

5 December 2014

HM Courts and Tribunals Service Trust Statement 2013-14

Report of the Comptroller and Auditor General to the House of Commons

Report of the Comptroller and Auditor General to the House of Commons: HM Courts and Tribunals Service Trust Statement 2013-14

Introduction

1 HM Courts and Tribunals Service ('HMCTS'), an Executive Agency of the Ministry of Justice, is responsible for the collection of fines and confiscation orders (imposed by the judiciary in magistrates' and Crown courts) and penalties (imposed by the police). On receipt, HMCTS remits monies to other relevant parties including victims of crime, the Home Office, the Ministry of Justice, and for any remaining balance, to the Consolidated Fund¹. The Trust Statement accounts for these activities.

2 I modified my opinion in 2012-13 on the basis of two specific issues:

- HMCTS were unable to provide me with sufficient evidence relating to comparative cash flows in 2011-12. My opinion was modified because I did not have assurance that any comparison between 2012-13 and 2011-12 cash flows would be valid.
- I was not able to give an opinion on the transactions and balances relating to fixed penalties. This was because key reconciliations for the new fixed penalty accounting system, PentiP, not being available; and because the previous system could not provide accruals based records.

3 HMCTS has addressed these issues, leading to significant improvements in the quality of financial reporting. This improvement is reflected in my audit opinion on the 2013-14 financial statements which, for the first time in respect of this account, is unqualified.

Significant developments since 2012-13

4 I set out below the progress made by HMCTS in 2013-14.

¹ The Consolidated Fund is the central account administered by HM Treasury which receives government revenues and makes issues to fund expenditure by Departments.

Cash and cash flows

5 HMCTS were able to provide sufficient evidence in respect of all reported cash flows and balances, including comparatives, for 2013-14. I was able to provide a clear audit opinion in this respect.

Fixed penalties

6 HMCTS' legacy fixed penalty systems were not able to produce accruals-based accounting records, and in 2012-13 the new system had significant process and reconciliation backlogs which arose during the first months of operation.

7 HMCTS cleared the backlogs during 2013-14, and management have been able to use the new system to report accruals based balances. Management have also used the data transferred from previous systems into PentiP to calculate accruals balances in respect of comparative figures. These calculations resulted in a prior period adjustment of £18m, which is described in the 2013-14 financial statements.

8 I was able to perform sufficient audit work over all transactions and balances relating to fixed penalties, including the prior period adjustment, leading to my clear opinion in this respect.

Future developments

9 HMCTS's first Trust Statement was published in respect of the 2010-11 financial year, and I was not able to offer an opinion on its truth and fairness. This was principally because the systems used to process fines, confiscation orders and penalties had very limited reporting functionality, and were not designed to support the preparation of financial statements, or the audit process.

10 Management have made significant improvements to address these issues. The Governance Statement provides more detail on how this has been achieved, particularly in respect of fixed penalties.

11 HMCTS plan to make significant changes to the systems supporting fines and confiscation orders in the next few years, alongside the outsourcing of enforcement and recovery. For these and any other further developments, management will need to ensure that changes made continue to support a robust financial reporting process.

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