



*THE  
INSOLVENCY  
SERVICE*

**Annual Report & Accounts  
2000 - 2001**



The Insolvency Service is an Executive Agency of the Department of Trade and Industry (DTI) and operates mainly under the Insolvency Act 1986, the Company Directors Disqualification Act 1986 and the Companies Act 1985, principally in England and Wales

This report is the Agency's formal account to Ministers and Parliament of its performance against its objectives and key performance targets set for 2000 - 01 and a forward look as to how The Service aims to meet the challenges of the future.

Copies of this report can be purchased from The Stationery Office bookshops.

Users of this report include, amongst others:

- Bankrupts, directors and creditors;
- Organisations representing those who are regular users of our services;
- Recognised Professional Bodies and their members who have a professional or practical interest in the work of The Service;
- Academics;
- The media;
- Other Government Departments and Agencies;
- International insolvency regulators; and
- European Union institutions and wider international countries

This report is also available to be viewed (as a downloadable PDF file) on The Service's web site at: <http://www.insolvency.gov.uk>.



Accounts presented to Parliament pursuant to Section 5 of the Exchequer and Audit Departments Act 1921, together with the Report of the Controller and Auditor General thereon.

# Annual Report & Accounts 2000-01



Awarded for excellence

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***To mark The Insolvency Service's tenth anniversary as an Executive Agency, a charity year was launched on 21 March 2000. During 2000-01 The Service-wide effort was represented by our charity cookbook which raised £4,140, while locally arranged events brought the total to £28,676.***

**The Service is grateful to every one who contributed to this effort.**

**The beneficiaries are:**

<b>Childrens Hospital Appeal Trust</b>	<b>.....£ 13,000</b>
<b>Essex Air Ambulance</b>	<b>.....£ 4,111</b>
<b>Friends of Nether Hall School</b>	<b>.....£ 193</b>
<b>Gloucestershire Chest Fund</b>	<b>.....£ 745</b>
<b>Help a Hallam Child</b>	<b>.....£ 416</b>
<b>Hereford Hospitals NHS Trust</b>	<b>.....£ 718</b>
<b>Marie Curie Fundraising</b>	<b>.....£ 1,265</b>
<b>Southend Healthcare Trust</b>	<b>.....£ 3,000</b>
<b>Swindon &amp; Marlborough NHS Respiratory Care</b>	<b>..£ 718</b>
<b>The Motor Neurone Disease Association</b>	<b>.....£ 1,544</b>
<b>The Multiple Sclerosis Society</b>	<b>.....£ 1,380</b>
<b>The Samaritans</b>	<b>.....£ 1,380</b>
<b>Other donations</b>	<b>.....£ 206</b>
<b>TOTAL</b>	<b>.....£ 28,676</b>



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## Chief Executive's Review



Peter Joyce  
Inspector General &  
Agency Chief Executive

2000-01 was another year of high level performance all round and further improved service delivery - notwithstanding pressure on resources; rises in new cases, investigations and banking and investment transactions; and the raft of insolvency reform and advice work.

Case administration targets and measures were exceeded for issuing reports to, and holding meetings of, creditors; obtaining income payments orders; and completing cases. Some small progress was made in reducing the case administration unit cost; while the newly established centralised Protracted Realisations Unit got to grips with reducing the number of cases with long standing assets.

Investigation outputs reflected the benefits of the first full year of the formalised investigation process, with prosecution reports exceeding the plan by 38%; disqualification orders again exceeding 1,500 (and the number withdrawn or lost halved to 5%); and the three year investigation unit cost target already exceeded by the end of the second year.

Banking and investment transaction volumes increased for the tenth successive year yet targets were still exceeded; fee income exceeded budget by 10%; and The Service had one of the best records in DTI and Government for payment of invoices.

Insolvency practitioner monitoring under The Service's enforcement concordat led to improved levels of compliance with statutory banking and reporting requirements, and professional standards.

Charter standards performance was improved in just about every area; and The Service maintained one of the best records in the DTI for the timeliness of advice and draft replies for Ministers. Existing leaflets and guides were revised and new ones generated, approved by the Plain Language Commission; The Service's website was re-launched; and a National Consultative User Group established.

Investors in People accreditation was maintained; managing diversity training was introduced for all staff; a flexible working pilot was launched; The Service-designed NVQs were extended; and the first Long Service Awards were presented.

Accommodation per capita costs, reduction in vacant space and energy conservation targets were met; and procedures were put in place to ensure that The Service will be able to meet the Government's e-procurement target. Contracting out and partnership working with the private sector were reviewed to further improve value for money.

That level of performance, building on the impressive achievements of previous years, was recognised in the second Quinquennial Review which confirmed The Service's continuing status

as an executive agency of the DTI. Many of the recommendations were already being taken forward, or were planned; and those, together with the remaining recommendations, are reflected in this Report.

And staff still found the time (much of it their own), and the energy, to arrange and take part in a series of events through The Service's Tenth Anniversary Charity Year which raised just short of £30,000 for their selected local and national charities. I am very proud of the way in which they took up the challenge; and I know the charities are so very grateful for their efforts, and ingenuity.

The year also marked the first steps in the reform of insolvency legislation, with the successful passage of the Insolvency Act 2000; publication of consultation papers on "Bankruptcy - A Fresh Start" and the "Review of Company Rescue and Business Reconstruction Mechanisms"; discussions about a unified scheme for bankruptcies and county court administration orders; conclusion of negotiations on the EC Council Regulation on Insolvency Proceedings; and consideration of the implementation of the UNCITRAL Model Law on Cross-Border Insolvency. Those together represent a formidable, and radical, re-shaping of the insolvency framework in line with Ministers' wish is to see it firmly placed within the broader economic context and positively encouraging entrepreneurialism and genuine risk taking.

This approach is now being reflected in reviews and proposals for reform in other jurisdictions; and by the World Bank in the promotion, with other international institutions, of its "Principles and Guidelines for Effective Insolvency and Creditor Rights Systems" which will provide greater transparency, predictability and certainty for UK exporters and investors looking to transact business in developing countries and emerging markets. The Service has very much played its part in those global developments through its chairmanship of the International Association of Insolvency regulators; participation in the Bank's working groups and workshops and in other international forums; and hosting study visits from a number of overseas government departments and agencies.

A conclusion: This is my eleventh and final Report as Inspector General and Agency Chief Executive: I retire at the end of September 2001. I have in each of those Reports expressed my thanks to the staff for their considerable efforts which have made The Service a success. I do so again here. It is a privilege to have been given the opportunity to lead such an organisation; and I have greatly valued the consistent commitment and support of staff, individually and collectively, through times of immense pressures, changes and challenges (and a few threats). And I have greatly valued, and enjoyed, the friendship and good company.

May I also acknowledge here the co-operation and the contribution to the work of The Service of creditors, the insolvency profession and insolvency practitioners, the courts and our private sector partners; fellow insolvency regulators in other jurisdictions; and the many other individuals and organisations who have readily offered their advice and encouragement.

I am delighted that Desmond Flynn, my Deputy Inspector General (HQ Operations) for the whole of my 11 years or so as Inspector General, has been appointed to succeed me; and I wish him, and everybody in The Service, success in the future.



**Peter Joyce CB FCCA FICM**

## The Service

### Aims and objectives

The Insolvency Service ensures that financial failure is dealt with fairly and effectively, encouraging enterprise and deterring fraud and misconduct, within the DTI's aim...

*To increase competitiveness ... in order to generate higher levels of sustainable growth and productivity in a modern economy.*

The outcome of the work undertaken by The Service supports the delivery of the DTI key objective -

*To develop a fair and effective legal and regulatory framework, in particular by improving and enforcing a framework for commercial activity which encourages enterprise and avoids unnecessary burdens on business.*

And contributes to two further key objectives -

*To create strong and competitive markets, in particular by taking action to improve the openness, efficiency and effectiveness of markets at home, in Europe and across the world.*

*To promote enterprise, innovation and increased productivity, in particular by encouraging successful business start ups, and by increasing the capacity of business, including SMEs, to grow, to invest, to develop skills, to adopt best practice and to exploit opportunities abroad.*

### How do we meet our objectives?

Our statutory functions and services are delivered by staff working in our network of Official Receiver offices located throughout England and Wales; by our Enforcement and Regulation Directorate in London, Birmingham, Manchester and Edinburgh; by our Banking Operation in Birmingham; and

by our Policy, Secretariat and support units in London.

We:

- administer and investigate the affairs of bankrupts and companies and partnerships wound up by the court (compulsory liquidation), and establish why they became insolvent;
- act as trustee/liquidator where no private sector insolvency practitioner is appointed;
- take forward reports of bankrupts' and directors' misconduct;
- deal with the disqualification of directors in all corporate failures;
- authorise and regulate the insolvency profession;
- provide banking and investment services for bankruptcy and liquidation estate funds;
- advise Ministers and other government departments and agencies on insolvency and related issues; and
- provide information to the general public about insolvency matters via The Service's website, leaflets and Central Enquiry Line.

### Our policy framework

DTI Ministers determine the policy framework in which The Service operates, and they answer to Parliament on that policy. They are not involved in the day-to-day management or in the individual cases which come under the jurisdiction of the courts. Ministers also set the main targets, which are announced in Parliament at the beginning of the financial year.

The head of The Service, the Inspector General and Agency Chief Executive, reports to Ministers on the execution of policy, performance against targets and plans and proposals for future development.

### Our Steering Board

The role of The Service's Steering Board is to advise on the corporate plan and annual performance targets. The Steering Board is chaired by the Director General, Competition and Markets, with members of the private sector, a senior DTI official and the Inspector General. Further details of the Board can be found in the foreword to the Annual Accounts



**Dr Catherine Bell**  
Chairman of the Steering Board

### Our Directing Board

The Directing Board provides support to the Inspector General on operational, policy and planning issues, and on the implementation of the corporate plan.



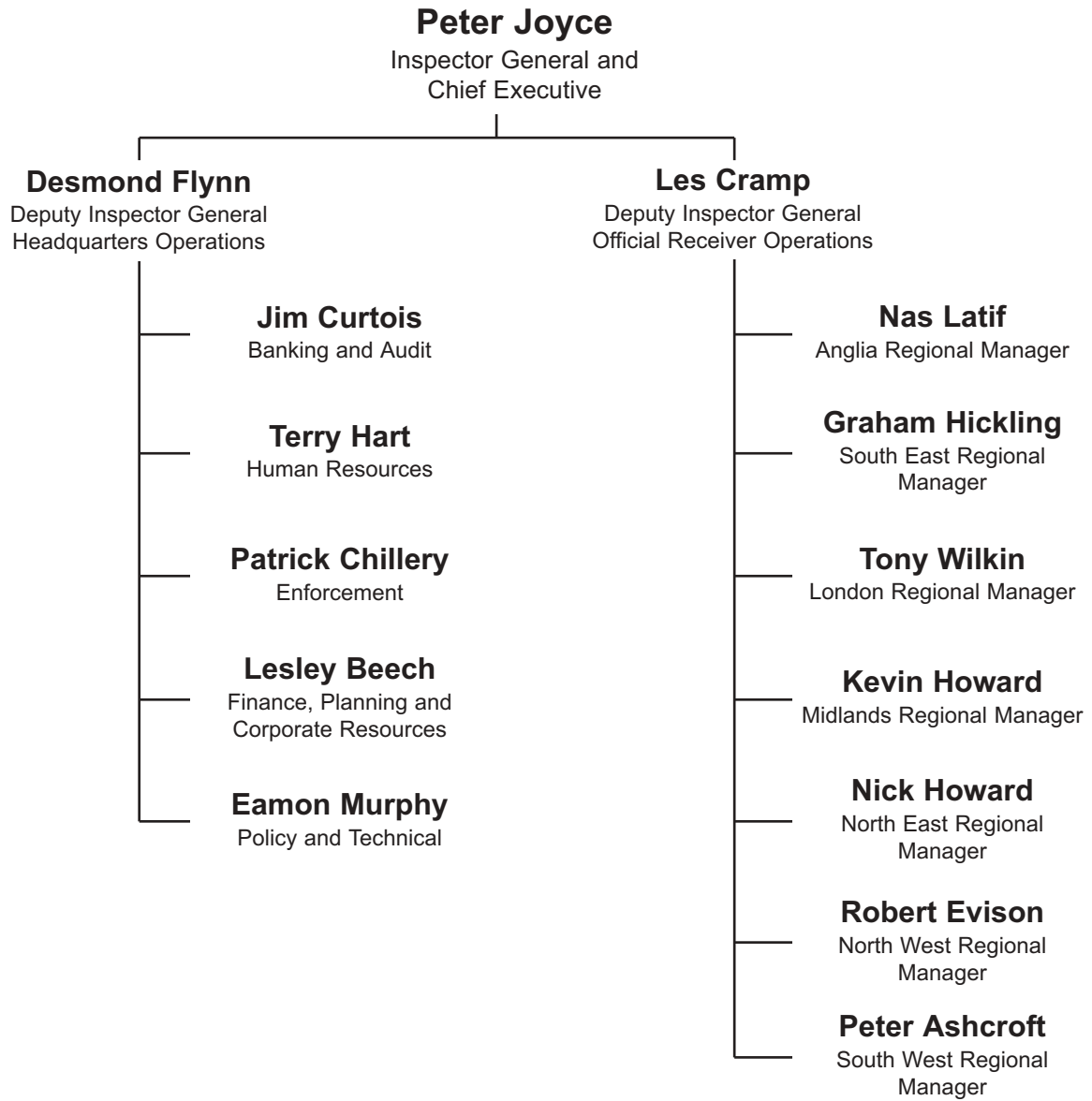
**Lesley Beech - Terry Hart**  
**Peter Joyce - Desmond Flynn - Les Cramp**

### Network of offices

The Service has 40 Official Receiver offices in 33 locations providing local access for bankrupts, directors, creditors, insolvency practitioners and the public; and to the courts having insolvency jurisdiction. Official Receiver offices are divided into 7 regions, each headed by a regional manager. Headquarters operations and support services are divided into 5 management units each headed by a director.



## Structure of The Service

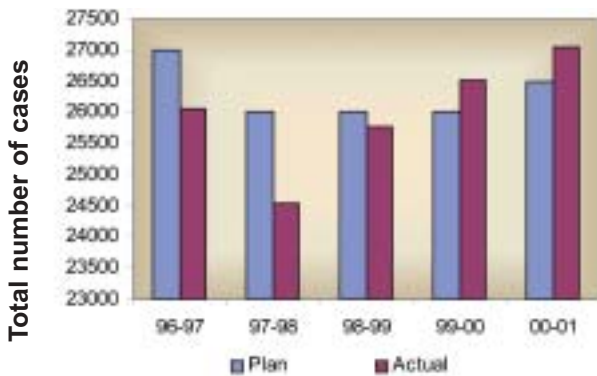


The Insolvency Service Conference May 2000

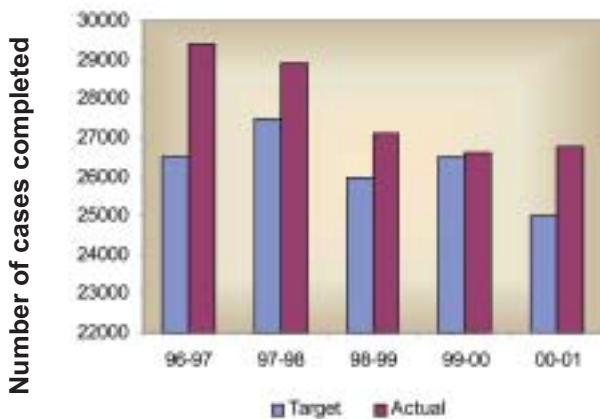
# Agency Performance

## Case administration

All key quality and productivity targets set for the effective administration of cases were met or exceeded during 2000 - 01, with Official Receivers dealing with 27,035 new cases against a planning assumption of 26,500 for the year.

