to issue this later in 2018-19. It is expected that full implementation of the recommendations will require legislative reform, so is 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 that she can provide based on the work done. For the 2017-18 year she 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*
24 January 2019

Table 4 – Membership and attendance at Agency Board for 2017-18

Member	Position	Meetings attended (out of 4)
Mr P Luney	Acting Chief Executive (Chair)	4
Mrs E Topping	Head of Court Operations	3
Mr J Coffey	Acting Head of Tribunals and Enforcement	3
Ms S Hetherington	Head of Corporate Services	4
Ms N Lappin*	Non-Executive Member	2
Mr G Dalton**	Non-Executive Member	2
Mr C McKenna***	Non-Executive Member	2
Mr D A Lavery CB	DOJ Representative	3
The Right Honourable Lord Justice Deeny	Judicial Representative	2
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 J Duffy (President of the Appeals Tribunal)	Judicial Representative	4

* Ms Nicole Lappin joined the Board in October 2017 under a 3 year contract which will expire on 30 September 2020, with the possibility of a one year extension.

** Mr Graham Dalton joined the Board in October 2017 under a 3 year contract which will expire on 30 September 2020, with the possibility of a one year extension.

*** Mr Colm McKenna resigned from the Board on 30 September 2017.

Table 5 – Membership and attendance at Finance Committee for 2017-18

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

* Mr Graham Dalton joined the Board in October 2017 under a 3 year contract which will expire on 30 September 2020, with the possibility of a one year extension.

** Mr Colm McKenna resigned from the Board on 30 September 2017.

Table 6 – Membership and attendance at NICTS Audit and Risk Committee for 2017-18

Member	Position	Meetings attended (out of 5)
Ms N Lappin*	Chair (from 1 October 2017)	3
Mr C McKenna**	Chair (to 30 September 2017)	2
Mr Justice Burgess	Judicial Representative	4
Mr G Wilkinson	Non-Executive Member	3

* Ms Nicole Lappin joined the Board in October 2017 under a 3 year contract which will expire on 30 September 2020, with the possibility of a one year extension.

** Mr Colm McKenna resigned from the Board on 30 September 2017.

Table 7 – Membership and attendance at Judicial Liaison Group for 2017-18

Position	Member	Meetings attended (out of 5)
Lord Justice of Appeal (Chairperson) (to 4 September 2017)	The Rt. Hon. Lord Justice Weatherup	2
High Court Judge (Chairperson) (from 5 September 2017)	The Hon. Mr Justice Maguire	3
Accountant General	Mr P Luney	4
Master (Queen's Bench and Appeals)	Master McCorry	4
Master (Care and Protection)	Master Wells	4
District Judge	District Judge Duncan	4
County Court Judge	His Hon Judge Devlin	1
Acting Official Solicitor (to 19 November 2017)	Ms R Johnston	0
Official Solicitor (from 20 November 2017)	Ms Mairead Holder	1
Head of Corporate Services	Ms S Hetherington	5
Deputy Accountant General	Mr R Ronaldson	5
Office of Care and Protection	Mr N Bloomer	4
Office of Care and Protection (for Mr N Bloomer)	Ms K Campbell	1
NICTS Non-Executive Member and independent member	Mr C McKenna	5
Independent member (to 30 April 2017)	Mr D Murphy	1
Independent member	Mr J French	4
Independent member (Allenbridge) (from 1 April 2017 to 30 September 2017)	Ms D Wilde	2
Independent member (Allenbridge) (from 1 October 2017)	Mr J Arthur	2

Funds in Court in Northern Ireland 2017-18

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 2018 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 2018 and of its deficit 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 are 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.

