



Official Solicitor to the Supreme Court and Public Trustee Stewardship Accounts

For the period 1 April 2008 to 31 March 2009

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Summary Information

Legal Persons

Official Solicitor to the Supreme Court (OS)

Public Trustee (PT)

The Management Advisory Board of the Official Solicitor and the Public Trustee

Alastair Pitblado	Official Solicitor
Nick Crew	Public Trustee Director of Operations to February 2009
May Maughan	Deputy Official Solicitor
Janet Peel	Head of Operations with effect from February 2009
Julie Owen	Operational Manager Trust and Estates
Devone Lawrence Yvonne Neary	Operations Manager Litigation Services Acting Operations Manager Litigation Services until 12 May 2008
Michelle Ruskin	Fees and Costs Recovery Manager

Bank

Bank of Scotland
eCommerce
3rd Floor
Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

Auditors

The Comptroller and Auditor General
National Audit Office (NAO)
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Office Address

81 Chancery Lane
London
WC2A 1DD

Official Solicitor's and Public Trustee's Foreword

Statutory Background

The Official Solicitor to the Supreme Court

The Official Solicitor is appointed under Section 90 of the Supreme Court Act 1981. He has powers and duties conferred by statute, rules of court, direction of the Lord Chancellor, common law, or in accordance with established practice.

The Public Trustee

The Public Trustee is appointed under the Public Trustee Act 1906. He has powers and duties conferred by statute, rules of court, direction of the Lord Chancellor, common law, or in accordance with established practice.

Neither the Official Solicitor to the Supreme Court nor the Public Trustee is regulated by the Solicitors' Accounts Rules or other relevant legislation / regulation, for example the Financial Services and Markets Act, 2000.

Background Information

The Official Solicitor to the Supreme Court

The Official Solicitor's work includes acting as litigation friend (or in family proceedings, "guardian ad litem" or next friend), and sometimes solicitor, of last resort, acting as trustee, judicial trustee, guardian to a child's estate, financial deputy, executor of wills and administrator of estates - all of last resort - and reviewing all cases in which someone is imprisoned for contempt of court. Additionally he has administrative responsibility for the Lord Chancellor's International Child Abduction and Contact Unit and for the Reciprocal Enforcement of Maintenance Orders Section, and he is responsible for the management of the Child Trust Funds of children in England and Wales for whom there is no one (or no one appropriate) with parental responsibility. These Stewardship accounts relate to his roles as trustee, judicial trustee, guardian to a child's estate, financial deputy, executor of wills and administrator of estates.

The Public Trustee

The need for the provision of a public body, which could be considered by testators as a safe appointment as executor in a will or codicil, or as trustee of a trust, has over time been eroded by the availability of alternative, suitably qualified, professional help in the private sector. In consequence, the Public Trustee has tended to become a trustee of last resort, thus providing a similar and overlapping service to that which had at the same time been developing within the office of the Official Solicitor, although the work taken on by the latter has tended to involve estates and trusts that are the subject of contention, and often requiring the Official Solicitor to be a party to court proceedings. The Public Trustee has traditionally acted as trustee of last resort particularly when the interests of vulnerable persons may be prejudiced.

The OSPT is an arm's length body of the Ministry of Justice.

Operating and Financial Year Review

During the period of these Accounts, the main business driver within the Trust and Deputy Services Team (TDS) continued to be the exiting of cases through the continued transfer of cases to Capita Trust Company (CTC) or other trustees and the closure and distribution of cases, in accordance with Government policy that only as a last resort should the Official Solicitor and the Public Trustee act.

This year has seen a significant fall in market value across our Property Investment and cash assets. Property values have dropped on average between 14-16% during 2008. The fall in the FTSE 100 in October 2008 indicted a 19% decline in value of our securities portfolio from £42m to £34m. By January 2009 the value decreased yet again through both the loss of cases and the market decline to £32m. Cash assets have suffered because of the decline in interest rates. In the summer of 2008 we were attracting an interest rate of 3.95% on the assets held.

