



Accountant in Bankruptcy
Scotland's Insolvency Service

Annual Report and Accounts
2003 - 2004

An agency of the



SCOTTISH EXECUTIVE



INVESTOR IN PEOPLE



Accountant in Bankruptcy Scotland's Insolvency Service

Annual Report and Accounts 2003 - 2004

An Agency of the Scottish Executive.

Presented to Scottish Ministers and the Court of Session
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and Section 159 of the Bankruptcy (Scotland) Act 1913.

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Foreword by the Chief Executive

Welcome to our second Annual Report & Accounts as an Agency of the Scottish Executive Justice Department. The activities and successes reported for this period must be read in the context of the changing and challenging environment in which we have worked.

During the period between December 2003, when the Scottish Executive announced the Agency would move to Ayrshire, and the end of March 2004 32% of my permanent staff either took up their option to go to posts elsewhere in the Executive or left to go to the private sector. The outcomes we record here are a tribute to my remaining permanent staff who have shown great resilience, flexibility and commitment. They have been ably supported by the high quality of temporary staff that joined us at various points during the year. In April 2004 I put in place arrangements to retain permanent staff and I am grateful to all for the continued support provided since then.

During the period of this report we have concentrated particularly on improving our financial management, our corporate governance and our internal communication. We have, I believe, also continued in the main to provide the expected level of service to our customers and stakeholders.

At the time of writing the final site for our move remains undecided. We will, however, open a temporary building in Irvine in late November. We have recruited the first group of new starts and by running the Irvine office in parallel with the operation in Edinburgh we will be able to ensure that further recruitment, and the necessary training needed to bring up the level of expertise, can take place whilst experienced staff in Edinburgh handle the most complex cases. We have a robust set of plans for recruitment, training and transfer of work to Irvine and I am satisfied that they will see us over the forthcoming transition period. We will, of course, review and test these plans and make changes as need arises.

So, despite the challenges and uncertainties we are in good shape.



Gillian Thompson
Chief Executive
November 2004

Who we are and what we do

Who we are

We are an Agency of the Scottish Executive Justice Department. We operate independently and impartially whilst remaining directly accountable to the Scottish Ministers for the standard of our work. The Chief Executive of the Agency is the Accountant in Bankruptcy and is appointed as such by the Scottish Ministers under section 1 of the Bankruptcy (Scotland) Act 1985 (as amended).

What we do

We supervise the process of sequestration in Scotland and act as trustee in bankruptcy when appointed by the Court. In doing so, we:

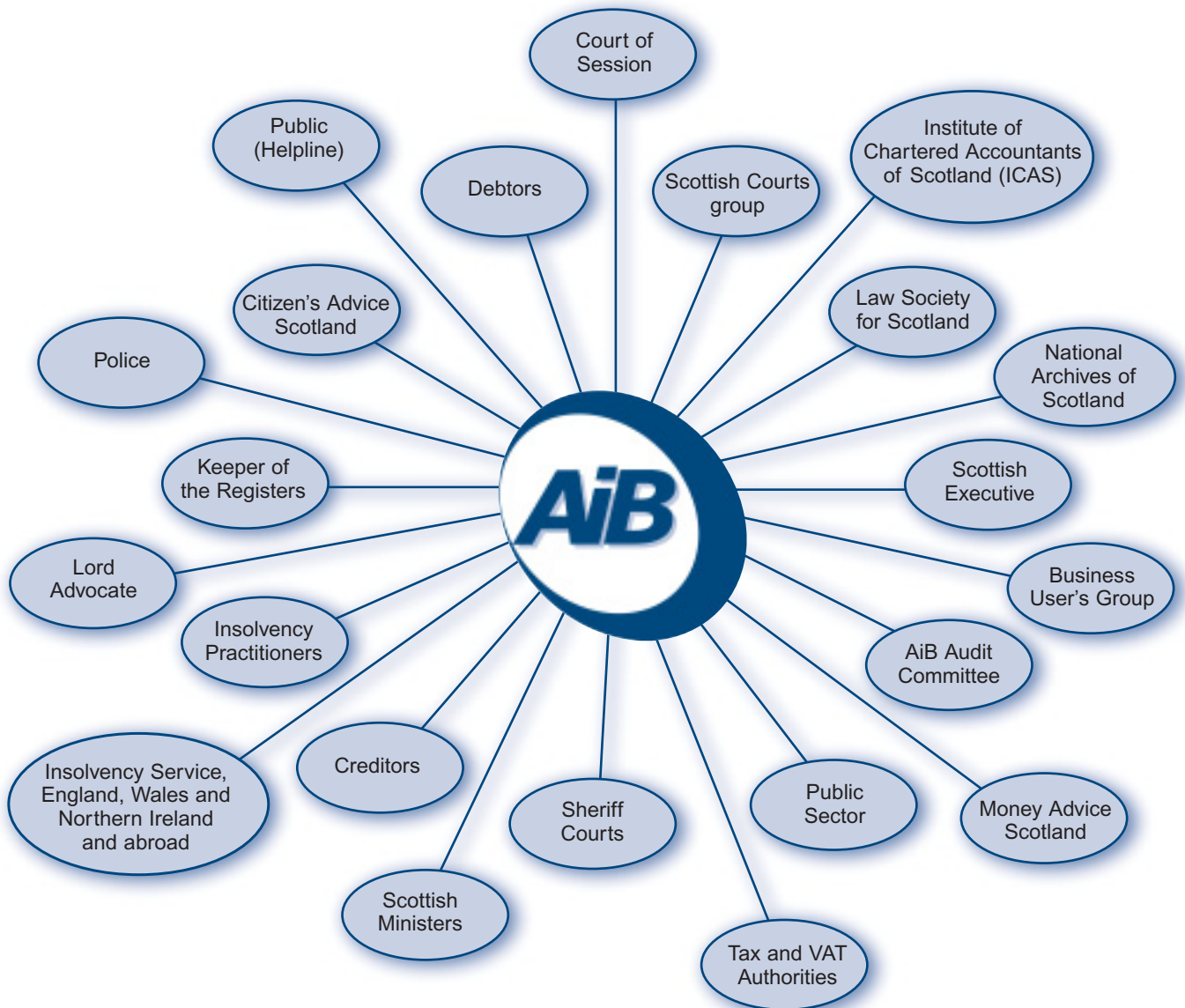
- administer Government policies as regards to personal insolvency and the process of corporate insolvency in Scotland, and monitor the implementation of these policies;
- maintain a public register of sequestrations, Protected Trust Deeds and company insolvencies;
- ensure that those involved in the sequestration process, principally trustees and commissioners, properly carry out their responsibilities and take appropriate action when they fail to do so;
- undertake the functions of commissioners in sequestrations where none may be or are elected to that office; and
- act as interim and permanent trustee in sequestrations where no insolvency practitioner is appointed or elected to do so.

The Accountant also appoints private insolvency practitioners to act as her agents.