I am required 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 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 that reads "K J Donnelly". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

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

29 January 2019

Statement of Income and Expenditure for the year ended 31 March 2018

	Note	Year Ended 31 March 2018 £000	2017 £000
Income			
Interest Income	3	721	1,481
Interest Expense	4	(334)	(364)
Net Interest Income		387	1,117
Dividend Income		3,751	3,566
Gains/(Losses) Arising from Securities	5	(4,929)	22,931
Transfer from/(to) Client Holdings		842	(27,626)
Net Income / (Deficit)		51	(12)
Expenditure			
Administrative Expenses - CFO		-	-
Management Charges from CRND		(52)	(52)
Total Expenses		(52)	(52)
Deficit transferred from Reserves		(1)	(64)

The notes on pages 29 to 37 form part of these accounts

Statement of Financial Position as at 31 March 2018

	Note	31 March	
		2018 £000	2017 £000
Assets			
Cash and Cash Equivalents	6	1,440	1,594
Loans and Advances	7	97,108	107,821
Debt Securities	8	4,283	55,150
Investment Securities	9	195,524	151,547
Other Assets	10	503	898
Total Assets		298,858	317,010
Liabilities			
Clients Cash Account Balances	11	98,418	109,367
Clients Holdings in Securities	12	200,248	207,530
Other Liabilities : Payables	13	192	113
Total Liabilities		298,858	317,010

The notes on pages 29 to 37 form part of these accounts



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

24 January 2019

Statement of Cash Flows for the year ended 31 March 2018

	Note	Year Ended 31 March	
		2018	2017
		£000	£000
Cash Flows from Operating Activities			
Net Loans and Advances repaid		10,713	(3,605)
Cost of Purchases of Securities	15	(67,573)	(16,680)
Proceeds from Sales of Securities	15	60,655	16,275
Interest Received		1,043	1,502
Receipt from the Consolidated Fund		42	19
Dividends Received		3,801	3,553
Expenses		(52)	(52)
Net Cash Inflow/(Outflow) from Operating Activities		8,629	1,012
Cash Flows from Client Cash Accounts			
Lodgements from Clients	15	45,586	50,825
Payments to Clients	15	(54,369)	(51,055)
Net Cash Inflow/(Outflow) from Client Cash Accounts		(8,783)	(230)
Net Increase/(Decrease) in Cash and Cash Equivalents		(154)	782
Cash and cash equivalents at 1 April		1,594	812
Cash and cash equivalents at 31 March		1,440	1,594

The notes on pages 29 to 37 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 2018, 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 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 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 2017-18, 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 2018 £000	Year ended 31 March 2017 £000
Loans and Advances	386	351
Debt Securities	335	1,130
Total Interest Receivable	721	1,481
Less: Surplus payable to Northern Ireland Consolidated Fund	-	-
Total Interest Income	721	1,481

Debt Securities income comprises coupon interest in relation to gilt holdings held by CFO on behalf of clients. During 2017-18 and 2016-17 there were no other gilt holdings held by CFO.

4. Interest Due to Clients' Accounts

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Court Funds – Deposit Account	12	21
Court Funds – Investment Account	322	343
Total Interest Payable	334	364

5. Gains / (Losses) on Securities

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Gains/(Losses) on Client Security Holdings	(4,929)	22,931
Total Gains/(Losses) on Securities	(4,929)	22,931

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 2018 £000	31 March 2017 £000
Sterling bank accounts	1,440	1,594
Cash and Cash Equivalent Holdings	1,440	1,594

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 2018 £000	31 March 2017 £000
Call Notice Deposits	97,108	107,820
Ways and Means Account	-	1
Loans and Advances Holdings	97,108	107,821

8. Debt Securities

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

	31 March 2018		31 March 2017	
	Nominal £000	Market Value £000	Nominal £000	Market Value £000
Holdings held on behalf of clients	1,187	4,283	31,428	55,150
Total Debt Security Holdings	1,187	4,283	31,428	55,150
Maturity Analysis				
Maturing in less than 1 year	-	-	2	2
Maturing in more than 1 year but less than 5 years	1,187	4,283	31,426	55,148
Total Debt Security Holdings	1,187	4,283	31,428	55,150

