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Insolvency Service

Department of Enterprise,

Trade and Investment

Fermanagh House

Ormeau Avenue

Belfast BT2 8NJ

E: insolvency@detini.gov.uk

T: (028) 9025 1441

F: (028) 9054 8555

Textphone: (028) 9052 9304

www.insolvencyservice.detini.gov.uk

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Insolvency Service

Annual Report and Account for year ended 31 March 2007

June 2008

The Insolvency Service
Annual Report and Account
for the year ended 31 March 2007

Laid before the Northern Ireland Assembly in accordance with Articles 372 and 358(4) of
the Insolvency (Northern Ireland) Order 1989
by the Department of Enterprise, Trade and Investment.

June 2008

Insolvency Service

Department of Enterprise,
Trade and Investment
Fermanagh House
Ormeau Avenue
Belfast BT2 8NJ

E: insolvency@detini.gov.uk

T: (028) 9025 1441

F: (028) 9054 8555

Textphone: (028) 9052 9304

www.insolvencyservice.detini.gov.uk

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Report by the Department of Enterprise, Trade and Investment on matters within The Insolvency (Northern Ireland) Order 1989

The Department of Enterprise, Trade and Investment is required to prepare an annual general report under Article 372 of the Insolvency (Northern Ireland) Order 1989 on matters within the Insolvency Order. The Department is also required to prepare an account in such form and manner as the Department of Finance and Personnel may direct, of sums credited and debited to the Insolvency Account during the year. The present report and account, which I have the honour to submit, cover the year ended 31 March 2007.



M. Bohill
Senior Officer

Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

13 May 2008

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Foreword by the Director of Insolvency

I am pleased to present this report on the Insolvency Service, including the work of the Official Receiver, for the year ended 31 March 2007.

The report has been prepared primarily for the information of the Assembly but will also be of interest to users of the Insolvency Service, its staff and the wider public.

The Insolvency Service dealt with an increased number of cases during 2006/07; the total number dealt with being 1096 as against 981 in 2005/06. This increase was due to the number of bankruptcy orders having gone up from 892 in 2005/06 to 1008 in 2006/07. The number of compulsory winding-up orders decreased from 89 in 2005/06 to 88 in 2006/07.

The trend for the greatest number of bankruptcies to occur in the consumer bankruptcy sector continued in 2006/07; 507 bankruptcies fell into this category, as against 513 in 2005/06. Consumer bankruptcies are defined to include persons who are in employment, those with no occupation or who are unemployed, individuals whose occupation is unknown, and directors and promoters of companies whose bankruptcy has arisen through personal indebtedness. The next largest group of bankruptcies were in the Construction (115) and Retailing (79) sectors.

In regard to companies the largest groups of winding up orders were in the Finance and Business Services sector (17), the Manufacturing sector (14) and the Construction sector (13).

Worthy of note during the year was the continuing high number of consumer bankruptcies resulting from credit card debt and personal loans taken out.

No new primary legislation was made during the year however seven pieces of subordinate legislation were made the most important of which was the UNCITRAL Model Law which concerns the administration of cross border insolvencies. A policy consultation document was also issued in connection with a proposed Debt Relief Scheme which will assist those who are financially disadvantaged and are unable to afford the cost of petitioning the Court for bankruptcy.

During the first half of the year work continued on the Insolvency Service's Change Management Project, which aims to achieve implementation of an integrated case management, records management, workflow, management information and banking solution. On 30 October 2006 the new system was rolled out to all staff and stakeholders and is now being actively used by insolvency staff to conduct their daily work.

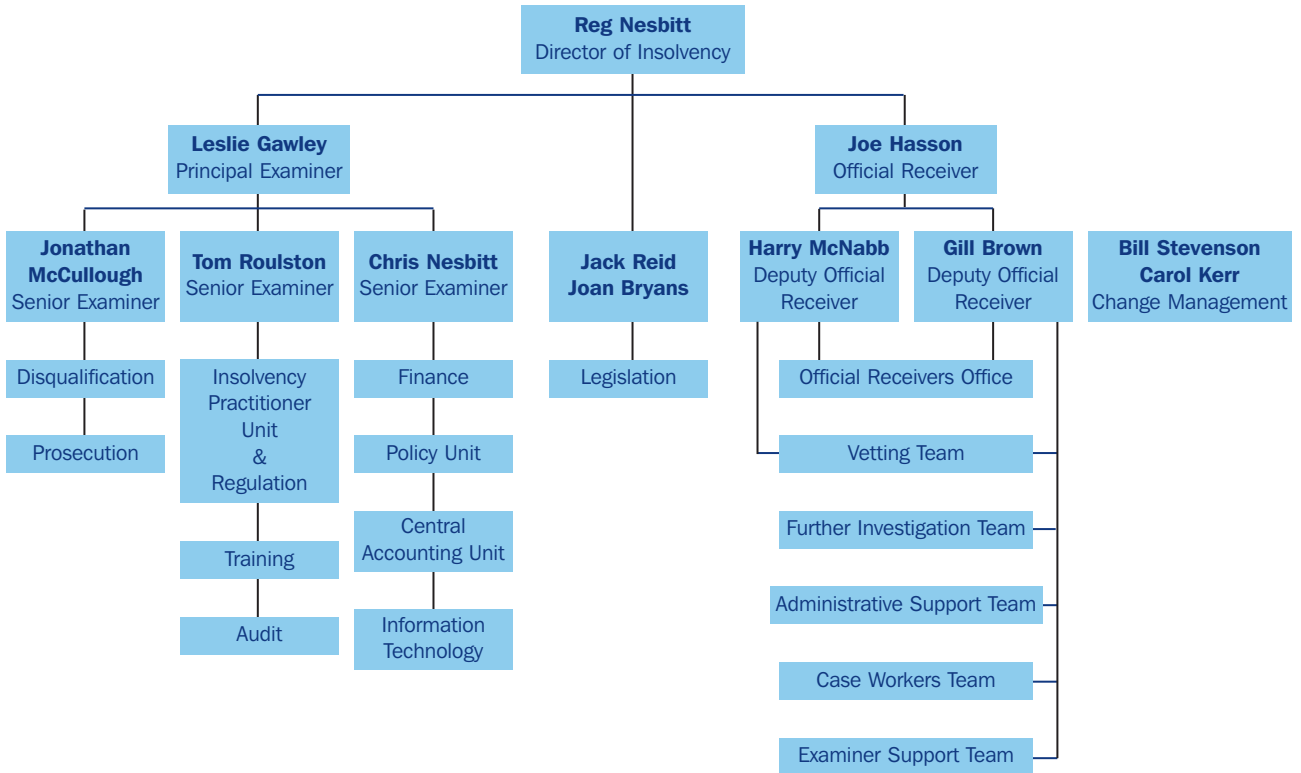
Insolvencies increased once again during the year and this trend is likely to continue as a result of the amount of personal indebtedness in the economy. The year on year increase in insolvency activity obviously places continuing strain on the Service staff. I would therefore like to thank them for their continued endeavour, dedication and support throughout the year.



W R Nesbitt
Director of Insolvency

Insolvency Service,
Fermanagh House
Ormeau Avenue,
Belfast BT2 8NJ

Management Structure



Abbreviations used in Report

ACCA	Association of Chartered Certified Accountants
DDU	Directors Disqualification Unit
Department	Department of Enterprise, Trade and Investment
ETI	Enterprise, Trade and Investment
High Court	Northern Ireland High Court
IAIR	International Association of Insolvency Regulators
IATI	Institute of Accounting Technicians in Ireland
ICSA	Institute of Chartered Secretaries and Administrators
IPU	Insolvency Practitioner Unit
Minister	Up until 14 October 2002 the Minister for Enterprise, Trade and Investment in the Northern Ireland Assembly. From 15 October 2002 the Northern Ireland Office Minister with responsibility for Enterprise, Trade and Investment. From 8 May 2007 the Minister for Enterprise, Trade and Investment in the Northern Ireland Assembly.
PDP	Personal Training and Development Plan
PPS	Public Prosecution Service
R3	Association of Business Recovery Professionals
RPB	Recognised Professional Body
Service	Insolvency Service
SIP	Statement of Insolvency Practice
SPI	Society of Practitioners of Insolvency
STIIP	Success Through Investors in People
UNCITRAL	United Nations Commission on International Trade Law

1

1.1 INTRODUCTION

The purpose of the Insolvency Service (the Service) is to promote and maintain the integrity and working of the market place by:

- administering and investigating the affairs of bankrupts and companies in compulsory liquidation, and
- handling the disqualification of directors in all corporate insolvencies

under the Insolvency (Northern Ireland) Order 1989 and the Company Directors Disqualification (Northern Ireland) Order 2002.

The Service:

- a) provides a means for dealing with financial failure, and
- b) tackles fraud and wrong-doing which might otherwise undermine confidence in the working of the market.

The principal functions and objectives of the Service are:

- to preserve and protect the assets and carry out the initial stage in the administration of all bankruptcies and compulsory liquidations;
- to investigate the conduct of bankrupts and directors of insolvent companies, with a view to prosecution, if appropriate;
- to deal with the disqualification of directors in all corporate failures;
- to act as trustee and liquidator in compulsory insolvencies where no private sector insolvency practitioner is appointed;
- to authorise and regulate insolvency practitioners;
- to formulate policy and provide advice to the Department and the Minister;
- to operate the Insolvency Account; and
- to prepare insolvency legislation.

1.2 OUR RELATIONSHIP WITH OUR USERS

The Service essentially comprises six inter-linked functions, the largest of which is Official Receiver Operations. They are:

- **Official Receiver Operations** - dealing with the administration and investigation of all compulsory individual and corporate insolvencies;
- **Enforcement** - dealing with reports of possible criminality and of unfit conduct (arising out of compulsory liquidations, voluntary liquidations, administrative receiverships and administrations);
- **Insolvency Practitioner Regulation** - dealing with the regulatory framework for insolvency practitioners and monitoring those authorised by the Department of Enterprise, Trade and Investment (the Department);
- **Banking** - providing a banking service to users of the Insolvency Account;
- **Legislation** - drafting insolvency legislation and
- **Policy** - providing advice to the Department and Ministers on insolvency issues.

The executive functions each work with, and so affect, one or more of the Service's users. Principally these are:

- **Bankrupts and directors of failed companies** - who are required to provide information for the Official Receiver's enquiries into the causes of failure and financial affairs of the individuals or companies;

- **Creditors (and contributories in failed companies)** - who receive a report on the insolvency, are called upon to assist the Official Receiver in his enquiries and have the opportunity to appoint a private sector insolvency practitioner in appropriate cases;
- **Banks, solicitors, accountants and other parties** - who have dealings with the bankrupt or failed company and are also called upon to assist or look to the Service to resolve issues arising out of the failure;
- **Insolvency practitioners** - who may be appointed by the creditors as trustee or liquidator and may take over the administration of an insolvency from the Official Receiver, and
- **The High Court** - where insolvency petitions are presented, orders made and enforcement proceedings instituted.

There is a wide range of other users of the Service, specifically agencies which deal with prosecution and regulation, as well as other branches and agencies within the DETI and other government departments and European Union institutions.

The public has a general interest in the efficiency and effectiveness of the Service in providing protection for, for example, consumers from the activities of unfit directors.

1.3 LEGISLATION

The statutory instruments listed in Part I of Appendix I to this report provide the legal framework for the administration of insolvencies in Northern Ireland.

Part II of Appendix I provides a list of the subordinate legislation in operation under the aforesaid statutory instruments.