Guidance on sequestration procedures can be found on our website: www.aib.gov.uk

Our customers and contacts

This diagram shows our internal and external contacts with whom we are in touch on a regular basis.



Our aim, vision and values

Aim

Our aim is to administer the sequestration process efficiently and effectively in an independent and impartial manner, taking account of the rights and interests of those involved.

Vision

Our vision is to be influential, valued and respected by achieving excellence in all we do.

Values

We will exemplify the values of integrity, honesty, objectivity and impartiality and ensure that our activities are:

- independent;
- responsive;
- fair; and open.

How to contact us

<p>Accountant in Bankruptcy George House 126 George Street Edinburgh EH2 4HH</p> <p>LP-1EDINBURGH 20</p>	
Telephone	0131 473 4600
Fax	0131 473 4737
Case Operations fax	0131 473 4708
Helpline	0845 762 6171
E-mail helplines:	
helpline@aib.gov.uk	general advice or queries on the sequestration process and trust deeds
info@aib.gov.uk	requests for or queries on the Notes for Guidance
ce@aib.gov.uk	correspondence to the Chief Executive
Website	www.aib.gov.uk



Activities and performance

Case Operations Branch

(Formerly Registration & Supervision Branch and Case Management Branch)

The planned relocation to Ayrshire has led to a higher than normal turnover of staff during the last year. In order to maintain performance in key areas it has been necessary to introduce a number of procedural changes to the teams dealing with sequestration. The Branches formerly known as Registration & Supervision and Case Management were amalgamated into one Branch known as Case Operations Branch (COB) on 16 December 2003. We also sought to reduce the level of correspondence passing between practitioners and the Agency. Such changes allowed staff to concentrate on specific areas of work and helped the Agency maintain output despite the loss of a number of experienced staff mentioned above. The situation will continue to be monitored.

The Case Operations Branch registers all awards of sequestration and supervises the actions of interim and permanent trustees in sequestrations to ensure they comply with their statutory and fiduciary obligations. In cases where an insolvency practitioner is appointed or elected as permanent trustee, but where no commissioners (representing the creditors' interests) are acting, we undertake the functions that would otherwise have fallen to commissioners. This involves auditing trustees' accounts and fixing their remuneration. We also manage the Agency Contract, through which the majority of sequestrations in which the Accountant is appointed as interim or permanent trustee are administered. Insolvency practitioners act as Agents of the Accountant in Bankruptcy in these cases.

In addition, we are responsible for exercising the Accountant's functions as interim and permanent trustee in those sequestrations which have not been contracted out to Agents. This amounts to some 25% of all cases in which the Accountant is trustee. We take all types of cases from all over of the country so that our caseload is similar to that undertaken by Agents.

The work and performance of the Branch is covered in more detail below.

Tasks	Number
Registered	3,309 Awards
Determined	7,219 Accounts
Examined	3,698 Sederunt Books
Replied	3,986 pieces of correspondence
Registered	893 Liquidations & Receiverships
Registered	5,669 Protected Trust Deeds

Registration

We maintain the public Register of Insolvencies which records all sequestrations awarded by the Scottish Courts, all Protected Trust Deeds, and all Scottish liquidations and receiverships.

The Register is fully computerised and while we deal with written or faxed requests for search reports on a daily basis, members of the public are welcome to visit the Agency in person to undertake searches. We also offer professional users a direct access facility to the Register by way of a modem link.

The register is kept as up-to-date and as accurate as the information given to us allows. In the main, we are exceeding our performance target of registering all court documents and other statutory forms (petitions and awards) within 2 days of receipt. In practice, the vast majority are entered on the day of receipt.

Supervision

We supervise the agents and trustees involved in sequestration. The hard work of the members of the team meant that despite the loss of experienced staff, our performance in auditing trustee accounts dipped only slightly this year.

We audit trustees' accounts only if a creditor, debtor or a trustee requests us to do so. During the year we received 36 requests, a slight rise from the previous year.

Correspondence

Correspondence is mainly dealt with by a small specialist unit within the Branch responsible for dealing with the more complex and technical issues that arise as part of the supervisory process. We deal with a wide range of topics. As the table in the previous page indicates, the unit processed 3,986 pieces of correspondence during the year. We also worked hard throughout the year to expand our knowledge management in anticipation of the move from Edinburgh and the recruitment of new staff.

Suspected Offences reports

The number of suspected offences reports submitted to the Lord Advocate during the year was 90. This is an increase by almost a third from the previous year. The reports are prepared by trustees, agents and in-house administrators.

Bankruptcy (Scotland) Act 1913

By 31 December 2003 only 14 cases remained in dependence under this Act, two cases having been written off while another 2 were closed after payment of a dividend to creditors.

Corporate insolvency statistics

We oversee the processes of receivership and liquidation of companies registered in Scotland and for the registration of documents filed by insolvency practitioners in the process of winding up and receivership. We received notification of 794 liquidations and 99 receiverships during the year.

Case Administration

To allow us to meet our key targets at a time when we have been losing many experienced staff, we decided to administer only those cases, in-house, which fell into the MAP (minimum asset procedure) criteria introduced so successfully last year. We dealt with 563 such cases during 2003-04.

The total number of long-term cases received for administration was 45 bringing the figure to 484. Following 220 successful discharges this year, the number of such cases being administered has fallen to 267. Long-term cases are former agency cases and in-house cases where unrealisable assets remain.

Dividends

Despite the loss of staff during the year, we exceeded our targets for the payment of dividends as can be seen in Appendix 1.

Staff have continued to concentrate on discharging in-house cases whenever possible with the result that at 31 March 2004 a total of 1,082 cases had been fully discharged. Staff will continue to bring as many cases as possible to discharge during 2004-05 as the Agency prepares for relocation.

Sandra Jack

Head of Branch

Activities and performance – Finance, HR, Training and Office Support Branch

The Branch is responsible for management of the Agency's financial systems and its HR and office support services.

Finance

Finance Section is responsible for all Agency finance. We processed an increasing number of transactions during the year, some of these attribute to a greater number of cases being closed, and we continued with the collection of income in-house. We are responsible for raising invoices for income due to the Agency and that the income is received on time, properly allocated and debts are properly managed. A key Agency target is to pay all invoices within 30 days or less. In 2002-03, we paid 98% of all invoices on time, an increase of 2% from the previous year. Further steps were taken to improve the production of the annual accounts and management information reports as well as strengthening budgetary controls. For example, a qualified accountant has been recruited to manage the section.

An Audit Committee and a Finance Committee were set up as part of the Agency's Corporate Governance Strategy and the meetings held to date have been very productive. We provide secretarial support for both and we report to these sub-committees about meeting our corporate governance objectives. This includes providing monthly and quarterly reports to the Management Board and forecasting the income and expenditure for the year.

We also liaise with the Scottish Executive Finance Department on monitoring exercises and providing information for budgeting exercises such as the Spending Review.