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 2018		31 March 2017	
	Holding 000's	Market Value £000	Holding 000's	Market Value £000
Stocks, Shares and Loan Notes	22,781	195,403	21,267	151,429
National Savings and Other Holdings	117	121	113	118
Total Investment Securities	22,898	195,524	21,380	151,547

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 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
Investment Securities at 31 March 2017				
Stocks, Shares and Loan Notes	151,428	-	1	151,429
National Savings and Other Holdings	-	-	118	118
Total Investment Securities	151,428	-	119	151,547

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 2018 £000	31 March 2017 £000
Due from Consolidated Fund	20	42
Total Receivables	20	42

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 2018 £000	31 March 2017 £000
Holdings with CRND		
Accrued Interest on Deposits	42	23
Total CRND Accrued Interest	42	23
Client Holdings		
Accrued Coupon Interest on Gilts	44	386
Dividends Due	397	447
Total Client Accrued Income	441	833
Total Accrued Income	483	856
Total Other Assets	503	898

11. Clients' Cash Account Balances

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

	31 March 2018 £000	31 March 2017 £000
Court Funds placed on Deposit Account	12,042	11,032
Court Funds placed on Investment Account	84,179	95,986
Unclaimed balances (see note 19)	757	755
Other monies	1,440	1,594
Total Cash Balances	98,418	109,367

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 2018	31 March 2017
	£000	£000
Debt Securities (see note 8)	4,283	55,150
Investment Securities (see note 9)	195,524	151,547
Accrued Income (see note 10)	441	833
Total Client Holdings in Securities	200,248	207,530

13. Other Liabilities : Payables

	31 March 2018	31 March 2017
	£000	£000
Accumulated Reserves (see note 14)	50	31
Interest Accrued on Clients' Accounts	142	82
CFO Administrative Expenses	-	-
Total Other Liabilities : Payables	192	113

14. Accumulated Reserves

	31 March 2018	31 March 2017
	£000	£000
Opening balance	31	53
Deficit for the year	(1)	(64)
Surplus payable to Northern Ireland Consolidated Fund (note 3)	-	-
Receipt due from Consolidated Fund (note 10)	20	42
Closing balance	50	31

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 2018			Year ended 31 March 2017		
	Court of Judicature £000	County Courts £000	Total £000	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	69,354	40,013	109,367	68,305	36,565	104,870
Receipts from clients	32,605	12,981	45,586	36,156	14,669	50,825
Sales of securities	60,318	337	60,655	16,200	75	16,275
Dividends and interest received	4,426	52	4,478	4,619	63	4,682
Total Receipts	97,349	13,370	110,719	56,975	14,807	71,782
Payments to clients	(42,512)	(11,857)	(54,369)	(39,797)	(11,258)	(51,055)
Cost of securities	(67,294)	(279)	(67,573)	(16,430)	(250)	(16,680)
Total Payments	(109,806)	(12,136)	(121,942)	(56,227)	(11,508)	(67,735)
Interest credited to client accounts	182	92	274	291	159	450
Transfers between Court of Judicature and county courts	3,405	(3,405)	-	10	(10)	-
Closing Balance	60,484	37,934	98,418	69,354	40,013	109,367

16. Movement in clients' securities

	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	204,504	3,026	207,530
Purchase of securities	67,294	279	67,573
Sale of securities	(60,318)	(337)	(60,655)
Net transfers in/(out)	(8,071)	(808)	(8,879)
Movement in market value	(4,875)	(54)	(4,929)
Movement in accrued income	(387)	(5)	(392)
Closing balance	198,147	2,101	200,248

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 2018, 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 2018			31 March 2017		
	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 2018			31 March 2017		
	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	12,630	-	12,630	12,674	-	12,674

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 2018			31 March 2017		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	230,822	73,659	304,481	229,691	73,514	303,205

Total unclaimed funds at the year end are:

- Monies on deposit of £756,565
- Equities valued at £12,630

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 29 January 2019.