We started the financial year with 727 cases and were able to reduce the number to 516 by the end of the financial year. With more cases than anticipated remaining at the start of the financial year, and thus producing more income, we were able to fund a small core team of staff to deliver on our Key Performance Indicator to reduce our caseload further by the end of the financial year.

The people strategy to reduce the team size in line with the decreasing caseload saw the departure of 39 staff on 31st March 2008. This presented a significant challenge during the period of these Accounts in continuing to exit cases and to achieve a caseload reduction that met our last Resort Policy. In order to meet these challenges we analysed in more detail the caseload and subsequently reviewed our structure. In June and July of 2008 we were able to incorporate additional staff with pertinent

knowledge of the Trust Accounting and Banking System (TABS) to provide more oversight control and reconciliation capability and capacity.

In addition, the Stewardship Account Manager post was transferred from the finance team at the Court Funds Office (CFO) to become a full time post within the TDS team, so enabling more engagement with the business and the necessary familiarity with the Accounting system. With the addition of a full time Compliance and Risk Officer during this period, the work assuring the development of a Risk Control Framework and the embedding of systems within the business is now well underway.

Education of the staff in understanding the relationship between their daily work, and the effects and impacts of their decisions and financial actions, on the Stewardship Accounts was addressed through presentations to staff, which incorporated the importance of the Accounts, compliance and risk issues and the assurance process.

With the arrival of the Stewardship Accounts Manager, regular meetings are held to deal with issues affecting the Accounts, with processes being amended where necessary to provide the required information in the correct format for the TABS system. A detailed programme was constructed prior to the production of the Accounts to ensure that all figures quoted within the Accounts have been reconciled, checked and evidenced. Any new procedures, when devised, are designed to fit the requirements of the Accounts. The results of this work provide assurance that the methods for collecting information, translating it effectively and for reconciling it to actual asset groups are robust and continue to operate successfully.

The age and capability of the TABS system continues to have an adverse effect on the team in terms of the time and work required in producing and verifying the data within the Accounts. We recognise the desirability of having in place a system to produce Accounts more effectively and efficiently. During the period of these Accounts the Office as a whole has commenced work on introducing a new Case Management System. The new system will run alongside rather than replace TABS, but nevertheless will improve case management and administration, enhance transparency and facilitate changes to the charging structure.

In the longer term, work will be required to devise a system that provides more support and reduces the amount of work in reconciling the accounts.

Auditors

The Auditor's remuneration for the audit of the financial statements of the OSPT for 08/09 was £60,000 (2007-08 was £67,000). This notional cost has been charged directly to the MoJ Resource Account; the Auditor's remuneration for non-audit work during the year was nil (nil for 2007-08).

Strategy and Outlook

Since 2001 the Public Trustee and the Official Solicitor have only accepted new cases on the basis of strict last resort criteria; broadly being those cases where there is no one else suitable, able and willing to act, and either the interests of a vulnerable beneficiary need to be protected or an injustice would result if the Official Solicitor or the Public Trustee did not act. During 2008/09, 13 cases were accepted by the Official Solicitor and 2 cases by the Public Trustee. The majority of the cases accepted by the Official Solicitor were as a consequence of awards made by the Criminal Injuries Compensation Authority. At the 31st March 2009 the OSPT was responsible for administering 516 cases on behalf of the Official Solicitor and the Public Trustee.

From 1st April 2008 to 31st March 2009 the OS and the PT divested themselves of 226 cases where they were able to retire and transfer cases to Capita Trust Company or other new trustees, and continued to take a proactive approach in distributing and closing cases capable of closure. We have continued to assess our remaining cases to establish whether the caseload should be reduced further and continue to engage with Capita Trust Company regarding retirement of cases in their favour and where appropriate referring acceptance matters to them as our preferred Trustee.

We have commenced work and made proposals in principle to the Access to Justice Delivery Director that the management and the administration of the whole of the OSPT client Portfolio should be outsourced.

