



Northern Ireland

Courts and
Tribunals Service

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Trust Statement



For the year ended 31 March 2016

Northern Ireland Courts and Tribunals Service

Trust Statement For the year ended 31 March 2016

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
20 December 2016



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GLOSSARY

C&AG	Comptroller & Auditor General
DAO	Dear Accounting Officer
DoF	Department of Finance (formerly the 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
NICS	Northern Ireland Civil Service
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
PCNI	Parole Commissioners for Northern Ireland
PentiP	National system equivalent to the Vehicle Procedures/Fixed Penalty Office System
PNDs	Penalty Notices for Disorder
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
SLA	Service Level Agreement
SoFP	Statement of Financial Position
SoROIE	Statement of Revenue, Other Income and Expenditure
SPG	Strategic Planning Group
SRO	Senior Responsible Owner
VP/FPO	Vehicle Procedures/Fixed Penalty Office

PART 1 PERFORMANCE REPORT

OVERVIEW

Foreword by the Chief Executive

I am pleased to present the Trust Statement for the Northern Ireland Courts and Tribunals Service (NICTS) for 2015-16. NICTS is an Agency of the Department of Justice (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. I am pleased that the Comptroller and Auditor General (C&AG) has been able to provide an unqualified audit opinion on this statement. This decision represents a great deal of hard work from colleagues across NICTS, DoJ and Police Service of Northern Ireland (PSNI). Significant efforts have been made to improve NICTS activities for enforcing and collecting the range of financial penalties and fines for which NICTS is responsible.

I would like to thank everyone involved for their hard work and commitment.

In the business year covered by this Trust Statement, there has been a £0.2m (1.8%) increase in the monetary penalties imposed mainly due to an increase in the value of fixed penalty notices and other party costs imposed. The total amount outstanding at 31 March 2016 decreased by £4.9m (36%) due to the impact of the review of the impairment methodology during this financial year.

The C&AG qualified his report on the Trust Statements from 2011/12. The C&AG report to the Assembly on the Trust Statement for the year ended 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 PSNI and DoJ are working towards full implementation of the remaining three 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 (FCEP) through the Fine Collection and Enforcement Service Project Board which has been re-established to oversee the implementation of the new Fine Collection and Enforcement Service (FCES). Following Royal Assent on 12 May 2016 the Justice (No. 2) Bill became the Justice (NI) Act 2016. This legislation and related secondary legislation is required to enable the establishment of FCES. Subject to having the necessary secondary legislation in place it is planned that the new FCES will be operational by the end of 2016-17.

A handwritten signature in black ink, appearing to read "Ronni Armour". The signature is written in a cursive style and is positioned above a light grey rectangular background.

R Armour
Accounting Officer
Chief Executive, NICTS

Statement of Purpose and Activities

This is the Trust Statement for NICTS for the financial year ended 31 March 2016. Sections 11 (1) and (2) of the Government Resources and Accounts Act (Northern Ireland) 2001 directs that NICTS shall prepare a Trust Statement for each financial year ended 31 March. This Trust Statement has been prepared in accordance with the accounting principles and disclosure requirements of Chapter 8 of the Government Financial Reporting Manual (FReM) and Annex G of the Accounts Direction, DAO (DFP) 03/16 from the Department of Finance (DoF).

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

Who we are

NICTS is an Executive Agency of DoJ. NICTS is accountable to the Northern Ireland Assembly through the Minister of Justice. David Ford MLA was Minister of Justice until 5 May 2016. Claire Sugden MLA (“the Minister”) was appointed Minister of Justice on 25 May 2016.

The role of NICTS is to:

- provide administrative support for Northern Ireland’s courts, tribunals and Parole Commissioners for Northern Ireland (PCNI);
- support an independent Judiciary;
- provide advice to the Minister on matters relating to the operation of the courts and tribunals, Enforcement of Judgements Office (EJO) and PCNI;
- enforce civil court judgments through the EJO;
- manage funds held in court on behalf of minors and patients;
- provide high quality courthouses and tribunals hearing centres; and
- act as the Central Authority under international conventions.

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

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

Scope

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

5. **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.

Expenditure and Disbursements

The Trust Statement reflects expenditure relating to the administrative write-off of fines and the impairment of debt related to outstanding monetary penalties and confiscation orders. 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 18 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 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 before uploading to the accounting system.

The key features of the ICOS control framework are:

- the segregation of duties and system access rights;
- verification of cash balances through completion of daily, monthly and quarterly bank reconciliations;
- 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.

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 had notified its intention to withdraw licensing and technical support for VP/FPO from 1 April 2016 however extended support was negotiated to 31 December 2016 and a new

replacement system is being developed as a priority. A procurement exercise to replace VP/FPO, taking due consideration of the needs of both PSNI and NICTS, was completed late 2015 and it is expected that the replacement system will 'Go Live' in December 2016. Both systems will be run in tandem until 31 December 2016. Once implemented, the replacement system, DomePay, will continue to meet the needs of both PSNI and NICTS and 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 receipted 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.

These features will be reflected in the replacement system.

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

Niche RMS

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

The penalty notice information is recorded on Niche RMS following the issue of a penalty notice. This information is then shared with ICOS through the Causeway messaging solution. All payments for penalty notices are receipted through ICOS and information messaged back to Niche RMS 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 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 Act (NI) 2016 which includes the development of a civilianised fine collection and enforcement service. The new service which will be based in NICTS will create a more cost effective system which will represent value for money and better use of the limited resources available. Information on the Act is included in the next section.

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.

The Divisional Court has held that the warrants in the cases before it were unlawfully issued and that the NICTS was liable for loss and/or damages incurred. The scale of the liability has not been determined, and the case is listed in the High Court in December 2016 for mention. The potential liability for damages is significant and would have major financial implications for NICTS and DoJ.