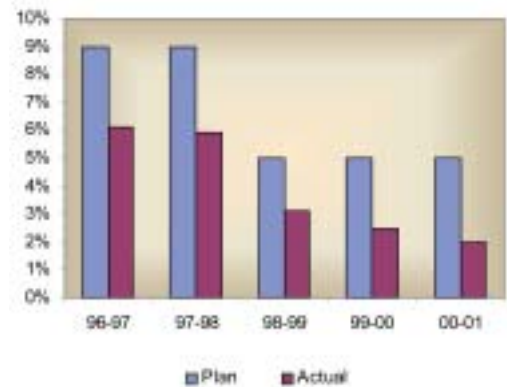


Official Receivers completed their administration of 26,757 cases (including 7,695 cases handed over to insolvency practitioners), exceeding the target of 25,000 cases by 7.0%.

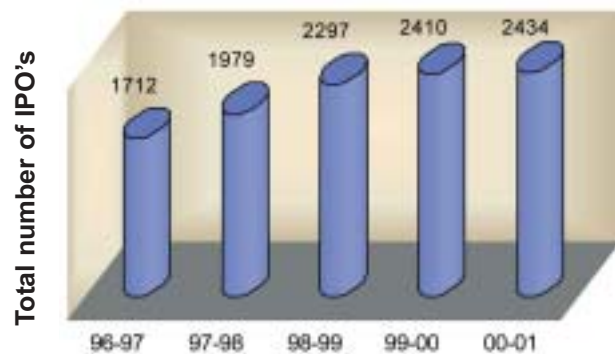


The number of open cases at 31 March 2001 stood at 16,261 against a target of 17,225 - equivalent to 7.2 months of new case input against an expectation of 8 months. The Service ended the year with only 2% of its caseload being over 36 months old against a target of 5%. This was a further 0.5% reduction against the 1999 - 00 achievement of 2.5%, and reflects The Service's drive to ensure that cases are administered promptly through closer monitoring and effective case management procedures.

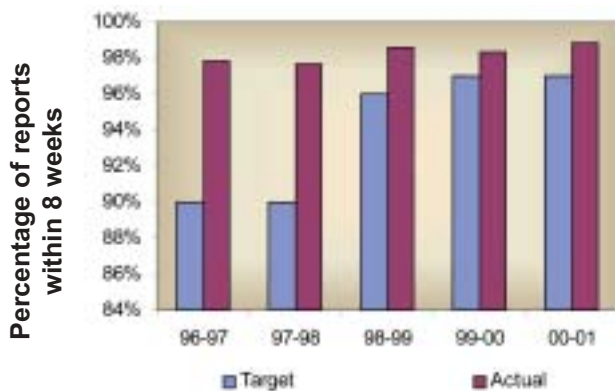
Percentage of cases more than 36 months



The number of income payments orders (IPOs) again exceeded expectation with 2,434 obtained, an 8.1% increase against the plan of 2,250 for the year.

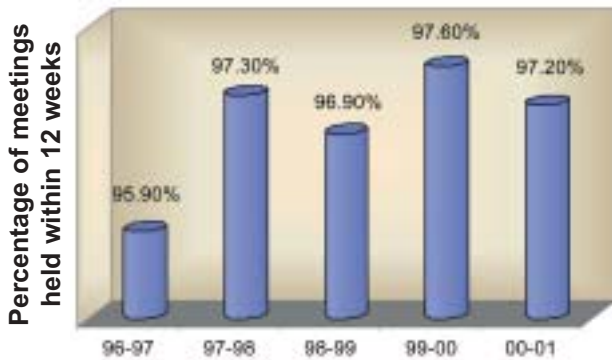


Of the 25,722 reports to creditors issued, 98.8% were issued within 8 weeks against a target of 97%.



99.7% of reports were issued within 12 weeks against a target 98%

97.2% of meetings of creditors were held within 12 weeks against a target of 96%.



99.6% of meetings were held within 4 months against a target of 98%.

### Action in the public interest

Public Interest Unit, based in London, is responsible for the administration and investigation of cases where the Secretary of State has instigated action in the public interest. The Unit also deals with bankruptcies and compulsory liquidations where the nature of the business or failure is particularly complex or has attracted significant media interest.

In 2000-01 the Unit dealt with 85 compulsory liquidations (1999-00: 42), of which 37 followed the Official Receiver's appointment as provisional liquidator; and 8 bankruptcies (1999-00: 3), 2 of which began as interim receiver appointments.



Public Interest Unit Staff

### 100 year old company gets into difficulty

The Official Receiver was appointed provisional liquidator of a hardware manufacturing company that had been trading successfully for over 100 years until it got into difficulty when a third party removed £3 million from the company pension fund. The appointment prevented any further losses from the pension fund and, following a period of continued trading, enabled the business to be sold as a going concern.

### Computers at knock down prices



The Official Receiver was appointed provisional liquidator of a company offering new £600 computers for sale to the public for around £100. Few people received the computers that they had paid for. The provisional liquidator appointment caused the company's activities to cease and the Official Receiver had to deal with an overwhelming public outcry including 19,000 dissatisfied customers who generated over 65,000 telephone calls in one month alone.

	Provisional Liquidator	Interim Receiver
2000-01	37	2
1999-00	42	3
1998-99	41	6
1997-98	52	2
1996-97	27	6

## Enforcement - Disqualification

Under Section 6 of the Company Directors Disqualification Act 1986 the Official Receiver in a compulsory liquidation, voluntary liquidators, administrative receivers and administrators are required to report directors' unfit conduct to The Service. The Service, acting for the Secretary of State, decides whether it is in the public interest to bring proceedings to disqualify those directors from acting in the management of any other company. This can be for a period between 2 and 15 years.

In 2000-01, The Service's Disqualification Unit received 5,551 reports identifying elements of unfit conduct by directors - 3,328 from insolvency practitioners and 2,223 from Official Receivers (1999-00 3,311 and 2,285).

1,456 disqualification proceedings were issued during 2000-01, marginally down on 1999-00, but a number of cases where directions to proceed were issued in the last quarter were not taken forward during the year as they were likely to fall under the new undertakings provision in the Insolvency Act 2000 that came into force on 1 April 2001 (see page 22).

The number of disqualification orders obtained increased slightly from 1999-00 by 0.5% to 1,548, including an increase of 27% in orders between 11 and 15 years.

Geographical Spread	Number of Orders	%
London & Southeast	597	39
North	331	21
Midlands	249	16
Scotland	99	6
South	89	6
East Anglia	73	5
South West	62	4
Wales	48	3
<b>Total</b>	<b>1,548</b>	<b>100</b>

Number of years disqualified	2000-01	1999-00
2-5	887	857
6-10	614	646
11-15	47	37
<b>Total</b>	<b>1,548</b>	<b>1540</b>

Protecting the public and business alike through the timely disqualification of unfit directors is an important part of the work of The Service. To provide a sharper focus on timeliness and the effectiveness of the new undertaking provision, three new key targets have been introduced for 2000-01:

- Reduce the time from company insolvency to conclusion of disqualification proceedings from 28 months to 26 months:
- Increase the percentage of disqualification cases concluded within 30 months from 68% to 72% and
- Increase the percentage of disqualification cases concluded within 24 months from 42% to 45%

Type of Business	No of Directors	%
Textile and clothing manufacture	202	13
Construction and demolition	196	13
Other services	165	11
Labour supply: management and business services	117	8
Manufacturing (other types)	108	7
Engineering	101	7
Road transport	77	5
Computer services	64	4
Home and garden improvement	58	4
Wholesale	57	4
Retail (other types)	50	3
Paper and publishing	39	3
Electrical and plumbing	26	2
Leisure: hotels, pubs and restaurants	25	2
Others	263	14
<b>Total</b>	<b>1,548</b>	<b>100</b>

A further 80 bankrupts and directors were disqualified under section 2 of the Company Directors Disqualification Act 1986 following conviction on a prosecution report submitted by The Service.

#### **Property tycoon disqualified**

A former bankrupt whose second property empire went into insolvent liquidation with debts totalling more than £14 million was disqualified for 12 years, and his son for 4 years.

Commenting on the court's judgment, the Minister with responsibility for The Insolvency Service Dr Kim Howells said:

*"Directors hold a privileged position in society. It is only fair and reasonable that we expect them to be competent and trustworthy. If they fall below these standards we will take action to disqualify them. This is a message that should be put in every boardroom".*

After being discharged from bankruptcy in 1985, the director built up his second property empire. The court heard how he and his son traded at the risk of creditors between 1990 and 1994, and drew out large sums of money from the business without apparent justification, even though creditors of the companies were being left unpaid. The court also found that there had been "phoenix trading".

#### **Wine wholesaler disqualified**

A 12 year disqualification order was obtained against the director of a wine wholesale company based in the Croydon area. The case was unusual in that the disqualification proceedings were joined with wrongful trading proceedings taken against the director by the liquidator. The allegations of misconduct found by the court included that the director had caused or permitted the company to defraud a bank which had advanced monies on the strength of false sales invoices; had entered into transactions in favour of various members of his family; and had operated a successor company utilising a prohibited trading style.

#### **Sale and installation of conservatories contrary to Fair Trading Act.**

Disqualification orders for 7 and 6 ½ years were made against two directors of a company which carried on business in the design, sale and installation of conservatories. The company went into liquidation with a deficiency estimated at almost £1 million. The company sold conservatories to customers by holding out to them the prospect of paying for them from commissions to be earned from introducing new customers. Complaints made against the company included unpaid commissions; pressurised selling; and poor workmanship. Allegations of unfit conduct found by the court related to the unsatisfactory manner in which the directors had carried on the company's business contrary to the Fair Trading Act and with lack of commercial probity.



## Enforcement - Prosecution

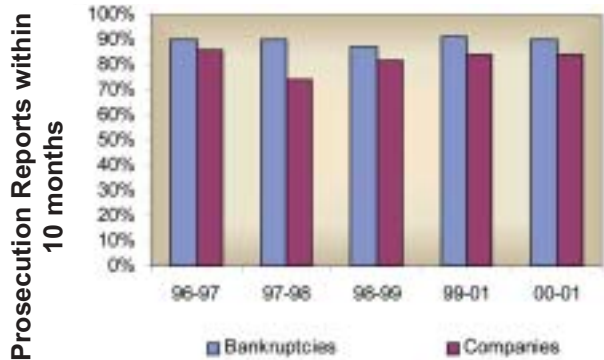
Where investigations

- by Official Receivers into the failure of bankrupts or companies in compulsory liquidation; or
- by The Service's Prosecution Section into Hotline complaints and voluntary liquidators' conduct reports

disclose possible criminal offences, the report is referred to the appropriate prosecuting agency. The prosecution is handled by DTI lawyers, the Serious Fraud Office or other prosecuting agencies, on the basis of sufficient admissible, sustainable and reliable evidence to provide a realistic prospect of a conviction. Where it is concluded that it would not be in the public interest to proceed with a prosecution, a warning letter is issued.

Report of possible offences	Plan	Achieved
Number submitted	975	1,347

Official Receivers' key timeliness target of submitting 90% of bankruptcy prosecution and 80% of company prosecution reports within 10 months were achieved.



### £1/2m fraud on creditors

A director of a fabric printing company from Leicester was jailed for 12 months and disqualified for 8 years after pleading guilty to carrying on the business of the company with intent to defraud creditors. The allegation of fraud centred on the fact that it continued to trade after its assets had been sold to another company yet it then obtained a further £500,000 of goods from trade creditors for which it did not pay.

### Fraudulent trading

A Birmingham man who held himself out as a qualified accountant and insolvency practitioner was given jail sentences for a total of 5 years 4 months, disqualified for 10 years and ordered to pay £25,000 towards the prosecution costs after being convicted on 3 counts of fraudulent trading and two counts of acting as an insolvency practitioner without qualification. His company traded from Birkenhead and failed in 1997 owing creditors in excess of £300,000.

### Four times bankrupt convicted of theft offences

A man from Pontypridd, who had been made bankrupt a total of four times over a 22 year period, was found guilty and jailed for 42 months on each of 10 charges (to run concurrently) for a variety of theft and insolvency offences, including managing a company whilst disqualified and failing to keep proper accounting records. He was further disqualified for 7 years. He had previously been imprisoned for similar offences.

### Accountant convicted of theft offences

An accountant from Nottingham who was instructed to collect tax rebates on behalf of his clients was jailed for 9 months after he failed to pay the rebates to those clients prior to his bankruptcy. He was convicted on three counts of theft.

### Bankrupt perverts the course of justice

An undischarged bankrupt from Welshpool was found guilty of acting in the management of a company that sold pictures. When he knew that he was being investigated he procured a certificate of discharge from bankruptcy from the county court when he knew he was not entitled to it with a view to perverting the course of justice. As a result he was sentenced to 9 months imprisonment on two counts to run concurrently and a further 18 months imprisonment to run consecutively, and disqualified for 7 years from managing a company.

### Traffic offence leads to discovery of fraud

An undischarged bankrupt from Poole was unlucky when he was stopped by the police for a motoring offence. For they discovered him to be in possession of a bank card in a different name issued by a bank in Jersey. The bank's fraud department was alerted and made contact with the Official Receiver. It was discovered that at the time of the bankruptcy order, he had over £50,000 in two undisclosed bank accounts, but with interest the amounts had increased to £72,000. His only debt was for tax for some £30,000. He admitted the offence stating to the Official Receiver that he did not want to pay the tax authorities. Despite having sufficient to clear his bankruptcy debts, he was prosecuted and fined £5,000, and ordered to pay a further £4,356 prosecution costs which he had to pay within 3 months otherwise he would receive a 3 month prison sentence.

### Hotline

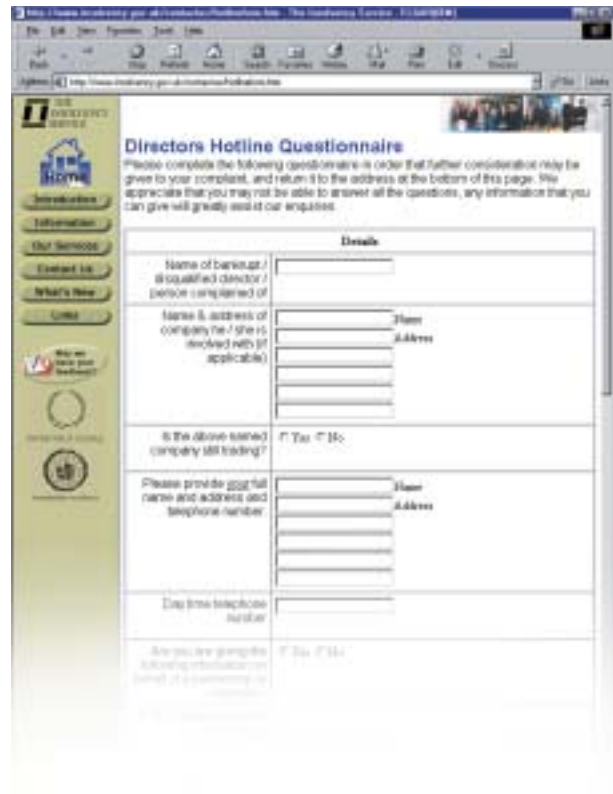
Set up in 1998, the Disqualification Hotline enables members of the public to report possible contravention of prohibitions by disqualified directors and bankrupts with the intention of enforcing the disqualification and preventing the public from being exposed to corporate misconduct.

The hotline number, available 24 hours a day, is 0845 6013546.

People can also provide information about directors and bankrupts online via The Insolvency Service website.

In 2000-01, 449 calls were made to the hotline, which resulted in 232 substantive complaints being received. Following investigation, 47 cases were referred to DTI Legal Services, 28 cases were referred to Official Receivers and 13 cases were referred to other investigation/prosecution agencies.

9 convictions were obtained in cases arising from hotline complaints made in previous years and in a further 4 cases warning letters were issued.



*"Over 2,300 calls have been made to the Hotline since it started in January 1998 and nearly one in three of those callers has provided information which led to an investigation. There will be no hiding place for unscrupulous directors who try to cheat the system. Protecting the public from their activities is a top priority for us alongside protecting the majority of businesses engaged in responsible risk taking." Dr Kim Howells, The Service's Minister April 2001.*

### Conviction on hotline case

Hotline information led to 9 months imprisonment (suspended for 2 years) and disqualification for 10 years for an individual convicted of acting in the management of a company whilst disqualified, and for committing perjury.