On the 1st April 2009 the OSPT demerged from the Court Funds Office. Some shared Corporate Services (Learning and Development; Finance and Securities) continue to be delivered by the CFO finance under a formal Service Level Agreement. With effect from the 31st March 2009 the Investment management function returned to the OSPT Trust and Deputy Services Team.

Alastair Pitblado
Official Solicitor to the Supreme Court

Date 15 January 2010

Nick Crew
Public Trustee

Date 15 January 2010

Statement of Accounting Officers' Responsibilities

The Public Trustee and the Official Solicitor, as Accounting Officers, are each responsible for the stewardship of third party monies administered on their behalves by the offices of the Official Solicitor and Public Trustee. They are required to ensure that proper financial procedures are followed and that the accounting records are maintained in a form suited to the requirements of management and to facilitate the preparation of annual stewardship accounts. They must also ensure that third party monies are properly safeguarded and well managed. These accounts do not cover the Official Solicitor's functions other than as trustee, judicial trustee, guardian to a child's estate, financial deputy, executor of wills and administrator of estates: see above under the cross-heading 'Background Information'. These accounts are additional to the individual trust accounts, which the Official Solicitor and the Public Trustee must prepare.

The Official Solicitor and the Public Trustee are required to prepare annual stewardship accounts in accordance with the accounts direction issued by Ministry of Justice as detailed on page 19.

The Public Trustee and the Official Solicitor jointly appointed the Comptroller and Auditor General, in his capacity as head of the NAO, to perform an audit of the stewardship accounts.

Statement on Internal Control

Scope of Responsibility

As Accounting Officers in respect of third party funds, we have responsibility for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives.

The main process to identify and evaluate risk to us as Accounting Officers is the MoJ Corporate Management Board Risk Register which highlights the key business areas, assesses the impacts and likelihood of the risk and sets out the controls or actions put in place to inform us and the OSPT Management Advisory Board that actions have been taken to mitigate those risks. The Board will discuss those areas with a significant high score and discuss necessary actions and planning required. Separate Risk Registers are developed for key areas of work such as the exit strategy group of projects. Separate Projects leads will inform senior management on those risks in those specific areas.

Quarterly review meetings are held with the Ministry of Justice Access to Justice Delivery Director who will have sight of the risk register, highlight key concerns and seek verification of the management of that risk within the Business areas.

In addition we adhere to the Ministry of Justice Risk Strategy, providing information and statements on Internal Control and Assurance as required, and on an annual basis. A register of Key Risks and Operational Controls is maintained and responsibility is reflected within Job Descriptions for all team section managers; the continuation of training around corporate governance, risk management and fraud awareness continues to be a priority.

The Purpose of the System of Internal Control

The OSPT system of internal control (SIC) is designed to manage to a reasonable level, rather than eliminate, all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The SIC is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The SIC has been in place in OSPT for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to Handle Risk

As Accounting Officers we acknowledge our overall responsibility for the effective management of risk throughout the OSPT. However, it is the responsibility of the Head of Operations to ensure that Managers of the key business areas complete the appropriate controls to ensure key risks are identified and communicated through the Management Advisory Board and actions taken to maintain the risk register. The Register is a complete record of the risks the OSPT faces and management's response to these risks, including the adequacy of the controls in place to manage risks and any actions planned to strengthen these controls. The more significant of these risks are reported upwards and incorporated into the Risk Registers of the Ministry of Justice. The creation of a new post in November 2008 has led to the appointment of a Risk and Compliance Officer with overall responsibility for Risk Management and for key reporting and evaluation to the Management Advisory Board.

The OSPT and the MoJ Corporate Governance team have developed a schedule of key risks and operational controls. This new control framework has been embedded in the risk management processes implemented at the OSPT during the financial year ending 31 March 2009.

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures, including segregation of duties and a system of delegation and accountability. We recognised following the restructuring of the Trusts and Deputy Services Team and loss of staff at the end of March 2008 that further work was required to create a unique Risk framework around the Stewardship Accounts.

