



Northern Ireland

Courts and  
Tribunals Service

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# Trust Statement



For the year ended 31 March 2015

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# **Northern Ireland Courts and Tribunals Service**

## **Trust Statement For the year ended 31 March 2015**

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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  
7 December 2015



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## Contents

<b>GLOSSARY</b> .....	<b>4</b>
<b>FOREWORD BY THE CHIEF EXECUTIVE</b> .....	<b>6</b>
<b>PART 1 CHIEF EXECUTIVE'S REPORT</b> .....	<b>7</b>
Introduction.....	7
Who we are .....	7
Scope .....	8
Current Systems.....	10
Challenges and Issues .....	13
Fine Enforcement Developments and Initiatives .....	14
Other Developments .....	17
Results for the Year and Financial Position .....	18
<b>Part 2 TRUST STATEMENT 2014-15</b> .....	<b>20</b>
Statement of Accounting Officer's Responsibilities .....	20
Governance Statement .....	21
The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly .....	38
Statement of Revenue, Other Income and Expenditure .....	41
Statement of Financial Position.....	42
Statement of Cash Flows .....	43
Notes to the Trust Statement .....	44
Report of the Comptroller and Auditor General to the Assembly on the Northern Ireland Courts and Tribunals Service (NICTS) Trust Statement for the year ended 31 March 2015 .....	55

## GLOSSARY

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C&AG	Comptroller & Auditor General
DAO	Dear Accounting Officer
DFP	Department of Finance and Personnel
DOJ	Department of Justice
DVA	Driver and Vehicle Agency
EJO	Enforcement of Judgments Office
FCEP	Fine Collection and Enforcement Programme
FCEPB	Fine Collection and Enforcement Programme Board
FCES	Fine Collection and Enforcement Service
FCS	Fine Collection Scheme
FDWE	Fine Default and Warrant Enforcement
FPNs	Fixed Penalty Notices
FPO	Fixed Penalty Office
FPPC	Fixed Penalty Processing Centre
FReM	Government Financial Reporting Manual
HMCTS	Her Majesty's Courts and Tribunals Service
IAS	International Accounting Standard
ICOS	Integrated Court Operations System
IFRS	International Financial Reporting Standards
JARD	Joint Asset Recovery Database
MLA	Member of Legislative Assembly
MPMNI	Managing Public Money Northern Ireland
NDORS	National Driver Offender Retraining Scheme
NIAO	Northern Ireland Audit Office
NICF	Northern Ireland Consolidated Fund
Niche RMS	Niche Records Management System
NICTS	Northern Ireland Courts and Tribunals Service
NIPS	Northern Ireland Prison Service
OLCJ	Office of the Lord Chief Justice
PAC	Public Accounts Committee

PBNI	Probation Board for Northern Ireland
PentiP	National system equivalent to the Vehicle Procedures/Fixed Penalty Office System
PPS	Public Prosecution Service
PSNI	Police Service of Northern Ireland
PUMA	PSNI hand held mobile data project
RTTCWG	Report to Those Charged with Governance
SAOs	Supervised Activity Orders
SoFP	Statement of Financial Position
SoROIE	Statement of Revenue, Other Income and Expenditure
SPG	Strategic Planning Group
SRO	Senior Responsible Owner
VP/FPO	Vehicle Procedures/Fixed Penalty Office

## FOREWORD BY THE CHIEF EXECUTIVE

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I am pleased to present the Trust Statement for the Northern Ireland Courts and Tribunals Service (NICTS) for 2014-15. NICTS is an Agency of the Department of Justice (DOJ), sponsored by the Access to Justice Directorate within DOJ, 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.

In the business year covered by this Trust Statement, there has been a £2.7m (19.4%) decrease in the monetary penalties imposed mainly due to a decrease in the value of fines and confiscation orders imposed. The total amount outstanding at 31 March 2015 decreased by £1.6m (10.4%) due to the impact of the review of outstanding fine warrants being processed during this financial year and the decrease in the value of monetary penalties imposed.

The Comptroller and Auditor General (C&AG) qualified his report on the Trust Statements for the year ended 31 March 2012, 31 March 2013 and 31 March 2014. The C&AG report to the Assembly on the Trust Statement 31 March 2013 was considered by the Public Accounts Committee (PAC) in October 2014. Significant improvements continue to be made to address the issues raised by PAC. NICTS, the Police Service of Northern Ireland (PSNI) and DOJ are working towards full implementation of the remaining recommendations included in the PAC report which was published on 21 January 2015.

NICTS will continue to contribute operational input into the Fine Collection and Enforcement Programme which aims to improve the effectiveness and efficiency of the fine collection and enforcement system and is a ministerial priority.



**R Armour**  
**Accounting Officer**  
Chief Executive, NICTS

# PART 1 CHIEF EXECUTIVE'S REPORT

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## Introduction

This is the Trust Statement for NICTS for the financial year ended 31 March 2015. 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 Department of Finance and Personnel's (DFP) Accounts Direction, DAO (DFP) 03/15.

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 agent rather than principal.

## Who we are

NICTS is an Executive Agency of DOJ. It is accountable to the Assembly through the Minister of Justice, **David Ford MLA** ("the Minister").

The role of NICTS is to:

- provide administrative support for Northern Ireland's courts, tribunals and Parole Commissioners;
- support an independent Judiciary;
- provide advice to the Minister on matters relating to the operation of the courts and tribunals;
- enforce civil court judgments through the Enforcement of Judgments Office (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 for the registration of judgments under 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 IAS 39: Financial Instruments: Recognition and Measurement.

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 to 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 court imposed fines that are 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).
- **Extra costs** and **other party costs** are awarded in court to cover prosecution costs such as summons server fees and court appearance fees.
- **Other party compensation** is awarded in court to victims of crime or may be awarded in relation to injury or damage to property etc.
- **Offender levy** is imposed on all fines for offences committed on or after 6 June 2012 (see further details on offender levy below).
- **Fixed penalty** and **penalty notice enforcement fines** are FPNs and penalty notices 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 the Integrated Court Operations System (ICOS).

#### 4. **Offender Levy**

Since 6 June 2012, an offender levy has been imposed on all fines and immediate custodial sentences for offences committed on or after that date. Imposition of the levy is a statutory requirement, with legislative provision made in Sections 1 to 6 of the Justice Act (Northern Ireland) 2011. 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 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. These monies are therefore not paid over to NICF.

#### 5. **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).

The Trust Statement reflects expenditure for the impairment of outstanding fines, penalty notices and confiscation orders. Subject to agreement, NICTS is also

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. Extra costs are paid to PPS. Other party costs and other party compensation receipts are paid to the appropriate third party, including other government departments and victims of crime. Offender levy receipts are paid to the DOJ Victims of Crime Fund. 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 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**

There are three systems used to record the transactions that are reflected in the Trust Statement: ICOS, Vehicle Procedures/Fixed Penalty Office (VP/FPO) and Niche Records Management System (Niche RMS). These three 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 19 court offices in Northern Ireland, the NICTS centralised Customer Service Centre in Londonderry

Courthouse 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 Courthouse.

The imposition of an offender levy is recorded on ICOS along with all revenue collected. The first phase of 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. 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 they upload 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;
- that all cases listed in court are entered onto the ICOS system;
- the verification of data entered onto the system;
- the supervision and control by management to ensure that staff use the ICOS system efficiently and effectively through ICOS management reports; and
- an effectively functioning Fine Collection Team to increase the amount of fine monies received.

Northern Ireland Audit Office (NIAO) recommended in their Report to those Charged with Governance (RTTCWG) that NICTS open a separate bank account for Trust Statement monies and that this bank account should be reconciled on a regular basis. NICTS accepted that a separate bank account would lead to more transparency; however as third party fine monies need to be accounted for

separately from NICF monies two new bank accounts were required, one bank account for fine monies and one account for third party monies. The two new bank accounts were successfully opened with Danske Bank and became operational from 2 March 2015.

### **VP/FPO**

VP/FPO provides a fully integrated, systematic approach to the processing of vehicle offences issued by PSNI and DVA. The current service provider has notified its intention to withdraw licensing and technical support for VP/FPO from 1 April 2016 and therefore a new replacement system is required as a priority. A scoping and procurement exercise is underway to replace VP/FPO taking due consideration of the needs of both PSNI and NICTS. The tender specification will include a requirement to meet the reporting needs of the Trust Statement.

VP/FPO uses a single database to support both the Fixed Penalty Processing Centre (FPPC) in PSNI which is responsible for recording and processing fixed penalty offences, and the Fixed Penalty Office (FPO) in NICTS which deals with fixed penalty payments.

When an offence is detected by camera devices the information is uploaded to VP/FPO 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 VP/FPO. If a police officer issues the ticket through a hand held device then the information will be automatically uploaded into VP/FPO.

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 VP/FPO.

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

The system also includes an interface to the 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 VP/FPO 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.

### **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 via Causeway of any notices paid.

If a penalty notice has not been paid within 28 days Niche RMS will automatically generate an uplift of 50% on the penalty notice amount (including the £5 offender levy) and send this uplifted amount information across to ICOS via Causeway.

## **Challenges and Issues**

### **Recent Fines and Confiscation Judicial Reviews**

Two judgments were given by the Divisional Court on 22 March 2013 in relation to five Judicial Review applications that had been lodged challenging the arrangements for imposing and enforcing fines and confiscation orders. Following the legal challenge to the long established procedures for collecting and enforcing unpaid fines, NICTS implemented new transitional arrangements which include a fine default hearing before a Judge who will determine what enforcement action should be taken. These hearings commenced for Crown Court imposed fines in January 2014 and those in respect of Magistrates Court imposed fines commenced in June 2014.

NICTS supported the Judiciary in reviewing 32,631 outstanding fine warrants (recalled from PSNI following the Judicial Review challenge) which resulted in just over 71% of the fines by value being subject to a new fine default hearing process and just under 29% of fines by value being remitted by the Judiciary.

NICTS continued to work with DOJ colleagues on the fine default reform proposals being taken forward in the Justice (No. 2) Bill (previously known as Fines and Enforcement Bill) which will include the development of a civilianised fine enforcement service. The new service to be introduced will create a more cost effective system which will represent value for money and better use of the limited resources available. Information on the Bill is included in the next section.

At 31 March 2015 there were 52,685 fines (relating to 25,998 defendants) which had remained unpaid after the payment due date with a value of £12.5m (£8.9m relating to Magistrates' Court and £3.6m relating to Crown Court). At 31 March 2014 there were 52,987 fines (relating to 27,160 defendants) which remained unpaid after the payment due date with a value of £13.5m (£9.1m relating to Magistrates' Court and £4.4m relating to Crown Court).