1.4 RESOURCES

RESOURCES		
	2006-07	2005-06
Running costs	£1.689M	£1.731M
Staff in post at 31 March comprising	60	67
Specialist grades	21	26
Administrative grades	39	42

1.5 CENTRAL ACCOUNTING UNIT AND THE INSOLVENCY ACCOUNT

The Central Accounting Unit has responsibility for insolvency estate banking within the Service.

Trustees and liquidators, including the Official Receiver for Northern Ireland, must pay all funds from the realisation of the assets of bankrupts or companies wound up by the High Court into the Insolvency Account kept by the Department in a bank. Funds must be paid into the Insolvency Account within 14 days or forthwith for amounts of £5,000 or more.

Details of receipts and payments into that account are set out in the Insolvency Account (see Pages 55-68). The funds held at 31 March 2007 in the Account amounted to £9,855,702.

Any monies standing to credit of bankruptcy and liquidation estate accounts are entitled to interest received in respect of those accounts. The remaining interest earned on funds in the Insolvency Account is paid to the Department.

1.6 REGISTER OF INDIVIDUAL VOLUNTARY ARRANGEMENTS

Under Rule 5.26 of the Insolvency Rules (Northern Ireland) 1991, the Department is required to maintain a register of individual voluntary arrangements which is open to public inspection.

During the year ended 31 March 2007, 736 voluntary arrangements were reported to the Department for registration. The corresponding figure for the year ended 31 March 2006 was 668. There was a 10% increase in 06-07.

1.7 SUCCESS THROUGH INVESTORS IN PEOPLE (IIP)

Personal Performance Agreement/Personal Development Plans (PPA/PDP) continue to provide the basis for identification of individual training needs and the completion of a training programme for all members of staff. The PPA/PDP's and training programme are reviewed on a six-monthly basis. These are now tied in with a new reporting system based on the identification of competencies.

1.8 TRAINING

The Service's professional staff includes fully qualified accountants and Chartered Secretaries. On entering the Service, Trainee Examiners are required to undertake studies leading to membership of the Institute of Accounting Technicians in Ireland (IATI). To progress to Examiner grade, staff are required to study for the professional qualifications of either the Association of Chartered Certified Accountants (ACCA) or the Institute of Chartered Secretaries and Administrators (ICSA). During the year:

- 2 members of the examiner staff passed the final ACCA examinations to become fully qualified accountants;
- 2 other members of the examiner staff are studying for the ACCA qualification and passed 2 pre final exams in August 2006.
- 1 member of the examiner staff was studying for the ICSA qualification;

Insolvency Service integrated case management system; banking and workflow solution went live on the 30th October 2006. Testing of the system by members of the Insolvency Service staff was carried out during July/August/September 2006

which was followed by a training programme for a selected group of staff. This group then rolled out the end user training to the wider Insolvency Service and end-user community from 16th October to 1st November 2006. Delivery of the system is the culmination of almost 4 years of hard work and commitment by all concerned to deliver a modern, efficient, customer focused organisation. Staff are "finding their feet" with the new system at present. The Business Improvement Team is currently carrying out a post project evaluation programme.

The overall approach to training and development of staff within the branch and the evaluation of all such training follows Departmental policy on staff development issues.

1.9 EQUAL OPPORTUNITIES

The Service is committed to the Department's equal opportunities policy. The Department undertakes yearly surveys on the Service's commitment to the above policy.

1.10 HEALTH AND SAFETY

The Service continued to comply with the Department's Health and Safety policy. A risk assessment of Fermanagh House was carried out in June 2006 and appropriate remedial measures undertaken. The Service's physical security booklet was revised and issued to all members of staff during December 2006. The Physical Security document will be revised in the incoming year as required.

1.11 ENVIRONMENTAL ISSUES

The Service revised its "Green Housekeeping Guide" in September 2005. The Guide concentrates on those areas where we can have a direct influence:

- energy conservation,
- efficient use of resources,
- recycling, and
- the standard of the working environment.

The Green Housekeeping Guide will be revised in the incoming year as required.

1.12 INFORMATION TECHNOLOGY

The Insolvency Service's Website at www.insolvencyservice.detini.gov.uk went online on 1 April 2002. It includes details of insolvency practitioners licensed to practice in Northern Ireland and 'Dear IP' letters and guidance notes. A set of frequently used statutory and non-statutory forms is also included together with copies of leaflets and publications and Annual Reports and Accounts.

1.13 CHANGE MANAGEMENT PROGRAMME

Insolvency Service completed its go-live preparations for the new integrated case management, financial case management and workflow systems in October 2006. It also successfully negotiated the external Gateway Review 4 which concluded that the Service was ready to go-live with the systems.

As part of the rollout of the new services available through public and insolvency practitioner portals, a series of presentations were made to insolvency practitioners. A successful migration of financial data from the legacy Buster system was made with significant engagement and support from Bank of Ireland.

Work on the non-ICT activities continued with the completion of phase 2 of the EFQM Action Plan and the development of a Management Action Plan to support bedding in arrangements for the new systems. Work also began on planning for the final Gateway Review (Gateway 5 – Benefits Realisation) which will involve review of the systems to confirm that they have made the expected contribution to improvement in the services offered to stakeholders and captured internal efficiencies set out in the Benefits Management Plan.

1.14 CORPORATE AND OPERATING PLANS

The Service is committed to contributing to the Department's Corporate Plan for the period 2005 to 2008 through the enactment of the Insolvency and Company Director Disqualification Bills that will encourage enterprise and responsible risk taking and through the promotion of a comprehensive e-commerce initiative. The Department's Corporate Plan was unveiled in June 2005.

The 2006/07 branch operating plan for each of the Service's operating units was completed in March 2006. This plan, detailing the Service's key targets and performance indicators, was issued to all of the Service's staff. It provides the basis for individual targets set for staff through their Training and Development Plans and helps to illustrate how staff contribute successfully to the objectives of the Service.

2

2.1 STATUS AND RESPONSIBILITY

The Official Receiver is a civil servant and an officer of the High Court with responsibility for administering and investigating bankruptcies and companies wound up by the High Court.

2.2 ADMINISTRATION

The Official Receiver becomes receiver and manager on the making of a bankruptcy order or first liquidator on the making of a winding-up order and is responsible for the protection of the insolvent's assets.

In cases where there are assets or recoveries of any material value, the Official Receiver seeks the appointment of a private sector insolvency practitioner either by calling a creditors' meeting or by applying to the Department for an appointment from a Rota.

Where an insolvency practitioner is not appointed, the Official Receiver remains as trustee/liquidator to undertake any realisations and distribution to creditors and complete the administration of the estate.

Total Insolvencies during Year

The number of compulsory winding-up orders and bankruptcy orders made by the High Court in each of the last 5 years is shown in Appendix II. The total number of orders made during the year ended 31 March 2007 was 1096. 47 orders were subsequently rescinded and 69 were annulled. The figure of 1096 represents a decrease of approximately 1% in winding-up orders and an increase of approximately 13% in bankruptcy orders over the previous year.

Insolvency Petitioners

An analysis of the orders made during the year ended 31 March 2007 classified according to the origin of the insolvency petition is shown in Appendix III.

Case Administration

Appendix IV shows that at 31 March 2007 the Official Receiver was dealing with a total of 1024 cases in respect of compulsory liquidations, bankruptcies and estates of deceased insolvents. These cases were all at various stages of administration and investigation.

The Service ended the year with 18% of its post October 1991 caseload being over 12 months old against a target of 15%.

Of the 819 reports to creditors issued during the year, 100% were issued within the 12-week target period. It was considered appropriate to hold a meeting of creditors in 4 cases during the year. All meetings were called within the 12-week target period.

During the year the Official Receiver obtained a release in 47 company liquidation cases and 388 bankruptcy cases.

Assets and Liabilities - Companies

The total estimated liabilities of companies which went into compulsory liquidation in the year to 31 March 2007 amounted to £12.672m, and the total estimated assets were £1.028m, leaving an overall deficiency of some £11.644m. This represents an average deficiency of approximately £138,619 per case and compares with last year's average deficiency of approximately £173,435 per case.

Trades - Companies

An analysis of the orders made during the year ended 31 March 2007 classified according to trades is given in Appendix V. The greatest number of failures occurred in the Finance and Business Services sector, ie. 17 cases with a total deficiency of approximately £1.04M followed by the Manufacturing, ie. 14 cases with a total deficiency of £1.701m and Construction ie. 13 cases with a total deficiency of approximately £1.350m.

Assets and Liabilities - Bankruptcies

The total estimated liabilities of cases in which bankruptcy orders were made in the year to 31 March 2007 amounted to £37.767m and the total estimated assets were £18.811m, leaving an overall deficiency of some £18.956m. This represents an average deficiency of approximately £21,156 per case, compared with last year's figure of approximately £21,085.

Trades and Occupations - Bankruptcies

An analysis of the orders made during the year ended 31 March 2007 classified according to trades and occupations is given in Appendix V. The greatest number of failures occurred in the sector known as Employees, i.e. 507 cases with a total deficiency of £8.875m. This was followed by Construction, i.e. 115 cases with a total deficiency of £3.741m and Retailing; i.e. 79 cases with a total deficiency of £4.616m.

2.3 INVESTIGATION

Under Article 112 and Article 262 of the Insolvency (Northern Ireland) Order 1989, the Official Receiver has a duty to investigate the affairs of bankrupts and companies in compulsory liquidation and the conduct of bankrupts and directors.

Under legislation, powers to require information and documentation are wide ranging, including the power to make applications to suspend automatic discharge from bankruptcy and to hold public examinations in the High Court to secure compliance and information.

When the investigation brings to light the possibility that criminal offences may have been committed, the Official Receiver is required to report the matter to the Public Prosecution Service (PPS) through the Service's Prosecution Unit.

Under the Company Directors Disqualification (Northern Ireland) Order 2002, the Official Receiver is required to report any unfit conduct by the directors of a company to the Service's Directors Disqualification Unit (DDU). If, following an investigation, no unfit conduct is evident then a return of no unfit conduct must be submitted to the DDU.

Appendix VI shows that during the year the Official Receiver's investigation led to the reporting of 3 cases to the Prosecution Unit for the consideration of possible criminal offences and the making of 71 conduct returns on company directors to the DDU of which 32 represented a report of unfit conduct. The Official Receiver also applied to the High Court for:

- the suspension of automatic discharges in 74 bankruptcies;
- the public examinations of 21 bankrupts, and
- the public examination of the directors in 8 liquidations.

Enforcement

3

The Official Receiver submits reports to the Service's Prosecution Unit regarding possible criminal offences.

Each report is considered and if it shows admissible, substantial and reliable evidence of the alleged offence(s), it is referred to the DPP unless the alleged offence(s) concern(s) accounting records or credit. Cases involving accounting records or credit allegations are investigated by Investigation Officers from the Prosecution Unit who prepare Investigation Files for submission to the PPS.

Table A shows the number of reports submitted by the Official Receiver and others to the Prosecution Unit regarding possible criminal offences and the number of reports and investigation files referred to the PPS in each of the last three financial years.

TABLE A	2006-07	2005-06	2004-05
Reports submitted by Official Receiver to Prosecution Unit	3	3	2
Reports submitted by others to the Prosecution Unit	1	0	0
Reports referred by the Prosecution Unit to the PPS	2	1	1
Investigation files submitted to the PPS	1	0	0

3.2 DISQUALIFICATION

General

When a company goes into creditors' voluntary liquidation, is wound up by the High Court, has an administrative receiver appointed or is the subject of an administration order, the office-holder is required, by Part II of the Company Directors Disqualification (Northern Ireland) Order 2002, to report to the Department about any unfit conduct by the directors (including any shadow or de-facto directors) of the company.

