
Northern Ireland Courts and Tribunals Service

Trust Statement For the year ended 31 March 2019

Laid before the Northern Ireland Assembly
under section 11(1) and (2) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of Justice
on
25 March 2020



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Any queries regarding this document should be sent to us at:
Northern Ireland Courts and Tribunals Service
Laganside House
23-27 Oxford Street
Belfast, BT1 3LA

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GLOSSARY

C&AG	Comptroller & Auditor General
CFO	Court Funds Office
DAO	Dear Accounting Officer
DARC	Departmental Audit and Risk Committee
DfC	Department for Communities
DoF	Department of Finance
DoJ	Department of Justice
DVA	Driver and Vehicle Agency
ECHR	European Convention on Human Rights
EJO	Enforcement of Judgments Office
FCEP	Fine Collection and Enforcement Programme
FCEPB	Fine Collection and Enforcement Programme Board
FCS	Fine Collection and Enforcement Service
FCT	Fine Chasing Team
FPNs	Fixed Penalty Notices
FPO	Fixed Penalty Office
FPPC	Fixed Penalty Processing Centre
FPPU	Fixed Penalty Processing Unit
FReM	Government Financial Reporting Manual
GDPR	General Data Protection Regulations
GIRR	Governance and Information Risk Return
GSC	Government Security Classification
IAS	International Accounting Standard
ICOS	Integrated Court Operations System
IFRS	International Financial Reporting Standards
JARD	Joint Asset Recovery Database
JASPAR	Judicial Allocation Sitting Programme and Record
MPMNI	Managing Public Money Northern Ireland
NDORS	National Driver Offender Retraining Scheme
NIAO	Northern Ireland Audit Office

NICF	Northern Ireland Consolidated Fund
NICS	Northern Ireland Civil Service
Niche RMS	Niche Records Management System
NICTS	Northern Ireland Courts and Tribunals Service
NIPS	Northern Ireland Prison Service
PAC	Public Accounts Committee
PBNI	Probation Board for Northern Ireland
PCNI	Parole Commissioners for Northern Ireland
PNDs	Penalty Notices for Disorder
PPS	Public Prosecution Service
PSNI	Police Service of Northern Ireland
PUMA	PSNI hand held mobile data project
RMADs	Risk Management Accreditation Documents
RTTCWG	Report to Those Charged with Governance
SAOs	Supervised Activity Orders
SLA	Service Level Agreement
SoFP	Statement of Financial Position
SoROIE	Statement of Revenue, Other Income and Expenditure
SPG	Strategic Planning Group
SRO	Senior Responsible Owner
TAS	The Appeals Service
VP/FPO	Vehicle Procedures/Fixed Penalty Office

PART 1 PERFORMANCE REPORT

OVERVIEW

Foreword by the Chief Executive

I am pleased to present the Trust Statement for the Northern Ireland Courts and Tribunals Service (NICTS) for 2018-19. NICTS is an Agency of the Department of Justice (DoJ) and continues to do everything possible to ensure offenders pay what they owe, with the core aim of “serving the community through the administration of justice”. The Trust Statement provides an account of the revenues collected by NICTS which are due to the Northern Ireland Consolidated Fund (NICF) or other third parties. The Comptroller and Auditor General (C&AG) has once again, been able to provide an unqualified audit opinion on this statement.

In the financial year covered by this Trust Statement, there has been a £2.7m (27.3%) increase in the monetary penalties imposed mainly due to an increase in Fixed Penalty Notices, Court Imposed Fines and Confiscation Orders imposed when compared with the previous year.

The net debt owing to NICTS as at 31 March 2019 decreased by £1.7m (16.7%) due to an increase in impairment during the year.

The fine collection and enforcement arrangements were examined by the Public Accounts Committee (PAC) in October 2014 and it was recommended that the reform of fine collection be expedited to enable new fine collection and enforcement arrangements to be established.

The new fine collection and enforcement arrangements, including the establishment of the NICTS Fine Collection and Enforcement Service (FCS) commenced on 1 June 2018 and has been operational for over 12 months.

Dedicated collection officers have a range of new powers to collect and enforce outstanding financial penalties including the ability to make instalment plans, deduction from benefits applications, attachment of earnings orders and interim bank account orders. The new arrangements have created a more cost effective and proportionate system for the management of outstanding financial penalties.

I would like to thank everyone involved for their continued efforts to improve our activity in enforcement and collection of the range of financial penalties and fines for which we are collectively responsible.



Peter Luney
Acting Chief Executive, NICTS

Statement of Purpose and Activities

This is the Trust Statement for NICTS for the financial year ended 31 March 2019. Sections 11 (1) and (2) of the Government Resources and Accounts Act (Northern Ireland) 2001 directs that NICTS shall prepare a Trust Statement for each financial year ended 31 March. This Trust Statement has been prepared in accordance with the accounting principles and disclosure requirements of Chapter 8 of the Government Financial Reporting Manual (FReM) and Annex G of the Accounts Direction, DAO (DoF) 01/19 from the Department of Finance (DoF).

The Trust Statement provides an account of the collection of revenues which, by statute or convention, are due to NICF or other third parties and where the entity undertaking the collection is consequently acting as an agent rather than as principal.

Who we are

NICTS is an Executive Agency of DoJ of Northern Ireland. During this reporting year there has been no established Assembly in place.

The role of NICTS is to:

- provide administrative support for Northern Ireland's courts, tribunals, Parole Commissioners Northern Ireland (PCNI) and the Planning Appeals Commission and Water Appeals Commission (PACWAC);
- support an independent Judiciary;
- provide advice to the Department on matters relating to the operation of the courts, tribunals, Enforcement of Judgments Office (EJO) and PCNI;
- enforce civil court judgments through EJO;
- manage funds held in court on behalf of minors and patients;
- provide suitable courthouses and tribunals hearing centres; and
- act as the Central Authority under certain international conventions.

NICTS acts as an agent for NICF and is responsible for the collection of revenue from monetary penalties imposed each year by the Judiciary, PSNI and the Driver and Vehicle Agency (DVA). These impositions include fixed penalty notices (FPNs), penalty notices, court imposed monetary penalties (namely fines, extra costs, other party costs, compensation for victims of crime, offender levy and fixed penalty enforcement fines), and confiscation orders. The revenue collected is payable to

either NICF or other third parties who are typically other government departments and victims of crime who have been awarded compensation by the court.

Scope

The Trust Statement reflects the cash flows associated with the imposition and collection of fines and monetary penalties. It reflects the income due from the fines and monetary penalties imposed during the period and the expenditure incurred in the administration and collection of these; the third party bodies to which the funds are payable; and the balance owing to NICF at the year end. Provision for uncollectible amounts is accounted for in accordance with International Financial Reporting Standard (IFRS) 9: Financial Instruments.

The Trust Statement also reflects the complex interdependencies between NICTS and a number of other Departments and Agencies, including PSNI and the Public Prosecution Service (PPS), who work together to collect and enforce the payments due from offenders relating to the financial impositions which NICTS, PSNI and DVA impose.

The different types of fines and monetary penalties are discussed below.

1. Fixed Penalty Notices

FPNs are imposed by PSNI and DVA. FPNs are issued for traffic rule violations and other vehicle rule violations. FPNs that remain unpaid after 45 days are uplifted by 50% and sent to the court to be registered as court imposed fines that are enforced by NICTS.

2. Penalty Notices

Since 6 June 2012, Sections 59 to 70 and Schedule 4 of the Justice Act (Northern Ireland) 2011 gave PSNI the power to issue a defendant with a penalty notice for specified offences (e.g. disorderly behaviour, theft, criminal damage). These penalty notices are issued as an alternative to a court prosecution. There are currently two penalty notice amounts (£45 and £85) depending on the offence committed and all penalty notices include a £5 offender levy. If a penalty notice remains unpaid after 28 days it will be uplifted by 50% and sent to the court to be registered as a court imposed fine that is enforced by NICTS.

3. Court imposed monetary penalties

Court imposed monetary penalties include fines, extra costs, other party costs, other party compensation, offender levy, fixed penalty and penalty enforcement fines.

- A **fine** is the most common court order in the Magistrates' Court. A fine can be imposed at the Magistrates' Court, the County Court (on appeals from the Magistrates' Court), the Crown Court and the Court of Appeal (on appeals

from the Crown Court). This includes fixed penalty and Penalty Notice enforcement fines, listed above, which have remained unpaid after 45 days and 28 days respectively and have been registered as a court imposed fine.

- **Extra costs** and **other party costs** are awarded in court to cover prosecution costs such as summons server fees and court appearance fees. Extra costs are paid to PPS.
- **Other party compensation** is awarded in court to victims of crime or may be awarded in relation to, for example, injury or damage to property. Other party costs and other party compensation receipts are paid to the appropriate third party, including other government departments and victims of crime.
- An **Offender levy** is imposed on all fines and immediate custodial sentences for offences committed on or after 6 June 2012. The receipts obtained from the collection of these levies are collected by NICTS and transferred to the DoJ Victims of Crime Fund which is used to pay for services that support victims and witnesses in the criminal justice system. These monies are therefore not paid over to NICF.

4. **Confiscation Orders**

Confiscation orders are imposed under the Proceeds of Crime Act 2002 or the Proceeds of Crime (NI) Order 1996. A confiscation order is an order directing the payment of money obtained by a defendant as a result of his/her criminal conduct, to the Crown. In Northern Ireland only the Crown Court has the jurisdiction to make a confiscation order. Confiscation orders are generally larger in value than other monetary penalties but smaller in volume. Interest accrues at a rate of 8% per annum on those confiscation orders that have a balance remaining unpaid after the payment date has expired. The interest is calculated daily on the Joint Asset Recovery Database (JARD).