The five Judicial Review applications have been converted to writs and are currently listed before the Master of the Queen's Bench Division to consider preliminary issues.

Although the Divisional Court held that the warrants in the cases before it were unlawfully issued it did not make any determination in relation to liability. The cases have been listed for review from 26 to 28 January 2016. Liability will be robustly denied on the basis of Crown immunity pursuant to section 2(5) of the Crown Proceedings Act 1947. The potential liability for damages is significant and would have major financial implications for NICTS and DOJ.

### **VP/FPO Replacement**

Another key challenge for NICTS is in relation to VP/FPO. The current service provider has notified its intention to withdraw licensing and technical support for VP/FPO therefore a new replacement system is required as a priority.

Support for VP/FPO will cease with effect from 1 April 2016. A scoping and procurement exercise is underway for the replacement of VP/FPO which is taking due consideration of the needs of both PSNI and NICTS. PSNI is currently completing a Business Case and assessing the affordability of options to replace VP/FPO.

## **Fine Enforcement Developments and Initiatives**

### **Fine Collection and Enforcement Programme**

The Fine Collection and Enforcement Programme (FCEP) was established by DOJ in 2013. The Programme Board is led by DOJ and comprises senior officials from NICTS, PSNI, NIPS and the Probation Board for Northern Ireland (PBNI). The FCEP Board is chaired by the Director of Access to Justice in the DOJ who has also

been designated as the Senior Responsible Owner (SRO) for the Programme. The Programme is sponsored by the Criminal Justice Board.

The main aim of FCEP is to maintain confidence in the use of fines as a credible deterrent to crime by improving collection and enforcement arrangements for unpaid criminal court imposed fines in Northern Ireland, bringing them to a comparable standard to those already operated in Great Britain.

Initially FCEP included three separate but inter-related projects however, the Programme Board agreed in May 2014 the Fine Collection and Enforcement Services (FCES) and the Supervised Activity Orders (SAOs) projects should be combined into a single project. The two projects, which are overseen by the FCEP Board, are as follows:

- **Fine Default and Warrant Enforcement (FDWE) Project** – this project was closed in August 2014 following the successful completion of the project objectives. The SRO for this project was the Chief Executive of NICTS. Project objectives included the arrangements for the recall and judicial consideration of all outstanding fine warrants (which resulted from the Divisional Court judgment in March 2013) and the establishment and implementation of new fine default arrangements. Default hearings commenced in the Crown Court in January 2014 and amended Magistrates' Court Rules came into effect on 17 February 2014 providing the legislative arrangements for default hearings for outstanding Magistrates' Court fines to be brought to a default hearing in line with the Divisional Court judgment. Revised Legal Aid Rules, which allow for the payment of legal aid fees in respect of default hearings in the Magistrates' Courts, came into operation on 26 June 2014 with Magistrates' Court default hearings commencing on the same day. Following project closure progress on the default arrangements are reported to the FCES Programme Board and the Criminal Justice Board.
- **FCES Project** – this project has responsibility for establishing a new FCES and the introduction of SAOs as part of a range of new measures which will serve as alternatives to imprisonment. Sentencers will have more access to SAOs and dedicated Collection Officers will be created who will have additional powers to encourage payment, thereby greatly reducing the number of cases going into default. Subject to having the necessary legislation in place (contained in the Justice (No. 2) Bill and secondary legislation), it is anticipated the new service (including SAOs) will be operational by the end of 2016.

## Consultations

The Department conducted a public consultation exercise between March and June 2014 requesting views on additional proposals for fine collection and enforcement. Proposals included access to bank accounts where these could be used to clear



finer; powers to seize motor vehicles in certain circumstances where fines are not being paid; removing remission of prison sentences for fine default; and prioritising SAOs for default on fines. The responses received were broadly supportive and are now included in the Justice (No. 2) Bill.

An Equality Impact Assessment and Regulatory Impact Assessment in relation to the proposed provisions within the Justice (No. 2) Bill was conducted by the Department. This assessment provided no findings that were required to be incorporated into the Bill.

### **Justice (No.2) Bill**

The Justice (No. 2) Bill was introduced in the Assembly on 30 June 2015 and passed its Second Stage on 8 September 2015. The Justice Committee published its call for evidence over the summer, with 21 written responses received by the closing date of 18 September 2015. The Bill is currently at Committee stage, with the intention of having the provisions in law before the end of this Assembly Mandate (April 2016). This legislation and related secondary legislation is required to enable the establishment of FCES.

Part 1 of the Bill deals with the collection and enforcement of fines and other penalties. It creates civilian Collection Officers whose responsibility it will be 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 doesn't, the Bill allows the Courts to access bank accounts or seize vehicles if it proved necessary to secure payment and the introduction of SAOs.

Subject to having the necessary legislation in place it is planned that the new Service will be operational by the end of 2016, this is in line with the commitments given to PAC in relation to previous NICTS Trust Statements.

### **Fine Collection Scheme**

In May 2009 the Fine Collection Scheme (FCS) was implemented within NICTS in an effort to increase the amount of fine monies received and to reduce the number of fine warrants issued to the PSNI for execution.

All outstanding monetary penalties enter FCS once their payment due date has passed. Fine Collection Officers, located in Laganside Courts, telephone debtors and send two reminder letters within a ten day period requesting full payment or for the debtor to contact the Fine Collection Officers to discuss a payment plan.

The performance of FCS is monitored on a monthly basis and is reported internally within NICTS. Following the fine judgment FCS still continues to operate successfully and fine collection reminder letters have been amended to reflect the new interim arrangements.

For a relatively small investment of £0.2m per annum FCS has over a seven year period successfully collected £7.8m providing an additional average income of £1.1m per annum.

The Agency continued to operate its Fine Collection Scheme throughout 2014-15 to encourage debtors to pay without the need for enforcement. Fine Officer intervention has resulted in 42% more debtors making payment during 2014-15.

During 2014-15 19,528 fines with a value of £4.8m entered FCS with 6,860 of these fines, with a value of £1.2m, being collected. This equates to a collection rate of 35.1% by number and 25.0% by value. During 2013-14 25,179 fines with a value of £4.7m entered FCS with 8,024 of these fines, with a value of £1.0m, being collected. This equates to a collection rate of 31.9% by number and 21.3% by value.

### **Supervised Activity Orders**

An evaluation of the SAOs pilot scheme, which ran in Newry and Lisburn Magistrates' Courts during 2012 and 2013, was undertaken by DOJ during 2013. The evaluation report was issued to the Justice Committee in December 2013 and assessed the strengths and weaknesses of SAOs as an alternative to imprisonment for fine default and identified a number of areas for improvement. Changes in SAO legislation have been included in the Justice (No. 2) Bill. These changes include the availability of an SAO which will be available for all financial penalties falling within the collection scheme, not just fines. In expanding the penalties to which an SAO can be applied, the Bill will also increase the limit of financial penalties included up to a maximum of £1,000 (from £500). As a consequence the maximum number of community service hours and the period in custody that can be imposed for a breach of a SAO will also increase.

The Bill provides for enhancements to the SAO provisions by making it available at any point in the process of a court setting a financial penalty, not just when the debtor defaults and also allowing the SAO to be cleared by payment at any point if it cannot be fulfilled.

### **Other Developments**

#### **Project PUMA**

PUMA is an ongoing project which aims to allow police officers greater access to information at the roadside using portable electronic recording devices. Project

PUMA allows for FPNs to be dealt with electronically and will reduce the time taken for issued notices to be fully recorded on VP/FPO therefore enabling speedy justice and at the same time ensuring a much more robust process from beginning to end. Project PUMA will also enable the police to issue penalties without requiring them to carry a number of separate ticket books. Graduated FPNs (where the penalty imposed varies according to the severity of the offence) will not initially be able to be recorded on the portable devices; however this is being considered for the future.

A phased rollout to Roads Policing commenced in April 2012 and it is expected that the rollout to all policing districts will be concluded during 2015.

### **VP/FPO Replacement System**

Over the last 18 months all police forces in England and Wales and Her Majesty's Courts and Tribunals Service (HMCTS) have replaced VP/FPO with a Home Office commissioned national fixed penalty solution called PentiP. There has been no agreed strategic plan formalised within Northern Ireland for the move to PentiP and therefore VP/FPO continues to be utilised. Work is on-going by PSNI to resolve this position which is imperative given the current software solution in use will no longer be supported with effect from 1 April 2016. A scoping and procurement exercise is underway for the replacement of VP/FPO. Affordability and system functionality will be key issues in the final procurement decision. A gap analysis to determine future requirements has been completed. Whilst PSNI has led on the scoping exercise, close consultation with NICTS has been key at every stage. The tender specification will include a requirement to meet the reporting needs of the Trust Statement.

A service level agreement will be put in place between PSNI and NICTS to ensure that NICTS business needs are met from this new arrangement.

## **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 the NICTS acting as an agent on behalf of NICF and other third parties and shows the associated expenditure.

During 2014-15 the total impositions decreased by £2.7m (19.4%) to £11.2m in 2014-15 (2013-14: £13.9m). The value of fines and penalties imposed decreased by £1.8m (16.2%) to £9.3m (2013-14: £11.1m) and also the value of confiscation orders has decreased by £0.9m (32.1%) to £1.9m (2013-14: £2.8m).

Expenditure has decreased by £0.7m (11.5%) to £5.4m in 2014-15 (2013-14: £6.1m).

The SoROIE shows an overall net revenue position for NICF of £5.9m in 2014-15 (2013-14: £7.8m).

### **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 2015 decreased by £1.6m (10.4%) to £13.8m (2013-14: £15.4m).

The net assets recorded in SoFP are represented by the balance owed to the NICF. This balance decreased by £1.6m (12.2%) to £11.5m in 2014-15 (2013-14: £13.1m restated).

### **Auditors**

The Trust Statement is audited by the C&AG in accordance with the Government and 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 2014-15 Trust Statement is £32,000 (2013-14: £32,000). This is charged on a notional basis and is recognised in the Resource Accounts of NICTS.



**R Armour**  
**Accounting Officer**  
1 December 2015

## PART 2 TRUST STATEMENT 2014-15

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### Statement of Accounting Officer's Responsibilities

Under section 11(1) and (2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DFP 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 the FReM and in particular to:

- observe the Accounts Direction issued by DFP, 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 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 DFP.

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 DFP. The Agency Framework Document sets out the arrangements for the effective governance, financing and operation of NICTS.

As Chief Executive I am responsible for the day-to-day operations 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 and ultimately to the Assembly, working under the direction of the Minister and in accordance with the Framework Document. 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 and Parole Commissioners;
- support an independent Judiciary;
- provide advice to the Minister on matters relating to the operation of the courts and tribunals;
- 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 for the registration of judgments under international conventions.