The DDU considers each report submitted by Insolvency Practitioners and the Official Receiver and advises the Department whether it is in the public interest to apply to the High Court for the disqualification of a particular director. The reports and associated correspondence are confidential between the Department and the office-holder but are subject to discovery by the respondent(s) in disqualification proceedings.

When the Department decides that it is in the public interest to apply to the Court for a disqualification order, (i.e. that the conduct of the director is such that the public should be protected from his actions), the DDU (in insolvency practitioner cases) conducts its own investigation under an authority from the office-holder, assembles the evidence and prepares a case for Court on behalf of the Department. In compulsory liquidations, the Official Receiver prepares the case under the guidance and direction of the DDU. All proceedings are issued by the Department.

The proceedings must be filed in Court within 2 years of the date of the insolvency. Where the Court finds that there is unfit conduct it must (under Article 9 of the Company Directors Disqualification (Northern Ireland) Order 2002) make a disqualification order for a period of between 2 and 15 years.

The Company Directors Disqualification (Northern Ireland) Order 2002 which came into effect on 5 September 2003, allows directors, with agreement of the Department, to avoid the need for a court hearing by offering an acceptable disqualification undertaking. This has exactly the same legal effect as a disqualification order made by the court, and will usually include a schedule identifying the directors unfit conduct. The consequences of breaching a disqualification undertaking are the same as those for breaching a disqualification order.

The first disqualification order was made by the High Court on 17 November 1994 and since then a total of 302 directors have been disqualified on the Department's application or have entered into an undertaking.

This includes all disqualification orders made by Criminal Courts after conviction. During the period 1 April 2006 to 31 March 2007 no orders were made in the Criminal Courts.

Table B shows the number of disqualification cases before the Court and the number of orders made and undertakings given in the last 3 financial years.

TABLE B	2006-07		2005-06		2004-05	
Applications before the Court at 31 March	34		38		25	
Orders made during the year:	No.	%	No.	%	No.	%
2 to 5 years	4	44	0	0	3	38
6 to 10 years	5	56	12	86	5	62
11 to 15 years	0	0	2	14	0	0
	9	100	14	100	8	100
Undertakings given during the year:						
2 to 5 years	8	32	8	34	6	35
6 to 10 years	17	68	14	58	11	65
11 to 15 years	0	0	2	8	0	0
	25	100	24	100	17	100

Article 21 of the Company Directors Disqualification (Northern Ireland) Order 2002 allows the Court to grant a disqualified director leave to act as a director of a limited liability company. Leave was granted to one disqualified director during the year.

NOTABLE DISQUALIFICATION CASES DURING THE YEAR TO 31 MARCH 2007 INCLUDED:

Case A

Three directors operated a company which provided unskilled labour for factories for packaging of goods. The Company was wound up by the High Court with an estimated deficiency to creditors of £226,000.

The unfit conduct identified against the three directors of the company included:

Failing to maintain and/or deliver up statutory records; retention of monies properly payable for PAYE income tax, National Insurance contributions and VAT; failing to maintain/preserve or deliver up full accounting records; failing to file accounts for two years and failing to prepare and file annual returns for the last three years.

Additional matters of unfit conduct identified against the male director included continuing to act as a director of the company during the period after he submitted a notice of resignation to Companies Registry and whilst he was an undischarged bankrupt and failing to co-operate with the office-holder.

None of the three directors appeared or were represented at the hearing of the matter.

The male director was disqualified for 8 years and the two female directors were each disqualified for 5 years.

The Master in his judgment held that the allegations common to the three respondents, whilst not necessarily considered to be serious individually, collectively justified disqualification in the middle bracket. The Court also held that the further allegations as against Director A were serious allegations which demonstrated a careless if not cavalier attitude to his fellow Directors, the company, its creditors and the Official Receiver which not only demonstrated a failure to admit responsibility but inevitably obstructed the office holder in the discharge of his statutory duties.

Case B

The two partners of a partnership operated a partnership which carried on a business of shopfitting and joinery work. The partnership was wound up by the High Court with an estimated deficiency to creditors of £371,498.

The unfit conduct identified against the partners in respect of the partnership included: the misuse of three separate bank accounts in that 23 cheques were dishonoured; retention of monies properly payable for PAYE income tax, National Insurance contributions and VAT; and drawing remuneration in excess of what the partnership could afford to pay, thereby increasing materially the insolvent position of the partnership.

The two partners gave acceptable disqualification undertakings for periods of 6 years each.

Case C

Three directors who resigned at differing times operated a company which traded in the buying, hiring and selling of scaffolding, ladders and hydraulic equipment. The company went into voluntary liquidation with an estimated deficiency to creditors of £5,576,959.

The unfit conduct identified against director A included: trading with the knowledge of insolvency to the detriment of creditors; failing to co-operate with the office holder; failing to explain or account for transactions involving payment to himself totalling at least £42,066.50; failing to deliver up certain company assets subject to finance having either disposed of, and/or having failed to settle the outstanding finance thereby increasing the deficiency due to the finance companies; causing and permitting the misappropriation of the company's assets to the detriment of creditors, in that income of £98,620 was generated from the company's assets at a time when he personally traded as A; failing to file annual accounts for the company for a year and failing to ensure that an Annual Return for the company, was filed on time and that an Annual Return for the company was filed.

The unfit conduct identified against director B included: trading with the knowledge of insolvency to the detriment of creditors; failing to co-operate with the office holder; failing to file annual accounts for the company for a year end and failing to ensure that an Annual Return for the company, was filed on time and that an Annual Return for the company was filed.

The unfit conduct identified against director C included: trading with the knowledge of insolvency to the detriment of creditors and failing to ensure that an Annual Return for the company was filed on time.

The directors gave acceptable disqualification undertakings for periods of 10, 6 and 4 years respectively.

Register of Disqualification Orders

Article 22 of the Company Directors Disqualification (Northern Ireland) Order 2002 requires the Department to maintain a Register of Disqualification Orders, which must be open to public inspection. The register of Disqualified Directors is available on the Companies Registry Website at www.companiesregistry.detini.gov.uk

4

The Department has powers under Part XV of the Companies (Northern Ireland) Order 1986 to investigate the affairs of companies. These powers may be exercised where the information made available to the Department suggests the existence of fraud, misfeasance, misconduct, conduct unfairly prejudicial to shareholders or of failure to provide shareholders with information, which they may reasonably expect.

No requests for inspections were received during the period of this report. Work on the three inspections ordered last year continued throughout the year.

5

5.1 APPOINTMENTS REQUIRING INSOLVENCY PRACTITIONER AUTHORISATION

Under the Insolvency (Northern Ireland) Order 1989, only authorised persons may act as insolvency practitioners. Authorisation may be granted either by a professional body recognised by the Department or by the Department itself. The bodies currently recognised, together with the numbers of their members who take cases in Northern Ireland are:

	2006-07	2005-06
Law Society of Northern Ireland	9	9
Insolvency Practitioners Association	24	21
Association of Chartered Certified Accountants	14	13
Institute of Chartered Accountants in England and Wales	23	19
Institute of Chartered Accountants in Ireland	28	28
Institute of Chartered Accountants in Scotland	6	4
Law Society of England and Wales	1	1
	105	95
The Department of Enterprise, Trade and Investment has authorised:	3	4
Total authorised	108	99

5.2 MONITORING

Monitoring Visits

As well as monitoring its own licensees, the Service has responsibility for monitoring the standards set by Recognised Professional Bodies (RPB's). This includes checking the standards set by RPB's in their monitoring of their own licensees.

During the year the RPB's continued their programme of routine monitoring visits to their authorised practitioners. The Service's Insolvency Practitioner Unit (IPU) undertook two monitoring visits to RPBs. Both visits indicated a good standard of administration adopted by the bodies.

Desktop Monitoring Process

The Insolvency Service continues to operate a desktop monitoring process. The table below lists the indicators and gives the number of cases in each category where IPU has informed an RPB of an IP's default under the desk top monitoring system or has dealt with a default itself in relation to a Departmental licensee.

Indicators	Triggers	No of cases referred to RPB/Department
Failure to report details of individual voluntary arrangements to the Department pursuant to Rule 5.27 of the Insolvency Rules (NI) 1991	2 failures to report	0
Failure to comply with provisions regarding the advertisement of meetings, appointments and dividend payments	2 failures to advertise properly	2
Failure to submit returns to the Department pursuant to the Insolvent Companies (Reports on Conduct of Directors) Rules (NI) 1997	2 failures to submit returns on time	2
Failure to pay funds into the Insolvency Account pursuant to Regulations 5 and 20 of the Insolvency Reregulations (NI) 1996	Automatic referral	0
Complaints from third parties	Automatic referral	8
Non-response to correspondence	Failure to reply to 3 letters	1
Inaccurate fees calculations	Submission of 3 inaccurate fees calculations	0
TOTAL		13

Banking

IPU monitored practitioners' accounts for compliance with the regulations, and in particular those relating to the remittance of funds to the Insolvency Account.

Reporting Compliance

Rule 5 of the Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 2003 requires insolvency practitioners to furnish the Department with a return on the conduct of directors of insolvent companies within 6 months from the date of the insolvency.

During the year ended 31 March 2007 there were 59 reports and returns received, of which, 50 (85%) were submitted within the statutory period, and the remaining 9 (15%) were submitted within 9 months.

Meeting of Monitoring Officers

IPU staff attend quarterly meetings of monitoring officers at the Birmingham offices of the Insolvency Service (GB). These meetings are attended by monitoring officers employed by:

- each of the RPB's (Institute of Chartered Accountants in Ireland, Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants in Scotland, Association of Chartered Certified Accountants, Law Society of England and Wales, Law Society of Scotland and the Insolvency Practitioners Association),
- the Insolvency Service (GB), and
- the Insolvency Service Northern Ireland.

The meetings are convened to allow discussion of matters noted during the course of monitoring visits carried out by any of these officers, to ensure consistency of standards in the approach to the monitoring/regulation of insolvency practitioners and to promote "best practice" issues in case administration by practitioners. The meetings also provide a forum for making representations to other bodies such as the Joint Insolvency Committee.

5.3 GUIDANCE ON BEST PRACTICE

Statements of Insolvency Practice

Statements of Insolvency Practice (SIPs) provide practitioners with guidance on required practice and are directed to ensuring a high and consistent standard is maintained by all practitioners.

A total of thirteen SIPs have now been adopted and issued to Departmental licensees. The matters dealt with by these thirteen SIPs are as follows:

- the summoning and holding of meetings of creditors convened to approve the voluntary winding-up of a company;
- the remuneration of office-holders;
- the use of proxy forms;
- the handling of funds in formal insolvency appointments;
- records of meetings in formal insolvency proceedings;
- an administrative receiver's responsibility for company records;

- a liquidator's investigation into the affairs of an insolvent company;
- voluntary arrangements;
- acquisition of assets of insolvent companies by directors;
- disqualification of directors in Northern Ireland;
- preparation of Insolvency Office Holders' Receipts and Payments Accounts; and
- reporting and providing information on their functions to committees in formal insolvencies and
- a receivers responsibility to preferential creditors

5.4 JOINT INSOLVENCY COMMITTEE

The aim of this GB Committee is to take forward best practice across the profession and to work with the RPB's and the Insolvency Practices Council ("IPC") to ensure consistency of practice on ethics and professional conduct. This results in the issue of Statements of Insolvency Practice (SIP's) and technical guidance which are issued after agreement by all RPB's to their licensed members.

Mr Nesbitt and Mr Roulston on behalf of the Insolvency Service and a representative from the Law Society of Northern Ireland are invited members of this Committee having full participatory powers but no voting rights. This is due to the fact that the Regulation Working Group Report, which was responsible for the establishment of IPC, only extends to GB.