Expenditure and Disbursements

The Trust Statement reflects expenditure relating to the administrative write-off of fines and the impairment of debt related to outstanding monetary penalties and confiscation orders. Disbursements relate to extra costs, other party costs and compensation, and offender levy.

Subject to agreement, NICTS is permitted to retain an element of FPNs collected as income through the Road Safety Partnership (formerly known as the Safety Camera Scheme). The Explanatory Memorandum for the Criminal Justice (Northern Ireland) Order 2005 identifies that Article 20 allows fine revenue to be reinvested into the Road Safety Partnership at each level of its operation therefore allowing organisations to recover costs associated with the Partnership.

FPNs (apart from the element collected by the Road Safety Partnership), fines, penalty notices and confiscation order receipts are surrendered to NICF. Revenue collected through the Road Safety Partnership is reinvested in the Partnership by payment to PSNI and is therefore not payable to NICF. These remittances are reflected through the disbursements disclosed in the Statement of Revenue, Other Income and Expenditure (SoROIE).

The NI Justice (No. 2) Bill received Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016. The Act provides for the establishment of a FCS within NICTS, similar to the arrangements in England and Wales. DoJ sought parity of the financial arrangements in place in England and Wales in relation to the funding of new fine collection and enforcement arrangements in Northern Ireland and for a fine incentive scheme. The Department is permitted to retain an element of fines collected as income through two netting-off schemes and a fine incentive scheme which can be reinvested in NICTS, as follows:

- DoJ/NICTS retains an amount equal to the NICTS current costs in relation to enforcing and collecting fines (to be fixed at a maximum of £677k per annum);
- DoJ/NICTS retains an amount equal to the employment costs of the Collection Officers appointed in compliance with the Justice (No. 2) Bill (to be fixed at a maximum of £818k per annum); and
- DoJ/NICTS retains an amount of fines collected equal to 75% of fine monies collected above a 65% payment rate up to a maximum of £1m per annum.

The costs are calculated on a monthly basis and are presented within disbursements.

The role of the Trust Statement means that it reflects the balance at the year-end that is due to NICF. The nature of the Trust Statement means that all income is offset by expenditure and disbursements to third parties. In the simplest of cases all income would be disbursed to NICF, however in the case of the Trust Statement this value is impacted by disbursements to other third parties.

Current Systems

During this year there were three systems used to record the transactions that are reflected in the Trust Statement: the Integrated Court Operating System (ICOS), DomePay and Niche Records Management System (Niche RMS). These systems are detailed below.

ICOS

All monetary penalties imposed by a court in Northern Ireland are recorded on ICOS, the NICTS key line of business computer system. ICOS and the management information reports produced from ICOS provide accurate, timely and meaningful information on all court fines and confiscation orders imposed, collected and outstanding.

As part of the administrative confirmation process, when a monetary penalty is confirmed, a debtor account for the case is automatically created on ICOS. When imposing the monetary penalty the Judge will direct the payment terms (the payment due date or instalment terms). This information is recorded on ICOS.

All monetary penalties and penalty notices are collected and enforced through ICOS. Monetary penalties can be receipted on ICOS at any of the 18 court offices in Northern Ireland, the NICTS centralised Customer Service Centre in Londonderry or online through the NICTS secure website. When fine monies are received, NICTS records these on ICOS and the receipt is allocated against the specific case in the defendants account. All monies received into each court office are promptly collected and lodged into the relevant NICTS bank account. Penalty notice monies can be receipted on ICOS at any court office in Northern Ireland or through the NICTS centralised Customer Service Centre in Londonderry. The PSNI at the point of execution can receipt fine warrant payments online through a dedicated NICTS secure website.

The imposition of an offender levy is recorded on ICOS along with all revenue collected. The offender levy commenced on 6 June 2012 and included a £15 levy imposed on all court fines, a £25 or £50 levy imposed on immediate custodial sentences (depending on the length of the sentence) and a £5 levy on penalty notices issued under Sections 59 to 70 of the Justice Act (Northern Ireland) 2011.

Phase 2 implementation was carried out on 8 December 2016 and it extended a £5 levy to:

- endorsable road traffic fixed penalty notices (issued under Article 60 of the Road Traffic Offenders (Northern Ireland) Order 1996); and
- conditional offers of fixed penalty – speed safety cameras (issued under Article 80 of the 1996 Order).

The levy is collected and enforced in the same way as a fine, except for immediate custodial sentences where the monies are collected from the offender by the Northern Ireland Prison Service (NIPS) and then forwarded to NICTS to receipt against the debtor account. All offender levy monies collected are transferred to the DoJ Victims of Crime Fund.

There is a daily interface between ICOS and the NICTS accounting system. NICTS Finance Branch provides Account NI with a daily summary of what is included in the interface files. Account NI ensures the summary agrees to the interface file before uploading to the accounting system.

The key features of the ICOS control framework are:

- the segregation of duties and system access rights;
- verification of cash balances through completion of daily, monthly and quarterly bank reconciliations;
- all cases listed in court are entered onto ICOS;
- the verification of data entered onto the system;
- the supervision and control by management to ensure that staff use ICOS efficiently and effectively through ICOS management reports; and
- a new Fine Collection Service to increase the amount of fine monies received.

DomePay

Vehicle Procedures/Fixed Penalty Office (VP/FPO) was replaced in December 2016 by a new operating system which enhances the database functionality used by PSNI together with a new bespoke payment processing application called DomePay.

Domepay sits as a separate module within an existing PSNI database, Dome, and was developed by the service provider to facilitate the processing of fixed penalty payments for the Fixed Penalty Office (FPO) in NICTS.

DomePay uses a single database (Dome) which supports both the Fixed Penalty Processing Centre (FPPC) in PSNI responsible for recording and processing fixed penalty offences, and the FPO in NICTS which processes the fixed penalty payments.

When an offence is detected by camera devices the information is uploaded to the PSNI database Dome via an interface, whereas if it is detected by a police officer or a DVA Enforcement Officer, the information is recorded on a ticket and sent to FPPC for manual input onto Dome. If a police officer issues the ticket through a hand held device then the information will be automatically uploaded into Dome. Once populated, information on Dome is accessed through DomePay in order to process the fixed penalty payment.

When an individual is detected within specified speed criteria, details are passed to the National Driver Offender Retraining Scheme (NDORS) to check if a driver is eligible to attend a Safety Awareness Course as an alternative to the imposed

penalty. Where individuals are not eligible or decline an invitation to attend the course the offence will then be processed on DomePay.

DomePay can accept payment of a fixed penalty in a number of ways including cash, cheque and debit/credit card. Payments can be made by post, by telephone or in person at the FPO counter in Laganside Courthouse. When a payment is receipted onto DomePay the status of the ticket is automatically updated.

The system also includes an interface to NICTS ICOS system for tickets that remain unpaid for 45 days and are required to be registered as a court fine.

The key features of the DomePay control framework are:

- monthly reconciliation of the bank account;
- interaction between NICTS FPO accounts section and NICTS Finance Branch to ensure the regular transfer of monies collected to the Trust Statement Bank Account for payment to NICF;
- the segregation of duties and system access rights;
- robust controls over postal, counter and telephone receipts; and
- controls over payments outwards and refunds.

The PSNI Accounting Officer has responsibility for reviewing the effectiveness of internal control relating to the information PSNI provides for NICTS Trust Statement. There are a number of controls within the Fixed Penalty Processing Unit (FPPU) to ensure that processes are being adhered to and that data provided via the Dome system are accurate and up to date. These include:

- regular sampling of data entry through exception reporting;
- regular reviews of cancellations and suspensions;
- restrictions on data entry capabilities between clerical and supervisory roles; and
- narrative notes are mandatory on each record for all clerical staff and all activity on Dome system can be audited.

Internal Audit regularly audit the key systems used in producing the annual Trust Statement to ensure controls are adequate.

Niche RMS

The PSNI line of business system Niche RMS is used to record penalty notices issued by PSNI officers under Sections 59 to 70 of the Justice Act (Northern Ireland) 2011. Since 6 June 2012 penalty notices can be issued by PSNI officers as an alternative to a court prosecution.

The penalty notice information is recorded on Niche RMS following the issue of a penalty notice. This information is then shared with ICOS through the Causeway messaging solution. All payments for penalty notices are receipted through ICOS and information messaged back to Niche RMS of any notices paid via Causeway.

If a penalty notice has not been paid within 28 days, Niche RMS will automatically request a certificate of uplift through Causeway to ICOS. ICOS will generate an uplift of 50% on the penalty notice amount (including the £5 offender levy) and send confirmation through Causeway to Niche of the uplift.

Further updates will be generated by ICOS, through Causeway, to Niche to confirm payment of uplifted fine or summons issued.

Challenges and Issues

Judicial Reviews on Fine Enforcement

In March 2013 the Divisional Court held that the long-standing procedures for the enforcement of unpaid fines and other monetary penalties in Northern Ireland were unlawful. The Court found that the detention in question was in breach of Article 5 European Convention on Human Rights (ECHR). Subsequently, five test cases were remitted to the High Court so that issues of liability and compensation could be determined. Following legal advice the decision was taken to settle the test cases and damages were paid for a breach of Article 5 of ECHR.

The settlement terms agreed in December 2016, provided a sound and consistent basis for settling future claims, minimising the need to negotiate settlement terms for individual cases. They also provided for the 'claw back' of outstanding fines including the grounding fine on which the unlawful detention was imposed.

Pursuant to section 7(5) of the Human Rights Act 1998 proceedings alleging a breach of a Convention right must normally be brought within one year beginning with the date on which the act complained of took place. Therefore, in accordance with legal advice NICTS applied the one year limitation on all claims presented. Authority to negotiate settlements within the terms of those agreed for the test cases was provided by DoF Supply Division.