### Strategic Context

The strategic direction of NICTS is set out in the Corporate Plan 2012-15 which supports DOJ's Corporate Plan for 2012-15. It has been developed in the context of the Programme for Government 2011-15 commitments of the Executive. It was agreed at the December 2014 Board meeting to extend the NICTS Corporate Plan for one more year (2012-16) to keep in line the approach taken by DOJ.

The NICTS Corporate Plan outlines the strategic objectives and the priorities underpinning them for the period of the plan and NICTS publishes a business plan for each year of the Corporate Plan which outlines the business delivery objectives for that year. The main focus in shaping the delivery of our objectives is to support the achievement of the Justice Minister's strategic commitment of "faster, fairer justice" and the NICTS Corporate Aim of 'serving the community through the administration of justice'. The NICTS strategic objectives are:

- to deliver efficient and effective court, tribunal and enforcement services;
- to deliver high quality services that support an independent Judiciary and meet the needs of our customers;
- to develop and lead our people to achieve our business objectives; and
- to deliver a controlled financial and commercial environment achieving value for money.

## **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**

The key management structures which support the delivery of effective corporate governance in NICTS are the:

- Agency Board;
- Finance Committee;
- Audit and Risk Committee; and
- Strategic Planning Group.

### Agency Board

The Agency Board (the Board) provides a vital role in shaping and directing the organisation to ensure it is equipped to deliver high quality and cost effective

services to court and tribunal users. The Board is responsible for business and corporate planning and reporting and oversight of the functions of NICTS including finance, planning, performance, and policy initiatives. The Board operates within the parameters of the Framework Document and the agreed Terms of Reference. The Framework Document is published on the NICTS internet.

The Board has established two formal sub-Committees to assist it in carrying out its functions which are as follows:

- Finance Committee; and
- Audit and Risk Committee.

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 are issued five working days before the meeting. During 2014-15 there were no conflicts of interest declared by any Board member in respect of the Trust Statement.

Full details of the membership and attendance of the Board and its sub Committees are shown in Tables 1-3 on pages 36-37.

#### Finance Committee

The Finance Committee assist the Board with financial oversight and budgetary control. The role of Finance Director in NICTS is performed by the Head of Finance and Estates who advises the Committee on any material issues concerning financial oversight and budgetary control.

The Terms of Reference for the Finance Committee are included in the Framework Document.

The Finance Committee met on four occasions during 2014-15 and after each meeting the Finance Director provides a highlight report to the Board covering the main issues discussed.

#### Audit and Risk Committee

The role of the Audit and Risk Committee 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 Audit and Risk Committee monitors the effective implementation of all agreed audit recommendations; examines the effectiveness of the overall risk management process, and receives assurance from the NICTS Risk Co-ordinator.



The Audit and Risk Committee operates in accordance with the Audit Committee Handbook which was updated on 29 May 2013. Although the Audit and Risk Committee primarily considers matters within NICTS, it also ensures that the inter-relationships between it and the Departmental Audit and Risk Committee are documented and agreed, particularly where assurance is provided on matters which properly support the Departmental Governance Statement. The Audit and Risk Committee has an interest in matters relating to PSNI for the purposes of the Trust Statement.

The Committee met on six occasions during 2014-15 and after each meeting the Chair of the Committee presents a report to the Board covering the main issues discussed by the Committee. Matters considered include:

- Changes to the Corporate Risk Register;
- NIAO RTTCWG;
- Internal Audit reports;
- Internal Audit work programme;
- Head of Internal Audit's Annual Assurance Statement;
- Relevant Public Accounts Committee (PAC) Reports;
- Annual Reports and Accounts; and
- Financial Governance updates.

#### 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 consider resources, budget, business performance and operational issues. SPG meets approximately fortnightly.

#### Sub Committee Reports to the Board

The 2013-14 Trust Statement was considered by both the Finance Committee and the Audit and Risk Committee and reported on throughout the year to the Board who were informed on the progress and issues relating to the Trust Statement.

During the year it was reported that the 2013-14 Trust Statement was qualified on the basis of a limitation in scope arising from insufficient evidence that material error does not exist within the estimate of impairment and collectability of overdue debt.

## **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 the NICTS assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland (MPMNI).

### **Internal Control**

The system of internal control is not designed to eliminate all risk of failure but to manage risk to a reasonable level to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control has been in place in NICTS for the year ended 31 March 2015 and up to the date of approval of the Trust Statement, and accords with DFP guidance.

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

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 75.9% 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 recorded and managed using VP/FPO. FPNs account for 21.5% of the Trust Statement impositions. PSNI and DVA both have the authority to impose FPNs with PSNI also being responsible for recording impositions on VP/FPO. 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. As the design of VP/FPO system does not facilitate financial reporting, a manual reconciliation of NICTS data to PSNI

reports is performed on a monthly basis by FPO staff. A suite of bespoke reports have been developed by NICTS in conjunction with PSNI to facilitate the completion of the annual Trust Statement.

- **Penalty Notices for Disorder**  
PNDs are issued by PSNI as an alternative to court prosecution. PNDs account for 2.6% of the Trust Statement impositions. PNDs are recorded on the PSNI operational information system called Niche RMS. The Niche RMS system interfaces with ICOS via Causeway. NICTS is responsible for receipting and processing the payments made in respect of issued PNDs. When preparing the annual Trust Statement NICTS reconcile the PNDs data per ICOS to the PNDs information on Niche RMS.

This control framework has been in place throughout 2014-15.

## **Risk Management**

Risk management forms a central element of the governance framework. Risk management is championed by the Head of Business Support with the Board owning the overall risk management framework.

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

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

Risk management is considered formally by senior management through quarterly reviews of the Corporate Risk Register and Corporate Plan monitoring reports. Senior management review, recommend and pursue actions in place to manage the risks. 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.

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

### Information Assurance

NICTS is committed to ensuring personal data is appropriately protected and managed in line with DOJ policies. NICTS is represented on a number of Departmental groups including the Information Risk Owner Council, Accreditation Panel and Security Managers' Forum.

Any incidents are reported and managed in line with established Departmental guidance. During 2014-15 a total of 13 incidents were reported to DOJ. Of these incidents 12 related to human error in a process and one related to an actual physical loss of information. While these incidents were of a minor nature, all were investigated with the findings reviewed to identify any lessons learnt and where appropriate existing processes amended. No incidents were notified to the Information Commissioner's Office during this period.

Further guidance and training was provided to all staff during 2014-15. This included advice on the implementation of the new Government Classification Scheme and further mandatory on-line training covering general information assurance procedures. In addition further training was provided for Information Asset Owners. The annual Information ICT disaster recovery test and independent ICT Healthcheck Assessment were also completed as part of the planned 2014-15 work programme. The Healthcheck Assessment focused on Servers and Workstation Build with recommendations or fixes allocated against categories defined as Low, Medium and Critical. Of the 42 issues raised, 13 have been fixed and 29 are being managed given there will be new workstations when NICTS move to IT Assist in December 2015. A series of unannounced clear desk inspections were also completed across the NICTS estate.

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

### **REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK**

As Accounting Officer I have responsibility for reviewing the effectiveness of the governance framework. The Board and I receive regular reports from the Audit and Risk Committee concerning internal control, risk and governance. At the end of the reporting period, Heads of Division review 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 between NICTS and PSNI was agreed September 2013. This Agreement 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 an SLA has been developed and agreed between PSNI and NICTS to govern the delivery of fine warrants. This has been agreed and is currently with PSNI for signing.

Internal Audit operated and continues to operate to the Public Sector Internal Audit Standards. It submitted, and will continue to submit, regular reports, including an independent opinion by the Head of Internal Audit, on the adequacy and effectiveness of the NICTS system of risk management, control and governance.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within NICTS who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their RTTCWG and other reports.

NIAO issued the final 2013-14 Trust Statement RTTCWG in February 2015 which made two priority one recommendations in relation to the value of receivables and creating a separate bank account for Trust Statement monies. NICTS continue to work towards the full implementation of the recommendation in relation to the value of receivables in the Trust Statement including the refinement of the impairment provision methodology. The new Trust Statement bank accounts were opened on 2 March 2015 and this recommendation has been fully implemented.

Although the Head of Internal Audit has given Satisfactory Assurance over the NICTS operated internal controls for fine enforcement and collection, he is not able to extend this level of assurance to the PSNI operated internal controls particularly in relation to the collection of warrant monies. NIAO concerns remain in place and these have resulted in a qualified audit opinion for successive Trust Statements. The impact of the weaknesses within the overall control framework means that he can only provide Limited Assurance in relation to the combined PSNI and NICTS systems of internal control. There are inherent difficulties and risks associated with the cash collection of warrant monies. PSNI introduced new guidelines in relation to warrants on 4 November 2014. PSNI Internal audit provided advice and input into the adequacy of the revised guidelines while they were in development. The cash collection process is being monitored for compliance and quality assurance purposes and to ensure that the revised process is being followed. PSNI is working alongside NICTS and the Department to implement a civilianised enforcement service based on a 'Fine Officer' model and largely removing police from fine enforcement and are also pursuing options to enable credit card payments to be taken for fine warrants. The PSNI are currently seeking to replace VP/FPO and DOJ Internal Audit consider

that it is essential that the new system is able to provide the necessary financial information to produce the Trust Statement.

### Agency Board Effectiveness

The Board met on six occasions during the reporting period. Members completed a self-assessment questionnaire in September 2014. The exercise indicated that effective corporate governance is operating at the top level with commitment from all Board members. The key findings of this exercise are set out below:

- The majority of Board members agreed that the Board has a clear set of objectives, assesses its performance and has developed a strategy for the organisation;
- In terms of performance management, the Board members agreed that performance information is integrated with financial reporting and they receive regular reports from management highlighting any issues that might adversely affect key outcomes;
- There was strong agreement that NICTS has sound risk management processes and procedures in place to identify, review and update the Board on all risks that can be taken into account in the decision-making process;
- Board members expressed a need for improvements in relations with the sponsor department; and
- Scoring was extremely high across all contributors indicating that members have full confidence in the Audit and Risk Committee, Internal Audit and corporate reporting.

While the overall assurance provided is positive, the Board was asked to repeat the exercise in twelve months' time, September 2015, and agree to actively participate in discussions on Board strategy, objectives, performance and assessment on an annual basis and raise relevant issues throughout the year as well as at the annual appraisal point.

The periodic completion of independent Board self-analysis is considered to be a useful way of enhancing effectiveness and demonstrates compliance with corporate governance best practice as recommended by MPMNI.