## The Insolvency Services Account

Insolvency practitioners and Official Receivers are required to use the Insolvency Services Account for estate banking and investment in relation to both bankruptcies and liquidations. The Service's Central Accounting Unit administers this account at the Bank of England. Those funds in excess of daily requirements are transferred to the Insolvency Services Investment Account managed by the National Debt Commissioners.

Number of estates	At 31 March 2001	At 31 March 2000
Bankruptcy	34,447	33,332
Compulsory liquidation	5,885	6,511
Voluntary liquidation	13,474	13,829
<b>Total</b>	<b>53,806</b>	<b>53,672</b>

Balances		
Bankruptcy	£114.9m	£102.2m
Compulsory liquidation	£301.5m	£349.9m
Voluntary liquidation	£592.5m	£498.4m
<b>Total</b>	<b>£1008.9m</b>	<b>£950.5m</b>

During the year transaction volumes increased by 8.8% over 1999-00: in particular, the number of cheques issued rose by 13.9% and receipts by 11.7%

Transaction Volumes	2000-01	1999-00
Cheques issued	189,329	166,239
Bank giro credit receipts	102,091	91,446
Account statements issued on request	20,720	22,780
<b>Total</b>	<b>312,203</b>	<b>280,465</b>

Figures here are as yet unaudited. The audited Insolvency Services Account and Insolvency Services Investment Account is published separately, and will be available from The Stationery Office.

Key target performance for Central Accounting Unit for 2000-01

	Target	Outturn
Post bank giro credits receipts on day received or day following set up if later	95%	98.6%
Post transfers from Official Receivers on day of receipt subject to set up	95%	96.5%
Compile investment schedule and bank instructions by day following receipt of insolvency practitioners within 4 days	100%	100%
Cheque preparation prior to checking countersigning and despatch to insolvency practitioners within 4 days	95% 97%	99% 98.9%
Calculate and despatch half yearly interest statements within 10 days (April/October)	95%	100%



## Policies that support the enterprise culture

### The Insolvency Act 2000

The Act, which received royal assent on 30 November 2000, was the first step in the Government's reform plans for insolvency law. It gives financially troubled small companies the opportunity of a short respite from creditor action whilst a rescue plan is put together. The Act also improves the company director disqualification procedure by allowing the Secretary of State to accept undertakings which have the same legal effect as orders made by the court and speed up disqualifications. In addition, the Act

- makes improvements to the existing voluntary arrangement and administration order procedures;
- gives a disqualification order made in Northern Ireland the same effect in Great Britain as an order made here;
- extends to bankruptcy the benefits of the statutory provisions allowing investment of estate funds and automatic right to interest;
- provides a scheme to enable a trustee to recover a deceased insolvent's interest in jointly-owned property for creditors;
- streamlines the procedure for reporting criminal offences in voluntary liquidations and remedies an associated human rights incompatibility; and
- will permit the UNCITRAL model law on cross-border insolvency to be implemented here.

Welcoming the new Act, Consumers and Corporate Affairs Minister Dr Kim Howells said:

*"The new moratorium in the company voluntary arrangement procedure will help give more time to businesses which are experiencing short-term problems to agree a rescue proposal with their creditors."*



Emphasising the importance of the courts' existing powers to disqualify unfit directors, he went on to comment that, as a result of the introduction of disqualification undertakings,

*"the procedure should now be more efficient and effective, ensuring that consumers and the business community are given earlier protection".*

With the exception of the measures relating to voluntary arrangements (which will be brought into effect later this year) all the provisions were brought into force by 2 April 2001.

### The Insolvency Bill Team



Phill Nicholls - Andy Woodhead - Sam Roberts  
Richard Favier - Denise Cuff

## Corporate Rescue Review

The report of the joint Insolvency Service/HM Treasury Working Group on Company Rescue and Business Reconstruction Mechanisms was published for consultation in November 2000. The Secretary of State, Stephen Byers, said:

*"Law and practice is only one aspect of the problem regarding company rescues. We also need to look to the development of a legal and commercial infrastructure capable of lending greater support to a culture of enterprise and, where possible, rescue and renewal."*

Many of the report's recommendations were welcomed by consultees (copies of responses are available on The Service's website) and they have led already to the creation of a joint Inland Revenue/HM Customs and Excise specialist unit to ensure a more consistent and commercially-orientated approach to businesses in financial difficulty. Issues concerning the financing of rescues and possible realignment of creditor interest, rights and priorities are the subject of further consideration and consultation.

### "Bankruptcy - A Fresh Start"

Following public consultation, recommendations for changes to personal insolvency law to encourage entrepreneurial activity by reducing the stigma attached to failure and moving away from a "one size fits all" approach to bankruptcy were made in a report to the Secretary of State in November 2000. The report's main proposals are that in the large majority of bankruptcies where there is no evidence of misconduct, discharge should occur when the Official Receiver has completed any necessary enquiries or, at the latest, after 12 months. In addition, consideration is being given to the removal of around 200 statutory restrictions which apply automatically to bankrupts and which are either outdated or offer little public protection.

In that small minority of cases where the bankrupt has been culpable or dishonest, the

courts should be empowered to make a bankruptcy restriction order on the application of the Official Receiver. Like company director disqualification orders, restriction orders would run for a period of between 2 and 15 years, during which time the bankrupt would remain subject to the bankruptcy restrictions.

### Government White Paper on Enterprise, Skills and Innovation

In February 2001 the Government set out its proposals for legislation to implement the company rescue and bankruptcy changes in a joint DTI/DfEE White Paper.

*"Government's role is to create the business, financial and regulatory framework needed to realise this vision and to remove unnecessary barriers to enterprise. Government must help create an ambitious business culture, which enables people from all walks of life to realise their creativity, innovative ability and entrepreneurial potential. We must help any person with the will and the ability to create and grow a successful business. And honest business failure should not mean that you cannot have another go."*

The measures proposed in the "Fresh Start" review encompass the White Paper aim of

*"significantly relaxing insolvency rules so that honest businesses and individuals who go bankrupt have a better chance of starting again quicker, while cracking down on the fraudulent and irresponsible."*

The White Paper also said that the Government

*"will investigate the viability of providing a single scheme, unifying bankruptcy and the county court administration order procedure to deal with all personal insolvency."*

The Service and the Lord Chancellor's Department are jointly undertaking preliminary, detailed work to assess the viability of such a unified scheme.

**Other legislation with which The Service has been involved -**

▪ **Human Rights Act 1998**

The Human Rights Act came fully into force in England and Wales in October 2000. The Service has carried out a thorough review of the insolvency legislation and supporting procedures and practice and where appropriate procedural changes have been implemented. The Service also provided its staff with general guidance on human rights issues.

▪ **Limited Liability Partnerships Act 2000**

The Limited Liability Partnerships Act came into force in April 2001. The Service provided considerable input to the development of the policy and detail of this legislation, to its passage through Parliament and particularly to the development and drafting of the insolvency aspects of the supporting regulations.

▪ **Electronic Communications Act 2000**

The Electronic Communications Act, which came into force in May 2000, provides for the legal recognition of electronic signatures and the removal of legislative obstacles to the use of electronic communications and storage. The Service is committed to enabling maximum appropriate use of the electronic medium in insolvency proceedings consistent with the needs of the process and the wishes of users, and regard to developments taking place in the wider administration of justice field.

▪ **Commonhold and Leasehold Reform Bill**

As well as proposing reform of the law relating to leasehold property, the Commonhold and Leasehold Reform Bill represented a renewed attempt to introduce a new form of joint ownership of land - commonhold. The Service provided detailed input on the insolvency aspects of the Bill. It is unclear when the Bill will be re-introduced into Parliament.

▪ **Proceeds of Crime Bill**

The Service is liaising with the Home Office in relation to proposals to create a Criminal Assets Recovery Agency charged with recovering assets representing the proceeds of crime by way of civil rather than criminal proceedings. The Service's particular interest is in relation to the potential interface between this new process and procedures under the Insolvency Act.



## The International Perspective

*"The globalisation of trade has increased the incidence of international insolvency. Furthermore, the size and complexity of such insolvencies can be significant enough to raise public concerns about the approaches to be followed, in the interests of achieving fair and efficient solutions of the problems disclosed. This has given rise to an acceleration in regional efforts to deal with cross-border insolvency and to initiatives aimed at producing a global approach to the same problems."* - **From the World Bank "Principles and Guidelines for Effective Insolvency and Creditor Rights Systems" document (March 2001).**

The Service recognises the broader economic need for the United Kingdom to strengthen its engagement within Europe and wider, and continues to be involved in several major initiatives in the international insolvency field.

### European

- **EC Council Regulation on Insolvency Proceedings**

The purpose of the regulation, which will come into force on 31 May 2002, is to improve the efficiency and effectiveness of insolvency proceedings with a cross-border dimension. It will achieve this by removing the need for individual recognition and also by simplifying the taking of enforcement action

The regulation provides a framework within which the insolvency regimes of different member states can interact with more predictable outcomes. The Regulation is directly applicable, and The Service is engaged in a review to determine what legislative and procedural changes may be needed to ensure that it will have full effect in the United Kingdom. The Service is grateful for assistance it has received from a panel of lawyers with particular expertise in cross-border insolvency.

- **Other European initiatives**

The Government's concern that fear of financial failure acts as a barrier not only to stop a loss-making business in time but also as a deterrent to enterprise is shared in Europe. In January 2001, the European Commission, with the Dutch Ministry of Economic Affairs, launched an initiative on "Business Failure and Bankruptcy" as part of the Commission's 2001-05 Multi-Annual Programme for Enterprise and Entrepreneurship.



**EUROPEAN COMMISSION**  
 ENTERPRISE DIRECTORATE-GENERAL  
 Promotion of entrepreneurship and SMEs  
 Improving Business Support Measures

That was taken forward at an international seminar held in Noordwijk, the Netherlands. Desmond Flynn, The Service's Deputy Inspector General, chaired the workshop on 'A fresh start after business failure' and presented the lead paper.

### World Wide

- **UNCITRAL Model Law on Cross-Border Insolvency**

The Insolvency Act 2000 will permit the Secretary of State to make regulations to give effect, with or without modifications, to the model law which seeks to facilitate the process of obtaining recognition of foreign insolvency proceedings. The Regulations will also amend the co-operation of courts provisions of section 426 of the Insolvency Act 1986. Prior to exercising this power (envisaged towards the end of 2002) a wide-ranging consultation exercise will be undertaken.

A number of other countries have also adopted the Model Law or have its adoption under consideration.

▪ **Strengthening regulators' global presence**

The International Association of Insolvency Regulators (IAIR), chaired by The Service's Inspector General, continued to grow in membership, with the People's Republic of China, India, Mexico and Sweden joining Australia (Insolvency & Trustee Service Australia and the Australian Securities and Investments Commission), Canada, Finland, Hong Kong SAR, Jersey, Malaysia, New Zealand, Singapore, Thailand, the United States of America and the three UK jurisdictions - The Insolvency Service, the Accountant in Bankruptcy Scotland and the Insolvency Service Northern Ireland. Observer status was extended to Colombia, the Republic of Ireland and Lesotho.

The IAIR General Meeting 2000, held in Ottawa Canada, considered:

- Initiatives being taken by the World Bank and other global institutions to develop principles and guidelines for world-wide insolvency systems
- Insolvency reform proposals in Australia, India, Ireland, UK and USA
- Implications of human rights legislation in insolvency
- Permitting bankrupts to carry on business
- Administration and investigation of no asset cases, and consumer bankruptcies
- Development of ICT to improve and speed up case management, and service delivery to users.



IAIR Ottawa 2000

The next General Meeting 2001 will be hosted by The Service in London.

Further details of the IAIR are at <http://www.insolvencyreg.org>

▪ **Developing world insolvency standards**

The recognition that insolvency systems are not just about the mechanisms for dealing with liquidation/bankruptcy but are an integral part of national and global frameworks needed to create efficient markets, encourage investment and generate economic growth is reflected in the drive by the World Bank, in collaboration with the International Monetary Fund, the Inter-American, African and Asian Development Banks, the European Bank for Reconstruction and Development and other international bodies, to complete its "Principles and Guidelines for Effective Insolvency and Creditor Rights Systems".



The Bank concluded its programme of Regional Workshops, including for Central European and Baltic States and Latin America and Caribbean countries: the Inspector General, as chairman of the Working Group developing regulatory systems, led the sessions on the Regulatory Framework with IAIR colleagues from Finland, Canada and Mexico .

The next step is a series of pilot assessments of systems against the principles and guidelines to be conducted through 2000 and 2001 in 15 countries across the five key developing regions.

Further details of the Principles and Guidelines are at [www.worldbank.org/gild](http://www.worldbank.org/gild)

Desmond Flynn took part in the Forum for Asian Insolvency Reform sponsored by the Organisation for Economic Co-operation and Development, the Governments of Japan and Australia and the Asian Development Bank.



Forum for Asian Insolvency Reform 2000: Jakarta Indonesia

The Forum meets annually to assist specific countries in the reform and development of their insolvency laws.

**Assisting other countries to develop their systems**

Visits were made to The Service during the year by delegations from Hungary, Japan, Korea, Malaysia and Russia to study the insolvency legislation and operational and regulatory areas of The Service's work.



Hungarian delegation with the Inspector General

The Inspector General, with IAIR colleagues from USA and Canada, was also involved in working sessions with the newly constituted Mexican Instituto Federal de Especialistas de Concursos mercchantiles (IFECOM), and presented papers at its official public launch in Mexico City.



Mexico City: venue of the World Bank Latin America and Caribbean Regional Workshop and IFECOM launch

At the request of the UK Embassy in Sofia, the Inspector General ran a two day Insolvency Workshop for the Bulgarian Ministries of Justice and Economy and private sector practitioners.

He also served on the Insol International Consumer Debt Committee whose report was published in May 2001: details are at [www.insol.org](http://www.insol.org).

# Working with the insolvency profession to improve practitioner standards

## Conduct of Insolvency Practitioners

Under the Insolvency Act 1986 only authorised persons may act as insolvency practitioners. Authorisation may be granted either by a recognised professional body or by the Secretary of State. The Service works with the insolvency profession through the Joint Insolvency Committee to maintain effective and consistent regulation and the development of professional, ethical and technical guidance and practice statements.

Details of the number of practitioners authorised by the Secretary of State and of applications for authorisation during the past three years are as follows:

	2000	1999	1998
Authorised 1 January	124	125	125
<b>Applications</b>			
Brought forward 1 January	2	3	3
New applications	9	6	8
Refused / Withdrawn	1	2	2
Carried forward 31 December	4	2	3
Authorised in year	6	5	6
Retirements	2	5	4
Authorisations revoked	0	1	2
Authorised 31 December	128	124	125

Note:

Of the four applications carried forward at 31 December 2000, Notice of Intention to Refuse authorisation was issued in the year in relation to two of them. Both applicants requested that their case be referred to the Insolvency Practitioners Tribunal.

## Insolvency Practitioners Tribunal

The Insolvency Practitioners Tribunal, a body consisting of those experienced in insolvency and law, investigates and determines cases where the Secretary of State has decided to either revoke an existing authorisation or decline to authorise a new applicant.

During the year, two cases were referred to it and it had reported on one of these by 31 March 2001. In that case, the applicant sought to argue that, although he had not passed the Joint Insolvency Examination, authorisation should be granted to him on the basis of his experience in insolvency work and personal factors which had made it difficult for him to study for the examination. The Tribunal concluded that not only had the applicant shown no compelling reasons why he need not be expected to have passed the examination, but that the evidence available

*"demonstrated a degree of incompetence or ignorance in certain areas of insolvency law and practice"*

which gave rise to considerable concern about the applicant.

## Monitoring

During the year The Service undertook visits to three of the seven Recognised Professional Bodies as part of its programme to assure the regulatory systems and procedures in place. It undertook scheduled monitoring visits to twenty nine practitioners authorised by the Secretary of State as well as looking into complaints and other information relevant to maintenance of standards.