21. Land Purchase Account

The receipts and payments in respect of the Land Purchase Account for the financial years 2014-15, 2015-16 and 2016-17 are detailed below:

Receipts and Payments Account	2016-17	2015-16	2014-15
	£	£	£
Receipts			
Dividends	-	2	3
Deposit Interest	-	476	625
Redemption	-	119	-
	<u>-</u>	<u>597</u>	<u>628</u>
Payments			
Payments to Annuitants	-	9	-
Purchases of Securities	-	588	628
	<u>-</u>	<u>597</u>	<u>628</u>
Excess of Receipts over Payments	<u>-</u>	<u>-</u>	<u>-</u>

Statement of Balances	2016-17	2015-16	2014-15
	£	£	£
Sterling securities	<u>315,180</u>	<u>315,180</u>	<u>314,711</u>
	€	€	€
Foreign securities	<u>112</u>	<u>112</u>	<u>112</u>

Appendix A

Portfolio factsheets

Balanced Growth

Portfolio Factsheet to 31 March 2018

DAVY

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

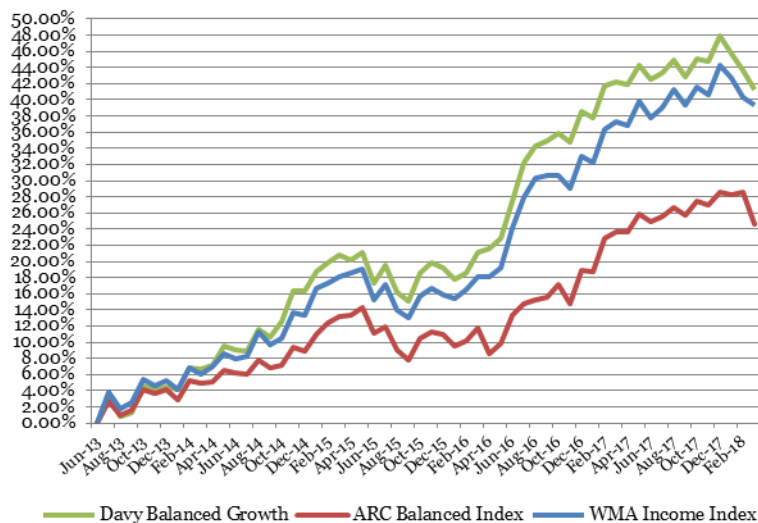
The portfolio delivered a return of (0.49%) for the period to 31 March 2018. This was at the lower end of our expectations and we would expect to the portfolio to recover throughout 2018.

The combination of falling bonds and equities contributed to the portfolio being slightly down. Unfortunately, in an environment where all major equity and bond markets are down it is inevitable that the portfolios would struggle. Coupled with the low interest rates on the defensive investments we do not expect the same high returns experienced in previous periods to be repeated in the foreseeable future.

Performance ^{†*} to 31/03/2018	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Balanced Growth	(1.10%)	(0.49%)	41.27%
ARC Balanced PCI Index	(0.91%)	0.80%	24.60%
WMA (APCIMS) Income Index	(0.02%)	1.51%	39.36%

[†] Source: Davy and FE Analytics * gross of fees
*excluding cash

Historic Performance vs Benchmarks

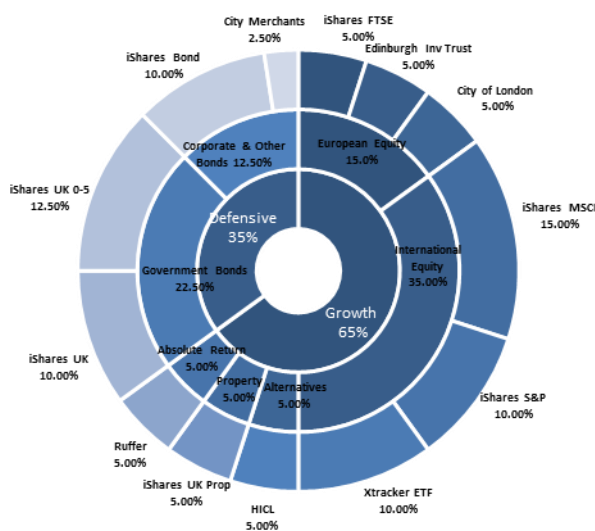


Past Performance is not a reliable guide to future performance. The value of your investment may go down as well as up.