Information presented to the Board is fundamental for its assessment and understanding of the performance of NICTS. Information received is considered to be of a high standard and allows the Board to be kept informed of any issues that it needs to be aware of or take action on and allows the Board to effectively carry out its duties.

### Corporate Governance in Central Government Departments - Code of Good Practice (NI) 2013

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

### Ministerial Directions

There have been no ministerial directions in respect of the Trust Statement.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

The following issues have been identified as significant to NICTS during 2014-15 as a result of the assurance activity. Each of the control issues has been subject to rigorous review and plans are in place to address identified weaknesses.

### Issues resulting from the judgment in fine default Judicial Reviews

Two judgments were given by the Divisional Court on 22 March 2013 in relation to five Judicial Review applications that had been lodged challenging the arrangements for imposing and enforcing fines and confiscation orders. The Divisional Court found that a number of long established processes failed to comply fully with the legislative provisions. In particular, the court held that there should be a further 'default' court hearing at which the defendant can attend and make representations before a decision is made as to how any outstanding fine should be enforced.

The five Judicial Reviews have been converted to writs and are currently listed for hearing before the Master of the Queen's Bench Division from 26 to 28 January 2016. Liability will be robustly defended however, if following the substantive hearing the Court finds NICTS liable and proceeds to consider an award of damages; it may be possible to invite the Court to use these five cases to establish a scale which could be applied to future claims thereby avoiding the need for unnecessary litigation. If such a scheme was required NICTS would be required to seek approval and appropriate funding from DOJ and DFP. Depending on the outcome of the test cases, there may be significant financial implications for the Department, arising from compensation payments from claims which cannot yet be estimated with any accuracy. A Strategic Outline Case for the potential unlawful imprisonment damages has been prepared and submitted to the Department. This represents a potentially significant unfunded pressure for NICTS.

In response to the two judgments NICTS worked with the Office of the Lord Chief Justice (OLCJ) to develop more detailed arrangements which reflect legislative

requirements. Default hearings for Crown Court imposed fines commenced in January 2014 under existing legislative provisions and default hearings in respect of Magistrates' Court imposed fines commenced, under new court rules, in June 2014.

An internal project team was established to respond to the judgment and develop future processes; remedy existing fines; amend Line of Business systems and provide appropriate training and guidance. This project was closed in August 2014 following the successful completion of the project objectives.

Funding was provided by the Department to restart the enforcement process in 2014-15 following the introduction of the new fine default hearing process; however, this is currently an unfunded pressure for 2015-16.

The Department has coordinated a Programme, sponsored by the Criminal Justice Board, to improve the collection and enforcement of fines in line with Ministerial priorities. To take forward the necessary reforms the Department has established a Fine Collection and Enforcement Programme Board (FCEPB). FCEPB membership includes representatives from DOJ, NICTS, PSNI, NIPS and Probation Board NI.

#### Limitation of Scope on the uncertainty over the collectability of debt

C&AG qualified the 2013-14 Trust Statement on the basis of a limitation in scope arising from insufficient evidence that material error does not exist within the estimate of impairment and collectability of overdue debt.

At 31 March 2015 there were 52,685 fines (relating to 25,998 defendants) which remain unpaid after the payment due date with a value of £12.5m (£8.9m relating to Magistrates' Court and £3.6m relating to Crown Court).

The limitation of the audit opinion related to insufficient evidence to substantiate the completeness and accuracy of the value of the impairment and collectability of outstanding debt at 31 March 2014. With the changes to the fine default process, including the introduction of fine default hearings and a reduction in the number of warrants, it was difficult to estimate the impact on debt collection rates and the behaviour of defaulters. The fine default hearing was a new process first introduced in January 2014 for Crown Court Cases and in June 2014 for Magistrates' Court Cases. In the preparation of this Trust Statement, while a full year of data was available for review; historic trends could not be established as a result of some changes to the processes since the introduction of fine default hearings. These included the serving of Magistrates' Court fine default hearing notices by post since January 2015; a system to identify repeat offenders who are appearing in court on another charge which has been piloted in one court office from June 2015; and a process that will allow for the cross checking of defendant addresses held on ICOS which is currently being worked on by NICTS Operations.



The Justice (No. 2) Bill (previously known as the Fines and Enforcement Bill) will include the establishment of a new fine collection and enforcement service which will further change the existing fine enforcement and collection processes. The new service will have an enhanced range of powers to collect and enforce fines and other monetary penalties, and will reduce the number of cases requiring a default hearing. This will affect future trends and therefore data will again need to be collected and analysed in relation to collection/default rates under this new regime.

#### Limitation of Scope on the Collection of Cash Warrants

In addition to the qualification above, the 2011-12 and 2012-13 Trust Statements were also qualified on the basis that there was insufficient evidence to substantiate that material fraud did not occur during 2011-12 and 2012-13 in the collection of cash on outstanding warrants through cash being collected by PSNI but not lodged. As PSNI had suspended the cash collection of warrants during most of the 2013-14 year, NIAO did not limit the scope of the 2013-14 account on this basis. PSNI recommenced the collection of cash warrants during November 2014. By 31 July 2015 PSNI had executed 75.6% of warrants that had been issued to them during 2014-15.

The current process only allows for payment of warrants to be made in cash to PSNI. PSNI internal auditors conducted a review of the processes for the execution of fine warrants during the 2012-13 year. This review highlighted a number of control weaknesses with regards to the collection and reconciliation of fines and cash collection procedures. PSNI developed new policies and procedures to mitigate, where possible, the risks. The new guidelines came into operation when PSNI recommenced the execution and collection of fine warrants in November 2014 and these guidelines are regularly monitored for compliance. The new procedures, which have been reviewed by PSNI Internal Audit and NIAO, 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.

In addition to this, PSNI is currently pursuing options to enable card payments to be taken for fine warrants, for example, PSNI is exploring the possibility of using the established NICTS IT systems to take debit/credit card payments. PSNI has agreed a final proposal with NICTS to use their existing system and have a firm quote from the supplier to enable this to be completed. A short form appraisal is now being processed to secure funding. The identified solution will provide PSNI with a mechanism to take card payments but the system infrastructure will reside with NICTS. Testing is planned for late September with go live in October 2015.

The amount of unpaid fine warrants at 31 March 2015 is £0.3m.

PSNI note that there are inherent difficulties and risks associated with the collection of warrant monies and they are working alongside DOJ and NICTS with the aim of ensuring the necessary fine reforms are implemented in 2016 which should largely remove PSNI from the enforcement process.

#### VP/FPO Replacement system

The current VP/FPO service provider has notified its intention to withdraw licensing and technical support for VP/FPO with effect from 1 April 2016. A scoping and procurement exercise is underway for the replacement of VP/FPO which is taking due consideration of the needs of both PSNI and NICTS. It is hoped that this replacement system will address the financial reporting issues currently experienced with VP/FPO.

The PSNI Accounting Officer has provided assurance over the data supplied for the purposes of producing the 2014-15 Trust Statement. VP/FPO is limited in terms of reporting functions especially in relation to financial information as the system was originally procured to facilitate the acceptance of payments and to record the issuing of tickets. Substantial time has been invested by PSNI and NICTS staff to find a resolution to the accounting issues. NICTS has performed monthly reconciliations of PSNI reports with NICTS data and has, in conjunction with PSNI, developed a suite of reports to ensure the completeness, accuracy, and timeliness of VP/FPO information.

#### **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 2015-16 Internal Audit Work Programme. This review provided satisfactory assurance over the NICTS operated controls and made a small number of minor recommendations.

##### External

NIAO issued the final 2013-14 Trust Statement RTTCWG in February 2015 which made two priority one recommendations in relation to the value of receivables and creating a separate bank account for Trust Statement monies. NICTS continues to work towards the full implementation of the recommendation in relation to the value of receivables in the Trust Statement including the refinement of the impairment provision methodology. The new Trust Statement bank accounts became operational on 2 March 2015.

### Public Accounts Committee

C&AG report to the Assembly on the Trust Statement as at 31 March 2013 was considered by PAC in October 2014. The PAC report was published on 21 January 2015 and contains six recommendations for the Department. The Memorandum of Reply was presented to the Assembly on 10 March 2015.

The PAC report calls for reform of the system for collecting financial penalties. The report highlights that DOJ has failed to coordinate a joined up approach to fine collection and, as a result, current governance arrangements are not robust. It is also detailed that the costs associated with enforcing the current system are significant. The report urges that reform must be implemented as a matter of urgency to address the problem of fine default.

NICTS continues to work with DOJ and PSNI to implement the recommendations included in the PAC report. Of the six recommendations contained in the report the following three have been fully implemented:

- Identifying an individual's ability to pay before a fine is imposed;
- The governance arrangements over fine collection and enforcement; and
- Regular reconciliation of warrants issued to PSNI.

The remaining three recommendations are progressing on track with completion dates as follows:

- Alternative methods for PSNI collecting fine warrants are planned to be in place for March 2016;
- Review of the fine enforcement system with a view to largely removing PSNI from the process and replacing it with a civilian collection service. The establishment of a new Fine Collection and Enforcement Service is planned by the end of 2016; and
- All steps are taken to re-examine the legislative timeframe for fine enforcement reform and ensure no further slippage. The Justice (No. 2) Bill was introduced in the Assembly on 30 June 2015 with the intention of having the provisions in law before the end of the current Assembly Mandate (April 2016). Supporting regulations will be progressed to enable the new service to be operational by the end of 2016.

### **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 it 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 his professional opinion on the level of assurance that he can provide based on the work done. For the 2014-15 year he has provided satisfactory assurance in relation to NICTS internal controls for fine enforcement and collection but is unable to extend this level of assurance to the PSNI operated internal controls resulting in an overall limited assurance. There are inherent difficulties and risks associated with the collection of warrant monies. However, PSNI is working alongside NICTS and DOJ to implement the new civilianised enforcement service based on a 'Fine Officer' model which will largely remove police from 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 2014-15.