In addition, The Service monitored compliance of all practitioners with two key statutory requirements:

- Director conduct returns

There was a reduction in the number of letters issued regarding failure to file statutory director conduct returns. There was also a

	2000-01	1999-00
Non-filing of returns within 6 months	1,805	2,077
Percentage of final reports submitted within 10 months	94.8%	93.5%

marginal improvement in the timeliness of submitting final reports.

During the year, a practitioner was successfully prosecuted on six specimen counts of failing to file directors conduct returns. He was fined £400 on each count and £4,000 costs.

- Lodging estate funds

There was also a decrease in the number of default letters issued to practitioners for failure to lodge funds in the Insolvency Services Account - demonstrating the success of the proactive approach taken by The Service to ensure that practitioners are aware

	2000-01	1999-00
Default letters	1,265	1,764
Paid into ISA	£1.7m	£7.2m

of their duty to remit funds.

### Unlicensed debt advisers

The Insolvency Practices Council, an independent body set up in early 2000 with responsibility to investigate and examine the professional and ethical standards of the insolvency profession, has expressed concerns about the activities of unlicensed and unqualified debt advisers (often referred to as "ambulance chasers"). Suspicions that an insolvency practitioner may be involved with unscrupulous debt advisers can be referred either directly to the practitioner's authorising body or via an email hotline ([badadvice@r3.org.uk](mailto:badadvice@r3.org.uk)) that has been set up by

the Association of Business Recovery Professionals, a body representing the

### "Ambulance Chasers"

The Official Receiver's enquiries into a company that had been operated by an individual purporting to be an authorised insolvency practitioner and a debt collector resulted in the director being convicted for fraudulent trading and other offences, and sentenced to 3½ years imprisonment, a fine of £50,000 and a 10 year period of disqualification from being a director.

In another case, the Official Receiver's enquiries led to disqualification orders of 15 and 11 years respectively being obtained against two individuals who had been involved in the management of a company that had been used by an undischarged bankrupt as a vehicle for providing insolvency advice to those in financial difficulties.

insolvency profession and which also has concerns about this issue.

### Office of Fair Trading Review of Competition in Professions

The Service contributed to the Office of Fair Trading review into regulated professions which was announced in the Budget 2000 and which reported in March 2001. Amongst the competition issues considered in relation to insolvency practitioners were the mechanisms for fixing fees charged by administrative receivers appointed by banks, the availability of sufficient insolvency practitioners to deal with the increasing demand for voluntary arrangements and ethical guidance in relation to the obtaining of insolvency appointments.

### Dear IP

The Service regularly publishes a newsletter, 'Dear IP', which is sent to all insolvency practitioners as a means of providing guidance on practice issues. During 2000-01, all previous 50 Dear IP newsletters were reviewed and revised where necessary to reflect new legislation, procedures and administrative policy.

## Meeting the needs of 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 by the Secretary of State as trustee or liquidator to take over the administration of an insolvency from the Official Receiver.

Other users include Ministers, the DTI and other government departments, the courts, the European Union institutions and wider international countries; and advice organisations.

The Service focuses its service delivery upon ensuring that information about processes and procedures are as comprehensive as possible; that plain language is used in both written and oral communication; that flexibility is offered where possible, for example appointment times; and that it responds efficiently and effectively to matters raised by users.

**How do we identify user needs?**

### Surveys

- Since July 2000, users have been encouraged to complete a comment card after visiting one of The Service's offices. From the analysis of cards received during the period July to December 2000, 99% were satisfied with the level of service that they had received.
- Other satisfaction surveys carried out during the year included: a report to creditors readership survey, a diversity survey and two surveys of insolvency practitioners. A user strategy action plan has been drawn up to take forward improvements identified as a result of those consultations.
- All bankrupts and directors interviewed in February and March 2001 were surveyed at the conclusion of the interview as to whether they would wish to be able to be seen outside normal offices hours of 9.00am to 5.00pm. The information will assist The Service in determining whether there is a demand for such a service, and how it might best be met.



### Consultative user groups

- During the year, The Service consulted with users via two consultative user groups. The National Consultative User Group is made up of representatives from the Bankruptcy Advisory Service, the Small Business Service, NACAB, the Court Service Agency, the Institute of Credit Management and the Consumer Credit Counselling Service.
- Issues considered by the Group included The Service's website, extended hours of service, the provision of information and extending it to Welsh and foreign languages.
- The Central Accounting Unit User Group deals specifically with insolvency practitioner issues and the operation of the Insolvency Services Account.

### Staff Suggestion Scheme

- During 2000-01, staff were encouraged to identify improvements in service delivery to users by submitting ideas through a staff suggestion scheme. The scheme was piloted over The Service's intranet from September 2000 to March 2001 and suggestions could only be submitted electronically. The scheme is currently being evaluated.

### Complaints

- The Service has a published procedure for dealing with complaints, available in all its offices and on its website. In 2000-01 it received 731 complaints, a slight increase of 6.2% on the 1999-00 figure of 688. Of those, 202 (28.9%) complaints were found to be justified in whole or part, against 195 (28.3%) in 1999-00. There were 32 (4.4%) complaints which were ongoing. 679

(92.9%) complaints received were answered within the target of 10 working days, compared with 624 (90.8%) in the previous year.

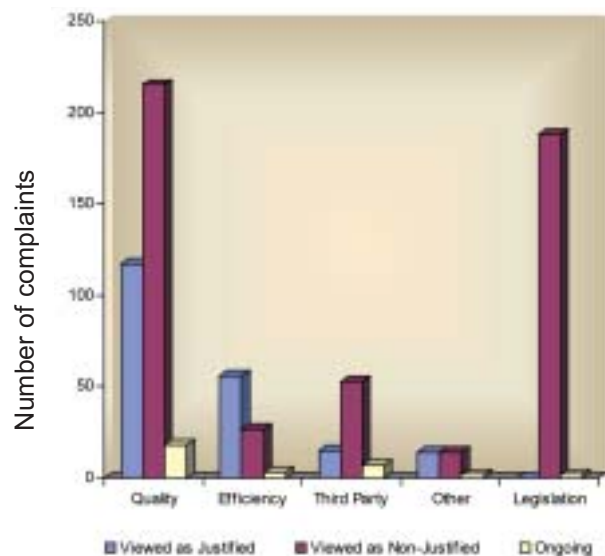
Complaints are categorised into one of five specific areas, efficiency of service; quality of service; third parties either within or outside The Service's control; other; and insolvency legislation.

Number of justified complaints in each recording category:

Nature of complaint	Viewed as justified	Viewed as non-justified	Ongoing	Total
Quality	117 (33%)	215 (62%)	18 (5%)	350
Efficiency	56 (65%)	27 (31%)	3 (4%)	86
Third Party	15 (20%)	53 (71%)	7 (9%)	75
Other	14 (47%)	14 (47%)	2 (6%)	30
Legislation*	0 (0%)	188 (99%)	2 (1%)	190

\* As The Service is bound to operate within current insolvency legislation, complaints against the legislation are recorded as non-justified. However, many of the views expressed under this category were subsequently considered as part of the "Bankruptcy - A Fresh Start" consultation process.

The nature of the complaint



## Improvements made as a result of feedback received

- A director of a failed company accessing our internet website suggested we incorporate a list of general 'questions' on our home page which directs users to the appropriate web-pages for their queries. This is one of a number of changes that have now been made to The Service's website at users suggestions.
- A firm of solicitors complained that they had not received notification of a bankruptcy order made against an individual of whom they were a creditor. As a result, the solicitors incurred unnecessary costs in pursuing the debt with the bankrupt. As the Official Receiver's office concerned had been informed that the firm of solicitors were creditors, we apologised and compensated them for their financial loss. New procedures have been put in place to prevent the same omission from happening again.
- A complaint about the phone conduct of a staff member resulted in the complainant receiving an apology and the member of staff receiving further training, a need which might otherwise have gone unnoticed. Other complaints received about the quality and efficiency of our service have resulted in further staff training on our policies/procedures. New internal guidance notices have also been issued to staff on certain issues.
- A complaint was received about the technical and complex language used in one of The Service's pro-forma letters. The letter was sent for review by the Plain Language Commission and was amended in line with its suggestions. All our leaflets and guides are Commission accredited, and pro-forma letters and forms are submitted where technical or complex issues are dealt with.



### Help us to put things right

The Insolvency Service is committed to providing a professional, efficient and helpful service to all its users. The Insolvency Service takes any complaints it receives seriously and will take appropriate action to put things right.

**If we have made a mistake, or you are not happy with the service that we have provided please let us know.**

You can do this by asking a member of staff at this office for help or pick up our leaflet 'Complaints Procedure: Information on Making a Complaint' from our reception area.

Feedback received from our users by way of complaints, surveys and user groups has resulted in various improvements to the way we operate. Examples of these improvements include:

- Tea and coffee, or other refreshments, are now offered to any person being interviewed in our offices.
- A firm of solicitors complained that they had not received notification of a bankruptcy in which they were creditors and as a result incurred costs in pursuing the debt. As the Official Receiver's office concerned had been informed that the firm were creditors, we apologised and compensated them for their loss. New procedures have been put in place to prevent the same thing from happening again.
- A joint leaflet on how to petition for bankruptcy is being developed in conjunction with the Court Service Agency. These are currently being printed and will soon be made available in our offices and courts that deal with insolvencies.

A full range of our leaflets and guidance material is available from our website, or by telephoning our Central Enquiry Line on 020 7291 6895.

[www.insolvency.gov.uk](http://www.insolvency.gov.uk)

PEOPLE  
and Industry

### Review of complaints procedure

The Service is currently reviewing its complaints procedure. The review includes consideration of whether:

- categories are sufficient to capture all complaints;
- information about complaints is adequately analysed;
- information is being used to identify recurring problems;
- the analysis is being used to contribute to service development;
- complaints are being resolved to the satisfaction of users; and
- the process should include an external adjudicator.

## How have we met those needs?

### Charter Standards

- The Service's Charter Standards were reviewed in 2000 following consultation with users.
- The Charter now includes a time to answer telephone standard as well as a timeliness target for dealing with e-mails. A private sector company was engaged to undertake a mystery shopping exercise to test telephone response rates. The results of the exercise were used to set the time to answer target.
- During 2000-01 The Service applied for its second Charter Mark.



	2000-01 Actual (Target)	1999-2000 Actual (Target)
Correspondence requiring a reply will be acknowledged within 5 working days with a specified reply date or replied to within 15 working days of receipt	98.1% (90%)	96.9% (90%)
Visitors with appointments will be seen within 5 minutes of their appointment time	96.3% (90%)	96.2% (90%)
Visitors without appointments will be seen within 10 minutes of arrival	95.3% (90%)	90.0% (90%)
All calls to offices/sections between 9am and 5pm, Monday to Friday, will be answered within 16 seconds *	88.4% (95%)	Not then measured
All calls to the central enquiry line will be answered within 20 seconds	92.0% (95%)	90.0% (95%)
Issue report to creditors on assets and liabilities		
-within 8 weeks	98.8% (97%)	98.3% (97%)
-within 12 weeks	99.7% (98%)	99.7% (98%)
Hold initial meetings of creditors		
-within 12 weeks	97.2% (96%)	97.6% (96%)
-within 4 months	99.6% (98%)	99.7% (98%)
Within 8 working days of the insolvency practitioner's appointment to the case, the Official Receiver will offer to hand it over to him/her	97.6% (100%)	97.3% (100%)
The Official Receiver will write to bankrupts and company directors within 2 working days of our receiving notification of the bankruptcy/winding-up order	90.4% (90%)	77% (90%)
The Official Receiver will fix an appointment for an interview within 10 working days of our receiving notification of the bankruptcy/winding up-order	83.6% (90%)	81.6% (90%)
Action invoices for payment within 30 days of receipt	98.9% (100%)	98.6% (100%)

\* This is a new target and the results are for October 2000 to March 2001

## Consumer Champion

- A senior official at Board level, Lesley Beech, has been appointed as The Service's Consumer Champion to ensure that user needs are considered in decisions taken by The Service's Directing Board.

## Central Enquiry Line

- A Central Enquiry Line provides general information about insolvency procedures. The enquiry line is available Monday to Friday 9.00am to 5.00pm and will also deal with enquiries sent by e-mail.
- Calls to the enquiry line are analysed to identify additional information that would be helpful if provided in leaflet form or on The Service's website.
- 1,791 calls were answered during the year, and 455 e-mails dealt with.



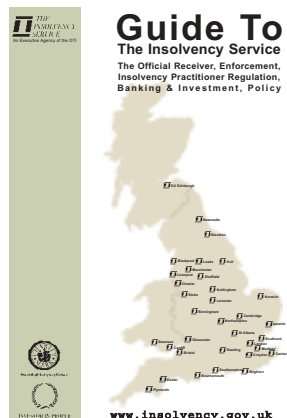
## Website

- The Service's website at [www.insolvency.gov.uk](http://www.insolvency.gov.uk) includes information on insolvency legislation, the location of offices, consultation documents issued by The Service, copies of The Service's publications and frequently asked questions.

- The site is updated weekly and organisations and members of the public can register to receive an e-mail advising them of updates to the site.
- The site contains a feedback questionnaire that seeks to identify what users would like to see on the site.
- As a result of feedback received from users, the website was redesigned and re-launched in February 2001.

## Publications

- The Service publishes a range of information leaflets which are available to the public free of charge in paper form and on The Service's website.
- The Service monitors the distribution of its publications weekly to ensure that sufficient stocks remain available.
- As a result of calls and e-mails received by the Central Enquiry Line and from user comment cards, a new leaflet "Dealing with Debt - How to petition for your own bankruptcy" was produced in conjunction with the Court Service Agency. It was published in March 2001 and is also available to download from The Service's website. The Guide to The Service was also revised during 2000-01.



A list of the publications is provided at Annex A

### **Removing difficulty for bankrupts in attending at offices**

Telephone interviewing was trialled for summary administration cases and, after review, this was implemented in all offices. A number of benefits were identified but the primary advantage was that the bankrupts did not have the expense and possible difficulty of travelling to offices for interviews. This was particularly helpful to bankrupts in rural areas. The trial also identified efficiency benefits in facilitating the transfer of work from one office to another.

As a result of the success of telephone interviewing in summary cases, the procedures have been extended to other debtor petition cases (with certain exceptions) in a further trial conducted initially by the South West Region and now additionally by the Anglian Region. A further review of the trials will take place in September 2001.

### **Increasing distributions to creditors**

Current insolvency legislation allows directors of failed companies to be pursued in the courts for recovery of monies where there has been negligence, misconduct or misappropriation of assets. However, all too often actions are not pursued by a liquidator because of lack of funding. Under the civil recovery scheme The Service and a team of private sector insolvency specialists, known as the Forensic Insolvency Recovery Service (FIRS), have been working together to identify suitable cases to take legal action against the director(s). The pilot scheme involves only those cases where the directors have been disqualified. The use of a special cost structure ensures that the funding requirement is kept to a minimum. Legal action will be based on a no win no fee basis. The scheme is aimed at deterring directors from abusing the privilege of limited liability, and obtaining a return to creditors.

It is expected that sufficient cases will have been concluded by September 2001 to determine the size of returns to creditors

where none would have been envisaged without the scheme.

### **Assisting frequent users**

The Service is looking into the viability of operating petition deposit accounts for frequent users. The proposed scheme would involve those users having an account with The Service, from which the deposit would be taken to the estate on the making of a bankruptcy or winding up order. Instead of raising cheques every time they presented a petition, the account user would only have to 'top up' their account periodically. This should save them administrative costs. It would be more efficient for The Service in that it would not have to deal with the administration of deposits in cases where the petition is dismissed. There would also be a saving for the courts in reduced handling of deposits.

### **Working to tackle phoenix operations**

The Service continues to develop its contacts with Inland Revenue, Customs & Excise and the Benefits Agency in order to tackle phoenix businesses and other tax avoidance operations, and to develop a long-term strategy to reduce the numbers of phoenix companies through education and enforcement.

### **Tracing beneficiaries of unclaimed dividends**

The Service has been actively involved in searching and providing data to private sector tracing organisations about dividends unclaimed by creditors, for example where they have moved address before the dividend was paid. During 2000-01 £3.7m was paid out.

The Service has also been working with the Inland Revenue and Customs & Excise to identify and allow unclaimed crown dividends to be paid under streamlined procedures.