At 31 March 2016 there were 48,034 fines (2014-15: 52,685) (relating to 25,786 defendants (2014-15: 25,998)) which had remained unpaid after the payment due date with a value of £12.0m (2014-15: £12.5m) (£8.8m relating to Magistrates' Court and £3.2m relating to Crown Court (2014-15: £8.9m relating to Magistrates' Court and £3.6m relating to Crown Court)).

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 31 December 2016. A procurement exercise was completed late 2015 and a software provider was tasked with developing a solution to replace the VP/FPO system. Currently the project is at User Assurance Testing stage and it is expected that the system will launch in December 2016. Both systems will be run in parallel for a period of time to allow for the completion of 'in flight' cases and the process of data migration from the legacy system to the new solution.

PERFORMANCE ANALYSIS

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 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. Progress on the Fine Default Initiatives is reported to the Board on a quarterly basis.

The two projects, which are overseen by the Fine Collection and Enforcement Programme Board (FCEPB), are as follows:

- **Fine Default and Warrant Enforcement (FDWE) Project** – the objectives for this project 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. This project was closed in August 2014 following the successful completion of the project objectives. Updates on the new fine default arrangements continue to be provided quarterly to the Board.
- **Fine Collection and Enforcement Service (FCES) Project** – this project has responsibility for establishing a new Fine Collection and Enforcement Service and the introduction of Supervised Activity Orders (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. Legislative provisions to allow for civilianised FCES are included in the Justice Act (NI) 2016. Subject to having the necessary secondary legislation in place - it is anticipated the new service (including SAOs) will be operational by the end of 2016-17.

Justice Act (NI) 2016

Following Royal Assent on 12 May 2016 the Justice (No. 2) Bill became the Justice (NI) Act 2016. This legislation and related secondary legislation is required to enable the establishment of FCES.

The Act deals, in part, 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 a broader range of options for the Courts to pursue, including SAOs, bank account freezing orders and vehicles seizure.

Subject to having the necessary secondary legislation in place it is planned that the new service will be operational by the end of 2016-17.

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 an eight year period successfully collected £8.6m providing an additional average income of £1.1m per annum.

The Agency continued to operate the FCS throughout 2015-16 to encourage debtors to pay without the need for enforcement. Fine Officer intervention has resulted in 40% more debtors making payment during 2015-16.

During 2015-16 17,465 fines (2014-15: 19,528) with a value of £3.3m (2014-15: £4.8m) entered FCS with 6,013 (2014-15: 6,860) of these fines, with a value of £0.8m (£1.2m), being collected. This equates to a collection rate of 34.4% (2014-15: 35.1%) by number and 24.2% (2014-15: 25.0%) 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 Act (NI) 2016. These changes include the availability of an SAO for all financial penalties falling within the collection scheme, not just fines. In expanding the penalties to which an SAO can be applied, the Act also increases 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 Act 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

The purpose of the PSNI Hand Held Mobile Data Project (PUMA) is to increase efficiency, effectiveness and enable better informed policing. This is achieved by empowering Police Officers with direct access to relevant information. Project PUMA allows for FPNs to be dealt with electronically and reduces 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 also enables the police to issue penalties without requiring them to carry a number of separate ticket books.

A phased rollout to Roads Policing commenced in April 2012 and rollout to all policing districts concluded during 2015. Albeit the roll-out is complete this will not mean all tickets will be issued electronically as not all officers have access to mobile devices and there are areas within Northern Ireland that remain problematic in terms of mobile signal. Currently around 5,000 officers have access to the Fixed Penalty application on PUMA enabled devices, although not all have a requirement to utilise the software. New devices are currently being tested as a replacement platform and these will be made available to around 3,500 officers when the testing and procurement processes are complete.

VP/FPO Replacement System

Over the last two years 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. PSNI has negotiated with the VP/FPO software supplier and has managed to secure an extension on the license until 31 December 2016. A scoping and procurement exercise for the replacement of VP/FPO took place late 2015 with affordability and system functionality being key issues in the final procurement decision. A software provider was chosen as a result and development has been underway since December 2015. At all stages PSNI has been in close consultation with NICTS. The system specification includes a requirement to meet the reporting needs of the Trust Statement. It is anticipated that the new system will be operational with effect from December 2016.

As a product of the system replacement project, 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 2015-16 the total impositions increased by £0.2m (1.8%) to £11.4m in 2015-16 (2014-15: £11.2m). The value of fines and penalties imposed increased by £0.2m (2.1%) to £9.5m (2014-15: £9.3m) and the value of confiscation orders has remained at £1.9m (2014-15: £1.9m).

Expenditure has increased by £2.8m (51.9%) to £8.2m in 2015-16 (2014-15: £5.4m).

The SoROIE shows an overall net revenue position for NICF of £3.2m in 2015-16 (2014-15: £5.9m).

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 2016 decreased by £4.9m (35.5%) to £8.9m (2014-15: £13.8m).

The net assets recorded in SoFP are represented by the balance owed to the NICF. This balance decreased by £4.0m (34.8%) to £7.5m in 2015-16 (2014-15: £11.5m 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 2015-16 Trust Statement is £33.5k (2014-15: £32k). This is charged on a notional basis and is recognised in the Resource Accounts of NICTS.

A handwritten signature in black ink, appearing to read "Roni Armour". The signature is written in a cursive style and is positioned above a light grey rectangular background.

R Armour
Accounting Officer
18 November 2016

PART 2 ACCOUNTABILITY REPORT

Statement of Accounting Officer's Responsibilities

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

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

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

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

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

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

Governance Statement

SCOPE OF RESPONSIBILITY

NICTS is an executive agency of DoJ sponsored by the Access to Justice Directorate. As an Agency of DoJ, NICTS operates under a Framework Document that has been agreed by DoJ and DoF. The Agency Framework Document sets out the arrangements for the effective governance, financing and operation of NICTS.