**R Armour**  
**Accounting Officer**  
1 December 2015

**Table 1 – Membership and attendance at Agency Board for 2014-15**

Members Name and Position	Date of Meeting					
	Jun 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Mar 2015
Mr R Armour CEO and Chairperson	-	✓	✓	✓	✓	✓
Mrs J Durkin CEO and Chairperson*	✓	-	-	-	-	-
Mr P Luney Head of Court Operations Division	✓	✓	✓	✓	✓	✓
Miss M Morrison Acting Head of Tribunal and Enforcement Division (from 2 December 2013**)	✓	✓	✓	✓	✓	✓
Ms S Hetherington Head of Finance and Estates Division	✓	✓	✓	✓	✓	✓
Mr PJ Fitzpatrick Non-Executive Director	✓	✓	✓	✓	✓	✓
Mr C McKenna Non-Executive Director	✓	✓	✓	✓	✓	✓
Mr D A Lavery CB DOJ Representative	✓	✓	✓	✓	✓	✓
Judge McFarland Recorder of Belfast Judicial Representative	✓	✓	✓	x	✓	x
Mrs F Bagnall Presiding District Judge Judicial Representative	✓	x	✓	✓	✓	x
The Honourable Mr Justice Deeny Judicial Representative	✓	x	✓	✓	✓	✓
Mr C MacLynn President of the Appeals Tribunal Judicial Representative***	x	✓	-	-	-	-
Mr J Duffy President of the Appeals Tribunal Judicial Representative	-	-	-	-	-	✓

\* Mrs J Durkin left NICTS on 14 September 2014 to take up a post in the Department of Education (DE). Mr R Armour took over as Chief Executive on 15 September 2014.

\*\* Miss M Morrison is covering this post. Mrs M Kilpatrick left NICTS on secondment to the Office of the First and Deputy First Minister (OFMDFM) effective from 14 October 2013.

\*\*\* Mr C MacLynn President of the Appeals Tribunal Judicial Representative retired on 31 October 2014 and was replaced by Mr J Duffy who was appointed to the Board on 16 February 2015.

**Table 2 – Membership and attendance at Finance Committee for 2014-2015**

Members Name and Position	Date of Meeting			
	Jun 2014	Sep 2014	Dec 2014	Mar 2015
Mr R Armour CEO and Chairperson	-	✓	✓	✓
Mrs J Durkin CEO and Chairperson*	✓	-	-	-
Mr P Luney Head of Court Operations Division	✓	✓	✓	✓
Miss M Morrison Acting Head of Tribunal and Enforcement Division (from 2 December 2013**)	✓	✓	✓	✓
Ms S Hetherington Head of Finance and Estates Division	✓	✓	✓	✓
Mr C McKenna Non-Executive Director	✓	✓	✓	✓
The Honourable Mr Justice Deeny Judicial Representative	✓	✓	x	✓

\* Mrs J Durkin left NICTS on 14 September 2014 to take up a post in DE. Mr R Armour took over as Chief Executive on 15 September 2014.

\*\* Miss M Morrison is covering this post. Mrs M Kilpatrick left NICTS on secondment to the Office of the First and Deputy First Minister (OFMDFM) effective from 14 October 2013.

**Table 3 – Membership and attendance of the NICTS Audit and Risk Committee for 2014-2015**

Members Name and Position	Date of Meeting					
	May 2014	Jun 2014 (Audit Only)	Oct 2014	Dec 2014	Jan 2015 (Audit Only)	Mar 2015
Mr PJ Fitzpatrick Chairman	✓	✓	✓	✓	✓	✓
Mr Justice Burgess Judicial Representative	✓	✓	✓	✓	✓	✓
Mr G Wilkinson Non-Executive Member	✓	✓	✓	x	✓	✓

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

I certify that I have audited the financial statements of the Northern Ireland Courts and Tribunals Services (NICTS) Trust Statement for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the NICTS Trust Statement 2014-15 and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by NICTS; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the sections entitled "Foreword by the Chief Executive" and "Chief Executive's Report" to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

### **Basis for qualified opinion on financial statements arising from uncertainty over the collectability of debt**

Currently it is not possible for NICTS to reliably estimate future cash flows from receivables as they are in the process of implementing a new debt collection system as a result of the judicial reviews in this area. It will take time before there is sufficient observable data on the recovery of outstanding debt on which a reliable estimate of future collection rates and cash flows can be made. As at 31 March 2015 there are court imposed fines receivable of £20.7m and an impairment provision of £7.3m, giving a net receivable balance of £13.4m.

This means I do not have assurance as to the completeness and accuracy of the impairment and the collectability of outstanding debt at the 31 March 2015. There were no additional procedures that I could have undertaken to provide me with the evidence and assurance I required over these balances.

### **Opinion on financial statements**

In my opinion, except for the possible effects on the Total Revenue of £11.2m and the Receivables of £13.8m recognised in the Statement of Revenue, Other Income and Expenditure and the Statement of Financial Position respectively, as a result of the changes to the collection of fines referred to above:

- the NICTS Trust Statement gives a true and fair view of the state of affairs of the Total Revenue collected by the NICTS on behalf of other parties as at 31 March 2015 and of the revenue and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

### **Opinion on other matters**

In my opinion the information given in the sections entitled “Foreword by the Chief Executive” and “Chief Executive’s Report” for the financial year for which the financial statements are prepared is consistent with the financial statements.



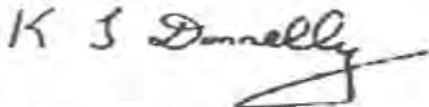
### **Matters on which I report by exception**

In respect solely to the limitation in my work regarding the uncertainty as to the collectability of debt, referred to above, adequate accounting records have not been kept and I have not received all of the information and explanations that I require for my audit.

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

- the financial statements are not in agreement with the accounting records;  
or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

My detailed observations are included in my report on pages 55 to 63.



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

Date 4 December 2015

## Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
<b>Revenue</b>			
Fixed Penalty Notices		2,223	2,234
Court Imposed Fines		5,074	6,099
Extra Costs		17	61
Confiscation Orders		1,924	2,830
Offender Levy		311	339
Other Party Criminal		1,676	2,287
<b>Total Revenue</b>		<b>11,225</b>	<b>13,850</b>
<b>Expenditure</b>			
Credit Losses	2	(2,768)	(2,556)
Revenue retained by the NICTS under statute	3	(161)	(174)
<b>Total Expenditure</b>		<b>(2,929)</b>	<b>(2,730)</b>
<b>Disbursements</b>			
Amounts paid to Other Parties		(1,567)	(2,456)
Amounts paid to Road Safety Partnership		(869)	(888)
<b>Total</b>		<b>(2,436)</b>	<b>(3,344)</b>
<b>Total Expenditure and Disbursements</b>		<b>(5,365)</b>	<b>(6,074)</b>
<b>Net Revenue for the Consolidated Fund</b>		<b>5,860</b>	<b>7,776</b>

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

The notes on pages 44 to 54 form part of this statement.

## Statement of Financial Position

as at 31 March 2015

	Note	2014-15 £'000	Restated 2013-14 £'000	Restated 2012-13 £'000
<b>Non-current Assets</b>				
Receivables falling due after more than one year	4	918	557	481
Total non-current assets		918	557	481
<b>Current Assets</b>				
Receivables	5	12,868	14,793	12,005
Cash and Cash Equivalents	7	912	632	960
Total current assets		13,780	15,425	12,965
<b>Total assets</b>		<b>14,698</b>	<b>15,982</b>	<b>13,446</b>
<b>Current Liabilities</b>				
Payables	8	(3,217)	(2,903)	(1,838)
Total current liabilities		(3,217)	(2,903)	(1,838)
<b>Total Assets less Current Liabilities</b>		<b>11,481</b>	<b>13,079</b>	<b>11,608</b>
Represented by:				
<b>Balance on Consolidated Fund Account</b>	9	<b>11,481</b>	<b>13,079</b>	<b>11,608</b>

The notes on pages 44 to 54 form part of this statement.



**R Armour**  
**Accounting Officer**  
 1 December 2015

## Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £'000	Restated 2013-14 £'000
Net cash flow from operating activities	A below	7,738	5,977
Cash paid to the Consolidated Fund	9	(7,458)	(6,305)
<b>Increase/(Decrease) in cash in this period</b>		<b>280</b>	<b>(328)</b>

### Notes to the Cash Flow Statement

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

Net Revenue for the Consolidated Fund	9	5,860	7,776
Decrease/(Increase) in non-cash assets		1,564	(2,865)
Increase in non-cash liabilities		314	1,066
<b>Net Cash Flow from operating activities</b>		<b>7,738</b>	<b>5,977</b>

#### B: Analysis of Changes in Net Funds

Increase/(Decrease) in cash in this period		280	(328)
Net Funds at 1 April		632	960
Net Funds at 31 March		912	632

The notes on pages 44 to 54 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 DFP's Accounts Direction, DAO (DFP) 03/15, 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 2014-15 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 Chief Executive's 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 DFP's accounts direction and FReM.

#### 1.3 Revenue Recognition

Fines and penalties are recognised as revenue in accordance with IAS 18: Revenue 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 be retained by the entity. The associated impositions are therefore recorded gross within revenue.

#### **1.5 Receivables**

Receivables are shown net of impairments in accordance with the requirements of IAS 39: Financial Instruments: Recognition and Measurement and FReM.

#### **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**

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 the 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 impairments in accordance with the requirements IAS 39: Financial Instruments: Recognition and Measurement 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.

At 31 March 2015 there was a total receivables closing balance of £20.7m (2013-14: £22.3m). This balance is made up of fines, extra costs, offender levy, other party monies and confiscation orders that remained unpaid at that date.

In 2013-14 the debt has been split into four categories for review and in 2014-15 this has been reduced to three as a result of the Judicial sift on recalled warrants being completed during 2014-15. The outcomes of the Judicial sift have been recorded on ICOS and those cases in which the Judge decided should progress to Fine Default Hearing have been updated to allow the case to progress as such.

The debt at 31 March 2015 was split into the following three categories to assess for recoverability:

1. Warrant Debt: £0.2m (2013-14: £0.3m);
2. Non-current Receivables: £1k (2013-14: £3k); and
3. Remaining Debt: £20.5m (2013-14: £16.3m).

In 2013-14 there was also a Judicial Sift Cases category which had a value of £5.7m.

Each of these categories was examined for evidence of impairment as discussed below.

1. Warrant Debt

The total value of this debt was £0.2m and is made up of cases that on review in preparation for the judicial sift had an indicator on ICOS that detailed that the warrant had been served, for example, through committal however, the required paperwork had not been sent to NICTS to fully clear the debt on ICOS. NICTS, including Senior Management, continue to work with PSNI and NIPS with a view to getting the required paperwork and clearing this debt. This debt was

assessed and has been provided for based on the latest update and information available on each warrant.

## 2. Non-current Receivables

A number of cases have due dates that are on or after 1 April 2016 and as this is more than one year after the year end they have been accounted for within non-current receivables. No provision has been made for this debt. This debt had a total value of £1k.

## 3. Remaining Debt

The total value of this debt is £20.5m. 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. All estimations have involved judgements based on the latest available, reliable information. Any debt in this category which has proceeded to Fine Default Hearing has been provided for in accordance with percentage statistics calculated from the outcome of Fine Default Hearings which have actually taken place.