Work continues to embed the concept of risk management throughout the organisation, for instance by adopting the templates and strategies promoted by the MoJ Programme and Project Office. Our operational Risk Register is produced and scrutinised at the monthly Management Advisory Board and we discuss the work required to mitigate each of the risks.

During 2008 -2009 we continued to improve the system of internal controls assisted by the recommendations made by the NAO and those of MoJ Internal Audit Division. We continue to address these recommendations in 2009/10.

Review of Effectiveness

As Accounting Officers in respect of third party funds, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of its effectiveness is informed by the work of the internal auditors, and the executive managers within

the department who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The Management Board and the MoJ Audit Committee have advised us on the implications of the result of our review of the effectiveness of the system of internal control; a plan to address weaknesses and ensure continuous improvement of the system is in place.

Our review of the effectiveness of the internal control system is also informed by the following:

Client Asset/Liability Management:

- The maintenance of a property register and creation of property folders to maintain the key financial information and legal review of the content;
- Investment management reviews of portfolio performance against MoJ targets recommended by the Strategic Investments Board, together with overall operational control frameworks around dealings in securities and clear decision making processes and auditable trail;
- Dematerialisation of securities and the reconciliation of all securities on a twice yearly basis against external registers, custodians and fund manager records;
- Rationalisation of cash into a single bank and the migration away from the Bank of England to achieve improved returns for beneficiaries, while improving internal control infrastructures through the enterprise wide deployment of secure internet banking facilities, thereby improving real time control;
- Twice yearly reconciliation and verification of other third party assets e.g. chattels, debtors etc; and maintenance of a clear trail of changes identified;
- Verification of all liabilities including the systematic elimination of overdrafts and the on-going prevention of overdrafts.

General Controls:

- Annual review of trust and estate cases in four key areas (Case progression, Client Accounts, Tax review and Investment reviews);
- Introduction of more rigorous data input/output validation to ensure quality control at input stage thus reducing the scope for errors, with clear evidence of reconciliation, improved filing procedures and effective retention of documentation;
- Automation of key accounting and administration processes;
- The introduction of daily, weekly and monthly exception reporting in the control unit, securities, cashiers, accounts and case management areas to ensure that any deviations from planned activity are addressed promptly, and;
- Improvement of internal communications and communication with all stakeholders.

Management Controls:

- The Management Board's ongoing review of the OSPT's process for formally identifying, evaluating and managing the significant risks to the achievement of its objectives;
- Regular reports by line managers on the adequacy and effectiveness of the internal management control system in the main operational areas;
- Individual accountability written into Job Descriptions of business section managers to reflect the need for specific compliance functions to be carried out weekly and certificated monthly;
- The existence of an appropriate control environment, such as clearly defined management responsibilities and evidence of reaction to control failures such as action plans to address Internal Assurance recommendations and the Corporate Governance health checks; and
- The establishment of a Risk and Compliance Manager whose role is to help embed risk management across OSPT operations and review adherence to the key risks and operational controls that were identified jointly by Corporate Governance branch and OSPT, and to inform the Management Advisory Board of progress.

The MoJ has an Internal Assurance Division, which operates to the standards defined in Government Internal Audit Standards and provides an internal audit service to the OSPT. The work of Internal Audit is informed by an analysis of the risks to which the Office is exposed and annual internal audit plans are based on this analysis. We, and the MoJ Audit Committee, endorsed the analysis of risk and the internal audit plans for the year ending 31 March 2009.

Conclusion

We continue to identify our risks and develop procedures to provide assurance to the NAO audit process. We have taken on board the recommendations made by the NAO following previous audits and will continue to develop strategies which provide assurance in those areas where we are still vulnerable. We have discussed improved ways of working with our Internal Audit Division. We continue to return to a business as usual environment and will continue work to provide assurance on our third party stewardship of clients' funds.

We now apply best standard practices to our administrative investment banking and accounting infrastructure. We recognise that we have some way to go to fully embed the improved controls within the Office and will continue this process throughout 2009-2010.