## Value for money

The Service continues to look, and explore opportunities for, improved efficiency.

### Comprehensive Process Review

This project, primarily focussed on case administration, considers working practices in all Official Receiver offices and compares performance against benchmarks. Improvements identified during 2000-01 include:

- Improved methods of capturing and interrogating electronic accounting data;
- Electronically transferring insolvency order details to local offices; and
- Accessing company file data electronically.

### Unit cost

The Service has a unit costing system, which covers its two principal functions - administration and investigation - and support services. Targets are currently set and reviewed on a three yearly basis and are directed to improving efficiency and effectiveness. Both case administration unit cost and investigation unit cost showed an improvement in 2000-01 against the previous year of 2.8% and 4.7% respectively.

	Target 1998-99	Outturn 1998-99	Target 1999-02	Outturn 1999-00	Outturn 2000-01
Case administration unit cost	Reduce by 1%	Reduced by 5.1%	No increase in real terms over three years	Increased by 11.8% over 1998-99	Increased by 9%
Investigation unit cost			Reduce by 10% in real terms over three years	Reduced by 5.9% over 1998-99	Reduced by 10.6%

Note: The increase in the case administration unit cost is in part attributable to the additional cost of the new IT infrastructure introduced in 1999-00.

### Asset Recovery

Improvements in procedures for recovering assets include the 'policyfinder' trial - a service whereby a private sector company, Policyfinder, on behalf of Official Receivers initiates a trawl of databanks of life and pension companies in order to identify undisclosed policies. The benefits of the scheme will be reviewed in 2001-02.

### New External Storage Contract

The Service awarded a new external storage contract starting from April 2001. The tendering process also encompassed a review of The Service's storage procedures and policies. The new contract will provide :

- a standard approach to storage
- a centrally managed contract
- a computer link to the contractor's database
- accurate recording of all matters sent to external store
- a procedure to avoid wasteful storage of boxes longer than is necessary, and
- an improved online system for the tracing and retrieval of files.

In parallel, the period for which The Service's case files are kept has been reduced from 10 years to 7 years, lowering storage costs.

Negotiations with crown departments are also at an advanced stage to reduce the period that bankrupts' and companies' accounting records are held before destruction.

### Investigation Process Review and the implementation of the new revised process.

During 2000-01 the Investigation Process was reviewed. The Process, launched in 1999 from an examination of best practice across all offices, was intended to bring more focus and control to the investigations process resulting in less 'wasted' investigation effort. The review found that the Process had contributed to improvements in quality and an increase in the number of reports accepted on first

submission. Further improvements were identified and a revised Process launched in January 2001.

### **External Benchmarking.**

Service representatives visited the Scottish Accountant in Bankruptcy in order to compare various aspects of Scottish and English operational practices including case work procedures, case work standards, targets and performance; the funding system; asset realisation; policy on appointment of private sector practitioners; visits to a bankrupts' premises; audit programmes; staff organisation structure; and investigation responsibilities.

Similarly, meetings have also taken place with insolvency practitioners to compare case work procedures, in particular in respect of policies and procedures relating to the realisation of assets.

A report will be produced in 2001-02.

### **New contract for book debt and Income Payments Order collection.**

A national contract was commenced during November 2000 for the collection of book debts and sums due under income payment orders. The Service expects to benefit from the uniform approach to the collection of debts and the central management of the contract. In particular, more management information will be available to monitor the recoveries made. The performance of the contract will be kept under review, and recovery targets increased where appropriate.

### **Competitive tendering for disqualification legal work, and performance comparison**

The Service maintains a rolling programme of review of the value for money provided by solicitor agents contracted to conduct disqualification proceedings on behalf of the Secretary of State. This is initiated by competitive tendering on a three-year basis in each region, and continued through the

monitoring and comparison of the performance of each agent. Two regions were tendered during the year.

In addition, the contract for the recovery of costs awarded to the Secretary of State on successful disqualifications was transferred to solicitor agents so as to further streamline the whole disqualification process and achieve a better collection rate.

The average time disqualification cases are in the court process is targeted to be reduced by a combination of more efficient procedures and effective use of the reforms brought in by the Insolvency Act 2000.

### **Contracting out of investigation work to create flexible capacity and capability, and to compare costs**

The Service is currently resourced to investigate all cases where potential unfit conduct by a director has been identified by the Official Receiver or insolvency practitioner. In order to address the risk inherent in dealing adequately with a substantial increase in the workload, The Service is conducting a pilot scheme whereby three of its solicitor agents are undertaking the investigation stage of disqualification cases. The pilot will run for a year to provide sufficient time to assess the capability and capacity of the agents, and the comparative costs.

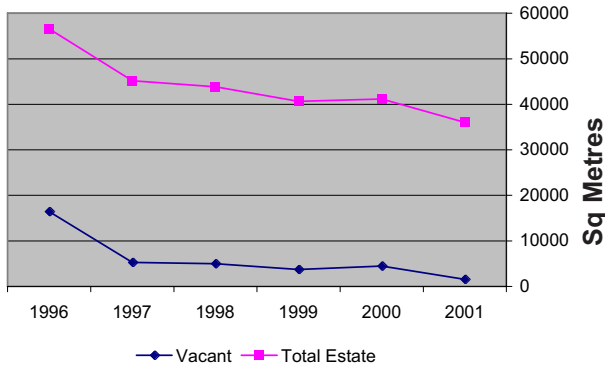
### **Memorandum of Understanding**

In October 2000, The Service entered into a Memorandum of Understanding with The Association of Chief Police Officers and the DTI to formally establish best working practice and to provide a framework for the exchange of information and intelligence between the parties in relation to their respective investigatory duties.

## Accommodation

The Service's estate is managed with the support of professional management agents and private sector solicitors and that partnership has achieved significant reductions in The Service's total estate and vacant space since it assumed responsibility for it in 1996.

### Insolvency Service Estate



During the year, disposals of freeholds were completed with the sale of the properties at Chester and Rochester. These offices were relocated, as were those at Stockton-on-Tees, Reading and Nottingham.



The relocation of Nottingham was necessary as a result of a major fire in 1999.

Formal openings were conducted at Blackpool, Chester, Newcastle (which moved in 1999-00) and Stockton: local court officials and insolvency practitioners were invited.



The Inspector General with the Official Receiver at the official opening of the Blackpool office

## Environmental Issues

The Service now has in place an environmental action plan, concentrating mainly on those areas where it can have a direct influence, for example energy saving, recycling of used materials and working with suppliers to reduce environmental impact.



The increasing use of advanced IT systems is also expected to reduce paper consumption.

## Recognising potential and developing skills

### Investors in People (IiP)

Following on from the initial Investors in People award in 1999, The Service obtained re-accreditation in August 2000 with the lead assessor concluding:

*“The evidence gained from documentation, briefing meetings and interviews amply demonstrated The Service has progressed even further since its original assessment against the Investors in People Standard”*

The Service will seek further re-accreditation in September 2002. It will be assessed against a new set of criteria; and accordingly, it has set up and trained a network of 32 IiP Champions who will, in the intervening period, evaluate performance against those criteria to ensure that the IiP principles remain best practice throughout The Service.

### Long Service Award

The original idea of introducing an award scheme was raised at an Agency Whitley Committee meeting to recognise the long service and loyalty of staff.

March 2001 saw the first long service awards for staff who had completed 25 years service by 31 December 2000. 170 staff were eligible and their service was marked by a series of presentations by the Inspector General.



Peter Joyce with David Ireland (OR Liverpool) & Bill Potts (AOR Liverpool) at a long service award presentation: the combined service of the three of them totals 113 years

### Achieving a better balance

During the year, The Service looked at different working patterns that would enhance its family friendly policies, whilst ensuring that there was no loss of standards of service it provided. 26 staff are piloting a scheme to test both the technology for, and general viability of, staff working part of their week at home and part at the office. The Service has for several years now had around 10 permanent home workers.

Parental leave was introduced as part of the Employment Relations Act 1999 which included the right to take 13 weeks unpaid leave until the child's 5th birthday. This year The Service extended the scope and flexibility of the statutory provisions, by allowing the leave to be taken until the child's 11th birthday, together with the possibility of taking the leave in a reduced hours format.

### Working in Partnership to develop Insolvency Qualifications

In 1999, The Service, in partnership with Nottingham Trent University, launched the Diploma in Insolvency Practice with an interim Advanced Certificate in Insolvency Practice. In 2000-01, 19 staff passed the interim certificate representing a success rate of 79% (target is to reach 90% by 2004) and a further 14 are currently studying for it.

In 2000-01, the Certificate of Achievement in Insolvency Practice Administration for Service administration staff was launched, and 25 staff are nearing the end of this programme.

Development work continued on qualifications for Service managers, and the first part will be launched in Autumn 2001.

## Staff development

The Service enhanced its Adult Further Education programme and re-launched it as "Lifelong Learning", Previously educational support was given in respect of qualifications relating to staff's existing job. The new criteria allows financial support for qualifications related to their career and personal development aspirations. This has led to applications for an increased range of courses leading to a recognised or professional qualification, ranging from A level studies to Microsoft Certified Software Engineer.

## Staff Achievements

During 2000-01:  
5 staff achieved the full ACCA qualification.  
19 staff achieved the Advanced Certificate in Insolvency Practice.

## Equal Opportunities and Managing Diversity

Service appointments are made on merit on the basis of fair and open competition. The recruitment is conducted in accordance with the Civil Service Commissioners' Recruitment Code (as governed by the Civil Service Order in Council 1995) and the procedures are subject to internal check by the Human Resources Section of The Service.

The Service uses the Employment Service's "Positive about Disabled People" (two ticks) symbol and is a member of the Employers Forum on Disability. It is committed to its equal opportunity policy, and encourages applications from ethnic minority groups and from disabled persons.

During the year, The Service appointed 103 staff to the following pay ranges:

Pay Range	Permanent	Casual	Total	Women	Men
A1	25	16	41	25	16
A2	35	24	59	37	22
B1	1	0	1	0	1
B2	2	0	2	1	1
<b>Total</b>	<b>63</b>	<b>40</b>	<b>103</b>	<b>63</b>	<b>40</b>

On 4 occasions The Service appointed staff using the exceptions to the recruitment principles of fair and open competition, as provided for in the Recruitment Code: all related to the re-appointment of former civil servants.

In 1999, The Service set benchmarks as to the level of representation of women and ethnic minority staff in senior management posts, compared to overall posts, against which progress would be measured at 31 December 2002.

One of the benchmarks for representation of women has already been exceeded, with progress made on the second:

	% of posts filled by women	Benchmark % by 31-12-2002
<b>Band C</b>	35.0	27.6
<b>Band D</b>	13.2	14.0

One ethnic minority benchmark has been exceeded and there is an emphasis on attracting capable staff to band B, the pool from which future managers are drawn:

	% of posts filled from ethnic minorities	Benchmark % by 31-12-2002
<b>Band B</b>	10.9	10.5
<b>Band C</b>	4.2	8.9

The Service secured funding for Equal Opportunities and Diversity training for all staff that began in late 2000 and will conclude in July 2001. This programme was supplemented with a revised and re-issued Equal Opportunities Complaints Procedure and introduced a network of Equal Opportunities contact officers.

## Health and Safety

The Service continues to promote health and safety policies and has contributed to Departmental responses in relation to raising health and safety as a major issue to be addressed by organisations. Advice has been issued on the use of telephone headsets, which are becoming more widely used for interviewing bankrupts. Fire risk assessments were undertaken at all offices and appropriate action identified. Accidents in 2000 were at a similar low level to the previous year, with minor cuts and bumps accounting for 71% of reported injuries. Concentration on educating about particular debilitating areas, such as injuries caused by lifting, has meant that this type of accident is now negligible, and absence from work correspondingly reduced. No accidents in the year required notification to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Accident figures for the past 3 calendar years were:

Type of accident	2000	1999	1998
Tripping over cables	0	4	2
Strains from lifting	1	3	16
Cuts to fingers/hands	28	27	29
Slip on wet floor	1	0	1
Trapped fingers / hands in doors, furniture etc.	5	4	10
Dust particles in eye	1	1	1
Inflamed joints	1	0	1
Bruising, following bumps into equipment, doors etc	19	12	8
Trips on stairs	2	2	7
Scalding by hot water	0	3	2
Strain caused by slipping on uneven floors	1	3	2
Breathing problems (air pollution)	1	0	2
Other minor accidents	6	2	7
<b>Totals</b>	<b>66</b>	<b>59</b>	<b>81</b>



## Meeting the challenges of the future

*"Our goal is for the UK to be recognised as the enterprise hub of Europe. Our business climate, regulatory framework and social attitudes toward business success - and failure - must be attuned to meeting the goal":*  
*Stephen Byers, Secretary of State for Trade and Industry, "Opportunity for all in a world of change" White Paper February 2001.*

### The Policy Framework

Insolvency systems and the mechanisms for dealing with debt and business failure are under radical re-assessment, and not just in the UK. The policy reviews outlined in this Report set an approach to the reform of insolvency law which clearly signals the Governments' purpose of encouraging enterprise and responsible risk-taking and de-stigmatising failure; offering more accessible avenues for re-organisation and re-construction and for reaching agreement with creditors; providing relief from over-indebtedness and a fresh start; and imposing more effective sanctions on the reckless, irresponsible and fraudulent. And, as noted, these themes are reflected both in the European Union and globally.

The reviews have not been confined to technical solutions for dealing with insolvencies, but are set in the broader context of creating a modern commercial and financial infrastructure which stimulates economic activity in a global market, supports particularly small business to become established and grow, and tackles consumer debt; and of the changing overarching regulatory, competition and international frameworks. Ministers have now announced the intention to legislate.

Against that background, it is important that the recently completed Agency Quinquennial Review should have confirmed agency status for The Service. That provides it with a firm framework to address and respond to legislative changes as well as those already flowing from the modernising government

agenda - extending the scope of public services; partnership working with both public and private sectors to improve delivery; flexibility in access for users, and for staff working arrangements; and information and communication technology development. Underpinning all this of course is the need to continue to carry out statutory functions efficiently and cost-effectively, and with an increasing emphasis on looking at the impact of outcomes and how they deliver The Service's, and the Department's, objectives.

### Funding

One key issue identified in the Quinquennial Review and in the "Bankruptcy - a Fresh Start" proposals is the need to resolve the funding of The Service in a way which enables it to respond to the demands made of it, and to promote efficiency and competition. Work on that is now proceeding with the intention of reporting in autumn 2001. The Service can then develop in parallel the operational procedures and organisational structures necessary and appropriate to deliver the envisaged new insolvency regime.

### The Operational Framework

The planning assumptions for 2001-02 on which The Service's targets have been set is 26,500 new cases; current levels of identified misconduct justifying further investigation; and current levels of estate banking and investment transactions. It should however be noted that the first three months of the year have seen rises in new cases and identified misconduct above those assumptions.

### Information Technology and E-business

The Service needs to move forward on information and communication technology, not only to meet its own immediate operational requirements within indicative allocations but also to ensure that it is able to maintain essential business links with its public and private sector "partners", such as

the courts, Companies House and the Land Registry, and its solicitor agents and insolvency practitioners: otherwise it could fall behind the pace on new technology development, impacting on its capability to sustain efficiency and service improvements. This will require investment estimated at £1,150k in 2001-02 rising to £2,500k in 2003-04 to replace the existing case administration systems and exploit and enhance its infrastructure (including home/remote working and electronic records management and data exchange) and to deliver e-government targets. The investment forms part of the DTI's e-business strategy which has gone forward to the Office of the e-Envoy and HM Treasury.

#### ▪ **Video link between Courts and The Service**

The Service has secured funding of to conduct a trial, starting in May 2001, for the Official Receiver to "attend" court hearings by video link. The trial is being held between the Official Receiver office Blackpool and Carlisle and Preston county courts. The trial will test savings in relation to both travel costs and lost time for staff who would otherwise have to attend the court in person against the link costs and effectiveness of video "hearings".

Some bankrupts may also be given the option of being interviewed by the Official Receiver over the link direct from their local county court, thereby removing the need for time consuming journeys.