To date, NICTS has received a total of 929 claims. Of these, 59 claims have been assessed as valid and received letters of settlement.

A number of claimants (174) with claims deemed to be invalid have subsequently lodged a Writ of Summons in the High Court or Civil Bill in the County Court seeking damages to challenge the one year limitation period and NICTS' refusal to award them compensation for their detention for fine default. The statutory limitation time point has been tested on three occasions in the County Court. All three Civil Bills were struck out with no order as to costs. Two of the Plaintiffs have lodged an appeal against the decision; one of the appeals has been adjourned while the plaintiff seeks to challenge the refusal to grant him legal aid, the other appeal is listed for April 2020. Further Civil Bills are listed for hearing on 12 December 2019 and 16 January 2020. The remaining cases are progressing through the pre-court preparation stages.

In addition, leave was recently sought to judicially review the decisions to imprison fine defaulters imprisoned under the interim (2014-2018) arrangements. These arrangements were put in place following the March 2013 ruling and were designed to ensure compliance with the Human Rights Act. The plaintiffs are seeking that the interim procedures be declared unlawful. If these were to succeed it could have a range of significant consequences including the potential for damages for anyone imprisoned under the interim arrangements. There are currently no hearings scheduled as yet. Consequently, there remains uncertainty on the potential liability and associated financial implications which could be significant.

DomePay

There continues to be some challenges with DomePay. PSNI completed a procurement exercise in late 2015 and a software provider was tasked with developing a solution to replace the VP/FPO system. A new system, DomePay, was developed which went live in December 2016. Although all original snags identified during User Assurance Testing have been addressed, several issues, mainly around reporting, remain to be resolved. These issues are being dealt with in consultation with PSNI and Startraq, the service provider. Data migration of legacy VP/FPO records is now complete and all fixed penalty records will be held in accordance with the NICTS retention and disposal of records policy.

Fine Collection and Enforcement Service

The FCS has been operational from 1 June 2018 and processes and procedures continue to be monitored and refined. The interim review of FCS was completed on 4 September 2019 and was reported to the FCS Oversight Board in September 2019. The review made a number of recommendations and these are currently being considered by FCS. By 31 May 2019 approximately £3,328k (16.2%) of outstanding debt (excluding Confiscation Orders) was with FCS for collection and enforcement.

Level of Outstanding Debt

It is noted that the level of outstanding debt prior to being adjusted for impairment has increased by 14.7%. The reasons behind this increase include the historic low service rate for referral hearing summons, which resulted in the Fine Collection Project Board decision of May 2018 that fines defaulting after this date would not be subject to future referral hearings, and would instead be managed using the new FCS powers from 1 June 2018 which has returned slower but regular payments via deduction from income.

PERFORMANCE ANALYSIS

Fine Enforcement Developments and Initiatives

Justice Act (NI) 2016

Part 1 of the Justice Act (NI) 2016 and related secondary legislation including the Enforcement of Fines and Other Penalties Regulations (NI) 2018 commenced on 1 June 2018 enabling the establishment of the new FCS in NICTS from this date.

Part 1 of the Act deals with the collection and enforcement of fines and other penalties. It creates civilian collection officers whose responsibility is to collect penalties as set by, and under the authority of, the courts and increases the collection options available to the courts and collection officers by creating the ability to deduct payments from earnings or benefits in certain circumstances. For the more willful defaulter who has the ability to pay but chooses not to, the Act allows a broader range of options for the courts to pursue, including bank account orders and vehicle seizure orders.

Fine Collection and Enforcement Service (FCS)

FCS is situated in Laganside House. Overall the team contains 17 personnel with a number of dedicated civilian collection officers employed to collect and enforce outstanding financial penalties under court authority.

Where a court makes a collection order, collection officers have a range of powers to collect and enforce outstanding financial penalties, including granting instalment orders or additional time to pay, applying for deductions from benefits, making attachment of earnings orders, freezing money in a debtor's bank account and recommending to the court a bank account order or vehicle seizure order for more willful defaulters. The new arrangements have been in place for over 12 months and all of the above powers, with the exception of vehicle seizure orders, have started to be successfully used to collect outstanding financial penalties. With regular payment plans being established, for example through deduction from benefits, low but

regular payments to FCS are increasing month on month and prison committals to clear outstanding financial penalties continue to reduce.

Supervised Activity Orders (SAOs)

The ability for the court to make SAOs commenced on 1 June 2018 following the commencement of the Justice Act (NI) 2016. SAOs are managed by Probation Board for Northern Ireland (PBNI) and require the debtor to complete unpaid work in the community to clear their outstanding financial penalty and also to undertake a session on money management and citizenship as part of the pre-placement programme. It is noted that only 1 SAO has been made from 1 June 2018. PBNI staff employed to deliver SAOs have been redeployed to other projects or vacant posts within PBNI.

FCS Performance

During the period 1 June 2018 – 31 May 2019 31,316 collection orders were made of which 17,228 collection orders with a value of £4.2m were activated in FCS. During this period FCS collected £771k in outstanding financial penalties and 12,051 collection orders remained active in FCS at 31 May 2019. FCS processes and procedures continue to be monitored and refined with progress reported to the FCS Oversight Board which meets quarterly.

The new arrangements provide a more cost effective and proportionate system for the management of outstanding financial penalties by introducing dedicated collection officers and are designed to:

- reduce the number of cases referred back to court for a default hearing;
- reduce police involvement in fine enforcement thereby releasing police officers to undertake other front line duties;
- reduce the number of debtors going to prison for fine default; and
- improve collection rates through new payment methods.

New fine collection and enforcement arrangements are funded from fine receipts retention from the Northern Ireland Consolidated Fund as approved by HM Treasury up to the value of £1.495m. During 2018-19 £990,422 was retained under these arrangements.

In addition HM Treasury approved a Fine Incentive Scheme, similar to England and Wales, permitting the retention of fines collected equal to 75% of fine monies collected above a 65% payment rate, up to a maximum of £1m per annum. During 2018-19 no monies were retained under the Fine Incentive Scheme. The payment

rate for retention as at 31 March 2019 was 55.6%. No amount for the fine incentive scheme has been included in the budget for 2019-20.

FCS Oversight Board

The FCS Oversight Board, chaired by the NICTS Chief Executive and comprising of senior officials from NICTS, PSNI, NIPS, PBNI and DoJ was established in August 2018 and has met on five occasions. The Board monitors, reviews and reports on the new fine collection arrangements. The FCS Oversight Board reports to the NICTS Agency Board and the Criminal Justice Programme Delivery Group.

Results for the Year and Financial Position

Results for the Year (Statement of Revenue, Other Income and Expenditure)

The Statement of Revenue, Other Income and Expenditure (SoROIE) details the income collected by NICTS acting as an agent on behalf of NICF and other third parties and shows the associated expenditure.

During 2018-19 the total impositions increased by £2.7m (27.3%) to £12.6m (2017-18: £9.9m). The value of fines and penalties imposed increased by £2.0m (22.7%) to £10.8m (2017-18: £8.8m) and the value of confiscation orders has increased by £0.7m (63.6%) to £1.8m (2017-18: £1.1m).

Expenditure has increased by £3.5m (72.9%) to £8.3m in 2018-19 (2017-18: £4.8m).

The SoROIE shows an overall net revenue position for NICF of £4.4m in 2018-19 (2017-18: £5.2m).

Financial Position (Statement of Financial Position)

The Statement of Financial Position (SoFP) primarily consists of outstanding fine balances at the year end. The value of fines (less impairment provision) outstanding at 31 March 2019 decreased by £1.7m (16.7%) to £8.5m (2017-18: £10.2m).

The net assets recorded in SoFP are represented by the balance owed to NICF. This balance decreased by £1.0m (12.4%) to £7.1m in 2018-19 (2017-18: £8.1m).

Auditors

The Trust Statement is audited by C&AG in accordance with Government Resources and Accounts Act (Northern Ireland) 2001.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

The audit fee for the 2018-19 Trust Statement is £32.5k (2017-18: £33.5k). This is charged on a notional basis and is recognised in the Resource Accounts of NICTS.



P Luney
Accounting Officer
11 February 2020

PART 2 ACCOUNTABILITY REPORT

Statement of Accounting Officer's Responsibilities

Under section 11(1) and (2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DoF has directed NICTS to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction. The Trust Statement is prepared on an accruals basis and must give a true and fair view of:

- the state of affairs relating to the collection and allocation of fines, penalties and confiscation orders by NICTS as agent and of the expenses incurred in the collection of those fines, penalties and confiscation orders insofar as they can properly be met from that revenue and other income;
- the revenue and expenditure; and
- the cash flows for the year then ended.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of 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 FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Trust Statement on a going concern basis.

The Accounting Officer of DoJ has designated the Acting Chief Executive of NICTS as the Accounting Officer of NICTS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NICTS's assets, are set out in the Accounting Officers' Memorandum and in 'Managing Public Money Northern Ireland' (MPMNI) issued by DoF.

The Chief Executive is responsible for the maintenance and integrity of the information on the NICTS website.

Governance Statement

SCOPE OF RESPONSIBILITY

NICTS is an executive agency of DoJ sponsored by the Access to Justice Directorate. 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 I am responsible for the day-to-day operation and administration of NICTS and the leadership and management of its staff. I am accountable, through the Director of Access to Justice, to the DoJ Permanent Secretary. During this reporting year there has been no established Assembly in place.

I am also accountable for the NICTS budget and the efficient and effective delivery of NICTS business.

This statement describes the control framework in place over the recording and collection of revenue due from the financial penalties imposed by the Judiciary, PSNI and DVA and the payment of these revenues to either NICTS or another third party.