### **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 the 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 the Statement of Financial Position 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 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 IAS 39: 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 IAS 39, receivables are initially recognised at fair value.



NICTS assesses at each Statement of Financial Position 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 Statement of Revenue, Other Income and Expenditure 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 Statement of Revenue, Other Income and Expenditure 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 IAS 39: 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 2014-15 and also those not yet effective. These are documented in the NICTS Annual Report and Accounts 2014-15. In addition to this the future developments to accounting standards were outlined. There is one future development that will have 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 (not yet EU adopted).  With a view to include in the 2018-19 FReM.	The objective of the new standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments.	The introduction of IFRS 9 is subject to analysis and review by HM Treasury and other relevant Authorities. A work plan has recently started to assess the impact on the public sector.

## 2. Credit Losses

	Note	2014-15 £'000	2013-14 £'000
Debts written off by Judicial authority	2.1	2,822	1,689
Increase in value of impairment	2.2	(54)	867
		<b>2,768</b>	<b>2,556</b>

### 2.1 Debts written off by Judicial authority

	2014-15 £'000	2013-14 £'000
Fines	1,562	418
Extra Costs	8	1
Confiscation Orders	781	1,124
Offender Levy	5	-
Other Party Criminal	466	146
	<b>2,822</b>	<b>1,689</b>

### 2.2 Increase in value of impairment

	2014-15 £'000	2013-14 £'000
Balance as at 1 April	7,335	6,468
Change in estimated value of impairment	(54)	867
<b>Balance as at 31 March</b>	<b>7,281</b>	<b>7,335</b>

There are five Judicial Reviews ongoing that challenge the arrangements for imposing and enforcing fines and other monetary penalties which will potentially impact the collectability of debt.

### 3. Revenue retained by the NICTS under statute

	2014-15 £'000	2013-14 £'000
Road Safety Partnership	161	174
	<b>161</b>	<b>174</b>

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

### 4. Receivables falling due after more than one year

	2014-15 £'000	2013-14 £'000	1 April 2013 £'000
Instalment Orders	989	566	597
Other receivables	1	3	-
less Impairment Provision	(72)	(12)	(116)
	<b>918</b>	<b>557</b>	<b>481</b>

### 5. Receivables

	2014-15 £'000	2013-14 £'000	1 April 2013 £'000
Instalment Orders	2,949	1,821	1,517
Other receivables	17,128	20,295	16,840
less Impairment Provision	(7,209)	(7,323)	(6,352)
	<b>12,868</b>	<b>14,793</b>	<b>12,005</b>

## 6. Total receivables

The table shows a breakdown of the receivables balance at 31 March 2015

	Fixed Penalty Notices £'000	Court Imposed Fines £'000	Extra Costs £'000	Confiscation Orders £'000	Offender Levy £'000	Other Party Criminal £'000	Total £'000
<b>Receivables</b>							
At 1 April 2014	372	10,248	67	7,972	216	3,809	22,684
Imposed	2,223	5,429	17	2,078	350	1,795	11,892
Cleared by committal <sup>1</sup>	-	(355)	-	(154)	(39)	(119)	(667)
<b>Total Revenue</b>	<b>2,223</b>	<b>5,074</b>	<b>17</b>	<b>1,924</b>	<b>311</b>	<b>1,676</b>	<b>11,225</b>
<b>Total</b>	<b>2,595</b>	<b>15,322</b>	<b>84</b>	<b>9,896</b>	<b>527</b>	<b>5,485</b>	<b>33,909</b>
Cleared by payment	(2,272)	(3,185)	(28)	(3,308)	(223)	(1,002)	(10,018)
Written off	-	(1,563)	(8)	(782)	(5)	(466)	(2,824)
<b>At 31 March 2015</b>	<b>323</b>	<b>10,574</b>	<b>48</b>	<b>5,806</b>	<b>299</b>	<b>4,017</b>	<b>21,067</b>
<b>Impairment (provision for uncollectable amounts)</b>							
At 1 April 2014	-	3,850	18	2,275	38	1,154	7,335
(Decrease)/Increase in year	-	(531)	(4)	518	32	(69)	(54)
<b>At 31 March 2015</b>	<b>-</b>	<b>3,319</b>	<b>14</b>	<b>2,793</b>	<b>70</b>	<b>1,085</b>	<b>7,281</b>
<b>Net book value at 31 March 2015</b>	<b>323</b>	<b>7,255</b>	<b>34</b>	<b>3,013</b>	<b>229</b>	<b>2,932</b>	<b>13,786</b>
<b>Net book value at 31 March 2014</b>	<b>372</b>	<b>6,398</b>	<b>49</b>	<b>5,697</b>	<b>178</b>	<b>2,655</b>	<b>15,349</b>

Aged analysis of receivables at 31 March 2015 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
<b>Receivables</b>							
Less than one year	323	1,917	4	695	101	766	3,806
Greater than one year and less than five years	-	4,682	27	1,698	128	1,947	8,482
Greater than five years	-	656	3	620	-	219	1,498
<b>Net book value at 31 March 2015</b>	<b>323</b>	<b>7,255</b>	<b>34</b>	<b>3,013</b>	<b>229</b>	<b>2,932</b>	<b>13,786</b>

### Notes

- The balances cleared by committal to prison have been derecognised from income in line with Section 8.2.10 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.”*

## 7. Cash and cash equivalents

	2014-15 £'000	Restated 2013-14 £'000
Balance at 1 April	632	960
Net change in cash and cash equivalent balances	280	(328)
<b>Balance at 31 March</b>	<b>912</b>	<b>632</b>
The following balances were held at		
Commercial banks and cash in hand (payable to NICF)	887	609
Commercial banks and cash in hand (payable to 3 <sup>rd</sup> parties)	25	23
<b>Balance at 31 March</b>	<b>912</b>	<b>632</b>

Individual bank accounts for the Trust Statement were in operation from March 2015. Until this date the Trust Statement did not hold individual bank accounts and instead utilised the three bank accounts used by NICTS.

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

## 8. Payables

	2014-15 £'000	2013-14 £'000	1 April 2013 £'000
Amounts due to be paid to the PPS	36	55	37
Amounts due to be paid to Other Parties	2,945	2,666	1,737
Amounts payable to DOJ Victims Fund	236	182	64
	<b>3,217</b>	<b>2,903</b>	<b>1,838</b>

## 9. Balance on Consolidated Fund Account

	2014-15 £'000	Restated 2013-14 £'000	Restated 1 April 2013 £'000
Balance on Consolidated Fund as at 1 April	13,079	11,608	11,888
Net revenue for the Consolidated Fund	5,860	7,776	8,090
less amount paid to the Consolidated Fund	(7,458)	(6,305)	(8,877)
Prior period adjustment	-	-	507
	<b>11,481</b>	<b>13,079</b>	<b>11,608</b>

## 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 the DOJ, and with other entities for which the 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 the PPS, DVA and DFP.

## 11. Prior Year Adjustment to the Financial Statements

During the financial year 2014-15, there was a prior year adjustment to reallocate cash that had been received and not paid over to the relevant third party at year end from payables to cash and cash equivalents.

### Impact on Financial Statements

The tables below summarise the overall impact of the above on corresponding amounts in the SoFP. There was no impact on the SoROIE.

	2013-14 Published Trust Statement £'000	Third Party Payables £'000	Restated 2013-14 £'000
<b>Non-current Assets</b>			
Receivables falling due after more than one year	557	-	557
<b>Current Assets</b>			
Receivables	14,793	-	14,793
Cash and Cash Equivalents	125	507	632
<b>Current Liabilities</b>			
Payables	(2,903)	-	(2,903)
	<b>12,572</b>	<b>507</b>	<b>13,079</b>
Represented by:			
Balance on Consolidated Fund Account	<b>12,572</b>	<b>507</b>	<b>13,079</b>

	2012-13 Published Trust Statement £'000	Third Party Payables £'000	Restated 2012-13 £'000
<b>Non-current Assets</b>			
Receivables falling due after more than one year	481	-	481
<b>Current Assets</b>			
Receivables	12,005	-	12,005
Cash and Cash Equivalents	453	507	960
<b>Current Liabilities</b>			
Payables	(1,838)	-	(1,838)
	<b>11,101</b>	<b>507</b>	<b>11,608</b>
Represented by:			
Balance on Consolidated Fund Account	<b>11,101</b>	<b>507</b>	<b>11,608</b>

## 12. Events after the reporting period

The five Judicial Review cases which challenged the arrangements for imposing and enforcing fines and other monetary penalties are ongoing. Although the Divisional Court held that the warrants in the five cases before it were unlawfully issued it did not make any determination in relation to liability. These cases have been passed to the Queen's Bench Division and continue to be listed in relation to a number of preliminary issues. The cases have been listed for review from 26 to 28 January 2016. Liability will be robustly denied on the basis of Crown immunity pursuant to section 2(5) of the Crown Proceedings Act 1947. The potential liability for damages is significant and will have major financial implications for NICTS and DOJ.

There were no other material events post SoFP, for the year ended 31 March 2015.

The Accounting Officer authorised these financial statements for issue on 4 December 2015.

## **Report of the Comptroller and Auditor General to the Assembly on the Northern Ireland Courts and Tribunals Service (NICTS) Trust Statement for the year ended 31 March 2015**

### **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 responsible 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 impositions 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. Since 2011-12, NICTS has produced a Trust Statement which shows 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 have qualified my audit opinion on each Trust Statement produced. 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).
3. 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). While most are paid promptly, dealing effectively with those who default on payment is an ongoing challenge for the justice system. The revenue collected is paid to the Northern Ireland Consolidated Fund after deduction of some allowable costs incurred in collecting the fines and monies due to other parties.
4. At 31 March 2015, the total amount of debt outstanding from non-payment of financial penalties was around £21.1 million. Approximately £4.6 million relates to amounts outstanding for less than one year, with £13.4 million outstanding between one and five years and with £3.1 million outstanding for more than five years. The total debt has been impaired by an amount of £7.1 million which is unlikely to be recovered.
5. The purpose of this report is to explain the background to my qualification on the Trust Statement for the year ended 31 March 2015 and to highlight concerns I have with the system for dealing with fine defaulters.



**Limitation in scope arising from insufficient evidence to satisfy myself that material error does not exist within the estimate of the impairment and collectability of overdue debt**

**Limited assurance over 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 takes account of an estimate of the amount that is unlikely to be recovered (see Figure 1).