Human Resources and Office Support

As an Executive Agency of the Scottish Executive, we employ our staff on Scottish Executive terms and conditions. We apply the human resource policies and practices developed and adopted by the Scottish Executive HR Group.

During the year 25 permanent staff left the agency. This represented a turnover rate of 32%. This high increase in staff turnover was due to the future relocation of the Agency and includes staff returning to posts in the mainstream of the Scottish Executive. In response, we have recruited a large number of temporary staff. We have also placed many of the remaining permanent staff on Temporary Responsibility Supplement to the next grade. Such moves have allowed us to maintain our output of work.

Additional HR has been made available in the Agency to prepare for the recruitment and training of staff for Ayrshire. We have invited staff in the Scottish Executive to apply for posts and a good response has been received. After they have been selected, we shall consider applications from staff in other Government Departments who saw our notice on the Cabinet Office website. It may also be necessary to hold an external recruitment campaign. Critical posts have been identified and they will be filled as early as possible to allow sufficient training time.

We have taken other steps to mitigate the potential loss of experience from the Agency over the coming year.

During the last year, the training team were responsible for inducting 33 new staff of which 28 were temporary.

The training team did not provide as much external training this year as we would normally. We had to devote our resources to internal training and planning for the move to Ayrshire. In conjunction with the Agency's Development Adviser, we have been working on a training and development strategy for new staff and for existing staff to help them find other posts in the Scottish Executive.

A programme of lunchtime seminars was also held to allow staff to learn more about wider issues affecting the Scottish Executive.

The Chief Executive appreciates the need to fully incorporate risk management into the business planning and decision making processes of the Agency. A Risk Management Seminar was therefore organised in conjunction with our Internal Audit colleagues. A mix of staff from all areas and grades of the Agency attended the seminar. Subsequently work began on identifying the top level Agency wide risks and consolidating these into a strategic risk register along with individual branch risk registers.

The number of calls we received on our helpline service rose by 35% this year. We received 1800 calls from the general public, Citizens' Advice Bureaux and other agencies. The range of queries included the criteria for sequestration, requests for information packs, what happens to assets and how to apply for a certificate of discharge.

IT

Over the course of the last year, the IT Branch has been busy ensuring that the Agency's systems can take the Agency forward in future years. To achieve this, we have moved from Windows NT to Windows 2003. This is more robust and also has the advantage of being compatible with the Scottish Executive's Windows XP systems, allowing the Agency to share information and working practices with greater ease. It is hoped that greater integration with the Executive's systems can be achieved over the next year or two.

We are currently developing a replacement of the Agency's existing case management system, IRIS. This is a major project of vital importance to the work of the Agency. The new system will be Windows based, allowing for more efficiency in our working practices, as well as introducing new elements, such as automated workflows and electronic document management (EDM). This final aspect is extremely important because of the Agency's relocation to Ayrshire over the next year.

The new Debt Arrangement Scheme (DAS) is due to be introduced by the end of this year. The Agency will be the initial scheme administrator. The development of a new IT system for the scheme will therefore be a major objective in the coming months and will be undertaken in conjunction with the Scottish Executive Justice Department. The aim is to have the new system ready by Autumn 2004.

As mentioned previously, the Agency will be relocating to Ayrshire in the summer of 2005. Our IT section have been looking at more flexible ways of working to allow for a smooth transition over this difficult period. We are redeveloping our internal Intranet with the aim of making it more user friendly. Developed properly, this will become an invaluable source of information for all staff, particularly those new to the Agency. Two-site working, home working, remote log-ins are other facets that will be investigated and instigated to provide Agency staff with the means to perform to the high standards expected of them over the next year.

Our website provides guidance on the sequestration process in Scotland, including answers to the most frequently asked questions. It also contains the Notes for Guidance for insolvency practitioners throughout Scotland and particularly those agents undertaking cases on behalf of the Accountant. Using the website in this way has allowed us to discontinue the practice of issuing Notes for Guidance in CD Rom format, saving not only in production and postage costs but also on staff time.

Relocation

In December 2003 the Scottish Ministers announced that the Agency would relocate to Ayrshire. A Relocation Project Team was set up within the Agency to manage the relocation process whilst seeking to ensure that the impact on AiB core business was kept to the minimum.

Consultants CB Richard Ellis were appointed to help identify site options. The initial property search brought out a list of 18 sites, which was reduced to 12 considered technically feasible. Site visits were made to each proposal which were then scored using weighted business criteria which had been agreed with the Scottish Executive Land & Property Unit and the Project Steering Group, chaired by a senior official from SE Justice Department. Key factors considered in this process included deliverability, operational suitability, transport and sustainability.

From this process emerged a clear short list of 4 sites, from which a recommendation was put to the Minister. An announcement is expected shortly.

Health and Safety

As part of the Agency's Corporate Governance Strategy, we established a Health and Safety Committee that met twice during the year to discuss a wide range of general issues. Our aim is to introduce initiatives that will promote healthier living and prepare the Agency for seeking a Scottish Health at Work (SHAW) award in the new premises in Ayrshire. We also intend to follow the Scottish Executive in its decision to ban smoking in the workplace from the end of August 2004.

As part of the Scottish Executive, we meet the European Union regulations on display-screen equipment. Staff are entitled to free eye tests and financial help towards buying glasses.

Environmental Performance

It has now been a year since our Environmental Programme came into effect.

Initially our main target was to reduce the amount of landfill produced by the Agency by 10%. We have surpassed this target by 9.2%. This initiative has been so successful, that during the latter part of the year and with the assistance of the Scottish Executive Environmental Management Branch, we have taken on 2 more recycling initiatives:

- used toner/printer cartridges are recycled by CHAS (Children's Hospice Association for Scotland); and,
- aluminium cans are recycled by LEEP (Lothian & Edinburgh Environmental Partnership) for various participating charities, but in our case The Scottish Executive Welfare Fund.

Given our success in this area, we are now aiming in the coming year to increase the amount of recycled waste to 20%, which will be a fifth of the domestic waste we produce. We are also currently considering having an energy audit by The Scottish Energy Efficiency Unit. For the future, we will be investigating the possibility of joining the Energy Efficiency Accreditation Scheme.

Maureen McGeown
Head of Branch

Activities and performance – Operational Policy Unit

The Unit was established in July 2003 and presently has 4 staff. The main driver for setting up the unit was the need to have a clearer focus on policy issues. Scottish Ministers will delegate functions this year to the Agency to act as the DAS administrator of the new Scheme under the Debt Arrangement and Attachment (Scotland) Act 2002.

During the year we worked closely with colleagues in the Justice Department and money advice sector on the development of the new Debt Arrangement Scheme. The emphasis has been on preparation for delivering the functions placed upon the DAS administrator. This involved the preparation of guidance: developing training materials and producing detailed workflows and forms.

In due course it is likely that the Agency will have additional functions as a result of proposals by the Scottish Executive for bankruptcy reform.