As 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 Justice 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 PCNI;
- support an independent Judiciary;
- provide advice to the Minister on matters relating to the operation of the courts, tribunals, EJO and PCNI;
- enforce civil court judgments through EJO;
- manage funds held in court on behalf of minors and patients;
- provide high quality courthouses and tribunals hearing centres; and
- act as the Central Authority under certain international conventions.

Strategic Context

The 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 the oversight of the functions of NICTS

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

The Board 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 to be discussed five working days before the meeting. During 2015-16 there were no conflicts of interest declared by any Board member in respect of the Trust Statement.

Attendance by members is shown below for the four meetings of the Board during 2015-16:

Position	Member	Attendance
Chief Executive (Chair)	Mr R Armour	4
Head of Court Operations	Mr P Luney	4
Acting Head of Tribunals and Enforcement	Mrs M McKay (until 31 August 2015)	1
Head of Tribunals and Enforcement	Mrs E Topping (from 1 September 2015)	3
Head of Corporate Services (Finance Director)	Ms S Hetherington	4
Non-Executive Directors	Mr PJ Fitzpatrick*	2
	Mr C McKenna**	4
DoJ Representative	Mr D A Lavery CB	2
Judicial Representatives	The Honourable Mr Justice Deeny	3
	His Honour Judge McFarland (Recorder of Belfast)	2
	District Judge Bagnall (Presiding District Judge (Magistrates Court))	4
	Mr John Duffy (President of the Appeals Tribunal)	3

* Mr PJ Fitzpatrick retired on 31 March 2016.

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

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 Corporate Services who advises the Finance 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.

Attendance by members is shown below for the four meetings of the Finance Committee during 2015-16:

Position	Member	Attendance
Chief Executive (Chair)	Mr R Armour	4
Head of Court Operations	Mr P Luney	4
Acting Head of Tribunals and Enforcement	Mrs M McKay (until 31 August 2015)	1
Head of Tribunals and Enforcement	Mrs E Topping (from 1 September 2015)	3
Head of Corporate Services (Finance Director)	Ms S Hetherington	4
Non-Executive Director	Mr C McKenna	4
Judicial Representative	The Honourable Mr Justice Deeny	4

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.

Attendance by members is shown below for the five meetings of the Audit and Risk Committee during 2015-16:

Position	Member	Attendance
Chair	Mr PJ Fitzpatrick*	5
Judicial Representative	Mr Justice Burgess	5
Non-Executive Director	Mr G Wilkinson	5

* Mr C McKenna will Chair the Audit and Risk Committee in 2016-17 following Mr PJ Fitzpatrick's departure on 31 March 2016.

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

- Changes to the Corporate Risk Register;
- Northern Ireland Audit Office (NIAO) Report to those Charged With Governance (RTTCWG);
- Internal Audit reports;
- Internal Audit work programme;
- Head of Internal Audit's Annual Assurance Statement;
- Relevant 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 2014-15 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 2014-15 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 2016 and up to the date of approval of the Trust Statement, and accords with DoF guidance.

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

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

Controls over the relevant income types include:

- Court Imposed Payments

When a penalty is imposed by the courts it is processed on ICOS. Court imposed payments account for 74.8% 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 22.7% 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)

PNDs are issued by PSNI as an alternative to court prosecution. PNDs account for 2.5% 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 2015-16.

Risk Management

Risk management forms a central element of the governance framework. Risk management is championed by the Head of Estates Branch, 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 Central Management Unit.

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 2015-16 a total of eight incidents were reported to DoJ. Of these incidents three related to human error. Four incidents related to loss of data; of which three were a physical loss and one was an electronic loss. One incident related to an information breach whereby data was accessed. All were investigated with the findings reviewed to identify any lessons learned and where appropriate, existing processes amended. One incident was notified to the Information Commissioner's Office during this period.

Further guidance and training was provided to all staff during 2015-16 including mandatory on-line training covering Information Assurance and Anti-Fraud Awareness. In addition further training was provided for Information Asset Owners. All existing ICT systems continue to have either interim accreditation or full accreditation granted by the Departmental Lead Accreditor.

During 2015-16 the NICTS Transition Project was established to transfer ICT systems from Fujitsu to IT Assist. Due to the significant changes that were happening to all NICTS systems and services during 2015-16, it was decided not to carry out the annual ICOS ICT disaster recovery test. Of the 29 recommendations outstanding from the ICT Healthcheck Assessment carried out in 2014-15, all have been successfully managed in 2015-16. The ICOS system is now hosted by IT Assist and a fully resilient solution has been developed at IT Assist's back-up data centre. All NICTS desktop computers, laptops and servers were replaced as part of the transition project. In 2016-17, the NICTS Line of Business systems will be health-checked to ensure compatibility with Northern Ireland Civil Service (NICS) Information Security standards and best practice

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

Internal Audit operated, and continues to operate, to the Public Sector Internal Audit Standards. It submitted, and will continue to submit, regular reports, including an independent opinion by the Head of Internal Audit, on the adequacy and effectiveness of 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 2014-15 Trust Statement RTTCWG in January 2016 which made two priority one recommendations in relation to the value of receivables and cash warrant reconciliations and one priority two recommendation in relation to PSNI cash warrant collection procedures. 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. NICTS and PSNI continue to work together to implement the recommendation in relation to monthly cash warrant reconciliations, as mentioned above, there is now an SLA in place to govern this and PSNI have fully implemented the recommendation in relation to the cash warrant collection procedures.

PSNI introduced new guidelines in relation to the cash collection of warrants during the 2014-15 financial year. These new processes are monitored for compliance and quality assurance purposes and to ensure that the revised process is being followed. While the inherent risks associated with cash collection remain, NIAO in their 2014-15 audit report, noted that they were able to obtain reasonable assurance that in all material respects fine income was applied for the purposes intended.

Work has continued with all parties towards the implementation of a civilianised enforcement model as part of the Justice Act (NI) 2016. PSNI is working alongside NICTS and DoJ to manage these legislative changes to ensure FCES will be operational by the end of 2016-17. This new service will largely remove PSNI from fine enforcement.