Accounting Officers

Alastair Pitblado
Official Solicitor to the Supreme Court

Nick Crew
Public Trustee

Date 15 January 2010

Date 15 January 2010

Independent Auditor's Report to the Offices of the Official Solicitor and Public Trustee

I have audited the stewardship accounts for third party monies held by the offices of the Official Solicitor and Public Trustee for the year ended 31 March 2009. These comprise the Balance Sheet, the Capital Account, the Income Account, the Portfolio and Investment Income Statement and the related notes. These stewardship accounts have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officers and the auditor

The Public Trustee and the Officer Solicitor as joint Accounting Officers are responsible for preparing stewardship accounts for all third party assets held by them in accordance with the accounts direction issued by the Ministry of Justice (MoJ). These responsibilities are set out in the Statement of Accounting Officers' responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the stewardship accounts have been properly prepared in accordance with the accounts direction issued by the MoJ. I report to you whether, in my opinion the information, which comprises the Operating and Financial Year Review, is consistent with the financial statements. I also report whether, in all material respects, the financial transactions conform to the authorities, which govern them.

In addition, I report to you if the offices of the Official Solicitor and Public Trustee have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the MoJ in the accounts direction is not disclosed.

I review whether the Statement on Internal Control reflects the offices of the Official Solicitor and Public Trustee's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether the joint Accounting Officers' statement covers all risks and controls, or form an opinion on the effectiveness of the offices of the Official Solicitor and Public Trustee's corporate governance procedures and their risk and control procedures.

I read the other information contained in the Official Solicitor's and Public Trustee's Foreword and consider whether it is consistent with the audited stewardship accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the stewardship accounts. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the stewardship accounts. It also includes an assessment of the significant estimates and judgments made by the Accounting Officers in the preparation of the stewardship accounts, and whether the accounting policies are most appropriate to the stewardship of third party assets within the offices of the Official Solicitor and Public Trustee, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the stewardship accounts are free from material misstatement, whether caused by fraud or error, and that in all material respects the stewardship accounts conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the stewardship accounts.

Opinions

In my opinion:

- the stewardship accounts give a true and fair view, in accordance with the accounts direction issued by the MoJ, of the financial position of third party assets as at 31 March 2009 and of the movement in net assets and the net income for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with the accounts direction issued by the MoJ; and
- the information included in the Foreword is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the financial transactions recorded in the stewardship accounts conform to the authorities, which govern them.

Amyas C.E. Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

29 January 2010

Balance Sheet As at 31 March 2009

	Notes	31 March 2009	31 March 2008
		£'000	£'000
Assets:			
Property	3	14,307	19,036
Securities		26,572	54,247
Chattels		66	72
Debtors	4	1,000	1,034
Cash and Bank balances	5	32,967	32,698
		<u>74,912</u>	<u>107,087</u>
Liabilities:			
Creditors	6	(1,415)	(2,299)
		<u>73,497</u>	<u>104,788</u>
Representing			
Capital Account		68,029	71,185
Accumulation Account		143	2,934
Revaluation Reserve	7	5,325	30,669
		<u>73,497</u>	<u>104,788</u>

The notes on pages 15 to 18 form part of these accounts.

Accounting Officers

Alastair Pitblado

Official Solicitor to the Supreme Court

Date 15 January 2010

Nick Crew

Public Trustee

Date 15 January 2010

Capital Account for the year ended 31 March 2009

	Notes	2008/09	2007/08
		<u>£'000</u>	<u>£'000</u>
Balance at 1 April		71,185	115,378
Add:			
Surplus on disposals		2,379	6,680
Capital introduced from new clients		17,127	14,856
		<u>90,691</u>	<u>136,914</u>
Less:			
Taxation payable		(132)	(811)
Legal charges		(29)	(118)
OSPT bills and fees		(1,075)	(3,035)
Distributions		(20,416)	(61,152)
Other expenditure		(337)	(613)
Revaluation Losses		(673)	-
		<u>(673)</u>	<u>-</u>
Balance at 31 March		<u><u>68,029</u></u>	<u><u>71,185</u></u>

The notes on pages 15 to 18 form part of these accounts.