Gordon Kilpatrick

Head of Branch

Activities and performance – Corporate Strategy Team

In our second year as an Executive Agency we recognised the need to strengthen our corporate governance arrangements and created a small Corporate Strategy Team to take forward this initiative.

The Management Board has been restructured to better reflect the support required by the Chief Executive leading up to the move to Ayrshire. The Board now meets quarterly with meetings timed to ensure discussion on strategic issues such as the Business Plan and the Annual Report, etc. In the coming year, we plan to further strengthen the Board through the recruitment of a Non Executive Director. To manage the day-to-day operational matters senior managers now meet fortnightly or as required under the Chair of the Head of Corporate Strategy. The Audit Committee was created and convened for the first time in September 2003 with the Chairperson being external to AiB.

The Team has reviewed and developed our business processes and corporate strategy responsibilities. This included preparing for the implementation of the Freedom of Information (Scotland) Act on 1st January 2005. The AiB FOI publication scheme was delivered to the Scottish Information Commissioner by the due date of 1 June 2004 and work continues on identifying staff training needs and developing working practices designed to meet the challenge of responding to FOI requests within the statutory timescale.

A great deal of effort has also gone into embedding risk management in the Agency business processes. A Risk Management Seminar held in November in conjunction with our internal auditors, introduced staff across the Agency to the principles of risk management. A Strategic Risk Register with supporting branch risk registers will be introduced for 2004-2005.

In 2004-05 we will further develop robust corporate governance arrangements for the Agency, concentrating on reviewing and/or developing policies in relation to the Data Protection Act, race relations and disability discrimination legislation, staff conduct and registers of interest, complaints procedures and a new Agency wide record management system. A member of the Team has been designated as the Agency Record Management Officer and all files under the old system were closed as at 31 May 2004 and work undertaken to develop an appropriate retheming system. The next steps will be to finalise the review and destruction schedules. To take this forward meetings have been held with representatives from both the SE Record Management Team and National Archives for Scotland.

Keith Jenkinson
Head of Branch



Statistical summary

Appendix 1

Summary of Performance against our main targets

	Target (%)	Performance (%) in year April to March			
		2000-01	2001-02	2002-03	2003-04
Reply to correspondence within 10 working days.	90	92	95	96	87
Audit permanent trustee accounts within 4 weeks of receipt.	95	95	95	95	91
Examine Sederunt books within 6 weeks of receipt.	95	92	96	99	99
Paid invoices within 30-day credit period.	100	- ¹	100	96	98
Request Act and Warrant within 28 days of the circular to creditors.	100	-	97	96	100
Debtors interviewed within 20 working days of case allocation.	100	-	97	97	100
Pay dividends to creditors in non – summary sequestrations.					
Target (%)		10	13	25	25
Performance (%)		25	32	35	26
Pay dividends to creditors in summary sequestrations.					
Target (%)		5	5	9	9
Performance (%)		6	10	11	13
Year (April to March in £s)					
Gross costs per discharged case		1,503	1,599	1,532	1,641
Net costs per discharged case		870	881	953	971
Year (April to March in %)					
Fees and repayments as a percent of operating costs ²		- ¹	- ¹	47.2%	50.6%

¹ These targets did not exist before the Accountant in Bankruptcy became an agency in April 2002.

² No performance target has been set, this being determined by the individual cases under administration and proceeds arising therefrom.

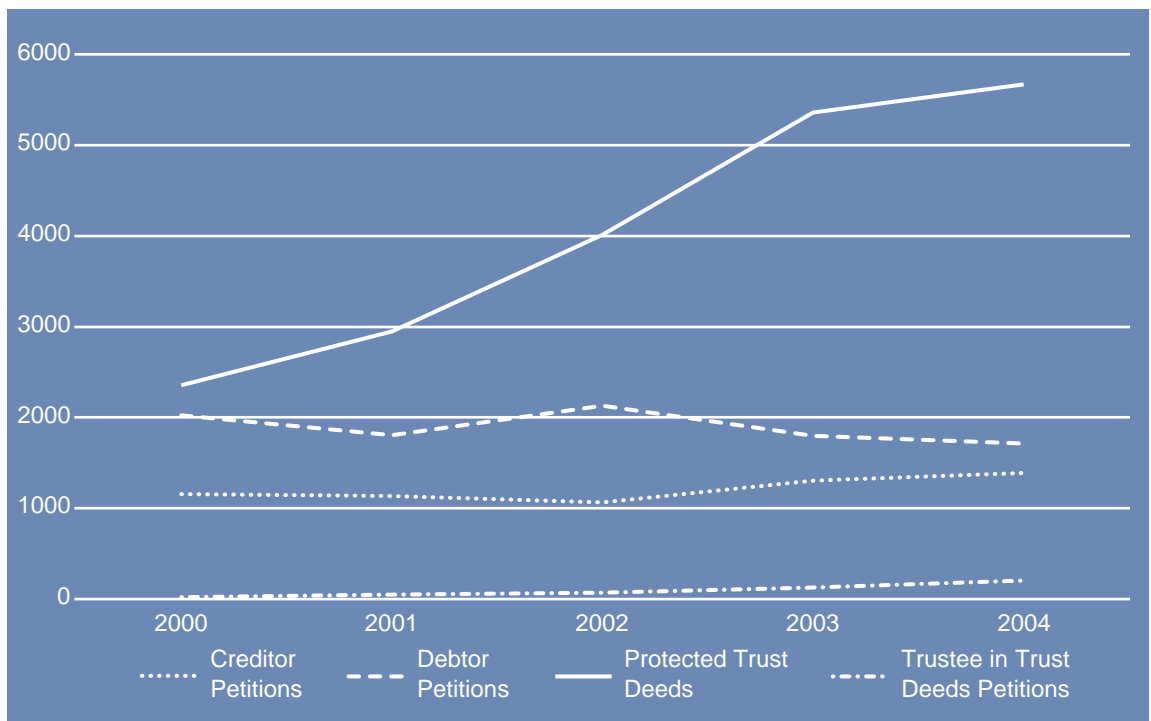
Appendix 2

Sequestrations and Protected Trust Deeds 2000-2004

Year ended 31 March	Sequestrations awarded	Protected Trust Deeds registered
2000	3,185	2,353
2001	2,938	2,943
2002	3,193	4,011
2003	3,228	5,363
2004	3,309	5,669

Appendix 3

Graph showing the growth in the number of Protected Trust Deeds compared with the number of sequestrations resulting from debtor and creditor petitions



Appendix 4

Total number of cases discharged

Year ended 31 March	Sequestrations	Protected Trust Deeds
2000	2,850	428
2001	2,825	531
2002	3,129	995
2003	3,271	1,374
2004	3,698	2,770

The average time to wind up all sequestrations brought to an end by discharge of the permanent trustee during the year was 4 years 7 months.