It is incumbent on Mr Nesbitt and Mr Roulston, the Law Society of Northern Ireland and the Northern Ireland RPB's represented on the committee to ensure that these standards are complied with by all NI practitioners.

During the year, 4 meetings of the Committee were held.

5.5 INTERNATIONAL ASSOCIATION OF INSOLVENCY REGULATORS (IAIR)

The IAIR offers the opportunity to explore and benefit from other Regulators' approaches to insolvency policy, legislation, operations and management. Within the year reported on the IAIR held its General Meeting on 23-26 April 2006 in Mexico.

Agenda items discussed at the meeting included:

- Insolvency Developments in Central Europe and Latin America;
- Corporate Rescue (UK);
- Consumer Debtors (Australia);
- Recognition of Foreign Insolvency Proceedings and Foreign Insolvency Administrators (Uncitral Report);
- Regulation of Insolvency Administrators in Foreign Jurisdictions;
- Information sharing between Insolvency Regulators (Ireland);
- Recognition of Foreign Disqualifications and other restrictions and sanctions (Ireland); and
- Country Reports.

Current membership/Associated membership comprises Australia (the Insolvency and Trustee Service and the Australian Securities Commission), British Virgin Islands, Canada, Finland, Hong Kong SAR, India, Indonesia, Ireland, Jersey, Latvia, Malaysia, Mexico, New Zealand, Norway, Papua New Guinea, the People's Republic of China, Singapore, South Africa, Thailand, the UK (The NI Insolvency Service, together with the Insolvency Service of England and Wales and the Accountant in Bankruptcy, Scotland) and the USA. Government officials from non-member organisations are also encouraged to attend with a view to them becoming full members.

Further information on the IAIR can be obtained from its website at www.insolvencyreg.org.

6

6.1 THE LEGISLATION UNIT

The Service's Legislation Unit is responsible for:

- making legislation needed to update the Insolvency (Northern Ireland) Order 1989 and the Company Directors Disqualification (Northern Ireland) Order 2002 and related subordinate legislation;
- seeking Ministerial approval for proposals for new insolvency legislation;
- carrying out Equality Screening and Regulatory Impact Assessments on proposed legislation and considering the Human Rights implications;
- producing Consultation Documents and Executive Summaries in relation to proposals for changes to insolvency legislation and considering any replies received;
- carrying out Departmental procedures required for the production of primary legislation, including preparing policy memoranda, drafting instructions to Counsel and preparing explanatory memoranda;
- preparing draft subordinate legislation and carrying out Departmental procedures to make it;
- attending Assembly Stages/Parliamentary debates in relation to new legislation in support of the Minister; providing briefing and answers for or on behalf of the Minister;
- attending ETI Committee Meetings in relation to new insolvency legislation and providing briefing and answers on behalf of the Department;
- advising other Departments on the insolvency implications of their legislation;
- considering the insolvency aspects of other legislation including European Union and other international matters; monitoring developments in EC legislation on insolvency and taking the necessary action to ensure that it is implemented in Northern Ireland,
- dealing with letters from MPs and MLA's, Assembly/Parliamentary questions and enquiries from other departments and the public on insolvency policy and legislation,
- preparing information about legislation for insolvency practitioners.

6.2 INSOLVENCY LEGISLATION

Primary

Debt Relief for the Financially Excluded

The Tribunals, Courts and Enforcement Bill, sponsored by Department of Constitutional Affairs, began its passage through the House of Lords on 14 November 2006 and underwent its first reading in the Commons on 21 February 2007. At the request of the Insolvency Service in England and Wales provision is being included in the Bill for the setting up of a Debt Relief Scheme to assist individuals who cannot afford the cost of petitioning for their own bankruptcy. The scheme will permit official receivers to make debt relief orders as an alternative to court made bankruptcy orders where an individual is devoid of assets and is on a low income. An attempt to have direct provision to allow for the setting up of a similar scheme in Northern Ireland included in the Bill, proved unsuccessful. However consultation on the policy was carried out in the period August to October 2006 and it is hoped to build on this to enable an Assembly Bill to be brought forward for the setting up of a debt relief scheme in Northern Ireland.

Subordinate Legislation

The Insolvent Partnerships (Amendment) Order (Northern Ireland) 2006 (S.R. 2006 No. 515)

The coming into operation on 27 March 2006 of the Insolvency (Northern Ireland) Order 2005 brought major changes to the administration procedure applying to companies, including a greater focus on company rescue and rights for floating charge holders, directors and companies as well as the court to appoint an administrator. The making of these changes resulted in a need to revise the modified version of the administration procedure which, under the Insolvent Partnerships Order (Northern Ireland) 1995 (S.R. 1995 No. 225), applies to partnerships. The necessary revision was effected through the drafting by the Insolvency Service of the Insolvent Partnerships (Amendment) Order (Northern Ireland) 2006. This Order was made by authority of the Lord Chancellor and came into operation on 8 January 2007.

The Cross-Border Insolvency Regulations (Northern Ireland) 2007 (S.R. 2006 No.115)

These Regulations were made on 23 February 2007 with a coming into operation date of 12 April 2007. They provide for *UNCITRAL Model Law to have the force of law in Northern Ireland. The effect is to provide a legal framework under which insolvencies involving Northern Ireland and any of the other countries throughout the world which have adopted the model law can be administered.

*United Nations Commission on International Trade Law

6.3 OTHER LEGISLATION WITH WHICH THE SERVICE HAS BEEN INVOLVED

The Financial Markets and Insolvency (Settlement Finality) (Amendment) Regulations 2007 (S.I. 2007/832)

The Financial Services and Markets Act 2000 (Administration Orders relating to Insurers) (Northern Ireland) Order 2007 (S.I. 2007 No. 846)

The Insurers (Reorganisation and Winding Up) (Amendment) Regulations 2007 (S.I. 2007/851)

All three pieces of legislation were made by HM Treasury with drafting assistance from the Insolvency Service. All three make amendments to existing pieces of legislation in consequence of the changes to administration procedure made by the Insolvency (Northern Ireland) Order 2005.

The first named piece of legislation was made on 13 March 2007; the second and third on 14 March 2007. All three were to come into force on 6 April 2007.

Electronic Communications Orders

The Insolvency Regulations (Northern Ireland) 1996 (Electronic Communications) Order (Northern Ireland) 2006 (S.R. 2006 No. 461)

was made on 20 November 2006 and came into operation on 29 December 2006. The Order amended the Insolvency Regulations (Northern Ireland) 1996 (S.R. 1996 No. 574) to permit various actions under these regulations to be carried out using electronic means.

Orders prepared to enable actions under the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) and the Insolvency Rules (Northern Ireland) 1991 (S.R. 1991 No. 364) to be carried out electronically could not be brought to fruition as the Court Service had still to finalise its policy on acceptability of electronic documents.

The Insolvency (Northern Ireland) Order 2005 (Disqualification from Office: General) Order

An Order is to be made under Article 24 of the Insolvency (Northern Ireland) Order 2005 for the purpose of amending various provisions in Northern Ireland legislation which bar bankrupts from holding certain public offices and positions. Amendment could take the form of replacement of restrictions or adding new ones based on being subject to a *Bankruptcy Restrictions Order. Outdated restrictions the existence of which is no longer in the public interest would be removed. As a first step toward making the Order a survey of other Departments was carried during the year to ask them to identify provisions existing in the legislation for which they are responsible which place restrictions on bankrupts holding office.

*An Order made under Schedule 2A to the Insolvency (Northern Ireland) Order 1989 made in circumstances where a bankrupt is found to be culpable placing him under continuing restrictions following discharge

6.4 EUROPEAN ISSUES

The Insolvency (Northern Ireland) Order 1989 (Amendment) Regulations (Northern Ireland) 2006 (S.R. 2006 No. 370)

These Regulations were made in connection with the application of the Council Regulation of 29th May 2000 on insolvency proceedings (1346/2000/EC) within Northern Ireland. They amend the Insolvency (Northern Ireland) Order 1989 to clarify that it is only companies as defined by Article 3(1) of the Companies (Northern Ireland) Order 1986 and certain companies formed or incorporated outside the United Kingdom that can enter administration or a company voluntary arrangement. The Regulations were made on 14 September 2006 and came into operation on 18 October 2006.

EC Directive on Recognition of Professional Qualifications (2005/36/EC)

The Insolvency Service was in regular contact with the Department for Education and Science about draft regulations they were to prepare to implement the Directive in the United Kingdom.

7

7.1 WHO ARE OUR USERS?

The Service's principal users are:

- bankrupts and directors of companies in liquidation who are required to provide information to the Official Receiver about their or their company's financial affairs;
- creditors who receive reports on the insolvency; and
- insolvency practitioners who may be appointed, by creditors or the Department as trustee or liquidator, to take over the administration of an insolvency from the Official Receiver.

Other users include Ministers, DETI and other government departments, the High Court and advice organisations.

The Service seeks to ensure that:

- information about processes and procedures is as comprehensive as possible,
- plain language is used in both written and oral communication,
- flexibility is offered where possible (e.g. appointment times), and
- it responds efficiently and effectively to matters raised by users.

7.2 USER SURVEYS

Service First Compliance Surveys

The Service carries out quarterly postal, appointment and telephone surveys. The results of these surveys are as follows:

Target	% Achieved
All correspondence to be answered within 11 working days of receipt. If this is not possible, acknowledgement to be sent within 5 working days of receipt.	94%
All callers to office to be seen within 9 minutes of any appointment which has been made for them.	100%
All telephone calls to be answered within 9 seconds.	100%
If telephone call is received for a member of staff who is unavailable, a message will be left for them to contact the caller or another member of staff will deal with the enquiry and return the call within one working day.	100%

7.3 THE INSOLVENCY SERVICE USER GROUP

One meeting of the Service's User Group took place during the year, on 15 December 2006.

The function of the group, which is made up of representatives from creditors, Citizens Advice Bureaux, Insolvency Practitioners, the Departmental Solicitor's Office, and the RPB's, is to consider improvements to our service and to provide feedback on performance from our customers.

Those present at the December meeting were informed about the Insolvency Service's standards of service. They had the opportunity to hear about and ask questions concerning recently made and planned legislation. Discussion took place about the Service's Modernisation Project including the electronic delivery of services and the Service's website. It was agreed that the Insolvency Service would look into any matters of concern raised by users such as problems relating to a bankrupt's interest in a dwelling house, changes to IVA procedures, teething problems with the IP Portal etc.

7.4 PUBLISHED STANDARD

The Service's "Published Standard" gives details of the standards of service which can be expected by its users. It also gives details of the Service's complaints procedure. It is available in leaflet form and is reproduced at Appendix VII. Copies have also been printed in Chinese. Large print versions can be made available to anyone requiring them.

7.5 INSOLVENCY SERVICE CHARTER

The Service's "Charter" which sets out for users what the Insolvency Service does and what they can expect from it together with our complaints procedure, was finalised in January 2001. As with our Published Standard, copies of the Charter have been printed in Chinese and large print versions can also be made available to anyone requiring them.

7.6 GUIDE TO BANKRUPTS

The Insolvency Service is engaged in producing a series of Guidance Leaflets. The leaflets are produced with a view to addressing some of the concerns and removing/reducing some of the negative perceptions surrounding bankruptcy and company liquidation. They address the main questions that a bankrupt or debtor will wish to be answered about the administration of a bankruptcy case and can be accessed via our website at www.insolvencyservice.detini.gov.uk.