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 risk/reward basis.

Investments in property, infrastructure and international equity delivered particularly strong returns in the period.



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	2.5%
iShares UK Gilt	10.0%
iShares UK Gilt 0-5 Year	12.5%
Alternatives	15.0%
Ruffer Total Return Investment Trust	5.0%
iShares UK Property ETF	5.0%
HICL Infrastructure Fund	5.0%
Total	100.0%

Cautious Growth

Portfolio Factsheet to 31 March 2018

DAVY

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 returned (0.16%) for the period to 31 March 2018. This was at the lower end of our expectations and we would expect to the portfolio to recover throughout 2018.

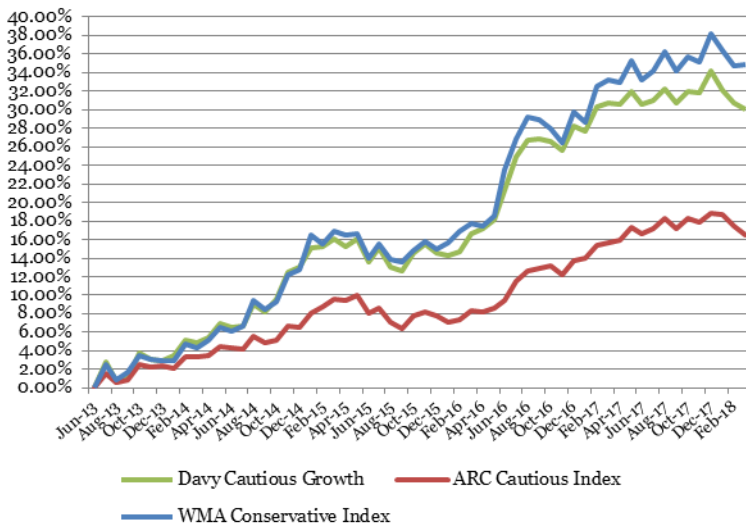
In terms of outlook, while inflation is expected to rise, asset prices should be supported by a stronger corporate backdrop. However, we think investors should factor in more speedbumps like the one we've just seen as the cycle matures.

We would caution investors that returns are likely to be lower over the next three years.

Performance ^{†*} to 31/03/2018	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Cautious Growth	(0.53%)	(0.16%)	30.47%
ARC Cautious PCI Index	(0.64%)	0.65%	16.46%
WMA (APCIMS) Conservative	0.51%	1.21%	34.86%

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

Historic Performance vs Benchmarks

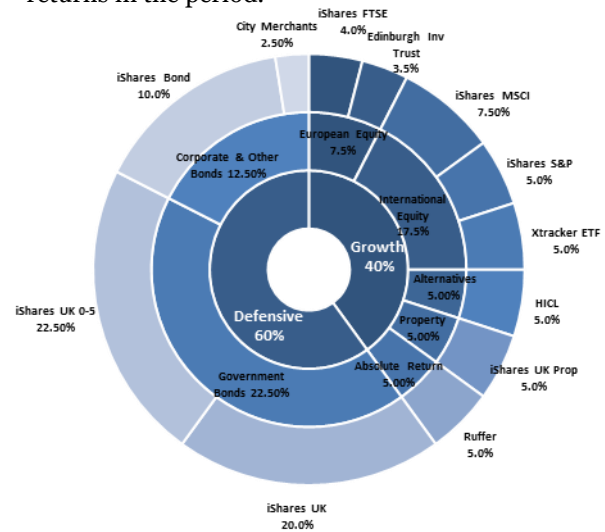


Past Performance is not a reliable guide to future performance. The value of your investment may go down as well as up.