Appendix 5

Average dividend payments

Year ending 31 March	Sequestrations	Protected Trust Deeds
2000	25.5p	34.1p
2001	13.6p	23.8p
2002	21.9p	23.6p
2003	20.3p	21.1p
2004	15.3p	19.8p

Appendix 6

Bankruptcy (Scotland) Act 1985 (as amended)

- 1 Sequestrations awarded and concluded as at 31 March 2004 in terms of the Bankruptcy (Scotland Act 1985) and in dependence during the year ended 31 March 2004.

	2002-03	2003-04
In dependence at start of year (live cases)	14,233	14,137
New awards	3,228	3,309
Total:	17,461	17,446
Less:		
Recalls/disposals/discharges ³	53	35
Sequestrations concluded by discharge of the permanent trustee in which:		
No dividend was paid to creditors	2,699	3,026
Dividend paid to preferred creditors only	117	157
Dividend paid to ordinary creditors	455	515
Total:	3,324	3,733
Cases in dependence at 31 March	14,137	13,713

³ Sequestrations recalled or disposed of other than by discharge of the permanent trustee.

2 Results of sequestrations wound up by division of funds followed by trustee's discharge during the year.

- a During the year 672 sequestrations were wound up by division of funds. The average time involved in winding these up (that is from the date of award of sequestration to the date of the trustee's discharge) was 5 years 9 months.
- b The table below gives details of the estates wound up by division of funds according to the rate of dividend paid.

	2002-03	2003-04
Dividend paid to preferred creditors only	117	157
Dividend paid to ordinary creditors:		
Less than 25p per £	249	277
Between 25p and 50p per £	71	95
Between 50p and 75p per £	34	45
Between 75p and 99p per £	17	22
100p per £ plus interest	84	76
Sub-Total:	455	515
Total	572	672

The average dividend to ordinary creditors in 2004 was 15.3p in the pound which compares with 20.3p in 2003 (Appendix 4).

3 Summary of results in sequestrations wound up by division of funds during the year ended 31 March 2004.

Estimated receipts and payments as in Statements of Affairs

		Gross amounts (£)
Debts:	Preferred debts	1,544,303
	Ordinary debts	35,620,218
Total debts		37,164,521
Gross Moveable Estates as given up in Statements of Affairs		2,642,360
Estimated Deficiency		34,522,161
Actual receipts and payments		
Gross receipts⁴		13,751,777
Less:		
	expenses ⁵ : trustees' commission	3,564,375
	law expenses	674,454
	other expenses	1,941,592
	extraordinary expenses ⁶	365,038
	total expenses	6,545,459
	dividends to creditors: preferred	1,138,778
	ordinary	5,452,064
	total dividends	6,590,842
sub-total		13,136,301
sums consigned as unapplied balances and reversionary sums paid to debtors		615,476
Total payments		13,751,777

⁴ Excluding sums received from the sale of heritable property and due to secured creditors.

⁵ Expenses are derived since the inception of the trusteeship, i.e. not just in year.

⁶ Payments in certain sequestrations, being wages and other charges connected with the carrying on of business sold, etc.

4 Number of sequestrations awarded, by Sheriffdom and Sheriff Court, in the year to 31 March 2004.

(Note: Included are 414 awards made in the Court of Session and remitted to the appropriate Sheriff Court.)

Sheriffdom (Sheriff Court)	Awards per Sheriff Court	
	2002-03	2003-04
Tayside, Central & Fife		
Alloa	40	35
Arbroath	29	43
Cupar	50	58
Dundee	135	162
Dunfermline	91	128
Falkirk	108	125
Forfar	30	31
Kirkcaldy	171	164
Perth	149	107
Stirling	44	50
Total awards for Sheriffdom	847	903
South Strathclyde, Dumfries & Galloway		
Airdrie	166	103
Ayr	113	89
Dumfries	43	51
Hamilton	214	232
Kirkcudbright	23	19
Lanark	36	39
Stranraer	12	15
Total awards for Sheriffdom	607	548
North Strathclyde		
Campbeltown	15	7
Dumbarton	99	95
Dunoon	26	13
Greenock	49	49
Kilmarnock	136	158
Oban	42	22
Paisley	127	120
Rothesay	3	5
Total awards for Sheriffdom	497	469

Sheriffdom (Sheriff Court)	Awards per Sheriff Court	
	2002-03	2003-04
Grampian, Highland & Islands		
Aberdeen	187	202
Banff	19	19
Dingwall	10	25
Dornoch	11	5
Elgin	42	60
Fort William	31	13
Inverness	59	38
Kirkwall	8	10
Lerwick	5	12
Lochmaddy	2	2
Peterhead	29	68
Portree	12	4
Stonehaven	34	29
Stornoway	5	10
Tain	11	6
Wick	9	17
Total awards for Sheriffdom	474	520
Lothian & Borders		
Duns	6	5
Edinburgh	234	262
Haddington	86	105
Jedburgh	28	28
Linlithgow	87	124
Peebles	8	6
Selkirk	14	17
Total awards for Sheriffdom	463	547
Glasgow & Strathkelvin		
Glasgow	340	322
TOTAL AWARDS	3,228	3,309

5 Distribution of sequestration cases, in the year to 31 March 2004

a Appointment of interim trustee

i Accountant in Bankruptcy

The Accountant was appointed interim trustee in **2,959** (89%) of the total number of 3,309 sequestration cases.

		Cases	
		2003	2004
Appointments arising from:	creditor petitions	1,122	1,243
	debtor petitions	1,629	1,526
	trustees under trust deeds	112	190
Total		2,863	2,959
Administered by:	Case Management Branch	749	565
	agents	2,114	2,394
Total		2,863	2,959

ii Insolvency practitioners

An insolvency practitioner was nominated interim trustee in **350** (10.5%) cases of the total of 3,309.

Nominations arising from:	creditor petitions	184	148
	debtor petitions	168	188
	trustees under trust deeds	13	14

b Election/appointment of permanent trustee

The Accountant in Bankruptcy was appointed permanent trustee in 2,759 of the total number of cases. Apart from the 170 cases where the interim trustee is still in office, the remaining 380 cases were awarded to insolvency practitioners:

Elected	107	134
Appointed	231	246

Appendix 7

Bankruptcy (Scotland) Act 1913

1 General Account at 31 December 2003 of the sequestrations awarded and re-opened and of those wound up during the year, showing the number in dependence at the close

	2003	2004
Number of sequestrations in dependence on 31 December	25	18
Less:		
Number of sequestrations wound up during the year in which no dividend was paid to creditors	1	-
Number of sequestrations wound up during the year in which a dividend was paid to creditors	2	2
Cases 'written off' in terms of section 159 of the Bankruptcy (Scotland) Act 1913	4	2
Total:	7	4
Number of sequestrations in dependence on 31 December	18	14

2 Sequestrations wound up by division of funds followed by trustee's discharge during the year

Creditors were paid a dividend from 2 sequestrations that were wound up by a division of funds. In both cases a dividend of 100p in the pound was paid to preferential creditors. Dividends to ordinary creditors were 12.6p in the pound in one case and 30p in the pound in the other. These sequestrations were awarded in 1981 and 1986 respectively.