A procurement exercise to replace VP/FPO, taking due consideration of the needs of both PSNI and NICTS, was completed late 2015 and it is expected that the replacement system will 'Go Live' in December 2016.

Agency Board Effectiveness

Board effectiveness was evaluated in September 2014 with the outcome being that the Board is fulfilling its governance requirements. The next evaluation exercise is due to be completed during 2016-17.

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 2015-16 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.

The collectability of debt

C&AG qualified the 2014-15 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.

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 2015. 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, a full year of data was available for review. Building up revised historical data since the introducing of the new fine default hearing process has helped identify trends to enable us to devise an appropriate impairment methodology. We are pleased to note that NIAO have decided to lift the qualification on the uncertainty of the collectability of debt in the 2015-16 Trust Statement.

New powers which will be introduced in the Justice Act (NI) 2016 will also affect trends and will require data to be collected and analysed in relation to collection and default rates under this new regime. The combined changing environment makes it very difficult to estimate the impact on debt collection rates and the behaviour of defaulters. NICTS will continue to develop use of historical trends, analysis of different income streams and assessment of some individual balances to calculate the impairment of the outstanding debt balance. We will take account of areas of uncertainty around those factors which determine future revenue flows.

VP/FPO Replacement system

The current VP/FPO service provider had notified its intention to withdraw licensing and technical support for VP/FPO with effect from 1 April 2016 however extended support was negotiated to 31 December 2016 and new replacement system is being developed as a priority. A procurement exercise to replace VP/FPO, taking due consideration of the needs of both PSNI and NICTS, was completed late 2015 and it is expected that the replacement system will 'Go Live' in December 2016. Both systems will be run in tandem for a period of time to ensure 'in flight' tickets are dealt with. Once implemented, 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 2015-16 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.

Update on Previous Significant Internal Control Issues

Fine Default Judicial Reviews

The previous internal control issue on the Fine Default Judicial Reviews has now been removed. This issue had arose in March 2013, when the Divisional Court in response to five Judicial Review applications found that a number of long established processes for imposing and enforcing fines and confiscation orders failed to comply fully with the legislative provisions. 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. Default hearings commenced in Crown Court in January 2014 under existing legislative provisions and in the Magistrates' Court in June 2014 under new court rules.

The Judicial Reviews have been listed for review in December 2016. Depending on the outcome of the test cases, there may be significant financial implications for the Department, arising from compensation payments from claims. This has now been recognised in the NICTS Agency Accounts as a contingent liability.

DoJ has established the FCEPB, sponsored by the Criminal Justice Programme Delivery Group, to improve the collection and enforcement of fines in line with Ministerial priorities. Membership of the Programme Board includes representatives from DoJ, NICTS, PSNI, NIPS and PBNI. Legislative provisions to allow for a civilianised FCES are included in the Justice (No.2) Bill. The Justice (No.2) Bill received Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016. This legislation, and related regulations, is required to enable the new service to be operational by the end of 2016-17.

An internal project board has been re-established to oversee the implementation of the new Fine Collection and Enforcement Service.

The NIAO have agreed that this should be removed as a Significant Internal Control Issue as the weakness that existed in this area has now been addressed with the introduction of Fine Default Hearings and will be further strengthened with the introduction of the new Fine Collection and Enforcement Service. As stated above any financial implications associated with this matter are reflected in the NICTS Agency accounts.

Collection of Cash Warrants

During the 2015-16 year no frauds in relation to warrant collection have been noted, however the previously reported fraud in this respect has been concluded, with the individual pleading guilty to theft of warrant monies and receiving an 18 month suspended sentence, with £52k of warrant monies also receipted as part of the outcome of this trial.

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 2016-17 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 2014-15 Trust Statement RTTCWG in January 2016 which made two priority one recommendations in relation to the value of receivables and cash warrant reconciliations and one priority two recommendation in relation to PSNI cash warrant collection procedures. 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. NICTS and PSNI have implemented the recommendation in relation to monthly cash warrant reconciliations and PSNI have fully implemented the recommendation in relation to the cash warrant collection procedures.

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 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 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 autumn 2016.
- Legislative provisions to allow for a civilianised FCES are included in the Justice (No. 2) Bill. This legislation achieved Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016. This legislation, and related regulations, are required to enable the new service to be operational by the end of 2016-17.
- All steps are being taken to monitor the timeframe for fine enforcement reform and ensure no slippage occurs. The progression of supporting regulations will be closely monitored to ensure the new service will be operational by the end of 2016-17.

Accounting Officer Statement on Assurance

NICTS has established a robust assurance framework that includes primary assurance through line management structures on the achievement of objectives. This primary assurance is supplemented by secondary assurances provided through oversight of management activity and by an independent Internal Audit team operating to Public Sector Internal Audit Standards. They deliver an agreed prioritised programme of systems based audits covering all NICTS systems over time. This programme includes the annual review of the systems for fine collection and enforcement. The scope of this review is limited to directly reviewing the controls operated by NICTS, although internal audit also takes account of the wider control environment including those aspects of the overall process that are the responsibility of PSNI. The Head of Internal Audit provides me with his professional opinion on the level of assurance that he can provide based on the work done. For the 2015-16 year he has provided satisfactory assurance in relation to NICTS internal controls for fine enforcement and collection and we have been advised that PSNI has now introduced improved controls over reconciliation and collection of fine monies on foot of a fine warrant. This has addressed one of the key issues which resulted in past qualification of successive Trust Statements and although accurate impairment estimation remains a challenge for NICTS, the Head of Internal Audit considers that overall satisfactory assurance can now be provided. Also 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 going forward.

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 2015-16.



R Armour
Accounting Officer
18 November 2016

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 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Revenue, Other Income and Expenditure, Financial Position, Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of NICTS, the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, NICTS and the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the 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 Trust Statement's circumstances 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 Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the 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 2016 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 (formerly Department of Finance and Personnel) directions issued thereunder.