#### ▪ **Prema trial**

As part of the programme to modernise the civil courts, the Preston county court has begun a pilot which allows the issue and service of applications by e-mail. Such applications are considered by a judge without the need for a court hearing. The Service is an active partner in the pilot and has already made a number of applications using this method.

#### ▪ **Staff / User IT Access**

During 2000-01, The Service extended external e-mail and Internet and Intranet access to all staff which improved communication with both internal and external users. The new infrastructure also enabled external access to The Service's systems for the majority of its home workers. Further progress will be made in 2001-02 with a pilot to evaluate the costs and benefits of more flexible working arrangements involving the use of laptop computers and a mix of home and office based working. The results of the pilot will be evaluated in Autumn 2001.

The planned replacement document production system has been severely delayed due to technical problems. It remains unclear when these issues will be resolved.



#### ▪ **On-line facility**

During 2001-02, it is intended to provide insolvency practitioners with an on-line facility to enable them to view estate accounts on BANCS. A further on-line facility planned is access via the internet to the Individual Insolvency Register.

▪ **Procurement**

During the year, the Government procurement card was introduced which led to administrative improvements by reducing the number of payment actions. A partnership has also been entered into with Lloyds/TSB to use and develop its marketplace electronic purchasing system. The extension of this to further suppliers will help the agency meet the Government target of 90% of routine procurement being undertaken electronically.

▪ **Business Planning**

As part of the Civil Service Reform Programme, funding was awarded to The Service to employ a consultant to review the current business planning process. The review includes an evaluation as to whether the communication process creates the right environment for encouraging upward feedback. The consultant is due to report in August 2001. It is already evident that the report will identify improvements to the way in which plans are produced, communicated and implemented.

▪ **Information in foreign languages**

During 2001-02, The Service will build on the work already underway in relation to providing information in other languages. It is anticipated that during the year a number of publications will be made available in Welsh and two further languages.

▪ **User satisfaction index**

In order to provide The Service with a means of measuring user satisfaction year on year, consideration will be given in 2001-02 to the implementation of a user satisfaction index. In determining the value of such an index, a comparative study of other agencies will be undertaken to identify the most effective form of index.

▪ **Website development**

In 2001-02, The Service will be seeking to obtain plain language accreditation for its website - already Bobby accredited - to ensure that information is user-friendly. Other proposed improvements include increasing the forms available to be completed on line and also enabling a complaint to be submitted via the website.

▪ **Grading and Pay Review**

An essential aspect for The Service to achieve its business objectives is to have a reward strategy and performance management policy that support its strategic aims. The Service has received funding from the Civil Service Reform Fund to employ external consultants to review all aspects of the present reward strategy and performance management systems. Of particular importance will be the requirement to build upon the various initiatives which have already been undertaken by The Service to align its approach to employee remuneration with business objectives.

The review will need to consider the existing arrangements and also focus on reward strategies which are more flexible and better link business objectives with performance management and reward.

## Corporate governance and risk management

### Risk Management Group

The Service's Risk Management Group, made up of senior managers, is responsible for ensuring that the risks to which The Service is exposed are identified, assessed and properly managed. The group meets 4 times a year to agree policy and strategy and to consider specific areas or aspects of risk. Key risks are identified and assessed for The Service as a whole and at the unit level. They include risks with financial consequences, reputational risks and risks which could prevent The Service from discharging its duties.

During the year, The Service launched two initiatives in line with Government recommendations for public-sector corporate governance:

- Implementation of a risk management model suitable for all business units in The Service; and
- Making managers of all business units accountable for internal control within their area of responsibility

To assist business unit managers in assessing and managing risks and to produce risk registers for their units, workshops will be held during 2001-02. Ultimately, business unit managers will be required to prepare and sign an internal control statement explaining:

- How risks are identified and managed;
- The systems and controls in place to achieve internal control; and
- The auditing/monitoring procedures in place to ensure compliance.

### Audit Committee

The Service's Audit Committee supports the Inspector General in his role as Agency Accounting Officer. The membership of the Committee comprises senior management from The Service together with representatives of DTI, and the Agency Steering Board: the National Audit office also attends. The Committee met three times during the year. Its prime functions are to:

- Create a climate of discipline and control in order to reduce the opportunity for fraud, impropriety and financial mismanagement;
- Improve the quality of financial reporting;
- Provide a forum for senior management, independent members and auditors to discuss auditing issues;
- Advise the agency accounting officer on the effectiveness of The Service's internal control system; and
- Obtain annual assurances from business units in The Service on their operations, financial control and compliance with legislation.

# Insolvency Service Publications

## Annex A

The following is a list of publications issued by The Insolvency Service.

Many of the publications are available on its website (shown with a ✓ in the 'Web' column) at [www.insolvency.gov.uk](http://www.insolvency.gov.uk) or from:

### The Insolvency Service Publications Order Line

**Telephone:** 0121 698 4241

**In writing:** The Insolvency Service (Publications Orders)  
Records Management  
4th Floor East  
Ladywood House  
Birmingham  
B2 4UZ

**E-mail:** [records.management@insolvency.gsi.gov.uk](mailto:records.management@insolvency.gsi.gov.uk)

If you have any questions/comments about the website, either fill out the feedback questionnaire on the site or e-mail the webmaster at [martin.baker@insolvency.gsi.gov.uk](mailto:martin.baker@insolvency.gsi.gov.uk)

Information about The Service	Available from	Web
A Guide to The Insolvency Service [April 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
Complaints Procedure [April 2001]	As above	✓
List of Official Receivers [Regularly Updated]	Website only	✓
The Insolvency Service Annual Report 2000-01	The Stationery Office Tel: 0845 7 023 474	✓
* The Insolvency Service Charter [April 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
Information about insolvency procedures		
* A Guide for Creditors [April 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
* A Guide for Directors [April 2001]	As above	✓
Can my bankruptcy be cancelled? - Information on annulment of a bankruptcy order [April 2001]	As above	✓
Company Directors Disqualification Act 1986 and Disqualified Directors [August 1998]	The Insolvency Service Tel: 020 7291 6807	✓
Company Directors Disqualification Act 1986 and Failed Companies [August 1998]	As above	✓
* Guide to Bankruptcy [April 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓

Individual Insolvency Register [April 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
Information and Guidance Notes for Members of the Creditors' Committee or the Liquidation Committee [March 2001]	As above	✓
* What happens when you go to the Official Receiver's office? [April 2001]	As above	✓
What will happen to my bank account? [June 2001]	As Above	✓
* What will happen to my home? - Information on your home when bankruptcy occurs [April 2001]	As above	✓
What will happen to my pension? [Jan 2001]	As above	✓
When will my bankruptcy end? - Information on discharge from bankruptcy [April 2001]	As above	✓

\* **These publications are also available on the website in Urdu**

<b>Insolvency practitioners</b>		
An Insolvency Practitioner's Guide to the Central Accounting Unit (issued to insolvency practitioners only) [January 1996]	The Insolvency Service Tel: 0121 698 4268	✓
Company Directors Disqualification Act 1986: Guidance Notes for Insolvency Practitioners on the Completion of Statutory Reports and Returns (issued to insolvency practitioners only) [December 1999]	The Insolvency Service Tel: 020 7291 6807	✓
Deeds of Arrangement - A Guide to Insolvency Practitioners [November 1996]	The Insolvency Service Tel: 0121 698 4094	✓
Enforcement Concordat - Information for Insolvency Practitioners [April 2000]	The Insolvency Service Tel: 020 7291 6772	✓
Guidance Notes on Professional Conduct and Ethics for Persons Authorised by the Secretary of State as Insolvency Practitioners (issued to insolvency practitioners only) [March 2000]	The Insolvency Service Tel: 020 7291 6772	✓
Trustees & liquidators in bankruptcies and compulsory liquidations - Information on the appointment, functions, powers and payment of trustees and liquidators, and their complaints procedure [March 2000]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
<b>Dealing with debt</b>		
How to petition for your own bankruptcy [May 2001]	Official Receiver Offices & The Insolvency Service Publications Order Line	✓
How to wind up a company that owes you money [available soon]	As above	✓
How to wind up your own company [available soon]	As above	✓

## Consultation documents

A Review of Company and Business Reconstruction Mechanisms [Sept 1999]	The Insolvency Service Tel: 020 7291 6740	✓
A Review of Company Rescue and Business Reconstruction Mechanisms: Report by the Review Group [November 2000]	As above	✓
Bankruptcy: A Fresh Start [March 2000]	As above	✓
Insolvency Procedures and a Landlord's Right of Peaceable Re-entry [June 2000]	As above	✓

If you have any queries or need any further information about Insolvency Service publications or the website, please contact Headquarters Secretariat at Area 5.4, 21 Bloomsbury Street, London WC1B 3QW or on 020 7291 6709 or e-mail: [Secretariat@insolvency.gsi.gov.uk](mailto:Secretariat@insolvency.gsi.gov.uk)

The Service has a telephone Central enquiry line which was introduced in August 1998 to deal with calls of a general nature and to provide initial information on insolvency legislation procedures and the work of the Official Receiver. The enquiry line is available between 9am and 5pm Monday to Friday on 020 7291 6895. The enquiry line will also deal with enquiries sent by e-mail to: [Central.enquiryline@insolvency.gsi.gov.uk](mailto:Central.enquiryline@insolvency.gsi.gov.uk)

Please note that the Insolvency Service Central Enquiry Line and Official Receivers cannot give advice on specific insolvency problems: for example, whether you should go bankrupt, whether your company should go into liquidation, or whether you should look at alternatives. If you need advice you should consult a solicitor, a qualified accountant, an authorised insolvency practitioner or a reputable financial adviser. It is recommended that you choose a professional who has been accredited by the Lord Chancellor's Community Legal Service with the CLS Quality Mark. But please don't leave it too late or you may find that professional advisers cannot help you because matters have gone too far. In addition there is a list of organisations that may also be able to assist you in The Insolvency Service Charter (pages 10 & 11).

The Individual Insolvency Register enables the public to search the Individual Insolvency Register for details of bankruptcies and individual voluntary arrangements. Any member of the public can search the register free in person at any Official Receiver office between 9am and 5pm Monday to Friday, or by post from: Individual Insolvency Register Enquiries, 2nd Floor, Ladywood House, Birmingham, B2 4UP

A copy of the form required for postal searches is available from The Service website.

## Glossary of Terms

## Annex B

### What do they mean?

This is a brief explanation of some of the terms you may come across in insolvency proceedings. Please note that this glossary is for general guidance only. Many of the terms have a specific technical meaning in certain contexts, which may not be covered here.

### Administrative receivership

The process where an insolvency practitioner is appointed by a debenture holder (lender) to realise a company's assets and pay preferential creditors and the debenture holder's debt.

### Bankruptcy Order

Personal insolvency proceedings.

### Company Directors Disqualification Act 1986

An Act of Parliament about the disqualification of directors.

### Compulsory liquidation

Winding up of a company after a petition to the court, usually by a creditor.

### Company voluntary arrangement

Procedure to help a financially troubled company to settle its debts

### Creditor

An individual or company that is owed goods or money.

### Disqualification

A procedure whereby a person has a court order made against them which makes it an offence for that person to be involved in the management or directorship of a company for the period specified in the order (unless leave has been granted by the court).

### Executive Agency

An executive unit that delivers a service for government under a framework document agreed by Ministers which sets out the Agency's and the Chief Executive's functions, responsibilities and accountabilities.

### Income payments order

The court may order a bankrupt to pay part of their wages, salary or other income to the trustee if their income is more than they or their family need to live on.

### Individual voluntary arrangement

A procedure under the insolvency legislation which enables a debtor to come to a legally binding arrangement to pay all or part of the debts. It is considered as an alternative to bankruptcy.

### Insolvency

Defined alternatively as being unable to pay debts when they are due having insufficient assets to meet all debts.

### Insolvency Order

A general term relating to both bankruptcy and winding up orders

### Insolvency practitioner

An authorised person who specialises in insolvency, usually an accountant or solicitor. They are authorised either by the Secretary of State or by one of a number of recognised professional bodies on the basis of having demonstrated that they are fit and proper to act as an insolvency practitioner.

### Inspector General

Peter Joyce who is also the Agency Chief Executive.

### Insolvency Services Account (ISA)

The account at the Bank of England into which money realised from the assets in bankruptcies and liquidations is paid.

### Investors In People (IiP)

A nationally recognised standard that seeks to encourage organisations to train and develop all their staff and to develop the potential of all employees.

**Liquidation (winding up)**

Applies to companies or partnerships. It involves the realisation and distribution of the assets and usually the closing down of the business. There are three types of liquidation - compulsory, creditors' voluntary and members' voluntary.

**Liquidator**

The Official Receiver or an insolvency practitioner appointed to administer the liquidation of a company or partnership: may be appointed provisional liquidator pending determination of petition to wind up a company or partnership.

**NACAB**

National Association of Citizen Advice Bureaux

**Official Receiver**

An officer of the court and civil servant employed by The Insolvency Service, who deals with bankruptcies and compulsory company liquidations.

**Open Case**

A current ongoing case dealt with by the Official Receiver.

**Receiver**

A person appointed by the Court or the Secretary of State, to protect and manage an individuals assets and liabilities pending the appointment of a trustee/liquidator

**Recognised Professional Bodies**

Governing bodies that set down standards and guidelines to which its members must comply, and are recognised by the Secretary of State as competent to license and oversee insolvency practitioners.

**Secretary of State**

The Secretary of State for the Department of Trade and Industry.

**The Service**

The Insolvency Service.

**SMEs**

Small and medium enterprise businesses.

**Summary administration**

A method of dealing with bankruptcies in which the debtor filed his/her petition and the debts are less than £20,000.

**Trustee**

The trustee in bankruptcy is either the Official Receiver or an insolvency practitioner who takes control of the assets. The trustee's main duties are to sell these assets and share the money out amongst the creditors.

**UNCITRAL**

United Nations Commission on International Trade Law.

**Voluntary arrangement**

Either an individual or corporate voluntary arrangement.

**Voluntary liquidation**

Method of liquidation not involving the courts or the Official Receiver. There are two types of voluntary liquidation - members' voluntary liquidation for solvent companies and creditors' voluntary liquidation for insolvent companies.

**Winding up order**

Order of a court for the compulsory winding up or liquidation of a company or partnership.

**Quinquennial Review**

A five yearly independent strategic review of The Service

# Five year performance summary

## Annex C

The following is a five year performance summary against The Service's key targets and performance indicators that are focused on Financial Efficiency, Quality and Productivity and which are set each year by Ministers and are then announced in Parliament.

	1996-97	1997-98	1998-99	1999-00	2000-01
Caseload Assumption	27,000	26,000	26,000	26,000	26,500
Outturn	26,064	24,549	25,770	26,520	27,035
Average Staff in Post	1,550	1,530	1,498	1,489	1,450

Key Target / Indicator	199-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Actual
<b>Financial</b>					
Reduce the unit cost of administering bankruptcy and compulsory liquidation cases	8.5%	-4.2%	5.1%	-11.8% *	-9.0%*
Reduce the unit cost of investigating bankruptcy and liquidation cases (new target)	-	-	-	5.9% *	10.6%*
<b>Quality</b>					
Report to creditors on assets and liabilities					
- within 8 weeks	97.8%	97.7%	98.6%	98.3%	98.8%
- within 12 weeks	99.6%	99.5%	99.7%	99.7%	99.7%
Hold initial meetings of creditors					
- within 12 weeks	95.9%	97.3%	96.9%	97.6%	97.2%
- within 4 months	99.4%	99.6%	99.6%	99.7%	99.6%
Open cases to be no more than 36 months old	6.1%	5.9%	3.1%	2.5%	2.0%
Submit prosecution reports within 10 months where there is evidence of criminality					
Bankruptcy	90.1%	89.9%	87.2%	90.9%	90.0%
Company	85.7%	73.9%	81.9%	84.3%	84.2%
Submit disqualification reports where there is evidence of unfit conduct					
- within 12 months	n/a	n/a	n/a	n/a	57%
- within 15 months	80.3%	81.1%	82.4%	76.7%	80.4%
Check and action Insolvency Services Account payment requisitions within 4 days or by due date	98.1%	98.8%	98.7%	98.9%	98.9%
Action invoices for payment within 30 days of receipt	98.8%	98.9%	99.0%	98.6%	98.6%
Reply to letters from Members of Parliament delegated to the Chief Executive within 10 working days	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Productivity</b>					
Complete case administrations	29,405	28,898	27,126	26,634	26,757
Uncompleted administrations	21,014	17,039	15,821	15,727	16,261
Number of prosecution reports submitted where there is evidence of criminal behaviour					
Bankruptcy	1,129	1,044	1,015	809†	807†
Company	460	346	406	486†	540 †
Take proceedings for disqualification of unfit directors	1,430	1,419	1,332	1,497	1,456

\* The outturns are milestones against three year targets introduced in 1999-00 to maintain the unit cost of case administration by 5% over the period 1999-02 at the level of 1999-99 and to reduce investigation unit cost by 10% over the same period, both in real terms

† 1999-00 and 2000-01 now include reports arising from complaints to the Hotline and those made by insolvency practitioners.