Appendix 8

Protected Trust Deeds

- 1 Protected Trust Deeds registered and concluded as at 31 March 2004 in terms of Schedule 5 of the Bankruptcy (Scotland) Act 1985 and in dependence during the accounting year 2003-04.

	2002-03	2003-04
Number of Protected Trust Deeds recorded in the Register of Insolvencies up to 31 March	10,466	14,455
Protected Trust Deeds registered during year	5,363	5,669
Less:		
Protected Trust Deeds concluded during the year in which no dividend was paid to ordinary creditors	689	1,170
Protected Trust Deeds concluded during the year in which a dividend was paid to ordinary creditors	685	1,600
Total:	3,989	2,899
Protected Trust Deeds remaining open on 31 March	14,455	17,354

2 Summary of results from Protected Trust Deeds concluded during this year

	2002-03	2003-04
Number of cases concluded by payments of a dividend	685	1,600
	(£)	(£)
Total receipts	7,734,223	16,410,885
Administration expenses ⁷	3,063,967	7,060,193
Payments to creditors:		
secured	1,034,707	2,275,792
preferred	600,366	283,480
ordinary	3,035,183	6,791,420
Total sum distributed	7,734,223	16,410,885
Average dividend to ordinary creditors	21.1p in the £	19.8p in the £
	2002-03	2003-04
Number of cases concluded with no payments of dividends to ordinary creditors	689	1,170
	(£)	(£)
Total Receipts	3,036,751	5,124,715
Administration expenses	1,887,271	3,543,028
Payments to creditors:		
secured	1,017,210	1,370,838
preferred	132,270	210,849
Total payments	3,036,751	5,124,715

⁷ Expenses are derived since the inception of the trusteeship, i.e. not just in year.

Appendix 9

Comparison of outcomes amongst trustees, agents & Case Management Branch

The following information relates only to sequestrations awarded on or after 1 April 1993, i.e. it excludes cases awarded prior to the coming into effect of the Bankruptcy (Scotland) Act 1993 and subject to the public funding provisions of Schedule 2 to the Bankruptcy (Scotland) Act 1985.

	Private sector trustees		agents		Case Management Branch	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Cases concluded by permanent trustee discharge	533	691	1,749	1,925	989	1,082
Number (and %) of cases with dividend paid to preferred/ordinary creditors	138 (25.9%)	165 (23.9%)	195 (11.2%)	258 (13.4%)	184 (18.6%)	205 (18.9%)
Average dividend to ordinary creditors	17.3p	11.2p	24.2p	15.3p	13.5p	20.9p
Cases concluded by permanent trustee discharge; no dividend to any class of creditor	395	526	1,554	1,667	805	877

The average net cost per case for 2003-04 was **£870** (£881 in 2002-03).

Appendix 10

Sequestration Funds held by the Agency

Analysis of consignations receipts lodged and uplifted, 1 January 1999 to 31 December 2003

When a permanent trustee has made a final division of a debtor's estate, Section 57(1) of the Bankruptcy (Scotland) Act 1985 requires that he or she consigns any unapplied balances and unclaimed dividends in an appropriate bank or institution in the name of the Accountant in Bankruptcy.⁸ The Accountant holds these consignment receipts for a period of 7 years. After this they are surrendered to the Exchequer. Anyone entitled to receive sums consigned as unclaimed dividends is able to claim these from the Accountant at any time whether it is either during or after this 7-year period.

	1999 £	2000 £	2001 £	2002 £	2003 £
Previous year's balance b/fwd	704,426	827,716	987,053	1,311,664	1,561,773
Lodged as unclaimed dividends	92,371	148,734	213,776	295,105	912,592
Lodged as unapplied balances	58,003	58,459	170,224	84,396	79,478
Total lodged	150,374	207,193	384,000	379,501	992,070
Less:					
Transferred to Treasury after 7 yrs	23,624	33,678	44,894	120,471	89,821
Amount uplifted	3,459	14,177	14,495	8,921	18,778
Balance c/fwd	827,716	987,053	1,311,664	1,561,773	2,445,244

⁸ The same holds true of trustees in trust deeds and the statistics include consignment receipts from these insolvency practitioners.

Appendix 11

Data Access Request processed in year

There were no Data Access Requests for the year 2003-2004.



Annual Accounts 2004

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Foreword

The Agency's accounts have been prepared in accordance with the Direction by the Scottish Ministers, as reproduced on page 56.

The Report and Accounts are presented for the financial year ended 31 March 2004.

1. History of Body

The history of bankruptcy is enshrined in legislation, and the administration of it has been closely associated with the courts. The Bankruptcy Act of 1621 is the earliest recorded statute dealing with bankruptcy. Legislation has developed slowly, with further enactments relating to the process of sequestration being in 1696, 1772, 1783, 1856 and 1913, the last of these consolidating former legislation.

Changes have reflected social and economic factors over the years.

The Bankruptcy (Scotland) Act 1985 introduced public funding to underwrite the costs of the process where there were insufficient funds or realisable assets in a debtor's estate to cover the costs of sequestration.

Legislation in 1993 altered petitioning rights and changed the way public funding was provided. It also provided that the Accountant, when appointed trustee, could use his own staff, or appoint agents to act on his behalf. It was also in 1993 that the office of the Accountant in Bankruptcy came into existence.

Accountant in Bankruptcy (the Agency) was established as an Executive Agency on 2 April 2002. The framework within which the Agency operates is set out in the Framework Document. This includes the financial delegations. The Accountant in Bankruptcy is also the Agency Chief Executive and was appointed by Scottish Ministers under section 1 of the Bankruptcy (Scotland) Act 1985 to take up office from 30 September 2002.

2. Aims

The principal aim of the Agency is to carry out the statutory and other functions laid on the Accountant efficiently, effectively, and with due regard to the interests of creditors and debtors.

The Agency successfully managed its resources so as to deliver the agreed services within the approved 2003-04 funding.

3. Principal Activities

Staff in the Agency carry out the statutory functions of the Accountant. These are to:

- a) maintain the registers of sequestrated estates, protected trust deeds and corporate insolvencies;
- b) supervise the performance of interim and permanent trustees and commissioners in Scotland;
- c) undertake the functions of commissioners in sequestrations where none are elected to office;

- d) undertake the functions of interim and permanent trustee in sequestrations where the Accountant in Bankruptcy is appointed by the Court;
- e) administer the application of the Insolvency Act 1986 in relation to the devolved provisions of corporate insolvency in Scotland.

In Autumn 2004 Scottish Ministers will delegate functions to the Agency under the Debt Arrangement and Attachment (Scotland) Act 2002 and the Agency will act as the Debt Arrangement Scheme (DAS) administrator. Additional resources have been employed on the development of the Scheme during 2003-04.