Emphasis of Matter: Carrying Value of Receivables

I draw attention to Note 6 of the financial statements which discloses an impairment (provision for uncollectable amounts) of £10.893 million. NICTS have based this provision on all reasonable and supportable information available to it at the year end. However recent changes to the fine default process, including the introduction of fine default hearings, and the impact of new initiatives available under the Justice Act (NI) 2016 have led to considerable uncertainty over future debt collection rates and the subsequent carrying value of receivables reported in the financial statements. My opinion is not modified in this matter.

Opinion on other matters

In my opinion the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

My detailed observations are included in my report on pages 54 to 61.

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

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

Date 28 November 2016

PART 3 FINANCIAL STATEMENTS

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Revenue			
Fixed Penalty Notices		2,595	2,223
Court Imposed Fines		4,927	5,074
Extra Costs		35	17
Confiscation Orders		1,867	1,924
Offender Levy		287	311
Other Party Criminal		1,733	1,676
Total Revenue		11,444	11,225
Expenditure			
Credit Losses	2	(6,158)	(2,768)
Revenue retained by the NICTS under statute	3	(161)	(161)
Total Expenditure		(6,319)	(2,929)
Disbursements			
Amounts paid to Other Parties		(809)	(1,567)
Amounts paid to Road Safety Partnership		(1,084)	(869)
Total		(1,893)	(2,436)
Total Expenditure and Disbursements		(8,212)	(5,365)
Net Revenue for the Consolidated Fund		3,232	5,860

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

The notes on pages 43 to 53 form part of this statement.

Statement of Financial Position

as at 31 March 2016

		2015-16	2014-15	2013-14	
	Note	£'000	£'000	£'000	£'000
Non-current Assets					
Receivables falling due after more than one year	4	741	918	557	
Total non-current assets		741	918	557	557
Current Assets					
Receivables	5	8,206	12,868	14,793	
Cash and Cash Equivalents	7	908	912	632	
Total current assets		9,114	13,780	15,425	15,425
Total assets		9,855	14,698	15,982	15,982
Current Liabilities					
Payables	8	(2,340)	(3,217)	(2,903)	
Total current liabilities		(2,340)	(3,217)	(2,903)	(2,903)
Total Assets less Current Liabilities		7,515	11,481	13,079	13,079
Represented by:					
Balance on Consolidated Fund Account	9	7,515	11,481	13,079	13,079

The notes on pages 43 to 53 form part of this statement.



R Armour
Accounting Officer
 18 November 2016

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Net cash flow from operating activities	A below	7,194	7,738
Cash paid to the Consolidated Fund	9	(7,198)	(7,458)
Increase/(Decrease) in cash in this period		(4)	280

Notes to the Cash Flow Statement

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

Net Revenue for the Consolidated Fund	9	3,232	5,860
Decrease/(Increase) in non-cash assets		4,839	1,564
Increase in non-cash liabilities		(877)	314
Net Cash Flow from operating activities		7,194	7,738

B: Analysis of Changes in Net Funds

Increase/(Decrease) in cash in this period		(4)	280
Net Funds at 1 April		912	632
Net Funds at 31 March		908	912

The notes on pages 43 to 53 form part of this statement.

Notes to the Trust Statement

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with Annex G of DoF's Accounts Direction, DAO (DFP) 03/16, 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 2015-16 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 DoF'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. Statistics have been used to calculate the impairment of the outstanding debt balance. In preparing the methodology NICTS had to take account of areas of uncertainty around those factors which determine future revenue flows. Therefore judgments have to be made concerning some of these factors and procedures in place to do this. However, because of the areas of uncertainty involved, there will inevitably be differences between our forecasts and future outturns. These differences arise because of the need to make judgments on areas of uncertainty and are not considered to be indicative of deficiencies in our procedures.

VP/FPO Receivables

At 31 March 2016 there was a closing balance of £0.4m (2014-15: £0.3m) on VP/FPO. VP/FPO records fixed penalties which are issued by the PSNI and DVA. If penalties remain unpaid on this system they will be transferred to ICOS after 45 days and will be enforced through this system. As a result of this we have not provided for any of the outstanding balance on VP/FPO.

ICOS Receivables

At 31 March 2016 there was a total closing balance on ICOS £19.4m (2014-15 £20.7m) which includes confiscation order interest. This balance is made up of fines, extra costs, offender levy, other party monies and confiscation orders that remained unpaid at that date.

In 2013-14 the debt was split into four categories for review and in 2014-15 this was 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 2016 was split into the following three categories to assess for recoverability:

1. Warrant Debt pre 2013 (judicial sift): £0.2m (2014-15: £0.2m);
2. Non-current Receivables: £2k (2014-15: £1k); and
3. Remaining Debt: £19.2 (2014-15: £20.5m).

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, this hasn't changed from prior year 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 through, 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 on ICOS. This debt was assessed and has been provided for based on the latest update and information available on each warrant. For example warrants executed by payment have not been provided for; those which are being queried with NIPS have been provided for in full as the expectation is that these amounts have been cleared by committal.

2. Non-current Receivables

A number of cases have due dates that are on or after 1 April 2017 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 £2k.