# The Service's Key Targets and Performance Indicators 2000-02

## Annex D

The Service's key targets and performance indicators are set each year Ministers and announced in Parliament.

Caseload Assumption: 26,500  
Financial Allocations: £73,440k (including £692k capital allocation)

On the basis of this planning assumption and financial allocations, The Service expects to deliver performance, measured in terms of its key targets and indicators, broadly in line with 2000-01, while at the same time committing additional staff resources to developing, publishing and taking forward comprehensive insolvency reform proposals; revising its financial regime; implementing the Quinquennial Review Report recommendations; and actioning its modernising government and civil service reform action plans.

Unit cost of administering bankruptcy and compulsory liquidation cases	Maintain at 1998-99 level in real terms over three years 1999-02
Unit cost of investigating bankruptcy and liquidation cases	Reduce by 10% in real terms over three years 1999-02

### Quality

Report to creditors on assets and liabilities -within 12 weeks -within 4 months	98% 99%
Hold initial meeting of creditors -within 12 weeks -within 4 months	97% 99%
Submit disqualification reports -within 12 months -within 15 months where there is evidence of unfit conduct	65% 80%
Reduce average time from a company's insolvency to conclusion of disqualification proceedings from 28 months <i>new target</i>	26 months
Increase percentage of disqualification cases concluded -within 30 months from 68% <i>new target</i> -within 24 months from 42% <i>new target</i>	72% 45%
Check and action Insolvency Services Account payment requisitions within 4 days or by due date	98%
Action invoices for payment -within 30 days of receipt -within 20 days of receipt <i>new target</i>	100% 90%
Reply to letters from Members of Parliament delegated to the Chief Executive within 10 working days	100%

### Productivity

Complete case administrations	Complete 26,000 cases
Uncomplete administrations	No more than 16,775 open cases, or 8 months new case input
Open cases more than 36 months old	No more than 2.5% of open case total
Report on cases of criminal misconduct	Level consistent with investigative caseload and resources (Plan 1,300)
Disqualification of unfit directors -Proceedings issued -Orders obtained	Levels achieved in 2000-01 - 1,456 - 1,548
Number of cases where income payments order obtained by Official Receiver	2,250



# Annual Accounts For The Year Ended 31 March 2001

# ANNUAL ACCOUNTS

## Foreword

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These accounts have been produced in accordance with a Direction given by the Treasury in pursuance of section 5(1) of the Exchequer and Audit Departments Act 1921. The text of the Direction is reproduced after the accounts.

### History and Principal Activities

The Insolvency Service Executive Agency's (The Service) principal activities are

- the preliminary administration and investigation of compulsory insolvencies,
- acting as trustee/liquidator where no private sector insolvency practitioner is appointed,
- reporting criminal offences in compulsory insolvencies and taking disqualification proceedings against unfit directors of failed companies.

It is also responsible for the authorisation and regulation of private sector insolvency practitioners, providing banking and investment services for bankruptcies and liquidations and advising Ministers on insolvency policy issues.

The Service operates principally under the Insolvency Act 1986, the Company Directors Disqualification Act 1986 and the Companies Act 1985.

The Service was created as an Executive Agency of the Department of Trade and Industry (DTI) in March 1990. It is funded through the DTI as part of the Legal and Regulatory Framework and Markets Vote on a gross running cost basis. Further background information is set out in the Agency Annual Report for 2000-01.

### Financial Results

The Service's total expenditure for the year in carrying out the statutory functions required by the Insolvency Act, Company Directors Disqualification Act and Companies Acts and functions/duties under its Agency Framework Document was £80.3 million.

The total income of £96.4 million generated by The Service in the year was made up as follows:

- fees charges to insolvent estates administered by Official Receivers and by insolvency practitioners - £41.8 million
- other operating income largely generated from costs recovered from disqualified directors - £9.5 million
- investment income from the Insolvency Services Account and Insolvency Services Investment Account (after paying interest to liquidation estates and tax thereon) - £45.1 million.

Fees and income generated under (i) and (ii) are paid to the DTI and are included in these accounts whereas investment income paid direct to the Treasury is not included in these accounts. Investment income is instead shown in separately produced and audited White Paper accounts prepared pursuant to section 409 of the Insolvency Act 1986.

The overall outturn for 2000-01 taking fee and investment together was a surplus to Government of £16.1 million.

### Review of Activities

The Service met or exceeded the majority of its key targets and indicators. New compulsory insolvencies showed an upturn in 2000-01 to 27,035 against a planning assumption of 26,500. The Service completed 26,757 cases, 7% above the target of 25,000, and further reduced the percentage of open cases over three years old. The number of prosecution reports was up 10.4% largely due to increased reports arising from the 'Hotline' and from insolvency practitioner cases. Disqualification proceedings issued were marginally down on 1999-00 but a number of cases where directions to proceed were issued in the last quarter were not taken forward to proceedings actually being issued as they were likely to fall under the new undertakings provision in the Insolvency Act 2000 that came into force on 1 April 2001. The number of disqualification orders obtained also increased marginally by 0.5%.

This was the second year of a three year target for a reduction in unit cost of administration. There was a 2.8% reduction in year two but at the end of the second year there remained an overall increase of 9% in the unit cost of administration of which the new IT costs for ELGAR implemented in 1999-00 accounted for 5.1%. The new investigation unit cost introduced in 1999-00 was further reduced in 2000-01 with the overall reduction for two years at 10.6% against a target to reduce by 10% over the three years 1999-00 to 2001-02. At the year end there was a higher level of disqualification work in progress due to the implementation of the new provisions

# ANNUAL ACCOUNTS

## Foreword

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under the Insolvency Act 2000, and this has improved the unit cost performance. Running off this higher level of work in progress in 2001-02 will have the effect of increasing the unit cost, but the expectation is that with the work planned for 2001-02 the overall three year target will be met or exceeded.

A five year summary of the Agency's performance against targets is included in Annex C of the Annual Report.

### Important events occurring after the year end

There have been no events of exceptional financial significance since the end of the financial year.

### Agency Steering Board

The Steering Board advises the Secretary of State, through the Director General, Competition and Markets, on The Service's Corporate Plan and the extent to which The Service carries out its functions effectively and efficiently in accordance with the contents of the Framework Document and the Corporate Plan. The Steering Board receives regular reports from The Service on performance against financial and other targets. It also provides advice to The Service on its operation and development across a range of issues but has no executive or policy responsibilities.

The Board meets five times a year and comprises:

- Dr Catherine Bell, Director General, Competition and Markets, DTI as Chairman
- Peter Joyce CB, Inspector General and Agency Chief Executive, The Insolvency Service
- Hugh Savill, Director of Finance and Resource Management Directorate, DTI (until 6 November 2000)
- Philippa Lloyd, Director of Finance and Resource Management Directorate, DTI (since 6 November 2000)
- Stephen Adamson CBE, National Partner, Ernst and Young
- Edward Bonner, Principal Consultant, Wincor Nixdorf Limited
- Polly Newport, Chairman, Shreeveport Limited
- Lesley James, Portfolio Director (since 16 January 2001)

The Chief Executive during the year was Peter Joyce. He was appointed Inspector General and Agency Chief Executive designate through Open Competition in September 1989. His original appointment was for three years from the creation of The Service as an executive agency in March 1990. It was extended for three years from 1 April 1993; again for three years from 1 April 1996; and finally for 30 months from 1 April 1999, subject to satisfactory performance. The other members of The Service's Directing Board in 2000-01 were all appointed under the Civil Service Management Code. Their remuneration is determined as for any member of the Civil Service. Details are shown in note 4(c) to the accounts.

### Equal Opportunities

The Insolvency Service is an equal opportunities employer. It does not discriminate against staff or eligible applicants for posts on the grounds of race, colour, ethnic origin, nationality, gender, marital status, religious affiliation, disability, age, sexual orientation or because they work part-time. Every possible step is taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career development are based solely on objective and job related criteria. The Service does not tolerate any form of discrimination, harassment or victimisation, all of which are treated as disciplinary offences. The Service is committed to providing a working environment where no one is disadvantaged.

All staff are required to co-operate in making this policy work effectively. In 2000-01 The Service substantially completed a Managing Diversity programme for all staff, the details of which can be found in the Annual Report.

### Disabled Persons

As an equal opportunities employer The Insolvency Service is also committed to develop management awareness of the needs of disabled staff. The Service has a Disabled Persons Officer whose main role is to promote and advise upon the recruitment and career development of all staff with disabilities. The Service uses the Employment Service's "Positive about Disabled People" (two ticks) symbol which is a public statement of The Service's commitment to equal opportunities, and particularly its desire to ensure that disabled persons are treated fairly.

# ANNUAL ACCOUNTS

## Foreword

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### Employee Involvement

The Service places great importance on effective communication with staff. This is achieved in a number of ways including:

- Core brief following the second bi-monthly Directing Board meetings which is cascaded to staff;
- System of notices to staff, identified by subject and available on The Service's Intranet;
- Newsletters on specific subject areas e.g. personnel, training, disqualification, prosecution and information technology;
- Personal Performance Plans for individual staff members as an integral part of the business planning process;
- Involvement of staff at all levels involved in EFQM Excellence Model based focus groups and improvement activities;
- Involvement of staff in the preparation of office/section business plans;
- Circulation of key documents e.g. the Agency Annual Report, the Corporate Plan;
- Briefing of all staff following The Insolvency Service annual conference;
- Display in offices of monthly charts measuring office performance against The Insolvency Service Charter and key targets and indicators;
- New Ideas Scheme for staff suggestions; and
- Formal and informal meetings between senior management and groups of staff.

In addition there are regular meetings and communications with the Agency Trade Union Side.

### Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded.

### Payments to suppliers

In line with the Government's commitment to the prompt payment of bills for goods and services received, The Service aims to pay its invoices within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later unless otherwise specified by contract.

The prompt payment of invoices is a key agency target and 98.6% were paid on time in 2000-01.

### Future Developments

These are outlined on pages 42-44 of the Annual Report and "Key Targets and Performance Indicators for 2001-2002" in Annex D of the Annual Report.

### Quinquennial Review

On 16 May 2000 Ministers launched the Quinquennial Review of The Insolvency Service. The Review Team reported in two stages during 2000-01 and their reports were published on the DTI website at [www.dti.gov.uk/inssweb1.htm](http://www.dti.gov.uk/inssweb1.htm). The Stage 1 Report concluded that The Service should retain its Agency status.

### Auditors

These accounts are audited by the Comptroller and Auditor General.



### PETER JOYCE CB

Chief Executive  
28 June 2001

## STATEMENT OF THE AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury have directed The Insolvency Service to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction on page 21. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing accounts the Agency is required to:

- Observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of The Insolvency Service as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

## STATEMENT ON SYSTEM OF INTERNAL FINANCIAL CONTROL

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As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by The Insolvency Service. I carry out this responsibility in conjunction with the Department's Principal Accounting Officer, the relationship between us being set out in a written statement.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Directing Board and the Agency Steering Board;
- Regular reviews by the Directing Board and Agency Steering Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- As appropriate, formal project management disciplines.

The Insolvency Service has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which the Agency is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Agency'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 of the Agency's system of internal financial control. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Agency's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the work of the Agency's inspectorate who have responsibility for undertaking inspection and audit work within the Agency, the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

### Implementation of the Turnball Report

As Accounting Officer, I am aware of the recommendations of the Turnball Committee and am taking reasonable steps to comply with the Treasury's requirements for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance issued by the Treasury.



**PETER JOYCE CB**

Chief Executive  
28 June 2001

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

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I certify that I have audited the financial statements on pages 61 to 75 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 66 and 67.

## **Respective responsibilities of the Agency, the Chief Executive and Auditor**

As described on page 57, the Agency and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Exchequer and Audit Departments Act 1921 and Treasury Directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on page 58 reflects the Agency's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## **Basis of opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the Agency and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency'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 mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

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## Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of The Insolvency Service at 31 March 2001 and of the deficit, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury; and
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

## John Bourn

Comptroller and Auditor General  
National Audit Office  
157 - 197 Buckingham Palace Road  
London SW1W 9SP  
29 June 2001

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2001

	Notes	2000-01 £'000	1999-00 £'000
<b>Income</b>			
Fee income	2(a)	41,777	38,197
Other operating income	2(b)	9,493	7,144
<b>Gross Income - continuing operations</b>		<b>51,270</b>	<b>45,341</b>
<b>Expenditure</b>			
Staff costs	4(a)	36,177	36,683
Depreciation	6	240	692
Other operating charges	3	43,897	43,137
<b>Total Expenditure</b>		<b>80,314</b>	<b>80,512</b>
<b>Operating Deficit before interest</b>		<b>(29,044)</b>	<b>(35,171)</b>
Cost of capital	7	609	978
<b>Deficit for the year</b>		<b>(29,653)</b>	<b>(36,149)</b>

The notes on pages 66 to 75 form part of these accounts.

## STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2001

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	<b>2000-01</b>	<b>1999-00</b>
	£'000	£'000
Fixed asset revaluation - unrealised (loss)	(14)	(253)
Recognised loss for the year	<b>(14)</b>	<b>(253)</b>

The notes on pages 66 to 75 form part of these accounts.

## BALANCE SHEET

As at 31 March 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible fixed assets	6	239	1,050
<b>Current assets</b>			
Debtors	8	8,728	6,846
Cash at bank	9	4,125	3,543
<b>Creditors - amounts falling due within one year</b>	10	(2,577)	(1,516)
<b>Net current assets</b>		10,276	8,873
<b>Total assets less current liabilities</b>		<b>10,515</b>	<b>9,923</b>
Provisions for liabilities and charges	5	(52)	(77)
		<b>10,463</b>	<b>9,846</b>
<b>Capital reserves</b>			
Revaluation reserve	12(a)	214	92
General reserve	12(b)	10,249	9,754
		<b>10,463</b>	<b>9,846</b>

Signed:



**PETER JOYCE CB**

Chief Executive

28 June 2001

The notes on pages 66 to 75 form part of these accounts.

## CASH FLOW STATEMENT

For the year ended 31 March 2001

	2000-01 £'000	1999-00 £'000
<b>Operating activities</b>		
Net cash outflow from operating activities	(28,843)	(34,870)
<b>Capital expenditure</b>		
Net cash outflow from purchase of fixed assets	(150)	(34)
<b>Net cash outflow before financing</b>	<b>(28,993)</b>	<b>(34,904)</b>
<b>Financing</b>		
Net cash inflow from financing	29,575	20,470
<b>Change in cash and cash equivalents</b>	<b>582</b>	<b>(14,434)</b>

The notes on pages 66 to 75 form part of these accounts.