The role of NICTS is to:

- provide administrative support for Northern Ireland's courts, tribunals, PCNI and PACWAC;
- support an independent Judiciary;
- provide advice to the Permanent Secretary on matters relating to the operation of the courts, tribunals, EJO and PCNI;
- enforce civil court judgments through EJO;
- manage funds held in court on behalf of minors and patients;
- provide high quality courthouses and tribunals hearing centres; and
- act as the Central Authority under certain international conventions.

Strategic Context

The 2018-19 Business Plan sets out the strategic objectives, priorities and key targets for NICTS. The annual plan is derived from NICTS Corporate Plan 2012-15, the objectives and targets of which were extended until March 2019. This approach was taken to ensure consistency of approach with DoJ and the wider NICS. A new

DoJ Corporate Plan for 2019-22 is being developed, together with the 2019-20 Business Plan.

As a front-line service delivery Agency, one of our main priorities for 2018-19 was to continue to deliver our business objectives and performance standards. The Agency Board reviewed progress and reported against the 2018-19 Business Plan throughout the year.

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 of NICTS. The framework is not designed to eliminate all risk but to manage risk to a reasonable level. The framework is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

GOVERNANCE FRAMEWORK AND MANAGEMENT STRUCTURE

During 2018-19, NICTS complied with the key principals of the Corporate Governance in Central Government Departments – Code of Good Practice (NI) 2013. The key management structures which support the delivery of effective corporate governance in NICTS are the:

- Agency Board;
- Finance Committee;
- Audit and Risk Assurance Committee (ARAC); and
- Strategic Planning Group (SPG).

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, reporting and the oversight of the functions of NICTS including finance, planning, performance, and policy initiatives. The Board operates within the parameters of the Agency Framework Document and the agreed Terms of Reference. The Framework Document is published on the NICTS website.

The Board has established two formal sub-Committees to assist it in carrying out its functions – the Finance Committee and ARAC.

There were no Ministerial Directions given during the year.

The Board met on four occasions during the 2018-19 financial year. At the beginning of each Board meeting members are asked by me as Chair to declare any conflicts or potential conflicts of interest. To allow members to prepare and consider any potential conflicts of interest members are provided with an agenda and all papers to be discussed five working days before the meeting. During 2018-19 two new conflicts of interest were raised at the Board in relation to pension entitlements and General Data Protection Regulations (GDPR). Details of any significant interests which may conflict with Board members management responsibilities can be found in Note 23 to the 2018-19 Agency Accounts.

Attendance by members at the four meetings of the Board during 2018-19 is shown below:

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

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

** The Right Honourable Lord Justice Deeny resigned from the Agency Board in April 2019, and will be replaced by The Honourable Mr Justice Colton.

Finance Committee

The Finance Committee (“the Committee”) assists the Board with financial oversight and budgetary control. 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. The Terms of Reference for the Committee are included in the Agency Framework Document.

Attendance by members at the four meetings of the Finance Committee during 2018-19 is shown below:

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

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

** The Right Honourable Lord Justice Deeny resigned from the Finance Committee in April 2019, and will be replaced by The Honourable Mr Justice Colton.

After each meeting the Finance Director provides a highlight report to the Board covering the main issues discussed by the Committee.

Audit and Risk Assurance Committee

The role of the ARAC is to provide 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. The ARAC monitor the effective implementation of all agreed audit recommendations, examine the effectiveness of the overall risk management process, and receive assurance from the NICTS Risk Co-ordinator.

The ARAC operates in accordance with the Audit Committee Handbook, published on 29 May 2013 and updated on 1 April 2018. Although the ARAC primarily considers matters within NICTS, it also ensures that the inter-relationships between it and the Departmental Audit and Risk Committee (DARC) are documented and agreed, particularly where assurance is provided on matters which properly support the Departmental Governance Statement.

The Terms of Reference for ARAC are included in the Agency Framework Document.

Attendance by members at the six meetings of the ARAC during 2018-19 is shown below:

Member	Position	Attendance
Ms N Lappin	Chair	6/6
The Right Honourable Mr Justice Burgess	*Judicial Representative	1/2
The Honourable Madam Justice McBride	Judicial Representative	3/4
Mr G Wilkinson	Non-Executive Member	2/6

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

After each meeting the Chair of ARAC presents a report to the Board covering the main issues discussed by the Committee. Matters considered include:

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

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. The Group meets once a month, and is attended by a representative from NICS-HR. Further meetings of the Group can be called as and when required.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Internal Control

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

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

In its capacity as an agent for NICF, NICTS collects the revenue from financial penalties imposed by the Judiciary, PSNI and DVA and is therefore responsible for elements of the systems and controls governing the collection of these penalties. As Accounting Officer, I have an obligation to ensure the features of the accounting systems and internal controls that operate within the remit of NICTS, and for which I am therefore responsible, are appropriate.

Controls over the relevant income types include:

- Court Imposed Payments

When a penalty is imposed by the courts it is processed on ICOS. Court imposed payments account for 75% of the Trust Statement impositions. ICOS has a number of embedded internal controls to ensure that all receipts are accounted for and reconciled, including an interface used by Finance Branch to carry out daily reconciliations of ICOS to the financial accounting system.

- Fixed Penalty Notices

FPNs are processed on DomePay. FPNs account for 22% of the Trust Statement impositions. PSNI and DVA both have the authority to impose FPNs with PSNI also being responsible for recording impositions on DomePay. The FPO within NICTS is responsible for the processing of the payment of FPNs. There are a number of embedded controls within FPO to ensure receipts are accounted for and reconciled such as segregation of certain duties.

- Penalty Notices for Disorder (PNDs)

PNDs are issued by PSNI as an alternative to court prosecution. PNDs account for 3% of the Trust Statement impositions. PNDs are recorded on the PSNI operational information system, Niche RMS. The Niche RMS system interfaces with ICOS via Causeway. NICTS is responsible for receipting and processing payments made in

respect of issued PNDs. When preparing the annual Trust Statement NICTS reconciles the PNDs data per ICOS to the PNDs information on Niche RMS.

This control framework has been in place throughout 2018-19.

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.

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; then scored and reported on accordingly.

The corporate risk appetite is set by the 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 ARAC at each of its quarterly meetings. NICTS operates a process to enable escalation of risks to the DoJ Corporate Risk Register if risks breach NICTS tolerance level.

Risk management is high on the PSNI agenda and risks are managed in a structured manner. The PSNI system of internal control is designed to maintain risk at a manageable level based on a risk appetite agreed by the Senior Executive Team to provide an acceptable level of assurance.

Managing the Risk of Fraud

NICTS complies with DoJ Anti-Fraud & Anti-Bribery Policy and Response Plan and the DoJ Whistleblowing Policy. DoJ is currently completing a review and update on these two policies. A fraud log is maintained and presented periodically to NICTS Audit and Risk Assurance Committee and updates are also provided to DARC.

Any new regulations or Best Practice Guidance issued from DoJ, DoF or NIAO are considered and disseminated accordingly.

Information Assurance

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

Data incidents are reported and managed in line with DoJ Security Incident reporting policy that was revised to reflect changes to data protection legislation in May 2018. As a result, all data incidents are now reported to the Department to comply with the requirement to report significant data incidents to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the incident. During 2018-19, a total of 145 incidents were reported to DoJ with the highest proportion relating to errors in data entry. All data incidents were fully investigated with the findings reviewed to identify any lessons learned and existing processes were amended as appropriate. Of the 145 incidents reported to DoJ, two breaches were significant enough to be reported to the ICO during this period; both of which have been investigated with no further action.

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 systems, database and application software. Accreditation Certificates have been issued by DoJ for all NICTS line of business systems.

NICTS continues to monitor and review the application of Information Assurance policies (including a series of unannounced clear desk inspections) to ensure data is handled appropriately and that any associated risks are identified and managed. IT Assist provides and hosts all NICTS information systems. They provide a resilient solution, based on high availability, redundancy and mirrored data centres. Disaster Recovery tests were completed for Causeway during 14-21 April 2018 and on 1-2 August 2018 for NICTS line of business applications.

PSNI adopts the principles of the Cabinet Office's Security Policy Framework and complies with National Police Chief's Council policy and guidance on information assurance and the management of police information. Following submission of a Governance and Information Risk Return (GIRR) to the Home Office National Police Information Risk Management Team on 25 March 2019; confirmation was received that PSNI had met the compliance requirements for National Policing Connectivity. The granting of this Certificate provides evidence that PSNI's infrastructure, as presented in the GIRR submission, is appropriately risk managed and does not

present an unacceptable risk to the police community. Approval enables PSNI to securely connect to National Police Information Systems and the Public Service Network for Policing's Protected and Secured Networks. PSNI continue to comply with the Government Security Classification Policy (GSC) for marking information assets.

PSNI have reported no data related incidents relevant to the Trust Statement.

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 ARAC 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.

A Service Level Agreement (SLA) between NICTS and PSNI was agreed in September 2013. This SLA documents monthly financial information requirements and the year-end information requirements to support the production of the Trust Statement. The Chief Constable provides an annual assurance statement in accordance with the requirements of the SLA which supports the Trust Statement Governance Statement. Additionally there is an SLA between PSNI and NICTS to govern the delivery of fine warrants. This was agreed in August 2015 and it formalises the arrangements between PSNI and NICTS about the exchange and management of records of fine default warrants and the timely execution of the warrants by PSNI.

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 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 the internal auditors and the executive managers within NICTS who have responsibility for the development and maintenance of the internal control framework as well as the comments made by the external auditors in their RTTCWG and other reports.

NIAO issued the 2017-18 Trust Statement RTTCWG in March 2019 which made two priority two recommendations. Further details of these are set out below in the External Audit section of Audit Recommendations.