4. Results on Accruals Basis

The Income and Expenditure Account shows income and the net cost of operations on an accruals basis. The net cost of operations, amounting to £3.435 million (2002-03 £3.181 million), represents the cost of work undertaken by the Agency. It has been calculated after including a number of notional and non-cash costs. Details are given in the Notes to the accounts.

Accountant in Bankruptcy is a supply-financed Agency of the Scottish Executive Justice Department and is accounted for under the Scotland Act 1998.

This is the first year of presenting both current and prior year accounts.

5. Post Balance Sheet Events

Details can be found in the Note 17 to the accounts.

6. Future Business Development

The Scottish Ministers announced in 'A Partnership for a Better Scotland – Partnership Agreement' published in May 2003 that they planned to legislate to modernise the laws of personal bankruptcy to strike a better balance between supporting business risk and protecting the rights of creditors. A consultation exercise on proposals for reform was carried out by the Justice Department from November 2003 to February 2004. The responses generally favoured the changes put forward and, would result in significant change to the Agency's functions and responsibilities, and consequently systems. A draft bill was published in June 2004 and the responses will be made public in due course.

As stated, under Principal Activities the Agency has worked throughout the year with the Justice Department to put in place the necessary arrangements for the new Debt Arrangement Scheme, including the necessary IT system. This work is ongoing. Ministers have said that the Scheme will begin by the end of 2004 and the Agency will act as the Debt Arrangement Scheme administrator. The functions will be:

- a) the approval of money advisers and payment distributors;
- b) maintain the register of debt payment programmes known as the DAS Register;
- c) the approval (or rejection) of new and varied debt payment programmes (DPP's).

7. Relocation Review

Scottish Ministers announced in December 2003 that the Agency would relocate to Ayrshire by the end of 2005 - the final location is under consideration but an interim office is planned to open in November 2004.

No provision has been made in the accounts now presented for the costs of the move. There has been a significant loss of experienced staff, but plans have been put in place to prevent further loss.

8. Fixed Assets

The major purchase in the course of the year was software for the development of improved sequestration case management. (See Note 9 below).

9. Research and Development

The Agency aims to keep abreast of all technical innovation, products and system developments in the field in which it operates. The Insolvency Reporting and Information System (IRIS) is the Agency's main computer system. It was developed in the 1980s and has reached the limits of its capabilities. Migration to a modern platform is underway. This, along with other improvements, such as Electronic Document Management, will comply with the Government's e-Government Interoperability Framework requirements (for further details see www.egifcompliance.org), and also provide a robust series of IT systems capable of further development to meet any future plans for the Agency.

10. Pensions

Details about the Agency's Pension Costs are included in Note 2 to these accounts.

11. Senior Management

During the year the Management Board of the Agency comprised:

Gillian J Thompson	Chief Executive
Maureen McGeown	Depute Accountant and Relocation (to November 2003)
Maureen McGeown	Depute Accountant, Finance, HR, Training and Office Support (from November 2003)
Keith Jenkinson	Corporate Strategy, Relocation and IT (from February 2004)
Sandra Jack	Registration and Supervision (from June 2003 to December 2003)
Sandra Jack	Case Operations (from December 2003)
Gordon Kilpatrick	Registration and Supervision (to end of June 2003)
Gordon Kilpatrick	Operational Policy Unit (from July 2003)
Elizabeth McPhillips	Case Management (to December 2003)
Norrie Murray	Finance and Office Administration (to November 2003)
Dave Thomson	Relocation and IT (November 2003 – February 2004)

Details of remuneration are contained within Note 2.03 to the Accounts.

12. Board Members

Salaries are determined under the Scottish Executive Main negotiating arrangements.

13. Disabled Employees/Equal Opportunities

The Agency has positive policies in relation to disabled employees in accordance with Scottish Executive policy. Special facilities are provided where necessary. Every effort is made to comply with equal opportunities legislation.

14. Charitable Donations

A donation of £500 was made to the Children's Hospice Association Scotland in lieu of the printing and postage costs of corporate Christmas cards.

15. Payments to Suppliers

The Agency complies with the Confederation of British Industry prompt payment code and is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are due to be made within 30 days of the receipt of the goods and services, or the presentation of a valid invoice or similar demand, whichever is later. In 2003-04, 98% (2002-03, 96%) of invoices were paid on time.

16. Audit

The accounts for 2003-04 are audited by auditors appointed by the Auditor General for Scotland and the report is on pages 41 to 42.

Audit Scotland carried out the audit of the Agency's accounts for the financial year-end 31 March 2004. The notional fee for this service was £40k (2003 £34k), which relates solely to the provision of statutory audit services.



Gillian Thompson

Chief Executive

24 September 2004

Statement of the Agency's and Chief Executive's Responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed Accountant in Bankruptcy to prepare a statement of accounts for each financial year in the form and on the basis set out in the direction on page 56. 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, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards 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 Principal Accountable Officer of the Scottish Executive has appointed the Chief Executive of Accountant in Bankruptcy as the Accountable Officer for the Agency. The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Scottish Ministers.



Gillian Thompson

Chief Executive

24 September 2004

Statement on Internal Control

1. **Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the Accountant in Bankruptcy's policies, aims and objectives, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

2. **The purpose of the system of internal control**

The system of internal control is designed to manage risks to a reasonable level, rather than to eliminate all risk of failure to achieve our aims and objectives. It can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2004 and up to the date of the approval of the Annual Report and Accounts, and accords with Scottish Executive guidance.

3. **Capacity to handle risk and the risk and control framework**

This has been a challenging year during which I have continually reviewed our capability to manage the risks arising from our relocation review. The Management Board met regularly to assess and manage the risks involved in successfully delivering the Agency's aims and objectives. Regular reviews of all the risks affecting our key strategic projects were carried out. A detailed Agency-wide risk register is in place. This is informed by the risk assessments carried out regularly by senior managers responsible for successful delivery of our various projects. These will be used in future to embed risk management in the decisions and Agency activities.

A Risk Management Seminar was held in conjunction with internal auditors of the Scottish Executive Finance and Central Services Department. A mix of staff from all areas and grades of the Agency attended the seminar, which highlighted how to compile and manage a risk register. Subsequently, the top level Agency wide risks were identified and consolidated into a strategic risk register along with individual branch risk registers.