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 risk/reward basis.

Investments in property, infrastructure and international equity delivered particularly strong returns in the period.



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	2.5%
iShares UK Gilt	20.0%
iShares UK Gilt 0-5 Year	22.5%
Alternatives	15.0%
Ruffer Total Return Investment Trust	5.0%
iShares UK Property ETF	5.0%
HICL Infrastructure Fund	5.0%
Total	100.0%

Preservation Portfolio

Portfolio Factsheet to 31 March 2018

DAVY

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 delivered a positive performance in the year to 31 March 2018 returning 0.89% in the period. The tactical allocation to higher risk investments for this portfolio has paid off over the period. It is our view that a correction in the price of government gilts was required to increase the yield.

In terms of outlook, while inflation is expected to rise, asset prices should be supported by a stronger corporate backdrop. However, we think investors should factor in more speedbumps like the one we've just seen as the cycle matures.

We would caution investors that returns are likely to be more muted over the next three to five years.

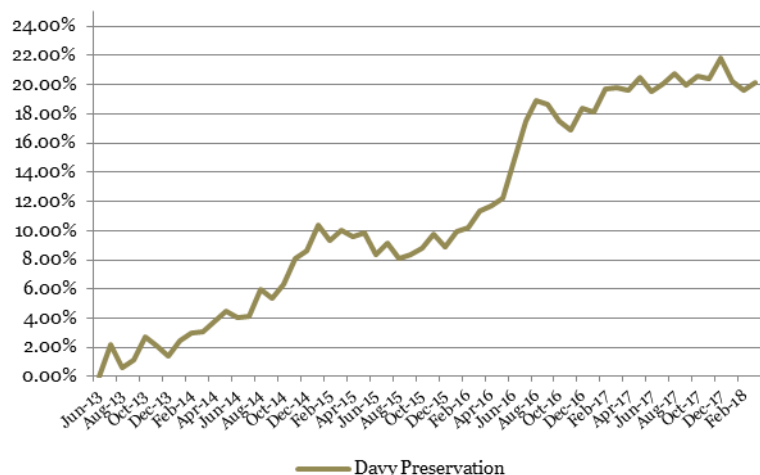
Performance†** to 31/03/2018	6 Months	1 Year	Since Inception (since 01/07/2013)
Davy Preservation	0.15%	0.89%	21.69%
ARC PCI Index	n/a**	n/a**	n/a**
WMA (APCIMS) Index	n/a**	n/a**	n/a**

† Source: Davy and FE Analytics * gross of fees

** excluding cash

** n/a as there is no applicable independent benchmark for this portfolio/risk mandate

Historic Performance

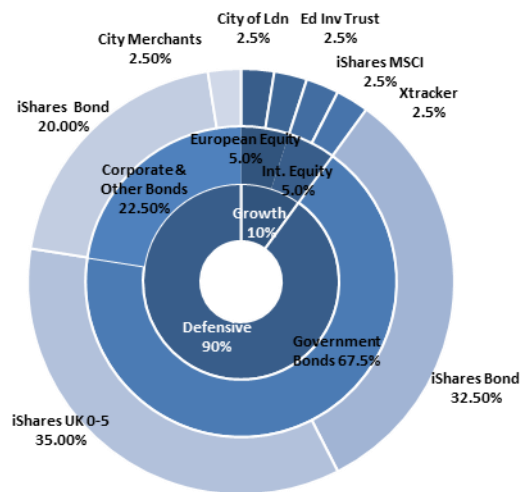


Past Performance is not a reliable guide to future performance. The value of investment may go down as well as up.

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) profile which has worked in the portfolios favour in the period.



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	2.5%
iShares UK Gilt	32.5%
iShares UK Gilt 0-5 Year	35.0%
Alternatives	0.0%
Ruffer Total Return Investment Trust	-
iShares UK Property ETF	-
HICL Infrastructure Fund	-
Total	100.0%