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 it needs to be aware of, or take action on, to allow the Board to effectively carry out its duties. A Board evaluation exercise is normally completed annually, however as there has been significant change at Board level during the previous year it was considered more appropriate to carry out a Board Effectiveness Review in 2019-20.

SIGNIFICANT INTERNAL CONTROL ISSUES

There are no issues which have been deemed as significant to NICTS during 2018-19 as a result of the assurance activity.

AUDIT RECOMMENDATIONS

Internal

DoJ's Internal Audit branch carried out a review of the NICTS Fixed Penalty Office and Fine Collection process as part of the 2018-19 Internal Audit Work Programme. This review provided satisfactory assurance over the NICTS operated controls.

External

NIAO issued the final 2017-18 Trust Statement RTTCWG in March 2019 which made two recommendations as follows:

- Priority two – Reconciling figures in the Accounts; and
- Priority two - PSNI cash warrant collection procedures.

NICTS now reconciles ICOS reports on a monthly basis and ensures Version 1 investigate/resolves any differences on a timely basis. Current procedures are being revised which will detail all the manual adjustments which are required to the bank and cash account.

PSNI has fully implemented the recommendation in relation to the cash warrant collection procedures. Emails have been issued to all Officers and Staff reminding them of the need to follow the service guidelines regarding the execution of monetary penalty and default fine warrants. Controls are in place for Officers and Staff when dealing with the execution of fine default warrants. The service guidelines ensure that PSNI systems are updated as far as possible, in real time as soon as a warrant is executed, either by arrest or payment. A full reconciliation process is in place to ensure any discrepancies are investigated and remedied as soon as possible, with monies paid over to NICTS at the earliest opportunity.

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 over time. This programme includes the annual review of the systems for fine collection and enforcement. The scope of this review is limited to directly reviewing the controls operated by NICTS, although internal audit also takes account of the wider control environment including those aspects of the overall process that are the responsibility of PSNI. The Head of Internal Audit provides me with her professional opinion on the level of assurance that she can provide based on the work done. For the 2018-19 year she has provided overall satisfactory assurance in relation to NICTS internal controls for fine collection and enforcement. A new FCS was introduced on 1 June 2018 to manage outstanding financial penalties. This provides new collection options and enforcement powers and reduces PSNI involvement in fine enforcement.

Following my review I am satisfied that, with the exception of the issues noted above, I maintain effective systems of control in ICOS and FPO which operates as part of my organisation, however the end-to-end system of controls and reporting for fixed penalties stretches outside of NICTS, and into areas for which I have no responsibility. For example roadside penalties are issued and registered by front line police operating throughout Northern Ireland.

NICTS has communicated with those organisations responsible for reviewing controls which operate outside of NICTS but I have made no assessment of their effectiveness. While I am not accountable for systems, processes and controls operated and owned by PSNI, which have been relied upon in drafting this Trust Statement, I am wholly dependent on the assurances provided by the PSNI Accounting Officer, the Chief Constable, for the information included in the Trust Statement sourced from PSNI. The Chief Constable has stated that, to the best of his knowledge, the data provided to NICTS is complete and accurate for the year 2018-19.



P Luney
Accounting Officer
11 February 2020

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 Northern Ireland Courts and Tribunals Service (NICTS) Trust Statement for the year ended 31 March 2019 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Revenue, Other Income and Expenditure, Financial Position, Cash Flows; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- give a true and fair view of the state of NICTS Trust Statement's affairs as at 31 March 2019 and of the NICTS Trust Statement's net revenue for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Emphasis of Matter: Carrying Value of Receivables

I draw attention to Note 6 of the financial statements which discloses an impairment (provision for uncollectable amounts) of £15.826 million. NICTS has based this provision on all reasonable and supportable information available to it at the year end. However changes to the fine collection process, including the introduction of Fine Collection and Enforcement Service and the related impact of new initiatives available under the Justice Act (NI) 2016 have led to considerable uncertainty over future debt collection rates and the subsequent carrying value of receivables reported in the financial statements. My opinion is not qualified in this matter.

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 NICTS Trust Statement 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 NICTS and the Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements 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 and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the NICTS and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the NICTS and the 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 Government Resources and Accounts Act (Northern Ireland) 2001.

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 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.

My detailed observations are included in my report on pages 49 to 53.



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

18 March 2020

PART 3 FINANCIAL STATEMENTS

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Revenue			
Fixed Penalty Notices		2,613	1,850
Court Imposed Fines		5,668	4,619
Extra Costs		(3)	18
Confiscation Orders		1,834	1,076
Offender Levy		490	421
Other Party Criminal		2,045	1,934
Total Revenue		12,647	9,918
Expenditure			
Credit Losses	2	(5,397)	(1,567)
Revenue retained by the NICTS under statute	3	(1,152)	(153)
Total Expenditure		(6,549)	(1,720)
Disbursements			
Amounts paid to Other Parties		(750)	(2,447)
Amounts paid to Road Safety Partnership		(962)	(584)
Total		(1,712)	(3,031)
Total Expenditure and Disbursements		(8,261)	(4,751)
Net Revenue for the Consolidated Fund		4,386	5,167

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 38 to 48 form part of this statement.

Statement of Financial Position

as at 31 March 2019

		2018-19	2017-18
	Note	£'000	£'000
Non-current Assets			
Receivables falling due after more than one year	4	608	680
Total non-current assets		608	680
Current Assets			
Receivables	5	7,891	9,457
Cash and Cash Equivalents	7	565	981
Total current assets		8,456	10,438
Total assets		9,064	11,118
Current Liabilities			
Payables	8	(1,930)	(3,024)
Total current liabilities		(1,930)	(3,024)
Total Assets less Current Liabilities		7,134	8,094
Represented by:			
Balance on Consolidated Fund Account	9	7,134	8,094

The notes on pages 38 to 48 form part of this statement.



P Luney
Accounting Officer
 11 February 2020

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Net cash flow from operating activities	A below	4,930	6,569
Cash paid to the Consolidated Fund	9	(5,346)	(6,676)
(Decrease)/Increase in cash in this period		(416)	(107)

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow to Movements in Net Funds

Net Revenue for the Consolidated Fund	9	4,386	5,167
Decrease/(Increase) in non-cash assets	4,5	1,638	1,038
Increase in non-cash liabilities	8	(1,094)	364
Net Cash Flow from operating activities		4,930	6,569

B: Analysis of Changes in Net Funds

(Decrease)/Increase in cash in this period		(416)	(107)
Net Funds at 1 April		981	1,088
Net Funds at 31 March		565	981

The notes on pages 38 to 48 form part of this statement.

Notes to the Trust Statement

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with Annex G of DoF's Accounts Direction, DAO (DoF) 01/19, in accordance with Section 11(1) and (2) of the Government Resources and Accounts Act (Northern Ireland) 2001. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been developed with reference to the 2018-19 FReM, in particular Chapter 8 which deals with Trust Statements and Accounting for Consolidated Fund Revenue. The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NICTS for the purpose of providing a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements are those flows of funds which NICTS handles, on behalf of NICF and other entities, where it is acting as an agent rather than as principal. The sense in which these elements are used is described within the Performance Report.

Unless otherwise stated, the financial information contained in the statements and in the notes is rounded to the nearest £'000.

1.2 Accounting Convention

The Trust Statement has been prepared under the historical cost convention modified to account for the valuation of receivables and payables. Receivables and payables have been accounted for on an accruals basis in accordance with DoF's accounts direction and FReM.

1.3 Revenue Recognition

Fines and penalties are recognised as revenue in accordance with IFRS 15: Revenue from Contracts with Customers and Chapter 8 of FReM. They are measured at the fair value of amounts received or receivable net of judicial remissions. Revenue is recognised when a penalty is validly imposed and an obligation to pay arises. Where, on appeal, or for other legal reasons, the penalty is cancelled, the amount receivable is derecognised at the date of the successful appeal. Where a penalty is imposed, but with an alternative of a non-financial

penalty (including imprisonment or undertaking a training course), the penalty is recognised initially, but is derecognised when and if the option of the non-financial penalty is taken up.

1.4 Expenditure

Section 20 of the Criminal Justice (Northern Ireland) Order 2005 permits NICTS to recover costs associated with the operation of the Road Safety Partnership. These amounts are recovered from the Road Safety Partnership through PSNI and are accounted for as expenditure. This treatment is required by FReM where legislation permits that part of the revenue collected can be retained by the entity. The associated impositions are therefore recorded gross within revenue.

New fine collection and enforcement arrangements are funded from fine receipts retention from the NICF as approved by HM Treasury. The Department is permitted to retain an element of fines collected as income through two netting-off schemes and a fine incentive scheme which can be reinvested in NICTS. The fines retained are accounted for as expenditure.

1.5 Receivables

Receivables are shown net of impairments in accordance with the requirements of IFRS 9: Financial Instruments and FReM. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets. IFRS 9 requires a recognition of credit loss allowances on initial recognition of financial assets. In relation to impairment IFRS 9 sets out a simplified approach. Under the simplified approach there is no need to monitor for significant increases in credit risk and entities will be required to measure lifetime expected credit losses at all times. There has not been a fundamental change in approach to the way in which the provision is calculated as the impairment will continue to be recognised on the basis of historic data. The NICTS Trust Statement current impairment model is based on the use of historical trends, analysis of different income streams and assessment of some individual balances to calculate the impairment of the outstanding debt balance. The model complies with the 'simplified approach' and is consistent with IFRS 9.

1.6 Payables

Payables are accounted for on an accruals basis. They represent the value of impositions that have been collected and are due to be paid to parties other than NICF.

1.7 Disbursements

Disbursements are accounted for on an accruals basis and represent the value of impositions for the year payable to parties other than NICF.