The leaflets currently on our website are:-

- A guide to bankruptcy
- A guide for directors
- A guide for creditors
- What will happen to my home?
- What will happen to my bank account?
- What will happen when I am interviewed by the Official Receiver?
- Can my bankruptcy be cancelled?
- When will my bankruptcy end?
- What will happen to my pension?
- Fast-track Voluntary Arrangements (FTVAs)
- Bankruptcy Restrictions Orders (BROs)
- How to petition for my own bankruptcy

- How to make someone bankrupt
- How to wind-up your own company
- How to wind-up a company that owes you money
- How to wind-up a partnership
- How to make a complaint against an insolvency practitioner

7.7 PUBLICATIONS

The following guidance notes are available for our customers:

- Guidance Notes for Persons Seeking Authorisation to act as an Insolvency Practitioner;
- Guidance Notes for Completion of Statement of Affairs (Article 111 - Compulsory Winding Up);
- Guidance Notes for Completion of Your Statement of Affairs (Article 246 - Debtor's Bankruptcy Petition);
- Guidance Notes for Completion of Statement of Affairs (Article 261 - Creditor's Bankruptcy Petition);
- Getting Your Discharge from Bankruptcy;
- An Outline of the Insolvency (Northern Ireland) Order 1989 and Part II of the Companies (Northern Ireland) Order 1989.
- Outline of the Insolvency (Northern Ireland) Order 2002
- Company Directors Disqualification (Northern Ireland) Order 2002 and disqualified directors.

Insolvency Service Performance Summary for 2006/07



INSOLVENCY SERVICE PERFORMANCE SUMMARY FOR 2006/07

Key Target/Indicator	Target	2006-07 Achieved	Notes
To report to creditors on assets and liabilities within 12 weeks of the Order being made	100%	100%	
To convene creditors' meetings within 12 weeks of the Order when it is considered appropriate that a meeting should be held	100%	100%	
To complete the finalisation of at least 769 insolvencies	100%	62%	1
To submit all disqualification cases to the Departmental Solicitor for prospective proceedings within 18 months of the relevant date	100%	50%	2
To submit all disqualification returns/reports to the Disqualification Unit within 6 months of the Order	100%	97%	3
To submit prosecution reports to the Prosecution Unit within 11 months of the Order in all cases where there is evidence of criminality	100%	50%	4
To refer all identified prosecution cases to the PPS within six months of receipt of a completed report	100%	100%	

1. Target was not met due to lack of resources.
2. Target was not met due to lack of resources.
3. Target was not met due to lack of resources.
4. Target was not met due to lack of resources.

Appendix I

PART I - PRIMARY LEGISLATION

Primary Legislation in existence at 31 March 2007:-

The Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19))*

The Insolvency (Northern Ireland) Order 2002 (S.I. 2002/3152 (N.I. 6))

The Insolvency (Northern Ireland) Order 2005 (S.I. 2005/1455 (N.I. 10))

The Company Directors Disqualification (Northern Ireland) Order 2002 (S.I. 2002/ 3150 (N.I. 4))

[*This Order was amended during 1994 by two U.K. wide Acts

- The Insolvency Act 1994 (c.7)

- The Insolvency (No. 2) Act 1994 (c.12)]

PART II - SUBORDINATE LEGISLATION

Statutory Rules in operation at 31 March 2007:-

S.R. 1990 No. 176 (c.6) The Companies (1989 Order) (Commencement No. 1) Order (Northern Ireland) 1990

S.R. 1990 No. 177 (c.7) The Insolvency (1989 Order) (Commencement No. 1) Order (Northern Ireland) 1990

S.R. 1991 No. 294 (c.15) The Insolvency (1989 Order) (Commencement No. 2) Order (Northern Ireland) 1991

S.R. 1991 No. 295 The Banks (Administration Proceedings) Order (Northern Ireland) 1991

S.R. 1991 No. 296 Department of Economic Development (Fees) Order (Northern Ireland) 1991

S.R. 1991 No. 300 (c.16) The Insolvency (1989 Order) (Commencement No. 3) Order (Northern Ireland) 1991

S.R. 1991 No. 301 The Insolvency Practitioners (Recognised Professional Bodies) Order (Northern Ireland) 1991

S.R. 1991 No. 302 The Insolvency Practitioners Regulations (Northern Ireland) 1991

S.R. 1991 No. 364 The Insolvency Rules (Northern Ireland) 1991

S.R. 1991 No. 365	The Administration of Insolvent Estates of Deceased Persons Order (Northern Ireland) 1991
S.R. 1991 No. 367	The Insolvent Companies (Disqualification of Unfit Directors) Proceedings Rules (Northern Ireland) 1991
S.R. 1991 No. 369	The Companies (Unfair Prejudice Applications) Proceedings Rules (Northern Ireland) 1991
S.R. 1991 No. 384	The Insolvency (Deposits) Order (Northern Ireland) 1991
S.R. 1991 No. 385	The Insolvency (Fees) Order (Northern Ireland) 1991
S.R. 1991 No. 386	The Insolvency (Monetary Limits) Order (Northern Ireland) 1991
S.R. 1991 No. 387	The Preferential Payments (Monetary Limits) Order (Northern Ireland) 1991
S.R. 1991 No. 410 (c.19)	The Companies (1989 Order) (Commencement No. 2) Order (Northern Ireland) 1991
S.R. 1991 No. 411 (c.20)	The Insolvency (1989 Order) (Commencement No. 4) Order (Northern Ireland) 1991
S.R. 1991 No. 412	Companies (Forms)(Amendment No.3) Regulations (Northern Ireland) 1991
S.R. 1991 No. 413	The Companies (Disqualification Orders) Regulations (Northern Ireland) 1991
S.R. 1992 No. 307	The Insurance Companies (Winding-Up) Rules (Northern Ireland) 1992
S.R. 1992 No. 398	The Insolvency (Fees) (Amendment) Order (Northern Ireland) 1992
S.R. 1993 No. 317	The Insolvency Practitioners (Amendment) Regulations (Northern Ireland) 1993
S.R. 1993 No. 454	The Insolvency Practitioners (Amendment No.2) Regulations (Northern Ireland) 1993
S.R. 1994 No. 26	The Insolvency (Amendment) Rules (Northern Ireland) 1994

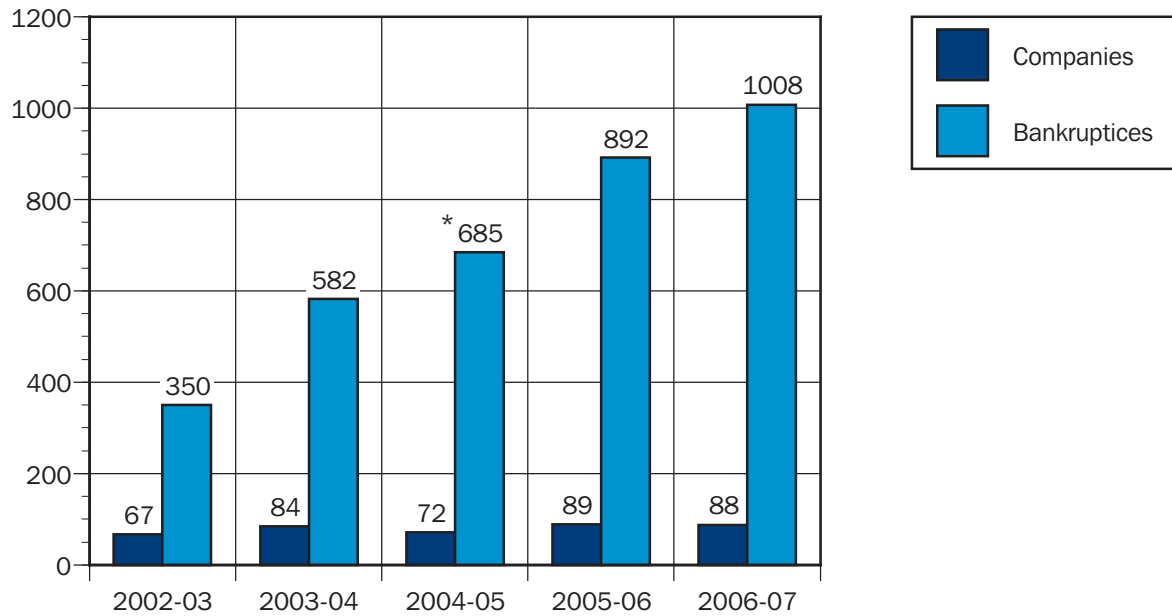
S.R. 1995 No. 225	The Insolvent Partnerships Order (Northern Ireland) 1995
S.R. 1995 No. 291	The Insolvency (Amendment) Rules (Northern Ireland) 1995
S.R. 1996 No. 471	The Insolvent Companies (Disqualification of Unfit Directors) Proceedings (Amendment) Rules (Northern Ireland) 1996
S.R. 1996 No. 472	The Insolvent Partnerships (Amendment) Order (Northern Ireland) 1996
S.R. 1996 No. 574	The Insolvency Regulations (Northern Ireland) 1996
S.R. 1996 No. 575	The Deeds of Arrangement Regulations (Northern Ireland) 1996
S.R. 1996 No. 576	Insolvency (Fees) (Amendment) Order (Northern Ireland) 1996
S.R. 1996 No. 577	Insolvency (Deposits) (Amendment) Order (Northern Ireland) 1996
S.R. 1997 No. 516	The Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 1997
S.R. 2000 No. 247	The Insolvency (Amendment) Rules (Northern Ireland) 2000
S.R. 2002 No. 223	The Insolvency (Northern Ireland) Order 1989 (Amendment) Regulations (Northern Ireland) 2002
S.R. 2002 No. 261	The Insolvency (Amendment) Rules (Northern Ireland) 2002
S.R. 2002 No. 334	The Insolvency (Northern Ireland) Order 1989 (Amendment No. 2) Regulations (Northern Ireland) 2002
S.R. 2003 No. 103	The Administration of Insolvent Estates of Deceased Persons (Amendment) Order (Northern Ireland) 2003
S.R. 2003 No. 144	The Insolvent Partnerships (Amendment) (Northern Ireland) Order 2003
S.R. 2003 No. 345	The Company Directors Disqualification (2002 Order) (Commencement) Order (Northern Ireland) 2003.
S.R. 2003 No. 346	The Company Directors Disqualification (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003.