**Figure 1: Around a third of the debt outstanding at 31 March 2015 is unlikely to be recovered**

	<b>Total Debt</b>	<b>Impairment</b>	<b>Impaired Debt</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Court Imposed fines	10.6	3.3	7.3
Confiscation Orders <sup>1</sup>	5.8	2.6	3.2
Other Party Criminal	4.0	1.1	2.9
Fixed Penalty Notices	0.3	0.0	0.3
Extra Costs/Offender Levy	0.4	0.1	0.3
<b>Total</b>	<b>21.1</b>	<b>7.1</b>	<b>14.0</b>

*Source NICTS Trust Statement 2014-15 Note 6*

7. The level of debt outstanding has increased over the four years since the NICTS Trust Statement account was established. (see Figure 2).

**Figure 2: Total Debt for past four years**

	<b>Total Debt</b>	<b>Impairment</b>	<b>Impaired Debt</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2011-12	19.3	6.5	12.8
2012-13	19.0	6.2	12.8
2013-14	22.7	7.3	15.4
2014-15	21.1	7.1	14.0

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<sup>1</sup> 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.

The level of debt has been increasing over the past four years. This has been as a result of the judicial reviews, which led to the recall of all outstanding warrants and the suspension of further warrants being issued. The debt collection rates should be improved by the introduction of a number of new initiatives contained within the Justice (No2) Bill currently before the NI Assembly.

8. On 22 March 2013 two judgments were given by the Divisional Court in relation to five judicial review applications that had been lodged challenging the arrangements for imposing and enforcing fines and confiscation orders. The Divisional Court ruling was that following payment default there should be a default hearing at which the defendant is given the opportunity to make representations and the Judge decides on what default sanction, if any, is appropriate.
9. In May 2013 NICTS recalled 32,631 outstanding warrants with a collective value of £5.9 million because the judicial review rulings raised concerns that they had been issued unlawfully. At the same time NICTS suspended the issue of further warrants. This recommenced in the Crown Court in January 2014 and in the Magistrates' Courts in June 2014.
10. All recalled warrants were subject to a judicial sift. This process has now been completed which resulted in just over 71% of the fines by value being subject to the new fine default hearing process and just under 29% of fines by value being remitted by the Judiciary. Paragraph 13 shows the outcome of all default hearings held up to the 31 August 2015.
11. As a result of the judgments the courts commenced the default hearings process in late June 2014 by issuing notices advising defendants of hearing dates. Before a default hearing can take place the notices must be served in person or by postal service to the defendant so that they have an opportunity to attend and explain the reasons for default. The court will not hold a hearing unless there is clear evidence that the defendant has been served the notice in person, or the defendant chooses to attend the hearing following notice by postal service.
12. As at 31 August 2015 there were 43,770 fines with a value of £11.8 million which met the conditions to be called for a default hearing. The courts have issued notices for 35,617 of these: 3,706 of the notices were then successfully served by personal service. A further 4,102 who were notified via postal service were successfully dealt with. In total 7,808 default hearings have been held to date, dealing with 8,012 fines. The requirement to have default hearing has added an important legal requirement to the collection of default debts. However the current low level of success in serving notices has contributed to the difficulties in assessing the overall collectability and value of outstanding fine debt.

13. A review of the outcome of the hearings to 31 August 2015 shows that while warrants have been issued for 49% of the fines in terms of number, 30% of the default hearings in terms of fine value have resulted in an adjournment (see Figure 3).

**Figure 3: Outcome of default hearings in terms of the number and value of fines**

Outcome	Number of fines		Value of fines (£'000)	
Warrant issued	3,953	49%	1,113	27%
Fines paid	1,238	15%	474	12%
Fines remitted	1,343	17%	283	7%
Fines part paid/part remitted	77	1%	305	7%
Adjournment	436	5%	1,209	30%
Other (extension of time etc.)	965	12%	707	17%
<b>Total</b>	<b>8,012</b>	<b>100%</b>	<b>4,091</b>	<b>100%</b>

Source NICTS

14. PSNI re-commenced the execution of warrants at the start of November 2014 and as at 31 August 2015 1,428 warrants (50 per cent of those issued to date) with a value of £495,778 (45 per cent of those issued) have been successfully executed through either payment or committal to prison. Of the warrants successfully executed, 628 warrants (44 per cent) with a value of £316,791 (64 per cent) relate to committals to prison.
15. The impairment charge calculated by NICTS for outstanding debt applies a number of assumptions based on trends and past performance. With the changes to the fine default process, including the introduction of fine default hearings and a reduction in the number of warrants, it is difficult to estimate what the impact will be on debt collection rates and the behaviour of defaulters. Over a period of 10 months PSNI has successfully executed 50% of the outstanding warrants. In the longer term changes in the level of success will impact on the impairment charge.
16. With the recent introduction of the revised fine default processes there is insufficient historic evidence and data accumulated to provide statistically robust assumptions and impairment estimates. Additional measures were also introduced by NICTS during the year in relation to the fine default process, including postal service of fine default notices, a system to identify repeat offenders and crosschecking of addresses. It will take time before there is sufficient observable data on the recovery of outstanding debt on which a reliable estimate of future collection rates and cash flows can be made.

17. I have limited the scope of my audit opinion as I am concerned that there is insufficient evidence to substantiate the completeness and accuracy of the impairment and the collectability of outstanding debt at the 31 March 2015.

### **Cash collection of warrants**

18. PSNI can only receive payment for the successful execution of warrants through the collection of cash. Our review of the warrant enforcement and cash collection process in place prior to the suspension of warrant enforcement in May 2013 found a number of weaknesses, including:

- no monitoring of warrant execution performance;
- not all warrant receipts transferred to NICTS on a timely basis;
- limited reconciliation between warrants executed by payment and monies received;
- warrant notification forms not signed by both the police officer and defendant when warrants were executed by payment; and
- warrants executed by individual officers.

19. In March 2012 a formal investigation commenced into irregularities noted as consequence of a reconciliation process between PSNI and NICTS, which identified a number of outstanding receipts for warrants which had been recorded as executed by payment to PSNI for which no payment had been received. Discrepancies were reconciled by PSNI leaving approximately £60,000 unaccounted for. PSNI was able to trace the amount to warrants associated with one distinct area of PSNI operations. PSNI notified me of this suspected fraud and I was advised that the Public Prosecution Service (PPS) had directed prosecution for the theft of cash, with a trial date set in the Crown Court on 2 November 2015. The defendant pleaded guilty to the charge of stealing £52,878.

20. PSNI commissioned internal audit to undertake a review of the reconciliation process between PSNI and NICTS. While internal audit provided a limited assurance rating, PSNI has subsequently taken steps to address the risks and control weaknesses identified. This year's audit confirmed that PSNI's business services now reconcile reports detailing warrants executed with cash collected.

21. At the start of November 2014 PSNI started to enforce and execute warrants again, and advised me that the following revised processes and controls had been established:

- a) all warrant payments are to be witnessed by a second officer and a record of the transaction made in the officer's notebook;

- b) real time update of records when warrants are executed;
- c) prompt transmission of cash to PSNI business services or a secure drop safe and full completion of the warrant log; and
- d) regular reconciliation of PSNI and NICTS records in respect of warrants executed.

22. This year's audit reviewed the operation of the above controls and found that;

- a) Not all officers patrol in pairs, particularly dedicated Area Warrant Officers who routinely single patrol. On receipt of warrant cash the Officer will make a notebook entry of the amount against the warrant numbers executed. The Officer will sign this and, only if patrolling as a pair, will it be countersigned by the other Officer present.
- b) When the Officer returns to the station the warrant log and NICHE system are updated. The records updated reflect whether the warrant was executed and cash collected or that the warrant was returned unexecuted.
- c) Cash from executed warrants is held securely in Station drop safes prior to collection and processing by PSNI Business Services.
- d) the reconciliation of PSNI and NICTS records in respect of warrants was not carried out on a regular basis during the period audited.

23. I am particularly concerned that the reconciliation of PSNI and NICTS records in respect of warrants is not carried out on a regular monthly basis. In the period from October 2014 to September 2015 the monthly reconciliation was carried out for the four months October 2014 to January 2015 and for the months May 2015 and August 2015.

24. I am told this has now been resolved and any issues with reconciliations raised to a senior level in the appropriate organisation to resolve. A Service Level Agreement (SLA) has been put in place between PSNI and NICTS in relation to the warrant process. This has been signed by both parties and has been effective since 31 August 2015. From the operation of the SLA both parties have performed the necessary monthly reconciliations on the warrants.

25. The PSNI is working towards the introduction of cashless payment options for the execution of warrants with a plan to launch a pilot exercise by February 2016. However this, along with the revised controls above, will not remove the inherent risks associated with cash collection that an officer, working on his or

her own, takes cash payment for a warrant and does not record the warrant as executed.

26. In 2012-13 I qualified my regularity opinion because PSNI could not provide evidence to substantiate that material fraud had not occurred with the cash collection of warrants. During the majority of 2013-14 the enforcement and collection of warrants was suspended, with warrants with a value of only £100,000 executed by payment. For this reason I decided not to qualify my regularity opinion for 2013-14. This year, following the recommencement of warrant enforcement, I have reconsidered the implications of cash collection on my 2014-15 regularity opinion, given the inherent risks with cash collection which are difficult to eliminate completely.
27. As a result of the inconsistent and incomplete operation of controls above we carried out additional audit procedures to determine the impact of these control failures. We were able to obtain reasonable assurance that in all material respects fine income was applied for the purposes intended. For this reason I have decided not to qualify my regularity opinion for 2014-15.

### **Governance arrangements**

28. The imposition of a fine is widely used to dispose of a range of offences. However, the current framework for fine collection has created tension between accountability and responsibility. While the NICTS is accountable for the income received from financial penalties and responsible for generating a warrant of commitment for fine defaulters, the PSNI has statutory responsibility for serving the warrant and collecting the associated fine.
29. In the past there have been no formal targets set for the enforcement of warrants in terms of time or value collected, there has been limited monitoring, reconciliation and reporting of warrant enforcement by both NICTS and PSNI. This has been evidenced by missing paper warrants of £1.1 million, the theft of £52,878 and a backlog of outstanding warrants over several years. New collaborative controls have been introduced by PSNI and NICTS but did not operate as reliably as they should during the period from November 2014 to October 2015. The SLA agreed as part of the PAC recommendations states that PSNI will undertake to execute 75% of all fine default warrants issued within the timescale permitted. That target will be monitored as part of the quarterly senior meetings, the first of which is in November 2015.