Income Account for the year ended 31 March 2009

	Notes	2008/09	2007/08
		<u>£'000</u>	<u>£'000</u>
Income			
Rental income		5	298
Investment income		1,297	2,498
Interest income		1,107	1,976
Other income		1,101	1,612
		<u>3,510</u>	<u>6,384</u>
Expenses:			
Taxation		(390)	(293)
Investment management charges		(27)	(74)
Legal charges		-	(2)
OSPT bills and fees		(267)	(626)
Distributions		(5,617)	(14,738)
		<u>(6,301)</u>	<u>(15,733)</u>
Balance Transferred to Accumulation Account		<u>(2,791)</u>	<u>(9,349)</u>
Accumulation Account			
Balance at 1 April		2,934	12,283
Less deficit for the year		(2,791)	(9,349)
		<u>143</u>	<u>2,934</u>
Balance at 31 March taken to Balance Sheet		<u>143</u>	<u>2,934</u>

The notes on pages 15 to 18 form part of these accounts.

Portfolio and Investment Income Statement

	Book Value At 31-3-09 £'000	Profit (Loss) Y.E 31-3-09 £'000	Net Income Y.E 31-3-09 £'000	Market Value At 31-3-09 £'000	Market Value At 31-3-08 £'000
UK					
Fixed Interest	2,622	66	111	2,826	3,662
Listed Equities	10,734	1,301	829	12,424	31,942
Common Investment Schemes	10,886	(2)	237	9,056	14,392
Non-UK					
Listed Equities	825	105	95	1,484	3,066
Unlisted Equities	661	163	18	701	1,072
Other	<u>67</u>	<u>76</u>	<u>7</u>	<u>81</u>	<u>113</u>
Total Securities	<u>25,795</u>	<u>1,709</u>	<u>1,297</u>	<u>26,572</u>	<u>54,247</u>

The notes on pages 15 to 18 form part of these accounts.

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

The accounts are prepared under UK GAAP and in accordance with the Ministry of Justice Accounts Direction on stewardship accounts of third party monies.

The accounts are prepared under the historical cost convention, modified by revaluation of property to fair value and securities to market value at the balance sheet date. The historic cost of securities held is disclosed in the Portfolio and Investment Income Statement at page 14.

Property

The OSPT aims to revalue all properties every 5 years on a rolling basis so that 20% of properties are re-valued each year. Valuations have been provided at 31st March 2009 and have been obtained by using different sources, namely the Retail Property Index, and where cost effective professional valuations including drive by valuations.. It is not possible to complete the valuations with only one approach, as the cost of the valuation needs to be met from the trust funds; therefore we have adopted a best approach methodology to provide the valuations.

The surplus on revaluation is taken to a reserve and disclosed separately on the balance sheet. Any revaluation deficits are taken to a reserve to the extent that gains have been recorded previously otherwise they are charged to the capital account as revaluation losses.

Securities

Investments in securities are carried out on an arm's-length basis following best practice. Securities are stated in the accounts at the market value on the balance sheet date. The cost or probate value (book value) of client assets at the balance sheet date are shown on page 14. The surplus on revaluation is taken to a reserve and disclosed separately on the balance sheet. Any revaluation deficits are taken to a reserve to the extent that gains have been recorded previously, otherwise they are charged to the capital account as revaluation losses.

Basis of Valuation: Other Assets – Chattels

Client assets are included at original cost or probate value. In our judgement these assets will not be marketed in the near future, therefore market value will not be appropriate.

Foreign Currencies

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the transaction date. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at close of business on the balance sheet date.

Recognition of Income

Dividends and interest from investments in securities that are not mandated directly to beneficiaries are credited to the income accounts when received. This is a departure from UK GAAP but this does not have a material impact on the financial statements.

Interest received from bank deposits is credited to the income accounts when received. This is a departure from UK GAAP but this does not have a material impact on the financial statements.