S.R. 2003 No. 347	The Companies (Disqualification Orders) Regulations (Northern Ireland) 2003.
S.R. 2003 No. 357	The Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 2003.
S.R. 2003 No. 358	The Insolvent Companies (Disqualification of Unfit Directors) Proceedings Rules (Northern Ireland) 2003.
S.R. 2003 No. 359	The Insolvent Partnerships (Amendment No. 2) Order (Northern Ireland) 2003.
S.R. 2003 No. 545	The Insolvency (2002 Order) (Commencement) Order (Northern Ireland) 2003.
S.R. 2003 No. 546	The Insolvency (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003.
S.R. 2003 No. 547	The Insolvency Practitioners (Amendment) Regulations (Northern Ireland) 2003.
S.R. 2003 No. 549	The Insolvency (Amendment) Rules (Northern Ireland) 2003.
S.R. 2003 No. 550	The Insolvent Partnerships (Amendment No.3) Order (Northern Ireland) 2003.
S.R. 2006 No.21	The Insolvency (2005 Order) (Commencement No. 1) Order (Northern Ireland) 2006
S.R. 2006 No. 22	The Insolvency (2005 Order) (Transitional Provisions and Savings) Order (Northern Ireland) 2006
S.R. 2006 No. 23	The Insolvency (Amendment) Regulations (Northern Ireland) 2006
S.R. 2006 No. 24	The Insolvency (Northern Ireland) Order 1989, Article 59A (Appointed Date) Order (Northern Ireland) 2006
S.R. 2006 No. 25	The Insolvency (Northern Ireland) Order 1989 (Prescribed Part) Order (Northern Ireland) 2006

S.R. 2006 No. 26	The Insolvency (Monetary Limits) (Amendment) Order (Northern Ireland) 2006
S.R. 2006 No. 33	The Insolvency Practitioners Regulations (Northern Ireland) 2006
S.R. 2006 No. 47	The Insolvency (Amendment) Rules (Northern Ireland) 2006
S.R. 2006 No. 53	The Insolvency Practitioners and Insolvency Account (Fees) Order (Northern Ireland) 2006
S.R. 2006 No. 54	The Insolvency (Fees) Order (Northern Ireland) 2006
S.R. 2005 No. 55	Insolvency (Deposits) Order (Northern Ireland) 2006
S.R. 2006 No. 61	The Insolvency (Northern Ireland) Order 2005 (Minor and Consequential Amendments) Order (Northern Ireland) 2006
S.R. 2006 No 370	The Insolvency (Northern Ireland) Order 1989 (Amendment) Regulations (Northern Ireland) 2006
S.R. 2006 No. 461	The Insolvency Regulations (Northern Ireland) 1996 (Electronic Communications) Order (Northern Ireland) 2006
S.R. 2006 No. 515	The Insolvent Partnerships (Amendment) Order (Northern Ireland) 2006

Appendix II

New compulsory liquidations and bankruptcies in the last five years

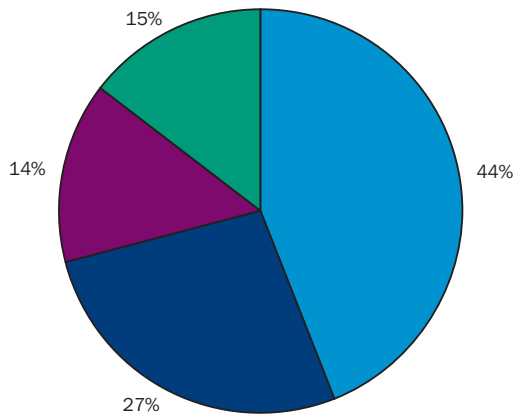


* includes 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995

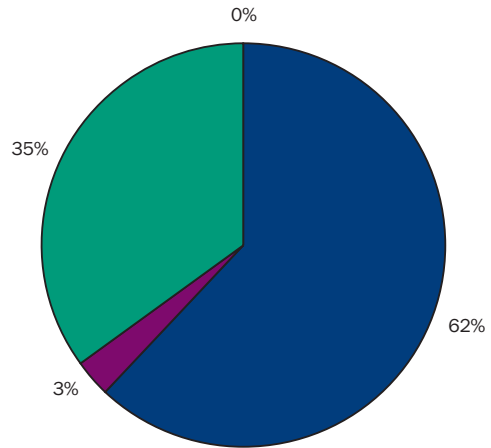
Insolvency Petitioners

	Bankruptcies		Companies		Total	
Debtor's Petitions	444	44%	0	0%	444	40%
Her Majesty's Revenue and Customs	271	27%	54	62%	325	30%
Rates Collection Agency	146	14%	3	3%	149	14%
Other Creditors	147	15%	31	35%	178	16%
TOTAL	1,008	100%	88	100%	1096	100%

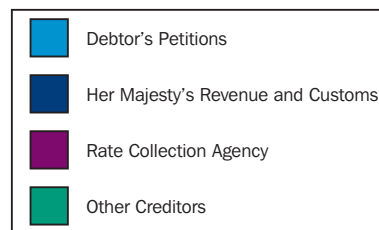
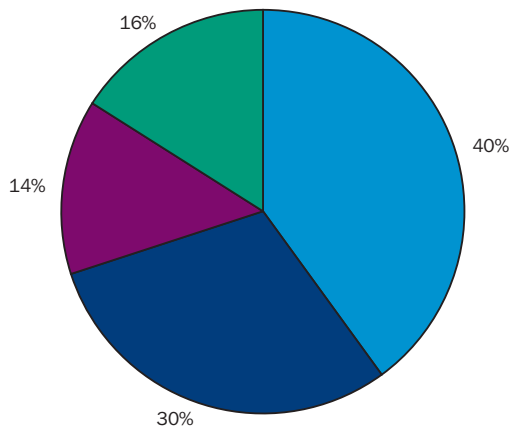
Bankruptcies



Company Liquidations



Bankruptcies and Company Liquidations



Appendix IV

Case Administration

Case Administration	2006/07	2005/06
Total open cases at beginning of year	685	700
New Bankruptcy cases	1008	892
New Company cases	88	89
Closed cases which were reopened	17	27
	1,798	1,708
Less		
Insolvency Practitioners Appointed Trustee	226	296
Insolvency Practitioners Appointed Liquidator	13	23
Cases completed	535	704
	774	1,023
Total open cases at year end	1024	685

NUMBER, ESTIMATED LIABILITIES AND ASSETS OF COMPANIES WOUND UP AND FAILURES IN PRINCIPAL TRADES AND OCCUPATIONS DURING YEAR ENDED 31 MARCH 2007

	Bankruptcy Orders and Orders for Administration of Estates of Deceased Insolvents			Company Winding-Up Orders		
	No	Liabilities £	Assets £	No	Liabilities £	Assets £
AGRICULTURE	*25	1,646,519	6,449,326	0	0	0
FORESTRY & FISHING	4	89,404	9,842	0	0	0
MINING & ENERGY INDUSTRIES	0	0	0	1	52,991	164,286
MANUFACTURING INDUSTRIES						
Manufacture of food, drink & tobacco	0	0	0	0	0	0
Manufacture of chemicals	0	0	0	0	0	0
Metal manufacture	2	86,464	0	1	62,902	0
Engineering & allied industries	*12	577,601	268,843	5	1,317,515	361,663
Textiles & clothing manufacture	1	30,759	691	1	13,063	0
Manufacture of timber & furniture	10	315,291	218,000	1	16,957	0
Paper, printing & publishing	*2	305,074	31,250	4	610,090	8,787
Other manufacture	4	571,166	382,310	2	50,824	0
WHOLESALE DISTRIBUTION						
Wholesale of food & drink	1	27,717	0	0	0	0
Wholesale of textiles and clothing	0	0	0	1	0	0
Motor vehicle wholesalers	1	51,280	30,181	2	259,532	365
Other wholesale	2	88,357	0	2	120,268	38,091
RETAILING						
Retail of food, drink & tobacco	*28	2,677,906	416,558	2	570,333	18
Retail of textiles & clothing	9	580,970	370,587	0	0	0
Retail of books, paper etc	0	0	0	0	0	0
Motor vehicles & petrol sales	*9	605,393	472,583	2	293,665	0
Retail of furniture	*7	845,991	148,023	1	78,794	0
Retail of electrical goods	*0	0	0	1	2,593,791	0
Other retail	*26	1,509,623	196,464	4	217,161	9,122
CONSTRUCTION						
General construction & demolition	*65	4,498,133	1,191,153	9	792,444	3,600
Home improvements	*17	643,288	395,548	2	199,259	0
Decorating & small works	*8	519,055	352,750	0	0	0
Building repairs	*11	152,080	429,378	2	389,246	27,600
Electrical & plumbing	*14	1,002,122	704,855	0	0	0

Appendix V (continued)

NUMBER, ESTIMATED LIABILITIES AND ASSETS OF COMPANIES WOUND UP AND FAILURES IN PRINCIPAL TRADES AND OCCUPATIONS DURING YEAR ENDED 31 MARCH 2007

	Bankruptcy Orders and Orders for Administration of Estates of Deceased Insolvents			Company Winding-Up Orders		
	No.	Liabilities £	Assets £	No.	Liabilities £	Assets £
TRANSPORT & COMMUNICATIONS						
Road Transport	*24	1,398,921	465,969	5	499,901	2,734
Air Transport	0	0	0	0	0	0
Shipping	0	0	0	0	0	0
Travel agents	0	0	0	0	0	0
Other transport & communications	*8	341,575	60,064	1	313,842	0
FINANCE & BUSINESS SERVICES						
Insurance	1	3,100	44,000	0	0	0
Accounts & legal services	*3	61,679	300	0	0	0
Real estate	*1	10,039	0	*3	144,376	5,000
Computer services	2	135,035	1,500	7	231,493	425
Management services	2	1,450,862	195,419	1	164,071	3,595
Other business services	*10	773,785	167,996	6	617,289	108,225
OTHER SERVICES						
Recreational services	3	254,140	210,000	1	1,034,914	0
Medical services	5	297,535	10,230	0	0	0
Educational services	1	44,236	0	0	0	0
Repair of consumer goods	1	179,462	70,000	0	0	0
Laundry	1	60,502	88,000	0	0	0
Hairdressing & beauty parlours	*6	315,997	196	1	22,854	0
Scrap metal dealers	0	0	0	0	0	0
Other services	*33	1,132,061	862,197	8	364,905	86,987
HOTELS & CATERING						
Residential accommodation	1	66,453	0	1	37,746	0
Licensed premises	*4	397,880	158,281	*3	1,270,769	207,000
Restaurants	*20	779,375	104,660	4	330,652	500
Other catering	5	76,357	6,231	0	0	0
EMPLOYEES:						
No occupation or unemployed	*246	6,446,850	914,390	0	0	0
Directors & promoters of companies	2	338,259	85,000	0	0	0
Occupation unknown	*78	1,272,846	2,055,038	0	0	0
Employees	*181	5,114,645	1,242,953	0	0	0
TOTAL	896	37,766,787	18,810,766	84	12,671,647	1,027,988

* does not include Orders rescinded or annulled.

OFFICIAL RECEIVER'S INVESTIGATION WORK

Prosecution - reports of possible offences	2006/07	2005/06
Main Offence per Report:-		
Books offences	1	0
Credit offences	1	1
Theft offences	0	0
Bankrupt acting in the management of a company	0	0
Obtaining pecuniary advantage by deception	0	0
Gambling	0	0
Fraudulent removal of property	0	2
Non disclosure of properties	0	0
Total Prosecution Reports	2	3
Disqualification		
Reports of unfit conduct	32	27
Returns of no unfit conduct	39	39
Interim returns	*7	1
Total Conduct Returns/Reports on Company Directors	71	67
Applications to suspend bankrupt's automatic discharge	74	29
Applications for public examination		
Bankruptcies	21	12
Liquidations	8	6
Total applications for public examination	29	18

*These became either returns/reports

Appendix VII

INSOLVENCY SERVICE PUBLISHED STANDARD

1. What we do

We, through our Official Receiver, deal with and investigate the affairs of people who have become bankrupt and companies ordered to be wound up by the High Court (compulsory liquidation). We establish the reasons for the insolvency and report on misconduct by bankrupt people and directors.

We aim to provide a professional, efficient and helpful service to all our users – whether creditors, employees of insolvents, insolvency practitioners, bankrupts, directors and company officers or indeed anyone financially affected by a bankruptcy or compulsory liquidation (winding up).

We:

- employ specialist staff with professional training in insolvency law and accountancy, supported by administrative staff familiar with insolvency procedures.
- publish targets for our work and report on our performance in our Annual Report; and
- consult our users about our performance and review our standards and guidance in the light of these consultations.

2. What we cannot do

We cannot give you advice on individual insolvency problems, for example, we cannot give advice on whether or not you should become bankrupt or whether you should follow up alternatives to bankruptcy. You should get your own legal or financial advice from a Citizens' Advice Bureau, an authorised insolvency practitioner, a solicitor, a qualified accountant or a reputable financial adviser or advice centre.