30. In its report the Public Accounts Committee<sup>2</sup> could find no evidence that the key stakeholders have worked together effectively and noted that 'the Department of Justice, NICTS and PSNI appear to have been operating in silos'. The Committee's view was that 'the Department failed to coordinate a joined up response to fine collection, resulting in several failings and weaknesses'.
31. It is important that robust governance arrangements over the monitoring, reconciliation and reporting of outstanding warrants are in place, and operating fully and consistently, following the commencement of default hearings and the issue of warrants. To assist in ensuring warrants are tracked between the two organisations an SLA was drafted and signed by both parties 31 August 2015.

**A proposed new collection and enforcement service should largely remove the PSNI from the fine collection process**

32. Based on the warrant enforcement system in place prior to the introduction of default hearings, PSNI has estimated that £3 million of Police Officer time per year is incurred on enforcing warrants and collecting fines. This is not considered to be an effective use of Police Officer time. The Public Accounts Committee's concluded 'that there must be a more cost effective way to successfully enforce and collect financial penalties'.
33. While the number of outstanding warrants has reduced significantly following the judicial sift and introduction of default hearings, the current system will rely on, and be reliant on, the PSNI for the enforcement and collection of warrants. Police Officer time will therefore continue to be incurred and risks concerning cash collection will remain.
34. The existing cash based system of warrant collection is out of date, lagging behind more advanced fine enforcement measures and powers in England, Wales and Scotland. The Public Accounts Committee concluded that the system should be 'reviewed as a matter of urgency with a view to removing PSNI from the process'.
35. In 2013, the Department established a Programme to introduce a Fine Collection and Enforcement Service (FCES) to replace the police-led arrest warrant model. The intention is that the court will continue to set the fine but the new service will collect fines, agree payment periods and the collection method, under court authority. This should largely remove the PSNI from the fine collection process.

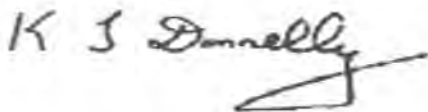
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<sup>2</sup> Report by the NI Assembly Public Accounts Committee on the Northern Ireland Courts and Tribunals Service Trust Statement for the year ended 31<sup>st</sup> March 2013 – published January 2015

36. The Department introduced the Justice (No.2) Bill in the NI Assembly on 30 June 2015. The Bill is currently at Committee Stage, with the intention of having the new provisions on the statute book before the end of this Assembly mandate. This legislation and related secondary legislation is required to enable the commencement of the FCES by the end of 2016. This will allow deductions to be taken from an offender's salary or wages or social security benefits and also allow seizure of vehicles and access to bank accounts within regulated frameworks where payment can be made.
37. It is important that the reform of fine collection and enforcement is a key strategic objective for the Department and any delay in the above timetable for reform is guarded against.

### **Conclusion**

38. I am concerned that there is a risk fines may not be collected resulting in a significant loss to the Northern Ireland public purse. The current system of fine enforcement and collection is neither effective nor efficient and is vulnerable to fraud and error.
39. I welcome the news that the necessary legislative passage is well underway by the Department to enable the commencement of a new fine collection and enforcement service. The Department must ensure that reform is implemented and the service addresses the weaknesses and inefficiencies identified above, which could have a detrimental impact on the credibility of the justice system.
40. The Public Accounts Committee took evidence on my report on the 2012-13 Trust Statement in October 2014 and reported its findings on 21 January 2015. I will continue to keep the implementation of the Committees recommendations under review.



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

Date 4 December 2015



## 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.**

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

Article 53 of the Magistrates' Court (Northern Ireland) Order 1981 requires judicial officers to take into consideration the means of the offender when fixing the amount of a fine to be imposed on conviction. Means information is currently requested from offenders prior to court, on a voluntary basis, through the issue of a Means Enquiry Form. Although the return rate for these forms prior to court remains low, the judge still has the ability to obtain this information in court from the offender or his legal representative prior to imposing a fine. In court, following conviction, the judiciary also have access to an offender's fine history record, showing any previous fines in the last three years and how these fines have been cleared or if they remain outstanding. In the context of Article 53, NICTS will write to the Lord Chief Justice advising him of the Committee's recommendation. In addition, NICTS wrote to the Law Society and the Bar Council asking them to remind their members of the importance of clients completing the Means Enquiry Form prior to their court appearance.

Article 53 also allows a judge to order that the amount imposed can be paid by instalments. New legislative powers being introduced as part of the Fines and Enforcement Bill (timeframe as outlined in recommendation six) will provide the judiciary with additional sanctions, at the point of sentence, which will include the ability to order the payment of a fine imposed from deductions from benefits or earnings or to impose a Supervised Activity Order (SAO) for a specific number of hours in lieu of payment of a fine.

#### *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.**

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

DOJ established a Fine Collection and Enforcement Programme (FCEP) in April 2013, sponsored by the Criminal Justice Board, to improve the collection and enforcement of fines in line with Ministerial priorities. The FCEP Board is chaired by the DOJ Director of Access to Justice and board members include senior representatives from DOJ, PSNI, NICTS, the Northern Ireland Prison Service (NIPS) and the Probation Board for Northern Ireland. This Board receives regular updates on warrant enforcement including information on warrants issued and outstanding.

PSNI has commenced monthly reconciliations of warrants issued by NICTS to PSNI since August 2014 and these reconciliations are monitored and reported on internally and to the FCEP Board. This reconciliation incorporates the number of warrants issued by NICTS, the number of warrants executed by PSNI and the number of warrants outstanding. Any inconsistencies in the reconciliation are investigated to ensure consistency between the two databases and to monitor compliance with issued guidelines.

PSNI has introduced strict guidelines for officers and staff when dealing with the execution of fine default warrants since the recommencement of the function in November 2014. The new procedures, which have been reviewed by PSNI Internal Audit (IA) and the Northern Ireland Audit Office (NIAO), 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. PSNI have also introduced a reconciliation process with NIPS records and any discrepancies are investigated. In addition, the Chief Executive of NICTS and the PSNI Assistant Chief Constable Service Improvement Department now meet quarterly to oversee and monitor progress in relation to fine collection and enforcement.

Furthermore, at a strategic level, updates on the fine collection and enforcement programme are provided to the Criminal Justice Delivery Group, Criminal Justice Board, the Minister and the Justice Committee.

### *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.**

NICTS and PSNI partially accept this recommendation.

PSNI and NICTS have developed a Service Level Agreement (SLA) to govern police delivery of this function and to ensure both organisations monitor warrant enforcement in a timely manner. Whilst PSNI recognise the importance of warrant execution in the context of their statutory obligations and as part of the wider criminal justice system, any associated target in relation to warrant enforcement must take into account the demands on policing as a whole. The SLA was agreed and became operational August 2015 and will be kept under review to take account of policing priorities.

An SLA is already in place in relation to the time period for fine monies collected by PSNI to be passed to NICTS. This document will also be kept under review.

PSNI and NICTS have commenced monthly reconciliations of warrants issued and outstanding since August 2014 and these reconciliations will continue to be monitored and reported on both internally and to the FCEP Board.

Following the Divisional Court ruling in March 2013, all fine warrants issued by a Judge at a default hearing now contain a time period for police to enforce the warrant, up to a maximum of 12 months. This information is recorded on the warrants and held on PSNI and NICTS systems. Any warrants not enforced within this time period are now flagged by police as requiring to be returned to the court for reconsideration by the judge. The warrant log, which contains information on attempts of service and reason for non-service is returned to the court for the judge to consider if the re-issue of a warrant is appropriate.

Therefore, given this new process introduced by the Court as a result of the Divisional Court ruling allows PSNI up to a maximum of 12 months to enforce a warrant, it would not be appropriate to commence a review process for warrants outstanding for six months.

*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.**

DOJ and NICTS are in the process of implementing this recommendation.

In addition to being able to pay a fine by telephone, by post or in any court office with cash, cheque or card payment, fines can be paid online by debit or credit card via the NICTS secure website.

PSNI is currently pursuing options to enable card payments to be taken for fine warrants, for example, PSNI is exploring the possibility of using the established NICTS IT systems to take debit/credit card payments. PSNI plan to launch a pilot exercise by September 2015 and if successful, the next stage could involve PSNI staff accessing the NICTS payment portal to allow telephone payments to be made outside of office hours.

Since November 2014, PSNI has introduced new cash collection processes, tighter controls and revised guidance to police officers has been issued in relation to the receipting of cash for fine warrants. These procedures have been reviewed by PSNI IA and by NIAO. As acknowledged by the Comptroller and Auditor General, there are risks inherent in any cash collection system and these enhanced controls seek to mitigate those risks as far as possible.

#### *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.**

DOJ is in the process of implementing this recommendation.

The DOJ Minister has stated publicly that the current fine enforcement system is an inappropriate and expensive use of police, court and prison resources and that reform is required. Legislation is currently being drafted which will subject to the approval of the Assembly, allow for the establishment of a new Fine Collection and Enforcement Service (FCES) by the end of 2016.

The new Service will largely remove PSNI from the fine enforcement process as the legislation will provide for FCES Civilian Collection Officers with a range of powers. They will act under the authority of the court and will collect fines and assist people in managing the repayment of their fines. The emphasis of the new Service will very much be placed on ensuring that defendants pay the fines imposed rather than

serving a prison sentence. As part of their role, the Collection Officers will explore an offender's means and ability to pay and they will have a range of powers, including the ability to agree instalment plans, extend time to pay and arrange deductions from earnings or benefits. Additional powers will be included in the legislation allowing a court to make a Bank Access Order or Vehicle Seizure Order in appropriate cases where payment is not forthcoming. In addition, an SAO will be prioritised as the default sanction, thereby reducing the number of committals to prison for fine default.

Taken together, these changes will create a more cost effective and proportionate system for the management of fine collection and enforcement, by introducing dedicated Collection Officers to manage fine collection; releasing front line police officers to undertake other duties rather than pursuing outstanding fines; reducing the number of offenders being imprisoned for fine default; and releasing court time as certain tasks will be able to be undertaken administratively by the Collection Officer and there should be fewer default hearings.

*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.**

DOJ is in the process of implementing this recommendation.

DOJ has identified the Fines and Enforcement Bill as one of its key legislative priorities for the remainder of the current Assembly mandate. DOJ has re-considered the legislative timeframe, and can confirm it will take all the necessary steps to ensure that progress is maintained and there is no further slippage as far as is practicably possible.

Work on creating the new system is well underway in preparation for the drafting of the Bill. The DOJ Minister's intention is to have the legislation drafted and proposals presented to the Assembly before the summer recess and for the primary legislation to be in place by April 2016, with supporting regulations allowing progressive commencement thereafter to enable a new fine collection and enforcement service to be operational by the end of 2016. The new Service to be introduced will create a more cost effective system which will represent value for money and better use of the limited resources available.

## 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.