Other Income comprises royalties, annuities, severe disability allowance, disability living allowance, income benefits, cold weather/winter payments, Christmas bonuses and pensions.

OSPT Bills and Charges

Fees due to the Public Trustee are administered in accordance with the Public Trustee (Fees) Order 1999 (and subsequent Amendment Orders). Any other expenses incurred with regard to maintenance of Trust or Estates assets are charged against Capital or Income on a per-case basis in accordance with the terms of the individual Trust.

Bills due to the Official Solicitor are administered in accordance with the present Estate Fees Collection Policy. Any other expenses incurred with regard to maintenance of Estate assets are charged against Capital or Income on a per-case basis in accordance with the terms of the individual Estate.

Taxation policy

Tax, including income tax, capital gains tax and inheritance tax is charged to the capital and income account as cash is paid. This is a departure from UK GAAP but this does not have a material impact on the accounts.

	31 March 2009	31 March 2008
	£'000	£'000
Tax charge to capital account	132	811
Tax charge to income account	390	293
Total at 31 March	522	1,104

2. Segmentation Analysis

The major categories of net assets at the Balance Sheet date are as follows:

	Estates	Trusts	Litigation	Pensions	Total at 31 March 2009	Total at 31 March 2008
	£'000	£'000	£'000	£'000	£'000	£'000
Assets:						
Property	8,715	3,142	2,450	-	14,307	19,036
Securities	11,167	15,405	-	-	26,572	54,247
Chattels	2	64	-		66	72
Debtors	487	327	186	-	1,000	1,034
Cash and Bank Balances	20,944	10,833	731	459	32,967	32,698
Liabilities:						
Creditors	(343)	(1,033)	(30)	(9)	(1,415)	(2,299)
	<u>40,972</u>	<u>28,738</u>	<u>3,337</u>	<u>450</u>	<u>73,497</u>	<u>104,788</u>

3. Property

	31 March 2009	31 March 2008
	£'000	£'000
Freehold Property	11,489	17,421
Leasehold Property	2,818	1,615
	<u>14,307</u>	<u>19,036</u>

At 31 March 2009 the OSPT managed 78 (131 in 07/08) properties on behalf of client trusts.

4. Debtors

	31 March 2009	31 March 2008
	£'000	£'000
Loans receivable and accrued income	480	632
Accounts held by Brokers	89	118
Cash held by Agents	431	284
	<u>1,000</u>	<u>1,034</u>

5. Cash and Bank balances

	31 March 2009	31 March 2008
	£'000	£'000
Cash at Bank	30,247	27,754
Cash on long term deposit at other institutions	2,720	4,944
	<u>32,967</u>	<u>32,698</u>

6. Creditors

	31 March 2009	31 March 2008
	£'000	£'000
Bills payable to the Official Solicitor	123	127
Fees payable to the Public Trustee	498	1,580
Other creditors	794	592
	<u>1,415</u>	<u>2,299</u>

7. Revaluation Reserves

	31 March 2009	31 March 2008
	£'000	£'000
Securities	777	22,934
Properties	4,548	7,735
	<u>5,325</u>	<u>30,669</u>

8. Contingent Liabilities

There were no contingent liabilities at the balance sheet date.

9. Post Balance Sheet Events

In accordance with the requirements of FRS 21- *Events After Balance Sheet Date*- post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate of the Comptroller and Auditor General.

On the 1st April 2009, the offices of the Court Funds Office and the OSPT demerged.

10. Related Party Transactions

OSPT is an arm's length body of Ministry of Justice (MoJ) and as such is a related party. During the year it had a number of material transactions with the MoJ and other bodies under the control of the MoJ.

Other than the related party transactions disclosed above, none of the senior management staff or any other related party has undertaken any material transactions with the client assets during the period.

11. Financial Instruments

It is the policy of the MoJ to amalgamate all client investments, where possible, into unitised securities. The preferred unitised security is the Equity Index Tracker Fund within the Common Investment Fund of the MoJ. The Equity Index Tracker Fund comprises a mixture of UK and foreign index tracking funds managed by Legal and General (Unit Trust Managers) Limited. However, Capital Gains Tax and client requirements in individual cases may prevent unitisation so the policy has to be implemented on a case-by-case basis.