3. The standards of service you can expect

Generally

- We will answer your phone calls between 9am and 5pm Monday to Friday on normal working days. We will connect you directly to the person dealing with your case whenever possible. When that person is not available, a message will be left for them to contact you or someone else will deal with your enquiry and will return your call within one working day.
- We will answer letters or faxes needing a reply within 15 working days of receiving them. In some cases this may not be possible because we need to do more research before we can give you a full reply. In these circumstances, we will send an acknowledgement within five working days. This acknowledgement will say when we will send a full reply.

Creditors

The Official Receiver will aim:

- to send reports to creditors on the assets and liabilities of the insolvent person within 12 weeks of the bankruptcy or winding-up order; and
- if there are significant assets, to call the first meeting of creditors within 12 weeks of the bankruptcy or winding-up order to allow you and other creditors to appoint an insolvency practitioner from the private sector. He or she will sell the assets and make payments to you and the other creditors.

You can get a guide for creditors to insolvency procedures if you phone us on (028) 9025 1441.

Employees

You may be entitled to payments under employment protection law. If the Official Receiver is trustee or liquidator and is told or becomes aware that you are, or were, an employee of a bankrupt person or a company in compulsory liquidation and that you may have a claim for unpaid salary, holiday pay, pay instead of notice or redundancy pay, we will:

- send you form RPI within 10 working days so you can give details of your employment and any debts owed to you (for example, pay, holiday pay and redundancy money);
- check your claim when you return it and send it within 10 working days to the Department for Employment and Learning, Redundancy Payments Service (any payments properly due to you will be made directly to you by the Redundancy Payments Service. They will take off any income tax and national insurance that applies.)

Redundancy Payments Service will take the decision on whether you are entitled to any payment.

You can contact Redundancy Payments Branch by phone on Freephone 0800 585811. This call is free of charge.

If an insolvency practitioner is appointed as trustee or liquidator, he or she will deal with your claims and send you the appropriate forms if we have not already dealt with this.

Insolvency practitioners

If you are appointed to a case, the Official Receiver will aim to pass it to you within eight working days of your nomination, appointment or agreement to act.

Bankrupts, directors and company officers

By law, bankrupts and officers of a company in compulsory liquidation must give all information required by the Official Receiver about the insolvency and be interviewed, if this is necessary. In some cases the Official Receiver will need to interview you immediately to deal with urgent matters relating to, for example, specific actions, assets, and employees.

- If you do not have to be interviewed immediately, the Official Receiver will write to you within two working days of receiving the bankruptcy order or winding-up order from the High Court. The letter will confirm an appointment for you at the Official Receiver's office normally within eight working days of the date the letter was sent. The letter will also give the name of the officer dealing with your case.
- We will give you a map showing the Official Receiver's office and clearly written guidance explaining the processes of bankruptcy and compulsory liquidation.
- We will see you no later than ten minutes after the fixed appointment time. If in exceptional circumstances this cannot be done, we will explain why and tell you how long you will have to wait. Or, you may be offered another appointment
- We will see you in private where possible.

4. If you are not satisfied with the standard of service you have received

Whilst it is our aim to give the best possible service, problems occasionally occur. If you are not satisfied with our service, or if you have encountered any other problem, please let us know so that immediate steps can be taken to put matters right. We can guarantee that there will be a full and fair investigation of your complaint and you will be told what is happening. If a mistake has been made, we will apologise and try to put it right immediately. You can make your complaint either by phone or by writing to the office.

In most cases it will be possible to sort problems out informally and quickly by contacting the person you have been dealing with or his or her immediate supervisor. This is usually the best way to resolve problems or minor differences of opinion which have arisen. However, if you are not satisfied with the answer you receive or if you feel that insufficient action is taken to deal with the problem you can, if you wish, make a formal complaint in writing.

You should contact the Customer Relations Officer at:

Customer Relations Officer
Insolvency Service
Fermanagh House
Ormeau Avenue
Belfast
BT2 8NJ

Tel No: (028) 9025 1441

The Customer Relations Officer will investigate your complaint and will give you a full reply within 10 working days; if that is not possible he/she will issue a letter to you explaining why and stating when he/she will send a full reply.

If you are not satisfied with the response of the Customer Relations Officer, you should write to the Director of the Insolvency Service:

Mr W R Nesbitt
Insolvency Service
Fermanagh House
Ormeau Avenue
Belfast BT2 8NJ

Tel No: (028) 9025 1441

He will call for a full report on your complaint to make sure that you were dealt with according to our standards of service. He will give a full reply to your complaint within 10 working days; if that is not possible, he will issue a letter to you explaining why and stating when he will send a full reply.

In all cases your complaint will be:

- acknowledged within 2 working days;
- investigated thoroughly; and
- treated confidentially.

Parliamentary Ombudsman for Northern Ireland

If you remain dissatisfied you can ask a Member of the Legislative Assembly (MLA) (it does not have to be your local one) to refer your complaint to the Parliamentary Ombudsman for Northern Ireland.

The Ombudsman will normally expect you to have used our complaints procedure before considering your complaint. The Ombudsman can only enquire into the administrative functions undertaken by our staff in their dealings with you; he cannot investigate how a decision was made in a bankruptcy or liquidation as this would be a matter to be determined by the High Court.

You may contact the Ombudsman at:

The Ombudsman's Office
Progressive House
33 Wellington Place
Belfast
BT1 6HN
Fax: (028) 9023 4912

Phone: 0800 343424. This call is free.
E-mail: ombudsman@ni-ombudsman.org.uk

Or, you can write to:

The Ombudsman
Freepost BEL 1478
Belfast
BT1 6BR

No stamp is required.

5. General Control by the Court

If you are a bankrupt, company director, creditor or if you have been affected by a decision made by the Official Receiver in relation to a bankruptcy or compulsory liquidation, you may apply to the High Court for a review of this decision. Applications should be addressed to the Master (Bankruptcy), Royal Courts of Justice, Chichester Street, Belfast, BT1 3JF.

THE PUBLISHED STANDARD IS ALSO AVAILABLE IN LARGE PRINT FROM THE INSOLVENCY SERVICE.

PLEASE ASK ANY OF OUR STAFF FOR A COPY OR TELEPHONE OUR RECEPTIONIST ON BELFAST (028) 9025 1441

The published standard is also available in Chinese.

Department of Enterprise,
Trade and Investment

The Insolvency Account for the year ended 31 March 2007

together with the Report of the Comptroller and Auditor General thereon
prepared under Article 358(3) of the Insolvency (Northern Ireland) Order
1989 by the Department of Enterprise, Trade and Investment

June 2008

Insolvency Account for the year ended 31 March 2007

FOREWORD

STATUTORY BACKGROUND

The Bankruptcy Amendment (Northern Ireland) Order 1980^(a) ("the 1980 Order") and the relevant winding up provisions contained in the Companies (Northern Ireland) Order 1986^(b) ("the 1986 Order") were repealed and replaced by the Insolvency (Northern Ireland) Order 1989^(c) ("the 1989 Order") and subordinate legislation made thereunder including the Insolvency Regulations (Northern Ireland) 1991^(d) ("the 1991 Regulations") all of which came into operation on 1 October 1991 and the Insolvency Regulations (Northern Ireland) 1996^(e) which came into operation on 31 January 1997. Under the 1989 Order the Department of Enterprise, Trade and Investment ("the Department") is charged with administrative duties in relation to the insolvency of individuals, partnerships and companies being wound up by the High Court.

The Insolvency Account is kept pursuant to Article 358(1) of the 1989 Order. Trustees in bankruptcy and liquidators of companies wound up by the High Court must pay the money received by them as trustees or liquidators into the Insolvency Account kept at a bank agreed by the Department and the Department of Finance and Personnel.

STATEMENT OF THE RESPONSIBILITIES OF THE DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT AND THE ACCOUNTING OFFICER

Under Article 358(3) of the 1989 Order the Department is required to prepare an account for each financial year in a form and on a basis approved by the Department of Finance and Personnel. The account is prepared on a cash basis and must properly present the receipts and payments of the Insolvency Account in the financial year and the balances at the year end.

The Department is required to send the account to the Comptroller and Auditor General for Northern Ireland, who is required to examine and certify it under Article 358(4) of the 1989 Order.

The Permanent Secretary of the Department of Enterprise, Trade and Investment is the Accounting Officer for the Insolvency Account. His relevant role and duties as an Accounting Officer, including his responsibility for ensuring the regularity and proper recording of financial transactions and for keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in Government Accounting in Northern Ireland.

(a) S.I. 1980/561 (N.I. 4)

(b) S.I. 1986/1032 (N.I. 6)

(c) S.I. 1989/2045 (N.I. 19) (Amended by S.I. 2002/3152 (N.I. 6) and by S.I. 2005/1455 (N.I. 10))

(d) S.R. 1991 No. 388

(e) S.R. 1996 No. 574 (Amended by S.I. 2006 No 23 and by S.I. 2006 No 4610)

REVIEW OF ACTIVITIES

The total number of Court orders for the winding up of companies during the year ended 31 March 2007 was 88 compared to 89 in the previous year.

The total number of bankruptcy orders and insolvency administration orders made by the Court during the year ended 31 March 2007 was 1,008. This represented an increase of approximately 13% when compared with the previous year.

A handwritten signature in black ink, appearing to read 'Stephen Quinn', written in a cursive style.

STEPHEN QUINN
Accounting Officer
Department of Enterprise, Trade and Investment

Statement on the System of Internal Control – Statement for Year to 31 March 2007

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Insolvency Service's policies, aims and objectives, set by the Department's Minister, whilst safeguarding the public funds and Insolvency Service's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental 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 system of internal control has been in place in the Insolvency Service for the year ended 31 March 2007 and up to the date of approval of the accounts and accords with Department of Finance and Personnel guidance.

Capacity to Handle Risk

We are carrying out appropriate procedures to ensure that we identify the Department's objectives and risks and devise a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk in relation to the achievement of the Department's objectives. More specifically the

Department has:

- developed a Risk Management policy document which was issued on 30 October 2002;
- delivered risk management training for relevant staff;
- produced risk registers at strategic (corporate) and operational (divisional) levels;
- maintained a system of quarterly risk reporting via stewardship statements by heads of division for the year ended 31 March 2007; and
- maintained a formal system of risk reporting to the Departmental Board and the Departmental Audit Committee for the year ended 31 March 2007.

The Insolvency Service has a system of Internal Control based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. Particular controls include:

- systematic management reviews of cases undertaken by Insolvency Service staff;
- systematic monitoring of Insolvency Practitioners licensed by the Department's Insolvency Service;
- systematic review of the procedures of Recognised Professional Bodies in their monitoring of the private sector Insolvency Practitioners whom they licence; and
- monthly reconciliations of cash held in the Insolvency Account against Insolvency Service records.

The Risk and Control Framework

The Departmental Board has ensured that procedures are in place for verifying that risk management and internal control are regularly reviewed and reported on. As well as regular reports to the Departmental Board, risk management and internal control are regularly reviewed by the Departmental Audit Committee. Risk management is continually being incorporated into the corporate planning and decision making processes of the Department.

The Departmental Board and the Departmental Audit Committee receive periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Department's key objectives and risks are regularly assessed to ensure consistency of treatment.

The Insolvency Service is subject to audit by the Department's Internal Audit Service, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the Insolvency Service is exposed and annual internal audit plans are based on this analysis. This process requires an audit of the Insolvency Service every two years. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. 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 the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letters and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Departmental Board and the Departmental Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Internal Control Problems

No significant internal control problems arose during the year in the Insolvency Service.