3. Remaining Debt

The total value of this debt is £19.2m. 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 2015-16 and also those not yet effective. These are documented in the NICTS Annual Report and Accounts 2015-16. 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	2015-16 £'000	2014-15 £'000
Debts written off by Judicial authority	2.1	2,547	2,822
Increase in value of impairment	2.2	3,611	(54)
		6,158	2,768

2.1 Debts written off by Judicial authority

	2015-16 £'000	2014-15 £'000
Fines	715	1,562
Extra Costs	3	8
Confiscation Orders	1,370	781
Offender Levy	12	5
Other Party Criminal	447	466
	2,547	2,822

2.2 Increase in value of impairment

	2015-16 £'000	2014-15 £'000
Balance as at 1 April	7,281	7,335
Change in estimated value of impairment	3,611	(54)
Balance as at 31 March	10,892	7,281

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

	2015-16 £'000	2014-15 £'000
Road Safety Partnership	161	161
	161	161

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

	2015-16 £'000	2014-15 £'000	2013-14 £'000
Instalment Orders	1,082	989	566
Other receivables	3	1	3
less Impairment Provision	(344)	(72)	(12)
	741	918	557

5. Receivables

	2015-16 £'000	2014-15 £'000	2013-14 £'000
Instalment Orders	3,453	2,949	1,821
Other receivables	15,301	17,128	20,295
less Impairment Provision	(10,548)	(7,209)	(7,323)
	8,206	12,868	14,793

6. Total receivables

The table shows a breakdown of the receivables balance at 31 March 2016

	Fixed Penalty Notices £'000	Court Imposed Fines £'000	Extra Costs £'000	Confiscation Orders £'000	Offender Levy £'000	Other Party Criminal £'000	Total £'000
Receivables							
At 1 April 2015	323	10,574	48	5,806	299	4,017	21,067
Imposed	2,595	5,331	40	2,005	322	1,843	12,136
Cleared by committal ¹	-	(404)	(5)	(138)	(35)	(110)	(692)
Total Revenue	2,595	4,927	35	1,867	287	1,733	11,444
Total	2,918	15,501	83	7,673	586	5,750	32,511
Cleared by payment	(2,504)	(4,179)	(39)	(1,757)	(233)	(1,413)	(10,125)
Written off	-	(715)	(3)	(1,370)	(12)	(447)	(2,547)
At 31 March 2016	414	10,607	41	4,546	341	3,890	19,839

Impairment (provision for uncollectable amounts)²							
At 1 April 2015	-	3,319	14	2,793	70	1,085	7,281
(Decrease)/Increase in year	-	2,983	12	(333)	99	850	3,611
At 31 March 2016	-	6,302	26	2,460	169	1,935	10,892
Net book value at 31 March 2016	414	4,305	15	2,086	172	1,955	8,947
Net book value at 31 March 2015	323	7,255	34	3,013	229	2,932	13,786

Aged analysis of receivables at 31 March 2016 based on date of imposition

	Fixed Penalty Notices £'000	Court Imposed Fines £'000	Extra Costs £'000	Confiscation Orders £'000	Offender Levy £'000	Other Party Criminal £'000	Total £'000
Receivables							
Less than one year	414	2,360	5	1,187	124	901	4,991
Greater than one year and less than five years	-	1,684	8	583	48	893	3,216
Greater than five years	-	261	2	316	-	161	740
Net book value at 31 March 2016	414	4,305	15	2,086	172	1,955	8,947

Notes

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

7. Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Balance at 1 April	912	632
Net change in cash and cash equivalent balances	(4)	280
Balance at 31 March	908	912
The following balances were held at		
Commercial banks and cash in hand (payable to NICF)	884	887
Commercial banks and cash in hand (payable to 3 rd parties)	24	25
Balance at 31 March	908	912

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

	2015-16 £'000	2014-15 £'000	2013-14 £'000
Amounts due to be paid to the PPS	22	36	55
Amounts due to be paid to Other Parties	2,121	2,945	2,666
Amounts payable to DoJ Victims Fund	197	236	182
	2,340	3,217	2,903

9. Balance on Consolidated Fund Account

	2015-16 £'000	2014-15 £'000	2013-14 £'000
Balance on Consolidated Fund as at 1 April	11,481	13,079	11,608
Net revenue for the Consolidated Fund	3,232	5,860	7,776
less amount paid to the Consolidated Fund	(7,198)	(7,458)	(6,305)
	7,515	11,481	13,079

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 DoF.

11. 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 in December 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 2016.

The Accounting Officer authorised these financial statements for issue on 28 November 2016.

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 2016

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 to 2014-15. The Public Accounts Committee met on 22 October 2014 to consider my report on the NICTS Trust Statement for the year ended 31 March 2013. The Committee published its own report on 21 January 2015 which contained six recommendations for improving the collection of fines and penalties (see Appendix 1).
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). Dealing effectively with those who default on payment is an ongoing challenge for the justice system. Approximately half of the revenue is successfully collected in the 12 months after the penalties are imposed. The funds collected are paid to the Northern Ireland Consolidated Fund after deduction of some allowable costs incurred in collecting the fines and monies due to other parties.
4. At 31 March 2016, the total amount of debt outstanding from non-payment of financial penalties was around £19.8 million (2015 £21.1m). Approximately £6.8 million (2015 £4.6m) relates to amounts outstanding for less than one year, with £9.9 million (2015 £13.4m) outstanding between one and five years and with £3.1 million (2015 £3.1m) outstanding for more than five years. The total debt has been impaired by an amount of £10.9 million (2015 £7.3m) which is unlikely to be recovered.

5. The purpose of this report is to highlight concerns I have with the system for dealing with fine defaulters.

The estimate of the impairment and collectability of overdue debt

The value of net receivables

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

Figure 1: Over half of the debt outstanding at 31 March 2016 is unlikely to be recovered

	Total Debt		Impairment		Impaired Debt	
	£m		£m		£m	
	2016	2015	2016	2015	2016	2015
Court Imposed fines	10.6	10.6	6.3	3.3	4.3	7.3
Confiscation Orders ¹	4.5	5.8	2.5	2.8	2.0	3.2
Other Party Criminal	3.9	4.0	1.9	1.1	2.0	2.9
Fixed Penalty Notices	0.4	0.3	0.0	0.0	0.4	0.3
Extra Costs/Offender Levy	0.4	0.4	0.2	0.1	0.2	0.3
Total	19.8	21.1	10.9	7.3	8.9	14.0

Source NICTS Trust Statement 2015-16 Note 6

¹ Confiscation orders are imposed under the Proceeds of Crime Act 2002 or the Proceeds of Crime (NI) Order 1996. A confiscation order is an order directing the payment of money obtained by a defendant as a result of his/her criminal conduct, to the Crown. 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.