1.8 Net Revenue for the Northern Ireland Consolidated Fund (NICF)

Net Revenue for NICF is the value of impositions for the year (net of impairment) that are payable to NICF for those categories of imposition applicable, including fixed penalties, fines, and confiscation orders.

1.9 Critical accounting judgements and estimates

The preparation of this statement in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying NICTS's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(i) Credit Losses

Administratively NICTS do not have the ability to write off debt as this can only be carried out on Judicial Authority. During the year the Judiciary have remitted a number of fine debts. The value of debts written off is disclosed in Note 2.

(ii) Impairment of Debt – Impairment Methodology

Receivables are shown net of impairment in accordance with the requirements of IFRS 9: Financial Instruments and FReM. The fair value of receivables is determined by making an impairment to reduce the value of receivables to the worth of the estimated future receipts. Statistics have been used to calculate the impairment of the outstanding debt balance. In preparing the methodology NICTS had to take account of areas of uncertainty around those factors which determine future revenue flows. Therefore judgements have to be made concerning some of these factors and procedures in place to do this. However, because of the areas of uncertainty involved, there will inevitably be differences between forecasts and future outturns. These differences arise because of the need to make judgements on areas of uncertainty and are not considered to be indicative of deficiencies in NICTS procedures.

DomePay Receivables

At 31 March 2019 there was a closing balance of £0.7m (2017-18: £0.4m) on DomePay. DomePay records fixed penalties which are issued by the PSNI and DVA. If penalties remain unpaid on this system they will be transferred to ICOS after 45 days and will be enforced through this system. As a result of this we have not provided for any of the outstanding balance on DomePay.

ICOS Receivables

At 31 March 2019 there was a total closing balance on ICOS of £23.5m (2017-18: £20.8m) which includes confiscation order interest. This balance is made up of fines, extra costs, offender levy, other party monies and confiscation orders that remained unpaid at that date.

The debt at 31 March 2019 was split into the following two categories to assess for recoverability:

1. Non-current Receivables: £60k (2017-18: £7k); and
2. Remaining Debt: £23.5m (2017-18: £20.8m).

Last year (2017-18) there was a third category of debt, Warrant Debt pre 2013 (judicial sift) which had a value of £2k. However this debt has now been settled on ICOS apart from a trifling balance which NICTS Management continues to seek to resolve.

Each of the two categories were examined for evidence of impairment as discussed below.

1. Non-current Receivables

A number of cases have due dates that are on or after 1 April 2020 and as this is more than one year after the year end they have been accounted for within non-current receivables. Provision for expected lifetime losses have been made for this debt in line with IFRS 9. This debt had a total value of £60k.

2. Remaining Debt

The total value of this debt is £23.5m. Impairment for this debt has been calculated based on a review of specific high value receivables combined with a collective assessment for all other debt split into fine imposition type. All estimations have involved judgements based on the latest available, reliable information. In 2017-18 overdue debt was provided for in accordance with percentage statistics calculated from the outcome of Fine Default Hearings which had actually taken place. Given the introduction of FCS (outlined on page

16) and the effect this has had on Debt Collection operational policy the 2018-19 impairment has been based on actual collection rates. The assumption is that the profile of collections will be the same in the future as in the past. The historical collection rates include FCS data from 1 June 2018 up to 31 March 2019. The 2017-18 impairment was re-worked based on these collection rates and the difference in impairment has been disclosed as an opening adjustment to reserves (Note 2).

1.10 Financial Instruments

In accordance with the provisions set out under Chapter 6 of FReM, any financial instruments that are not held in furtherance of NICTS objectives but that are held on behalf of Government more generally are accounted for in this Trust Statement.

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised in SoFP when the entity becomes a party to the contractual provisions of the instrument.

Interest accrues at a rate of 8% per annum on those confiscation orders that have a balance remaining unpaid after the payment due date has expired. Interest does not accrue on any other receivables.

Financial Assets

Credit Risk Assessment

The Trust Statement has financial instruments in the form of 'trade receivables'.

In accordance with IFRS 9: Financial Instruments: Recognition and Measurement, trade receivables are classified as 'receivables'. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In accordance with IFRS 9, receivables are initially recognised at fair value.

NICTS assesses at each SoFP date whether there is any objective evidence that a financial asset or group of financial assets classified as receivables is impaired. This includes an assessment of the risk associated with the recoverability of the different groups of receivables. The assessment of recoverability and the assumptions used in the impairment methodology have been documented in Note 6.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making a collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows

from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the SoROIE and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces, and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the SoROIE to the extent that a provision was not previously recognised.

Financial Liabilities

The Trust Statement also has financial instruments in the form of 'trade payables' that are classified in accordance with IFRS 9: Financial Instruments: Recognition and Measurement as 'other financial liabilities'. These are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. There are no liquidity risks associated with these financial liabilities. The credit risk assessment on the financial liabilities identified no liquidity risk in respect of these liabilities.

1.11 Financial Reporting

NICTS has reviewed the standards, interpretations and amendments to published standards and FReM that became effective during 2018-19 and also those not yet effective. These are documented in the NICTS Annual Report and Accounts 2018-19. In addition to this the future developments to accounting standards were outlined. There is one published standard issued and effective in 2018-19 for the first time that has an impact on the Trust Statement as detailed below.

Standard (amendment / new)	Effective date and FReM application	Description of revision	Comments
IFRS 9 - Financial Instruments (new)	1 January 2018 (EU endorsed 22 November 2016) FReM application 2018-19	IFRS 9 includes several improvements, and introduces substantially greater disclosure requirements, to the previous IAS 39 which includes: - a single approach to classification and measurement; - a new forward-looking 'expected loss' impairment model; and	IFRS 9 will affect all public sector bodies that have any financial Instruments (including trade receivables, lease receivables, loan commitments and contract assets).

Standard (amendment / new)	Effective date and FReM application	Description of revision	Comments
		<p>- a revised approach to hedge accounting.</p> <p>The application of this standard is retrospective (without restatement). This has been mandated in the FReM with approval from the FRAB.</p>	

2. Credit Losses

	Note	2018-19 £'000	2017-18 £'000
Debts written off by Judicial authority	2.1	634	1,428
Increase in value of impairment	2.2	4,763	139
		5,397	1,567

2.1 Debts written off by Judicial authority

	2018-19 £'000	2017-18 £'000
Fines	414	685
Extra Costs	-	-
Confiscation Orders	89	607
Offender Levy	4	5
Other Party Criminal	127	131
	634	1,428

2.2 Increase in value of impairment

	2018-19 £'000	2017-18 £'000
Balance as at 1 April	11,063	10,924
Adjustment to opening balance of reserves*	2,203	-
Change in estimated value of impairment	2,560	139
Balance as at 31 March	15,826	11,063

*This the additional impairment which would have been charged in the previous year had historical collection rates been used in 2017-18 impairment calculations. Applying the revised collection rates to the 2017-18 receivables (as opposed to the Fine Default Hearing statistics) has resulted in an £2.203m increase to 2017-18 impairment. Therefore the £4.8m increase in impairment can be split into £2.203m relating to 2017-18 (had collection rates been used) and £2.560m relating to an increase to 2018-19 impairment. IFRS 9 has led to earlier recognition of expected

losses. Therefore £4.8m impairment has been recognised in the Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2019. However it has been disclosed in the notes to the Trust Statement that £2.203m of this relates to an adjustment to opening reserves.

3. Revenue retained by the NICTS under statute

	2018-19 £'000	2017-18 £'000
Road Safety Partnership*	162	153
Fine Collection and Enforcement Service**	990	-
	1,152	153

*NICTS is entitled under statute to retain elements of the Road Safety Partnership penalties collected as revenue. The costs associated with running the partnership are charged as expenditure in the Trust Statement.

**NICTS is permitted to retain an element of fines collected as income through two netting-off schemes and a fine incentive scheme which can be reinvested in NICTS.

4. Receivables falling due after more than one year

	2018-19 £'000	2017-18 £'000
Instalment Orders	987	1,061
Other receivables	60	7
less Impairment Provision	(439)	(388)
	608	680

5. Receivables

	2018-19 £'000	2017-18 £'000
Instalment Orders	3,693	3,447
Other receivables	19,585	16,685
less Impairment Provision	(15,387)	(10,675)
	7,891	9,457

6. Total receivables

The table shows a breakdown of the receivables balance at 31 March 2019.

	Fixed Penalty Notices £'000	Court Imposed Fines £'000	Extra Costs £'000	Confiscation Orders £'000	Offender Levy £'000	Other Party Criminal £'000	Total £'000
Receivables							
At 1 April 2018	409	12,231	59	3,336	487	4,678	21,200
Imposed	2,613	5,974	(3)	1,834	530	2,557	13,505
Cleared by committal ¹	-	(306)	-	-	(40)	(512)	(858)
Total Revenue	2,613	5,668	(3)	1,834	490	2,045	12,647
Total	3,022	17,899	56	5,170	977	6,723	33,847
Cleared by payment	(2,329)	(3,340)	-	(1,544)	(367)	(1,308)	(8,888)
Written off	-	(414)	-	(89)	(4)	(127)	(634)
At 31 March 2019	693	14,145	56	3,537	606	5,288	24,325
Impairment (provision for uncollectable amounts)²							
At 1 April 2018	-	6,962	28	1,737	242	2,094	11,063
Opening balance adjustment	-	1,280	9	(76)	53	937	2,203
Increase/(Decrease) in year	-	1,516	4	380	88	572	2,560
At 31 March 2019	-	9,758	41	2,041	383	3,603	15,826
Net book value at 31 March 2019	693	4,387	15	1,496	223	1,685	8,499
Net book value at 31 March 2018	409	5,269	31	1,599	245	2,584	10,137

Aged analysis of receivables at 31 March 2019 based on date of imposition

	Fixed Penalty Notices £'000	Court Imposed Fines £'000	Extra Costs £'000	Confiscation Orders £'000	Offender Levy £'000	Other Party Criminal £'000	Total £'000
Receivables							
Less than one year	693	2,958	-	726	183	816	5,376
Greater than one year and less than five years	-	1,323	14	720	39	664	2,760
Greater than five years	-	106	1	50	1	205	363
Net book value at 31 March 2019	693	4,387	15	1,496	223	1,685	8,499

Notes

1. The balances cleared by committal to prison have been derecognised from income in line with Section 8.2.9 of Chapter 8 in FReM which states that “Fines and penalties are recognised at the time that the fine or penalty is imposed and becomes receivable by the entity. Where, on appeal, or for other legal reasons, the penalty is cancelled, the amount receivable is derecognised at the date of successful appeal.”
2. Changes in the fine default process, including the introduction of FCS, and the impact of new initiatives available under the Justice Act (NI) 2016 have led to considerable uncertainty over future debt collection rates and the subsequent carrying value of receivables reported in the financial statements. NICTS continue to develop the use of historical trends, analysis of different income streams and assessment of some individual balances to calculate the impairment of the outstanding debt balance. NICTS takes account of areas of uncertainty around those factors which determine future revenue flows.

7. Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance at 1 April	981	1,088
Net change in cash and cash equivalent balances	(416)	(107)
Balance at 31 March	565	981
The following balances were held at		
Commercial banks and cash in hand (payable to NICF)	511	866
Commercial banks and cash in hand (payable to 3 rd parties)	54	115
Balance at 31 March	565	981

On a monthly basis fines and confiscation order receipts will be transferred from NICTS to DoJ who will the pay the monies over to NICF.

8. Payables

	2018-19 £'000	2017-18 £'000
Amounts due to be paid to the PPS	16	38
Amounts due to be paid to Other Parties	1,709	2,736
Amounts payable to DoJ Victims Fund	205	250
	1,930	3,024

9. Balance on Consolidated Fund Account

	2018-19 £'000	2017-18 £'000
Balance on Consolidated Fund as at 1 April	8,094	9,603
Adjustment to opening balance of reserves*	2,203	-
Net revenue for the Consolidated Fund	2,183	5,167
less amount paid to the Consolidated Fund	(5,346)	(6,676)
	7,134	8,094

*This is the additional impairment which would have been charged in the previous year had historical collection rates been used in 2017-18 impairment calculations.

10. Related-party transactions

NICTS is an executive Agency of DoJ. DoJ is regarded as a related party. During the year NICTS has had various transactions in respect of this Trust Statement with DoJ, and with other entities for which DoJ is regarded as the parent department, namely PSNI and NIPS.

In addition, NICTS had various transactions in respect of this Trust Statement with other government departments including PPS, DVA and DoF.

11. Events after the reporting period

There were no other material events post SoFP, for the year ended 31 March 2019.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 18 March 2020.

Report of the Comptroller and Auditor General to the Assembly on the Northern Ireland Courts and Tribunal Service (NICTS) Trust Statement for the year ended 31 March 2019

Introduction

1. The Northern Ireland Courts and Tribunals Service (NICTS), an Executive agency of the Department of Justice (the Department) of Northern Ireland, acts as an agent for the collection of financial penalties which have been imposed by the Judiciary, the Police Service of Northern Ireland (PSNI) and the Driver and Vehicle Agency (DVA). These include fixed penalty notices (FPNs), court imposed monetary penalties (namely fines, extra costs, other party costs, compensation for victims of crime and fixed penalty enforcement fines), and confiscation orders.
2. Financial penalties can be imposed by the Courts, the PSNI and the DVA for a wide range of reasons from traffic violations to compensation awarded to victims of crime (see Appendix 2). Dealing effectively with those who default on payment is an ongoing challenge for the justice system. Approximately half of the revenue is successfully collected in the 12 months after the penalties are imposed. The funds collected are paid to the Northern Ireland Consolidated Fund after deduction of some allowable costs incurred in collecting the fines and monies due to other parties.
3. Since 2011-12, NICTS have been producing annual Trust Statements which show income from fines and penalties, collection and administration costs and provisions for uncollectible amounts. It also reflects the complex inter-dependencies between the NICTS and a number of other Departments and Agencies involved in the enforcement process, including the PSNI. I qualified my audit opinion on the first four annual Trust Statements produced up to 2014-15. The Public Accounts Committee met on 22 October 2014 to consider my report on the NICTS Trust Statement for the year ended 31 March 2013. The Committee published its own report on 21 January 2015 which contained six recommendations for improving the collection of fines and penalties (see Appendix 1).
4. At 31 March 2019, the total amount of debt outstanding from non-payment of financial penalties was £24.3 million (2018 £21.2m). The total debt has been impaired by an amount of £15.8 million (2018 £11.1m) which is unlikely to be recovered. Approximately £5.4 million (2018 £4.8m) relates to amounts outstanding for less than one year, with £2.8 million (2018 £3.9m) outstanding between one and five years and with £0.4 million (2018 £1.4m) outstanding for more than five years.
5. The purpose of this report is to highlight progress made over the past twelve months with the system for dealing with fine defaulters.

The estimate of the impairment and collectability of overdue debt

The value of net receivables

6. The Trust Statement records the total debt outstanding at the end of the financial year and also shows the impaired debt which is an estimate of the amount that is unlikely to be recovered (see Figure 1).

Figure 1: Nearly two thirds of the debt outstanding at 31 March 2019 is unlikely to be recovered

	Total Debt		Impairment		Collectable Debt	
	£m		£m		£m	
	2019	2018	2019	2018	2019	2018
Court Imposed fines	14.2	12.3	9.8	7.0	4.4	5.3
Confiscation Orders ¹	3.5	3.3	2.0	1.7	1.5	1.6
Other Party Criminal	5.3	4.7	3.6	2.1	1.7	2.6
Fixed Penalty Notices	0.7	0.4	0.0	0.0	0.7	0.4
Extra Costs/Offender Levy	0.6	0.5	0.4	0.3	0.2	0.2
Total	24.3	21.2	15.8	11.1	8.5	10.1

Source: NICTS Trust Statement 2018-19 Note 6

7. The total level of debt outstanding has not improved since the PAC report was published in January 2015 and the proportion which is collectable continues to decrease (See Figure 2). The level of impairment has more than doubled since 2014-15.

Figure 2: Level of Collectable Debt since 2014-15

	Total Debt	Impairment	Collectable Debt	
	£m	£m	£m	%
2014-15	21.1	7.3	13.8	65.4
2015-16	19.8	10.9	8.9	44.9
2016-17	22.1	10.9	11.2	50.7
2017-18	21.2	11.1	10.1	47.6
2018-19	24.3	15.8	8.5	35.0

¹ Confiscation orders are imposed under the Proceeds of Crime Act 2002 or the Proceeds of Crime (NI) Order 1996. A confiscation order is an order directing the payment of money obtained by a defendant as a result of his/her criminal conduct, to the Crown (or other third party where applicable). In Northern Ireland only the Crown Court has the jurisdiction to make a confiscation order. Confiscation orders are generally larger in value than other monetary penalties but smaller in volume.

8. Impairment reduces the debt balance to the amount that for accounting purposes is considered to be collectable. This is to ensure that the financial statements do not value the debt at more than is potentially collectable. However, NICTS continues to enforce the full value of the debt imposed by the Courts. A change in accounting policy in 2018-19 has led to earlier recognition of expected losses resulting in the value of impairment increasing significantly compared to prior years.

Chasing Overdue Debt

9. New arrangements over the debt collection process have been put in place following the Justice Act (NI) 2016 and secondary legislation including the Enforcement of Fines and Other Penalties Regulations (NI) 2018. The Fine Collection and Enforcement Service (FCS) became operational on 1 June 2018. Civilian Collection Officers now have the responsibility to collect penalties set by, and under the authority of, the Courts. There are more collection options available to the Courts and Collection Officers, including the ability to deduct payments from earnings or benefits in certain circumstances. For the wilful defaulter who has the ability to pay but doesn't, the Act allows a broader range of options for the Courts to pursue, including bank account orders and vehicle seizure orders. In addition, Supervised Activity Orders (SAOs) may be used as an alternative to imprisonment for fine default, although only one has been made since 1 June 2018.
10. Under the new arrangements Fine Default Hearings now occur at the end of the FCS process when all collection options have been exhausted. This is expected to decrease the number of cases being returned to the court thereby reducing the need for default hearings and the serving of summonses for hearings and the need to issue warrants. Debt collection rates are therefore expected to improve although this is not evident yet.

Fine Warrants Issued and Outstanding

11. The new arrangements have resulted in a significant decrease in the number of warrants issued in 2018-19. 2,880 warrants were issued to be actioned by the PSNI during 2018-19 (2017-18 10,305). Figure 3 shows the progress made to date on these warrants.

Figure 3: Outcome of Warrants Issued in 2018-19

Outcome	Number of Warrants	%
Cleared by Committal to prison	995	34.6%
Cleared by Part Committal/Payment	30	1.0%
Cleared by Payment	899	31.2%
Total Cleared	1,924	66.8%
Warrants Outstanding ²	587	20.4%
Returned Unexecuted or Stayed ³	369	12.8%
Total	2,880	100%

Source: NICTS

12. PSNI aims to execute 75% of warrants within either the specified period of time for enforcement where provided or where this does not exist, within 12 months of the date of issue. During 2018-19 the PSNI executed in excess of 75% (2017-18 75%) of warrants by the target date in all 12 months and the overall average performance for the 2018-19 year was 79% (2018-19 77%).