Stephen Quinn
Accounting Officer
31 March 2008

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Insolvency Service for Northern Ireland for the year ended 31st March 2007. These comprise a Receipts and Payments account and Statement of Balances at the year end and related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Department of Enterprise, Trade and Investment, the Accounting Officer and Auditor

The Department and the Accounting Officer are responsible for preparing the Annual Report and the financial statements in accordance with Article 358(3) of the Insolvency Service (Northern Ireland) Order 1989 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of responsibilities of the Department of Enterprise Trade and Investment and the Accounting Officer.

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 properly present the receipts and payments of the Insolvency Service and are properly prepared in accordance with the Insolvency (Northern Ireland) Order 1989 and Department of Finance and Personnel directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises of the Foreword, the Management Structure, the Insolvency Service, the Official Receiver, Enforcement, Companies Investigation, Insolvency Practitioners, Legislative Issues, Meeting the Needs of Our Users and Performance Summary for 2006-07 is consistent

with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Insolvency Service has 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 Department of Finance and Personnel is not disclosed.

I review whether the Statement on Internal Control reflects the Insolvency Service's compliance with the Department of Finance and Personnel's guidance and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Insolvency Service's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and

judgments made by the Department and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Insolvency Service's circumstances, 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 financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Audit Opinion

In my opinion:

- the financial statements properly present the receipts and payments of the Insolvency Service for the year ended 31 March 2007 and the balances held at that date in accordance with Article 358(3) Insolvency (Northern Ireland) Order 1989 and Department of Finance and Personnel directions made thereunder;
- the financial statements have been properly prepared in accordance with Article 358(3) Insolvency (Northern Ireland) Order 1989 and Department of Finance and Personnel directions made thereunder;
- information given within the Annual Report, which comprises of the Foreword, the Management Structure, the Insolvency Service, the Official Receiver, Enforcement, Companies

Investigation, Insolvency Practitioners, Legislative Issues, Meeting the Needs of Our Users and Performance Summary for 2006-07 is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects the receipts and payments have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements



J M Dowdall CB

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

18 April 2008

Insolvency Account for the year ended 31 March 2007

Statement of Receipts and Payments for year ending 31 March 2007 prepared under Article 358(3) of the Insolvency (Northern Ireland) Order 1989 in respect of Company Liquidations, Bankruptcies and Estates of Deceased Insolvents, including Arrangements under the control of the Court up to 30 September 1991.

Receipts	Notes	2006/07 £	2005/06 £
Sums received in respect of Realisation of Company Assets etc. (Article 503(2) of the 1986 Order and Regulation 5(1) of the 1996 Regulations)	(1)	747,324	790,778
Sums received in respect of Realisation of Estates of Bankrupts etc. (Article 6(1) of the 1980 Order and Regulation 20(1) of the 1996 Regulations)	(2)	5,759,161	4,354,126
Interest credited to individual Accounts under Articles 611(2) of The 1986 Order, 7(2) of the 1980 Order and Regulations 9 and 24 of the 1996 Regulations	(3)	281,460	228,241
Unclaimed Dividends and Undistributed Balances paid to the Department under Articles 595(1) of the 1986 Order, 6(2) of the 1980 Order and Regulations 18 and 32 of the 1996 Regulations	(4)	44,160	50,095
Sums received to which the Official Receiver does not have clear title	(5)	31,945	3,383
Sums received in respect of Prescribed fees	(6)	110,764	24,979
		6,974,815	5,451,602

Insolvency Account for the year ended 31 March 2007

Payments	Notes	2006/07 £	2005/06 £
Sums paid in respect of expenses and distributions under Article 502(3) of the 1986 Order and Regulations 7(2) and 22(1) of The 1996 Regulations			
Company Liquidations £ 594,970			
Bankruptcy etc £ 3,341,498	(7)	3,936,468	4,216,436
Fees and Remuneration charged and appropriated in aid of the Department of Enterprise, Trade and Investment	(8)	1,135,046	1,056,404
Unclaimed Dividends and Undistributed Balances surrendered to Consolidated Fund under Articles 595(3) of the 1986 Order, 24(3) of the 1980 Order and 358(5) of the 1989 Order	(9)	40,998	14,355
Unclaimed Dividends ordered to be refunded under Articles 595(2) of the 1986 Order, 24(2) of the 1980 Order and Regulation 33 of the 1996 Regulations	(10)	1,259	437
Sums paid to parties with clear Title	(11)	31,945	3,855
Sums surrendered to the Crown Solicitor under Article 605(1) of the 1986 Order	(12)	0	288
		5,145,716	5,291,775
EXCESS OF RECEIPTS OVER PAYMENTS FOR FINANCIAL YEAR		1,829,099	159,827

Insolvency Account for the year ended 31 March 2007

Statement of Balances at 31 March 2007	Notes	2007 £	2006 £
Balance at beginning of financial year in respect of -			
Liquidations - cash at bank and in hand		2,165,407	2,094,414
Bankruptcy - cash at bank and in hand		5,861,196	5,772,362
		8,026,603	7,866,776
Add: Excess of receipts over payments for financial year		1,829,099	159,827
		9,855,702	8,026,603
Balance at end of financial year in respect of -			
Liquidations - cash at bank and in hand		2,296,778	2,165,407
Bankruptcy - cash at bank and in hand		7,558,924	5,861,196
	(13)	9,855,702	8,026,603

The notes on Pages 64 to 68 form part of the account.



Stephen Quinn

Accounting Officer
 Department of Enterprise, Trade and Investment
 31 March 2008

Insolvency Account for the year ended 31 March 2007

NOTES

RECEIPTS

1. Realisation of Company Assets, etc.

Sums received during the period (other than fees fixed by Regulations) can be summarised as follows:

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Realisations of assets etc.		
in Company Liquidations	573,724	656,218
Deposits paid by Petitioners	173,600	134,560
	<u>747,324</u>	<u>790,778</u>

2. Realisation of Estates of Bankrupts, etc.

Sums received during the period (other than fees fixed by Regulations) can be summarised as follows:

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Realisation of assets, etc. in the		
Estates of Bankrupts, Arranging		
Debtors and Deceased Insolvents	5,015,401	3,835,846
Deposits paid by Petitioners	743,760	518,280
	<u>5,759,161</u>	<u>4,354,126</u>

3. Interest Credited

The total amount of interest received in respect of funds in the Insolvency Account during the year was £346,248 (previous year £297,241). During the year £281,460 (previous year £228,241) has been credited to the Insolvency Account and has been allocated as follows:

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Amounts credited to Companies in Liquidation	74,219	61,137
Amounts credited to Estates of -		
Bankrupts, Arranging Debtors and		
Deceased Insolvents	207,241	167,104
	<u>281,460</u>	<u>228,241</u>

Insolvency Account for the year ended 31 March 2007

Of the balance of interest received on funds in the Insolvency Account (including, from 30th October 2006, the Bankruptcy and Companies Dividend Accounts) during the year £65,609 (previous year £67,715) is surrendered to the Consolidated Fund Interest earned during the year on the Bankruptcy and Companies Dividend Accounts, being separate accounts held outside the Insolvency Account until 29th October 2006, is also surrendered to the Consolidated Fund. This amounted to £2,948.

4. Unclaimed Dividends etc.

Sums received during the period can be summarised as follows:

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Unclaimed Dividends etc. in respect of Company Estates	16,430	21,568
Unclaimed Dividends etc. in respect of Bankruptcy Estates	27,730	28,527
	<u>44,160</u>	<u>50,095</u>

5. Sums received without clear title

A separate suspense sub-account is kept of such receipts which, when clear title is established, are either placed to the credit of the appropriate insolvent or paid to the party who has title.

6. Prescribed fees

£110,764 (previous year £24,980) does not represent the total of fees charged by the Official Receiver but consists only of fees taken in cash. This figure represents fees paid on the registration of Individual Voluntary Arrangements (Article 4 of the Insolvency (Fees) Order (Northern Ireland) 2006 (a)) and fees paid on the application for the renewal of the authorisation to act as an insolvency practitioner and RPB maintenance payments (The Insolvency Practitioners and Insolvency Account (Fees) Order (Northern Ireland) 2000 (b)).

(a) S.R. 2006 No. 54

(b) S.R. 2006 No. 53

Insolvency Account for the year ended 31 March 2007

PAYMENTS

7. Expenses and distributions

The authority for the making of payments out of the Insolvency Account in connection with the administration of the estates of bankrupts and the winding up of companies is Regulations 7(2) and 22(1) of the 1996 Regulations. Payments made during the period can be summarised as follows:

	<u>2006-07</u>		<u>2005-06</u>	
	Companies	Bankruptcy	Companies	Bankruptcy
	£	£	£	£
Costs & Expenses	434,536	2,430,609	367,741	2,258,860
Distribution	104,101	883,601	282,845	1,258,588
Income Tax & Corporation Tax	56,332	27,288	11,941	36,461
	<u>594,969</u>	<u>3,341,498</u>	<u>662,527</u>	<u>3,553,909</u>

The figure for bankruptcy and company distributions includes undistributed balances totalling £6,389 and £14,459 respectively.

8. Prescribed fees

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Companies	110,497	131,853
Bankruptcy	910,976	895,591
Registration of Voluntary Arrangements	27,685	28,560
Renewal of DETI - Insolvency Licence	85,888	400
	<u>1,135,046</u>	<u>1,056,404</u>

The total figure for fees charged to estate accounts and taken in cash includes £6,364 Value Added Tax for which the Department is accountable.

During the 06-07 financial year write-off approval was received in relation to the loss of fees totalling £97,595 in 253 bankruptcy and 23 company estates. In addition a loss of £124,001 recognised in relation to 208 bankruptcy and 18 company estates which were finalised during 2006-07.

Insolvency Service will pursue write-off action with the Department. These sums are not included in the total figure for fees.

Insolvency Account for the year ended 31 March 2007

9. Transfers to consolidated fund

Article 358(5) of the 1989 Order provides for unclaimed dividends and unapplied or undistributed balances which have remained unclaimed for a period of two years from the date of lodgement to the Insolvency Account to be transferred to the Consolidated Fund.

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Companies	988	8,110
Bankruptcy	40,010	6,245
	<u>40,998</u>	<u>14,355</u>

10. Unclaimed dividends refunded

Payments made during the year to persons establishing title to unclaimed dividends or unapplied or undistributed balances previously lodged in the Insolvency Account can be summarised as follows:

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Companies	148	0
Bankruptcy	1,111	437
	<u>1,259</u>	<u>437</u>

11. Sums paid to parties with clear title

Payments totalling £31,945 (previous year £3,855) were made to parties who established title to monies held in the Insolvency Account or who, already having title, were traced.

12. Article 605(1) of the 1986 Order states that all property and rights of a dissolved company shall be deemed to be bona vacantia and accordingly belong to the Crown.

Insolvency Account for the year ended 31 March 2007

13. Balance at end of year

	31 March 2007	31 March 2006
	£	£
Cash at Bank and in hand	9,855,702	8,026,603
Represented by:		
Amounts received from Insolvency Practitioners including the Official Receiver in respect of company unclaimed dividends or unapplied or undistributed balances but not yet transferred to the Consolidated Fund (Article 358(5))	37,509	22,216
Amounts received from Insolvency Practitioners including the Official Receiver in respect of bankruptcy unclaimed dividends, or unapplied or undistributed balances but not yet transferred to the Consolidated Fund (Article 358(5))	54,868	68,336
Net funds held in the Insolvency Account in respect of companies in which a final dividend has not yet been paid	2,259,269	2,143,191
Net funds held in the Insolvency Account in respect of bankruptcy estates in which a final dividend has not yet been paid	7,504,056	5,792,860
	<u>9,855,702</u>	<u>8,026,603</u>



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