## NOTES TO THE CASHFLOW STATEMENT

### Note 1 - Reconciliation of operating deficit to net cash outflow from operating activities

	<b>2000-01</b>	<b>1999-00</b>
	£'000	£'000
Operating deficit before interest	(29,044)	(35,171)
Depreciation charges	240	692
Notional audit fee	25	26
Profit/(loss) on revaluation of fixed assets	14	282
(Profit)/loss on disposal of fixed assets	(923)	148
Adjustment to bad debt provision	1,225	1,162
Debit balances written off against fees	422	338
Decrease/(increase) in debtors	(1,882)	(1,055)
Increase/(decrease) in creditors	1,061	(1,475)
Notional early retirement costs	19	183
<b>Net cash outflow from operating activities</b>	<b>(28,843)</b>	<b>(34,870)</b>

### Note 2 - Sources of financing

	<b>2000-01</b>	<b>1999-00</b>
	£'000	£'000
<b>Cash funding</b>		
- Vote allocation by DTI to Insolvency Service	25,811	16,286
- VAT recovered by DTI	(2,885)	(2,508)
<b>Non cash funding</b>		
- DTI overhead	1,380	1,639
- DTI Legal Services (note 3 to the accounts)	5,269	5,053
<b>Net cash inflow from financing</b>	<b>29,575</b>	<b>20,470</b>

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

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#### 1. Accounting Policies

##### 1(a) Basis of preparation

The financial statements have been prepared in accordance with the Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by The Service are described below. They have been applied consistently in dealing with the items considered material in relation to the accounts.

##### 1(b) Accounting convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

##### 1(c) Tangible fixed assets

Fixed assets have been stated at current cost using appropriate indices. The minimum level for capitalisation of a tangible fixed asset is £2,000.

##### 1(d) Depreciation

Depreciation is provided on tangible fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, less any residual value, of each asset evenly over its expected useful life, as follows:

Computers	5 years
Office machinery	3 years

##### 1(e) Stocks

There are no stocks: items such as consumables are charged to the Income and Expenditure Account in the year in which they are purchased.

##### 1(f) Administration expenditure

Administration expenditure reflects the cost of running The Service under the gross cost control regime.

##### 1(g) Non cash charges

In accordance with Treasury guidance the following non cash items are charged to the Income and Expenditure Account:

- (i) Interest on the average cost of capital employed (note 7).
- (ii) Audit fee (note 3).

##### 1(h) Operating Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

##### 1(i) Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

##### 1(j) Early departure costs

The Service, operating as part of the DTI scheme, is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Service provides in full for this cost when the early retirement programme has been announced and is binding on The Service. The Service may, in certain circumstances,

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Service Superannuation Vote. The amount provided is shown net of any such payments.

#### 1(k) Operating income

Operating income is income which relates directly to the operating activities of The Service. It principally comprises, statutory fees recovered from the estates of bankrupts and companies in liquidation (insolvent estates) during the year, amounts recovered in respect of costs awarded by the court in directors disqualification proceedings and other miscellaneous income. It includes both fee income accounted for in the DTI Vote and miscellaneous income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. It excludes investment income that is paid direct to the Consolidated Fund.

Fees are charged to the insolvent estate in full at the date of the event giving rise to the fee or fees and results in a timing difference between charging the fee and the insolvent estate having sufficient assets to discharge the fee. Fees are handed over to the DTI only when there are sufficient monies in the insolvent estate to pay them. Both the cash handed over and the fees earned are shown in note 2 to the accounts. The difference between the cash handed over and fees earned results from the timing of the handover of fee income to the DTI.

#### 1(l) Value Added Tax (VAT)

The Service is covered under the VAT registration of the Department of Trade and Industry (DTI), which is responsible for paying over and recovering from HM Customs & Excise any VAT on behalf of The Service.

The Service is funded by the DTI Vote to meet expenditure incurred, inclusive of VAT. Where VAT is recoverable by The Service the expenditure shown in the Income and Expenditure Account is net of VAT and the recoverable VAT is offset against Vote funding from the DTI. Outstanding recoverable VAT on expenditure is included in VAT debtors and is shown in note 8 to the accounts.

#### 1(m) Cost of capital

The financing structure of The Service does not include specific interest bearing debt. To ensure that the Income and Expenditure Account bears an appropriate cost for the use of capital, a non-cash charge is included.

## 2. Income

#### 2(a) Fee income

	2000-01		1999-00	
	Cash paid over to DTI	Fees earned	Cash paid over to DTI	Fees earned
	£'000	£'000	£'000	£'000
Fees recovered in the period	40,862	41,777	51,908	38,197
Debit balances written-off (see note 3)	(422)	(422)	-	(338)
<b>Net fee income</b>	<b>40,440</b>	<b>41,355</b>	<b>51,908</b>	<b>37,859</b>

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 2(b) Other operating income

	2000-01 £'000	1999-00 £'000
Directors disqualification - costs awarded	7,384	4,695
Rent from Agencies/Government Departments	1,862	1,849
Rent from external tenants	196	224
Miscellaneous income	47	370
Insolvency practitioner authorisation fees	4	6
<b>Total</b>	<b>9,493</b>	<b>7,144</b>

#### 2(c) Segmental reporting

All significant activities of The Service are derived from The Insolvency Act 1986 and the Company Directors Disqualification Act 1986 and are considered for segmental purposes to be one single class of business.

The following information on the main activities of The Service is produced for fees and charges purposes and does not constitute segmental reporting under Statement of Standard Accounting Practice 25.

	Turnover		Cost of Service		Surplus/(Deficit)	
	2000-01 £'000	1999-00 £'000	2000-01 £'000	1999-00 £'000	2000-01 £'000	1999-00 £'000
Administration of insolvent estates by the OR	15,958	14,956	33,712	35,333	(17,754)	(20,377)
Investigation and enforcement	7,039	4,695	39,750	38,252	(32,711)	(33,557)
Banking and Investment	868	1,141	808	1,202	60	(61)
Regulation of Insolvency Practitioners	299	315	1,039	1,070	(740)	(755)
Policy	-	-	1,365	882	(1,365)	(882)
Other	27,105	24,234	3,640	3,773	23,465	20,461
<b>Total</b>	<b>51,269</b>	<b>45,341</b>	<b>80,314</b>	<b>80,512</b>	<b>(29,045)</b>	<b>(35,171)</b>

Common costs are apportioned largely on staff employed on the main activities.

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

The current fee structure was compiled many years before the introduction of cost based accounts and because of that and because some activities do not generate income, income is not matched to the cost of activities. Fees recovered on one activity are therefore used to offset the cost of other activities where fees are not set sufficiently high to recover costs or where insolvent estates do not have sufficient assets to routinely discharge the fees charged. In light of the recommendations made in the report of Stage 1 of the Quinquennial Review of The Service, a Financial Review of The Service's financing and resourcing is now being undertaken. The work is being overseen by a Steering Group chaired by Dr Catherine Bell, Director General, Competitions and Markets. It is expected to report to Ministers in Autumn 2001.

#### 2(d) Investment income

In accordance with Section 403 of The Insolvency Act 1986 all monies from the realisation of assets in bankruptcies and company liquidations received by The Service from its own activities and those of insolvency practitioners are paid firstly into the Insolvency Services Account (ISA) kept by the Secretary of State for Trade and Industry with the Bank of England. Any cash standing to the credit of the ISA over current demands in respect of insolvent estates is notified to the National Debt Commissioners and paid into the Insolvency Services Investment Account (ISIA) kept by the Commissioners with the Bank of England. Interest on investments in the ISIA is surrendered to the Consolidated Fund by the Commissioners in accordance with section 405 of The Insolvency Act 1986 and is not included in these accounts.

The amount handed over to the Consolidated Fund in 2000-01 was £45.1 million (unaudited). White Paper accounts of the ISA, which include the fee income shown in these accounts (note 2(a)) and the ISIA, are subject to separate audit and are published annually by The Stationery Office.

### 3. Other operating charges

The other operating charges comprise:

	2000-01 £'000	1999-00 £'000
<b>Cash costs</b>		
Disqualification costs	12,254	10,812
General administrative expenses	3,514	4,698
Other costs	2,559	2,587
Accommodation	4,809	4,273
Operating leases - accommodation	7,413	8,145
Operating leases - computers	3,906	2,181
Operating leases - office machinery	108	132
Disbursements	1,355	1,248
Travel and subsistence	555	655
Hospitality	12	13
<b>Non cash costs</b>		
Prosecution costs	5,269	5,053
Departmental overhead	1,380	1,384
Debit balances written off against fees	422	338
Adjustment to bad debt provision	1,225	1,162
Audit fee	25	26
(Profit)/loss on disposal of fixed assets	(923)	148
Loss on revaluation of fixed assets	14	282
<b>Total other operating charges</b>	<b>43,897</b>	<b>43,137</b>

Prosecution costs are charges incurred for work undertaken by the Department of Trade and Industry's Legal Services Directorate D.

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 4. Staff costs and employee information

##### 4(a) Staff costs

	2000-01 £'000	1999-00 £'000
Wages and salaries	30,123	30,586
Social security costs	2,075	2,029
Pension costs	3,960	3,890
Early retirement costs	19	178
	<b>36,177</b>	<b>36,683</b>

The employees of The Service are covered by the Principal Civil Service Pension Scheme (PCSPS) which is a non contributory scheme. For 2000-01 contributions of £3,959,664 (1999-00 £3,890,323) were paid to the PCSPS. The rates of employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury. The rates were in the range of 11.0% to 19.5% of pensionable pay.

##### 4(b) Staff numbers

The average number of employees (full-time equivalents) during the year was 1,445 (1999-00 1,489). At the end of the year the number of staff employed made up as follows:

	2000-01 No.	1999-00 No.
Official Receiver operations	1,035	1,136
Headquarters functions	365	373
	<b>1,400</b>	<b>1,509</b>

The total gross remuneration, including bonuses but excluding pension costs, of the Chief Executive Mr P R Joyce was £85,868 (1999-00 £87,570). He is an ordinary member of the Principal Civil Service Pension Scheme.

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 4(c) Directing board

The salary and pension entitlements of the Directing Board members were as follows:

Name and title	Age	Salary (as defined below)		Real increase in pension at age 60		Total accrued pension at age 60 at 31 March	
		2000-01	1999-00	2000-01	1999-00	2000-01	1999-00
		£'000	£'000	£'000	£'000	£'000	£'000
Mr Peter JOYCE Inspector General	59	85-90	85-90	0-2.5	2.5-5.0	40-45	40-45
Mr Les CRAMP Deputy Inspector General - Operations	51	65-70	60-65	0-2.5	0-2.5	25-30	20-25
Mr Desmond FLYNN Deputy Inspector General - Headquarters	52	75-80	70-75	0-2.5	0-2.5	25-30	20-25
Miss Lesley BEECH Director of Finance Planning & Corporate Resources	41	50-55	50-55	0-2.5	0-2.5	15-20	10-15
Mr Terence HART Director of Human Resources	39	45-50	45-50	0-2.5	0-2.5	10-15	10-15

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. The estimated monetary value of benefits in kind does not form part of salaries for disclosure under resource accounting.

Pension benefits are provided through the Principal Civil Service Pension Scheme. This is a statutory scheme which provides benefits on a "final salary" basis at the normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Pensions increase in line with the Retail Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years.

Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 4(d) Steering Board remuneration

The Agency Steering Board comprises seven members, three of whom are civil servants. The Chief Executive is one of these members and his remuneration is borne by the Agency and disclosed above. The costs of the other civil servant members are borne by DTI, they do not receive any additional amount for Board duties. The Service pays the external members and remuneration for the year ended 31 March 2001 was £16,073 (1999-00 £15,920).

#### 5. Early departure costs

The movements in the early retirement provision are shown below:

	2000-01 £'000	1999-00 £'000
At 1 April	157	233
Utilised in period	(64)	(83)
Provision charged to Income and Expenditure Account	14	7
At 31 March	<b>107</b>	<b>157</b>
The provision will be utilised as follows:		
one year (note 10)	55	80
two to five years	52	77
	<b>107</b>	<b>157</b>

#### 6. Tangible fixed assets

	Freehold Land and Buildings £'000	Office Machinery £'000	Computers £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2000	727	462	6,169	7,358
Additions	-	86	65	151
Surplus on revaluation	-	10	(368)	(358)
Disposals	(727)	(92)	(570)	(1,389)
At 31 March 2001	-	<b>466</b>	<b>5,296</b>	<b>5,762</b>
<b>Depreciation</b>				
At 1 April 2000	50	413	5,845	6,308
Provided in the year	6	61	173	240
Surplus on revaluation	-	10	(354)	(344)
Disposals	(56)	(86)	(539)	(681)
At 31 March 2001	-	<b>398</b>	<b>5,125</b>	<b>5,523</b>
Net book value at 31 March 2000	677	49	324	1,050
Net book value at 31 March 2001	-	<b>68</b>	<b>171</b>	<b>239</b>

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 7. Cost of capital

In accordance with Treasury guidance, the charge is calculated at 6% of the average net assets employed at current value during the year.

#### 8. Debtors

	2000-01 £'000	1999-00 £'000
Prepayments	1,605	2,085
Debtors for disqualification costs	5,640	3,048
VAT debtor	875	623
Staff debtors	585	632
Other debtors	23	421
Accrued Income	-	37
	<b>8,728</b>	<b>6,846</b>

The staff debtors figures includes £359,357 (1999-00 £366,014) which is repayable over more than one year.

#### 9. Cash and cash equivalents

	2000-01 £'000	1999-00 £'000
Cash held at ISA (see note 1(k))	4,121	3,450
Cash at bank	4	93
	<b>4,125</b>	<b>3,543</b>

The cash at bank and in hand figures are amounts that have been collected by agents of The Service but have not been paid over at the balance sheet date.

#### 10. Creditors

Amounts falling due within one year

	2000-01 £'000	1999-00 £'000
Creditors	660	273
Accruals	1,862	1,163
Early retirement payments (note 5)	55	80
	<b>2,577</b>	<b>1,516</b>

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 11. Lease obligations

Operating leases rental due in the next year on leases expiring within:

	2000-01		1999-00	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
One year	423	33	814	9
Two to five years	599	85	958	118
More than five years	5,469	4,604	6,159	4,514
	<b>6,491</b>	<b>4,722</b>	<b>7,931</b>	<b>4,641</b>

#### 12. Movement on reserves

##### 12(a) Revaluation reserve

	2000-01	1999-00
	£'000	£'000
At 1 April	92	154
Revaluation of fixed assets (note 6)	(14)	(253)
Loss charged to Income & Expenditure Account	14	282
Fixed assets - general reserve transfer	122	(91)
At 31 March	<b>214</b>	<b>92</b>

The revaluation reserve represents the revaluation of fixed assets to current cost.

## NOTES TO THE ACCOUNTS

### For the year ended 31 March 2001

#### 12(b) General reserve

	2000-01 £'000	1999-00 £'000
At 1 April	9,754	22,586
Financing (Cashflow Statement note 2)	29,575	20,470
Provision for liabilities and charges	(52)	(73)
Non cash costs	747	2,829
Fixed assets - revaluation reserve transfer	(122)	91
Transfer from income and expenditure account	(29,653)	(36,149)
At 31 March	<b>10,249</b>	<b>9,754</b>

The general reserve represents the value of the assets employed by The Service in its operations.

#### 13. Related party transactions

The DTI is regarded as a related party. During the year, The Service has had various material transactions with the Department. In addition, The Service has had various material transactions with other Government Departments and other central Government bodies, in particular with The Treasury Solicitor.

None of the board members, key managerial staff or other related parties has undertaken any material transactions with The Service during the year.

#### 14. Commitments

There were no capital commitments authorised or contracted for at 31 March 2001.

#### 15. Contingencies

##### Banking liabilities

Following the enactment of the Cheques Act 1992, the Secretary of State for Trade and Industry has indemnified The Service's bankers against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the accounts of The Service.

#### 16. Performance target

There were no financial targets to recover a pre-determined percentage of cost.

## ACCOUNTS DIRECTION

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### ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5 (1) OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921

1. This direction applies to The Insolvency Service.
2. The Insolvency Service shall prepare accounts for the year ended 31 March 2001 in compliance with the accounting principles and disclosure requirements of the HM Treasury's Resource Accounting Manual ("the Resource Accounting Manual") which is in force for that financial year.
3. The accounts should be prepared so as to give a true and fair view of the income and expenditure, total recognised gains and losses, and cash flows of The Insolvency Service for the financial year and of the state of affairs as at 31 March 2001.
4. Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.
5. This direction replaces any previous direction issued to The Insolvency Service.

This direction was signed by the Head of the Central Accountancy Team, Her Majesty's Treasury, on 30 May 2001.

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