13. As at 31 March 2019 a total of 2,451 warrants were outstanding and of these outstanding warrants, 1,864 (76%) were over 12 months old. PSNI have been contacting officers, updating and returning logs with attempts at execution recorded. These are then reviewed by NICTS. The number of outstanding warrants over 12 months old has reduced to 1,438 as at December 2019.

14. NICTS has advised me that PSNI currently holds £0.7m (2017-18 £1m) in cash warrants to be collected.

Debt Collection Rates

15. The calculation of the impairment charge for outstanding debt uses a number of assumptions based on trends and past performance. Changes to the fine default process and the impact of new initiatives under the Justice Act (NI) 2016 have led to considerable uncertainty over future debt collection rates, the behaviour of defaulters and the subsequent carrying value of receivables reported in the financial statements.

16. As the FCS has been in operation since June 2018, 12 monthly figures are now available. During this period 31,309 Collection Orders have been made with 17,228

² Warrants have a specified period of time for enforcement or where this does not exist, within 12 months of the date of issue. The majority of the warrants outstanding have not reached the end of their enforcement period.

³ A warrant can be 'stayed' for various reasons such as when a bench warrant is delayed so the defendant can appear voluntarily in court as ordered.

being activated within FCS. 3,193 (19%) cases have been paid in full in FCS, with 3,816 (22%) having payment plans in place and 2,002 (12%) being referred to a referral hearing.

17. As at 31 May 2019 the level of outstanding debt (which excludes confiscation orders) was £20.5m and the level of overdue debt was £13.8m (67%), an increase in overdue debt of 19% over the past 12 months. NICTS have told us that this increase is due to the fact that benefit deduction payments are slower but are more regular, the impact of the suspension of referral hearings and the low service rate for referral hearing summonses.

18. NICTS have reported a 46% payment rate as at 31 May 2019 (which includes all payments) and a 58% collection rate (which includes all payments and cleared otherwise).

Conclusion

19. The Department has now taken steps to address all the issues in the PAC report including new governance arrangements and control structures over fine collection. Targets have been set to monitor the execution of warrants. A system has been established to allow the numbers of warrants issued to the PSNI and those still outstanding to be reconciled.

20. However nearly two thirds (£15.8m) of the £24.3m debt outstanding at 31 March 2019 is unlikely to be recovered. I expect debt collection rates to be improved by the operation of the Fine Collection and Enforcement Service and the use of the new powers available to it. I will continue to monitor the effectiveness of the initiatives taken by the Department and will look to see evidence of a more successful debt collection process to reduce the number and value of fines remaining unpaid.



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

18 March 2020

APPENDIX 1 PAC RECOMMENDATIONS

PAC Recommendation 1

The Committee recommends that NICTS should put in place a robust system to identify an individual's ability to pay before a fine is imposed. This would allow the court to consider options at the outset to prevent fine default, including instalment orders, non-monetary supervised activity orders and other measures, such as deductions from earnings or benefits.

Memorandum of Reply Commitment

The Northern Ireland Courts and Tribunals Service (NICTS) and the Department of Justice (DOJ) accept this recommendation.

June 2016 position

This recommendation has been fully implemented.

The recommendation to identify an individual's ability to pay before a fine is imposed has been fully implemented. NICTS has written to the Office of Lord Chief Justice advising of the continued availability of the offender's fine history record to the court, post-conviction and in advance of sentencing. NICTS wrote to the Law Society and the Bar Library to request that an e-alert reminder issue to members or that a note is placed in the Writ (Law Society magazine) to encourage the completion of the necessary Means Enquiry Forms in respect of defendants

PAC Recommendation 2

The governance arrangements and control structures in place over fine collection and enforcement are unacceptable. The Committee recommends that, roles and responsibilities are well defined and accountability and reporting lines should be clear. NICTS should monitor all warrants issued and PSNI should ensure that robust reconciliations are undertaken between warrants executed and cash collected. In the Committee's opinion the Department should be providing effective oversight and co-ordination, with regular reporting of performance to Senior Management and the Board.

Memorandum of Reply Commitment

DOJ, NICTS and the Police Service of Northern Ireland (PSNI) have implemented this recommendation.

June 2016 position

This recommendation has been fully implemented.

Fine Collection and Enforcement Programme Board meet on a quarterly basis and

receive information on warrant enforcement.

Regular reconciliations of warrants issued to PSNI are now being performed. Since August 2014 PSNI receive a monthly list of new outstanding fine warrants from NICTS and both organisations liaise to reconcile this list to PSNI records. PSNI and NICTS have also implemented a Service Level Agreement (SLA) to govern police delivery of warrants. This became operational on 31 August 2015.

PAC Recommendation 3

The Committee recommends that targets should be set to ensure that all warrants are executed on a timely basis. NICTS should undertake regular reconciliations of all warrants issued to the PSNI and should seek explanations for warrants that have been outstanding for more than six months.

Memorandum of Reply Commitment

NICTS and PSNI partially accept this recommendation.

June 2016 position

This part of this recommendation which was accepted has been fully implemented. Since August 2014 PSNI receive a monthly list of new outstanding fine warrants from NICTS and both organisations liaise to reconcile this list to PSNI records. The SLA in place to govern police delivery of warrants was signed and became operational on 31 August 2015. The SLA outlines the responsibilities of both PSNI and NICTS to facilitate the provision of regularly reconciled records. It sets out targets for the timely execution of fine default warrants within the specified period of time for enforcement and also sets targets for transferring warrant monies from PSNI to NICTS within a specified timeframe taking into account the demands on both organisations.

PAC Recommendation 4

The Committee recommends that the Department ensures that alternative methods for collecting outstanding fines are implemented immediately, ahead of the wider reform programme. The new measures should include a system for making payment by a debit card at a police station. This would help to eliminate the risk associated with cash collection. Where cash collection is unavoidable rigorous controls should be implemented to help mitigate the risks.

Memorandum of Reply Commitment

DOJ and NICTS have implemented this recommendation.

February 2018 position

This recommendation has been fully implemented.

Ability to take cashless payments is now available across PSNI stations. Uptake is

sporadic but may increase over time as facility embeds in local areas.

PAC Recommendation 5

The costs associated with fine enforcement are, in the Committee's view, excessive and the current system is neither efficient nor effective. The Committee strongly recommends that the system is reviewed as a matter of urgency with a view to largely removing PSNI from the process and replacing it with a civilian collection service. This would help to release resources for front line police work. Further, the Committee recommends that consideration should be given to whether committal remains an appropriate sanction and a greater emphasis should be placed on ensuring that defendants pay the fine imposed rather than serving a prison sentence.

Memorandum of Reply Commitment

DOJ have implemented this recommendation.

August 2018 position

This recommendation has been fully implemented.

Legislative provisions to allow for a civilianised FCS are included in the Justice (No. 2) Bill. This legislation achieved Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016. The secondary legislation and commencement order were signed by DoJ Permanent Secretary and DfC Permanent Secretary on 23 April with a commencement date of 1 June 2018. Fine Collection and Enforcement Service established and operational from 1 June 2018 in NICTS.

PAC Recommendation 6

The timetable for reform has already slipped and the Committee recommends that the Department takes all steps necessary to re-examine the current legislative timeframe and, at the very least, take all the necessary steps to ensure that there is no further slippage. A key objective of reform should be to ensure the system represents value for money and makes the best use of the limited public resources available.

Memorandum of Reply Commitment

DOJ have implemented this recommendation.

August 2018 position

The Justice Act (NI) 2016 received Royal Assent in May 2016. The secondary legislation and commencement order were signed by DoJ Permanent Secretary and DfC Permanent Secretary on 23 April with a commencement date of 1 June 2018. Fine Collection and Enforcement Service established and operational from 1 June 2018 in NICTS.

APPENDIX 2
FINANCIAL PENALTIES
(source: NICTS)

FIXED PENALTY NOTICES (FPNs)

FPNs are imposed by PSNI and DVA. FPNs are issued for traffic rule violations and other vehicle rule violations. FPNs that remain unpaid for 45 days are uplifted by 50% and registered as court imposed fines that are sent to the court to be enforced by the NICTS.

PENALTY NOTICES for Disorder (PNDs)

Since 6 June 2012 Sections 59 – 70 and Schedule 4 of the Justice Act (NI) 2011 gave PSNI the power to issue a defendant with PNDs for specified offences. These notices are issued as an alternative to a court prosecution. If a penalty notice remains unpaid after 28 days the value will be uplifted by 50% and imposed as a court fine (similar to FPNs).

COURT IMPOSED MONETARY PENALTIES

Include fines; extra costs and other party costs awarded in court to cover prosecution costs such as summons server fees and court appearance fees; other party compensation which is awarded in court to victims of crime or maybe awarded in relation to injury or damage to property etc; and fixed penalty enforcement fines and unpaid PNDs which are FPNs and PNDs that

have remained unpaid after 45 days and 28 days respectively and have been registered as a court imposed fine. These penalty notices are uplifted by 50% of the value of the original penalty notice when registered as a court imposed fine on ICOS.

CONFISCATION ORDERS

This is an order directing the payment of money obtained by a defendant as a result of his/her criminal conduct, to the Crown. Confiscation orders are generally larger in value than other monetary penalties but smaller in volume. Interest accrues at a rate of 8 per cent per annum on those confiscation orders that have a balance remaining unpaid after the payment date has expired.

OFFENDER LEVY

From 6 June 2012, an offender levy has been imposed on fines and immediate custodial sentences for offences committed on or after that date. The receipts obtained from the collection of these levies are collected by the NICTS and transferred to the Department of Justice Victims of Crime Fund. These will then be used to pay for projects that support victims and witnesses in the criminal justice system as well as local initiatives taken forward by groups working with victims in the community.