Market price risk

Market price risk is the risk that the value of the securities will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments held by trusts/estates clients of the OSPT. The investment portfolio is exposed to market price fluctuations, which are monitored by internal Investment Managers in pursuance of the investment objective for each individual trust and in relation to the Equity Index Tracker Fund in accordance with the guidelines set by the MoJ Strategic Investment Board.

Foreign currency risk

Trusts and Estates clients of the OSPT are rarely exposed to foreign currencies. The OSPT does not hold any foreign currency cash. Securities denominated in foreign currencies are held in their base currencies.

Interest rate risk

Interest rate risk is the risk that the value of client monies will not attract returns, which approximate best market rates. The OSPT has negotiated competitive rates with its Bank and manages liquidity to optimise return.

Liquidity risk

Each Trust and Estates case is closely monitored to ensure there is asset and liability matching and overdrafts are prevented. Where cases are unable to pay future creditors, measures are taken to achieve a distribution of the case in consultation with stakeholders or the MoJ will provide interim Vote Loans in circumstances where these are fully recoverable.

Credit risk

Certain transactions in securities that the OSPT enters into expose it to the risk that the counter party will not deliver the investment for a purchase, or cash for a sale after the OSPT has fulfilled its responsibilities. The OSPT only buys and sells investments through MoJ Approved Panel Brokers and Fund Managers. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed. The credit rating of the OSPT's Bank is also reviewed and reported to the Management Board regularly.

Ministry of Justice Accounts Direction on Stewardship Accounts of Third Party Monies

The MoJ gives the following Accounts Direction:

1. The Official Solicitor and the Public Trustee as Accounting Officers for stewardship of third party monies within the offices of the Official Solicitor and the Public Trustee shall prepare stewardship accounts for all third party assets for the financial year ended 31 March 2006 and subsequent financial years.
2. The accounts shall give a true and fair view of:
 - I. The financial position of the third party assets at the period end as stated on the balance sheet;
 - II. The movement in net assets (the capital account) for the year; and
 - III. The net income during the period as stated on the income account;

In accordance with generally accepted accounting practice and other guidance, which the MoJ and Treasury may issue from time to time.
3. The accounts shall be prepared in accordance with a format and content to be agreed between the Accounting Officers and the Comptroller and Auditor General, with the consent of the MoJ, and shall include:
 - I. A Foreword;
 - II. A statement on the external audit arrangements including commentary on the roles of the Comptroller and Auditor General and the Accounting Officers;
 - III. A Statement on Internal Control;
 - IV. A Balance Sheet;
 - V. A Capital Account;
 - VI. An Income Account;
 - VII. A Portfolio and Investment Income Statement; and
 - VIII. Such notes as may be necessary to present a true and fair view.
4. The Foreword shall include among other items:
 - IX. A statement that the accounts have been prepared in accordance with directions given by the MoJ including such information that may be necessary to present a true and fair view;
 - X. Relevant information in respect of the statutory background of the OSPT;
5. The Notes shall include, among other items:
 - XI. The accounting policies;
 - XII. An analysis of material items within the Accounts;
 - XIII. Any contingent liabilities;
 - XIV. Post balance sheet events;
 - XV. Related party transactions.
6. The Accounting Officers will support the stewardship accounts with a Representation Letter, containing material matters that need to be confirmed to the Comptroller and Auditor General.

7. The Accounting Officers will employ best endeavours to complete the stewardship accounts within 9 months of the year-end for the period ended 31 March 2006 and 6 months for all subsequent years. This timetable will include sufficient time for the Comptroller & Auditor General to complete the audit.
8. The Accounting Officers will publish the stewardship accounts on the website of the Official Solicitor and will submit them to the MoJ.

Signed:

Marco Pierleoni
MoJ Director General, Finance and Commercial

Date: 14 August 2009