7. The level of debt outstanding has decreased over the last three years. (see Figure 2).

	Total Debt	Impairment	Impaired
	£m	£m	Debt
			£m
2013-14	22.7	7.3	15.4
2014-15	21.1	7.3	13.8
2015-16	19.8	10.9	8.9

NICTS advised me that the decrease, in the level of debt outstanding, has been as a result of a decrease in the value of Court Imposed Fines and Confiscation Orders and an increase in the value of impairment.

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.
10. The courts commenced the default hearings process in 2014. For Crown Court imposed fines these began in January 2014, those in respect of Magistrates' Court imposed fines commenced in late June 2014. 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. Figure 3 below shows the outcome of all default hearings held up to 31 May 2016
11. As at 31 May 2016 there were 58,562 fines with a value of £14.9 million which met the conditions to be called for a default hearing. The courts have issued 62,384 notices in relation to these fines. 36,294 were issued for personal service by a summons server and 26,090 were issued for service by postal service. Of those issued for personal service, 6,222 (17%) were successfully served. Of the notices issued by post 7,293 (28%) of the individuals responded or appeared in court for the hearing which means those notices were successfully served. In

total 13,515 default hearings have been held to date, dealing with 13,890 (23.7%) of fines eligible for a hearing.

12. The requirement to have default hearings 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 an increase in the impairment provision in the current year and the difficulty in assessing the overall collectability and value of outstanding fine debt.

13. The review of the outcome of the hearings in the 22 months to 31 May 2016 shows that when fines are considered at default hearings over one third of fines by value are remitted.

Figure 3: Outcome of default hearings in terms of the number and value of fines (Source NICTS)

Outcome	Number of fines	%	Value of fines (£'000)	%
Fines paid	9,079	65%	2,418	54.9%
Fines remitted	4,462	32%	1,262	28.7%
Fines part paid/part remitted	349	3%	724	16.4%
Total	13,890	100%	4,404	100%

14. PSNI re-commenced the execution of warrants at the start of November 2014. As at 31 May 2016, 3,649 cases had an issued warrant with a value of £1,092,000 having been successfully executed through either payment or committal to prison.

15. PSNI aim to execute 75% of warrants within either the specified period of time for enforcement where provided or where this does not exist, within 12 months of the date of issue. The latest figures indicate that performance is marginally below 75% for the last quarter of the 2015-16 financial year.

16. Figure 4 below shows the outcome of all warrants issued to PSNI up to 31 May 2016 by case. The vast majority of the cases classified as having a warrant(s) outstanding in the table below are cases which are currently being processed by PSNI and have not reached the end of the enforcement period.

Figure 4: Outcome of warrants in terms of the number of cases and value

Source NICTS

Outcome	Number of cases	%	Value of fines (£'000)	%
Cleared by Committal	1,372	23.8%	520	30.9%
Cleared by Part Committal/Payment	27	0.5%	11	0.6%
Cleared by Payment	2,250	39.0%	561	33.4%
Total Cleared	3,649	63.3%	1,092	64.9%
Warrants Outstanding*	2050	35.5%	578	34.4%
Returned Unexecuted or Stayed	68	1.2%	12	0.7%
Grand Total	5,767	100%	1,682	100%

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

17. The impairment charge calculated by NICTS for outstanding debt applies a number of assumptions based on trends and past performance. NICTS have based the impairment charge on all reasonable and supportable information available to it at the year end. However recent changes to the fine default process and the impact of new initiatives under the Justice Act (NI) 2016 have led to considerable uncertainty over future debt collection rates and the behaviour of defaulters and the subsequent carrying value of receivables reported in the financial statements.
18. The debt collection rates should be improved by the introduction of a number of new initiatives contained within the Justice Act (NI) 2016. The initiatives include the creation of a Fine Collection and Enforcement Service with civilian Collection Officers whose responsibility it will be to collect penalties as set by, and under the authority of, the Courts. It 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 wilful defaulter who has the ability to pay but doesn't, the Bill allows a broader range of options for the Courts to pursue, including, bank account orders and vehicle seizure orders. In addition the act provides for Supervised Activity Orders (SAOs) as an alternative to imprisonment for fine default. Supporting secondary legislation is being progressed to enable the new Fine Collection and Enforcement Service to be operational by March 2017. It will have taken two years to implement this aspect

of the PAC recommendations and I expect NICTS to ensure there is no further delay in implementing these initiatives.

Cash collection of warrants

19. 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 a limited reconciliation between warrants executed by payment and monies received. This resulted in a qualified audit opinion of the 2012-13 accounts.
20. At the start of November 2014 PSNI started to enforce and execute warrants again. The audit of the 2014-15 accounts found that the operation of controls was inconsistent and incomplete and additional audit work was required to provide the assurance for an unqualified audit opinion.
21. PSNI subsequently took steps to ensure the consistent operation of controls over the risks identified. This year's audit confirmed that PSNI now regularly reconcile reports detailing warrants executed with cash collected.
22. The PSNI is working towards the introduction of cashless payment options for the execution of warrants with a plan to launch a pilot exercise. Further testing is being performed on a mechanism to take card payments and training is to be rolled out in the PSNI before implementation of the solution. PSNI propose to start piloting the new system in autumn 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.
23. For that reason I am disappointed that nearly two years after the PAC report the introduction of cashless payment options has not been completed.

Governance arrangements

24. 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.

25. In its report the Public Accounts Committee² 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’.
26. I am pleased to note that new collaborative controls have been introduced by PSNI and NICTS and documented in the Service Level Agreement (SLA) agreed as part of the PAC recommendations.
27. To assist in ensuring warrants are tracked between the two organisations the SLA outlines the responsibilities of both PSNI and NICTS to facilitate the provision of regularly reconciled records. It also sets out targets in relation to the timely execution of fine default warrants and for transferring warrant monies from PSNI to NICTS within a specified timeframe.

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

28. 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 Programme Board is made up of representatives from PSNI, NICTS, DoJ and NIPS. The intention is that the court will continue to set the fine but the new service, based in NICTS with dedicated Collection Officers, will collect fines, using a range of new powers, under court authority. This should largely remove the PSNI from the fine collection process.
29. Legislative provisions to allow for a civilianised FCES are included in the Justice Act (NI) 2016 which received Royal Assent on 12 May 2016. This legislation and related secondary legislation is required to enable the new service to be operational by the end of 2016-17. New Collection Officers powers will include – granting additional time to pay, arranging instalment orders, taking deductions from an offender’s salary or wages or relevant social security benefits and also recommending to the court, in appropriate circumstances, a vehicle seizure order or bank account order within regulated frameworks where payment can be made.
30. It is important that the progress towards the implementation of a new fine collection and enforcement service is maintained.

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

Conclusion

31. The Department has taken steps to address the issues in the PAC report including new governance arrangements and control structures over fine collection. Targets have been set to monitor the execution of warrants. The numbers of warrants issued to the PSNI and those still outstanding is regularly reconciled.
32. PSNI can only receive payment for the successful execution of warrants through the collection of cash. There are 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. The PSNI is working towards the introduction of cashless payment options for the execution of warrants with a plan to launch a pilot exercise. I am disappointed that nearly two years after the PAC report the introduction of cashless payment options has not been completed.
33. The Department has commenced reform through the Justice Act (NI) 2016 to address the weaknesses and inefficiencies in the current system of fine enforcement and collection which is neither effective nor efficient.
34. Over half (£10.9m) of the £19.8m debt outstanding at 31 March 2016 is unlikely to be recovered. Debt collection rates should be improved by the introduction of a number of new initiatives contained within the Justice Act (NI) 2016. However it will have taken two years to implement this aspect of the PAC recommendations and I expect NICTS to ensure there is no further delay in implementing these initiatives.
35. The new civilianised Fine Enforcement and Collection Service is expected to be operational by March 2017. The Public Accounts Committee reported its findings in January 2015 and I will continue to keep the implementation of the Committees recommendations under review. I will look to see evidence of a successful debt collection process resulting in a reduction in the number and value of fines remaining unpaid.



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Date 28 November 2016

APPENDIX 1

PAC RECOMMENDATIONS

PAC Recommendation 1

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

Memorandum of Reply Commitment

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

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.

June 2016 position

The recommendation to identify an individual's ability to pay before a fine is imposed has been fully implemented.

NICTS has written to the Office of Lord Chief Justice advising of the continued availability of the offender's fine history record to the court, post-conviction and in advance of sentencing.

NICTS wrote to the Law Society and the Bar Library to request that an e-alert reminder issue to members or that a note is placed in the Writ (Law Society magazine) to encourage the completion of the necessary Means Enquiry Forms in respect of defendants.

PAC Recommendation 2

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

Memorandum of Reply Commitment

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

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.

June 2016 position

This recommendation has been fully implemented. Fine Collection and Enforcement Programme Board meet on a quarterly basis and receive information on warrant enforcement.

Regular reconciliations of warrants issued to PSNI are now being performed. Since August 2014 PSNI receive a monthly list of new outstanding fine warrants from NICTS and both organisations liaise to reconcile this list to PSNI records.

PSNI and NICTS have also implemented a Service Level Agreement (SLA) to govern police delivery of warrants. This became operational on 31 August 2015.

PAC Recommendation 3

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

Memorandum of Reply Commitment

NICTS and PSNI partially accept this recommendation.

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.

June 2016 position

This part of this recommendation which was accepted has been fully implemented. Since August 2014 PSNI receive a monthly list of new outstanding fine warrants from NICTS and both organisations liaise to reconcile this list to PSNI records.

The SLA in place to govern police delivery of warrants was signed and became operational on 31 August 2015. The SLA outlines the responsibilities of both PSNI and NICTS to facilitate the provision of regularly reconciled records. It sets out targets for the timely execution of fine default warrants within the specified period of time for enforcement and also sets targets for transferring warrant monies from PSNI to NICTS within a specified timeframe taking into account the demands on both organisations.

PAC Recommendation 4

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

Memorandum of Reply Commitment

DoJ and NICTS 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.

June 2016 position

Alternative methods for PSNI collecting fine warrants have been pursued. PSNI has agreed with NICTS to use its system and this will enable PSNI to take debit/credit card payments for fine warrants.

NICTS has tested the police payments online solution in the test database in May 2016. A Merchant ID is now being created on the NICTS system and this should be available by July 2016. From this further testing will be performed and training rolled out in the PSNI before implementation of the solution. PSNI propose to start piloting the new system in autumn 2016.

PAC Recommendation 5

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

Memorandum of Reply Commitment

DoJ 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.

June 2016 position

Legislative provisions to allow for a civilianised FCES are included in the Justice (No. 2) Bill. This legislation achieved Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016. This legislation, and related regulations, is required to enable the new service to be operational by the end of 2016-17.

An internal project board has been established to oversee the implementation of the new FCES. An implementation date of 1 March 2017 has been agreed, this should allow time for the required significant IT changes to be made. It is intended that staff will be in post from January 2017 for training purposes.

PAC Recommendation 6

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

Memorandum of Reply Commitment

DoJ 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.

June 2016 position

All steps are being taken to monitor the timeframe for fine enforcement reform and ensure no slippage occurs. The Justice (No. 2) Bill was introduced in the Assembly on 30 June 2015 and passed all stages as planned. The Bill achieved Royal Assent on 12 May 2016 and is now known as the Justice Act (NI) 2016.

The progression of supporting regulations will be closely monitored to ensure the new service will be operational by the end of 2016-17.

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.

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