4. **Review of effectiveness**

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system is informed by the work of internal auditors of the Scottish Executive Finance and Central Services Department, and the Agency's heads of branch who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports. I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by my Management Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The following processes have informed my review:

- a) The Management Board met monthly throughout the year to consider the strategic direction of the Agency and to report to me on progress made on delivering targets and special projects. However, in view of our changing business environment, I have reviewed the management structure and reporting processes and have concluded that a more formal control mechanism is needed. Consequently, from 1 April 2004 the membership of the Board has changed to comprise: Chief Executive; Head of Finance, HR, Training and Office Support; Head of Corporate Strategy, Relocation and IT; Head of Operational Policy and Head of Case Operations. We will seek to recruit a Non Executive Director by end March 2005. To assist the Board there will be regular meetings of the senior management team, which includes the heads of branches plus the IT team leader and the senior manager responsible for training.
- b) Quarterly meetings are held with our Fraser Figure (a representative of the Scottish Executive Justice Department who facilitates relations between the Agency and the Department). A report on the Agency's activities and progress towards meeting targets is prepared to inform discussion at these meetings. The meetings are attended by the Management Board and the Finance Justice Team Leader. In future the Board will meet quarterly in advance of the Fraser Figure meetings to inform this process.
- c) The Agency uses and relies on the core financial management systems of the Scottish Executive to carry out our own accounting and payment functions. The accounting and payment system has worked well throughout the year.

5. Significant Event

In December 2002, Scottish Ministers announced a relocation of the Agency outwith Edinburgh.

We met the majority of our targets. This is despite the loss of 30% of my experienced staff between December 2002 and the end of March 2004 and the need to resource the development of Debt Arrangement Scheme and the much-needed IT improvements.

However, by a small margin we did not meet the following:

	Target	Actual
Reply to correspondence within 10 working days.	90%	87%
Audit permanent trustee accounts within 4 weeks of receipt.	95%	91%
Paid invoices within 30-day credit period.	100%	98%

That we have done as well as we have is due to the commitment of the remaining staff and our success in recruiting temporary replacements.



Gillian Thompson
Chief Executive
24 September 2004

Independent Auditor's Report

To the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 43 to 55 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on pages 46 to 48.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 38 the Agency and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of expenditure and receipts. 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 the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by 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 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and whether, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

I also report if, in my opinion, the Foreword is not consistent with the audited 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 review whether the statement on pages 39 to 40 complies with Scottish Executive guidance on statements on the system of internal control. I report if, in my opinion, the statement does not comply with the guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report, and consider whether it is consistent with the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant 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 expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and 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 misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

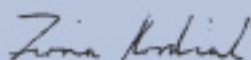
Financial statements

In my opinion the financial statements give a true and fair view of the state of affairs of the Accountant in Bankruptcy Executive Agency at 31 March 2004 and of the operating cost, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Regularity

In my opinion, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.



Fiona Kordiak CPFA, Chief Auditor
Audit Scotland – Audit Services (East Region)
Osborne House, 1/5 Osborne Terrace
Edinburgh EH12 5HG

27 September 2004

Income and Expenditure Account

for the year ended 31 March 2004

	Note	2003-04		2002-03	
		£000	£000	£000	£000
Income					
Operating income	1		3,518		2,849
Expenditure					
Staff costs	2	1,874		1,674	
Other Operating Costs	3	4,991		4,287	
Depreciation		88		69	
Total expenditure			6,953		6,030
Operating cost for the year			3,435		3,181

All income and expenditure is derived from continuing operations. There were no discontinued activities. There were no material acquisitions or disposals in the year.

Statement of Recognised Gains and Losses

for the year ended 31 March 2004

	2003-04		2002-03	
	£000		£000	
Net unrealised gain/(loss) on revaluation of fixed assets		-		6
Difference between historical cost depreciation and actual charge for the year calculated on revalued amounts		(2)		(2)
Total recognised gains and losses for the financial year		(2)		4

The notes on pages 46 to 55 form part of these accounts.

Balance Sheet

as at 31 March 2004

		31 March 2004		31 March 2003	
	Note	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	5	271		318	
Intangible Assets	6	364		33	
			635		351
Current Assets					
Debtors and prepayments	8	983		1,063	
Cash at bank and in hand	9	-		-	
Stock	10	12		10	
			995		1,073
Creditors (amounts falling due within one year)	11	(1,940)		(1,353)	
Net Current Assets			(945)		(280)
Total assets less current liabilities			(310)		71
Taxpayers' equity					
General fund	12		(320)		59
Revaluation reserve	13		10		12
			(310)		71

Signed Gillian Thomson Accountable Officer

Date 24 September 2004

The notes on pages 46 to 55 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2004

		2003-04	2002-03
	Note	£000	£000
Net cash outflow from operating activities	A	(2,972)	(3,283)
Capital expenditure	B	(46)	(69)
Financing	C	(3,018)	3,352
Increase/(decrease) in cash in period		-	-
(A) Reconciliation of operating costs to operating cash flows			
Net operating cost		(3,435)	(3,181)
Adjust for non-cash transactions		123	102
Adjust for movements in working capital other than cash	7	333	(218)
Net movement on provisions	7	7	14
Net cash inflow/(outflow) from operating activities		(2,972)	(3,283)
(B) Analysis of capital expenditure			
Purchase of fixed assets	5,6	(372)	(70)
Adjust for movement in creditors for capital	7	326	1
Net cash inflow/(outflow) from investing activities		(46)	(69)
(C) Analysis of financing			
Grant in Aid - cash		3,018	3,352
Net financing		3,018	3,352
(Increase)/decrease in cash		-	-
Net cash flows other than financing		3,018	3,352

The notes on pages 46 to 55 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2004

1 Accounting Policies

The financial statements have been prepared in accordance with the 2003-04 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, that which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.01 Basis of Accounting

These accounts have been prepared in accordance with the historical cost convention modified to account for the revaluation of fixed assets at their value to the Agency by reference to their current costs.

1.02 Tangible Fixed Assets

Fixed assets have been stated at current cost as at 31 March 2004 using the National Statistics price indices for current cost accounting to take account of specific price changes.

Computer equipment is not indexed, in line with Scottish Executive guidance.

Internally developed software is valued at cost.

The thresholds for capitalisation of fixed assets are £5,000 for equipment, £100 for individual IT equipment, £1000 for major items of furniture.

1.03 Intangible Fixed Assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

In the course of the year licences were acquired but not brought into use. In this situation the costs are contained within 'Assets under construction' and amortisation commences upon being brought into use.

1.04 Depreciation

Fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives as follows:

Computers	- Over 3 years
Computer software and software licences	- Over up to 10 years
Loose furniture, fittings, & equipment"	- Over 10 years

Assets in the course of construction are not depreciated until the assets are brought into use.

Notes to the Accounts

for the year ended 31 March 2004 (continued)

Depreciation is charged to expenditure on the revalued amount of assets. An element of the depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be chargeable on the historical cost basis. The amount relating to this excess is a realised gain on revaluation and is therefore transferred from the Revaluation Reserve to the General Fund.

1.05 Stocks

Stocks of stationery and publications are held and are valued at the lower of current cost and net realisable value.

1.06 Operating Income

Income primarily comprises recovery of Accountant in Bankruptcy fees from sequestration estates in relation to setting trustees' remuneration and outlays and repayments to public funds. No adjustment has been made where fees have been paid in advance. Income from cases not invoiced has been accrued, and is fully provided as being irrecoverable due to the lack of funds available within them.

Income is accrued in respect of recoverable elements of accrued expenditure for cases currently under external administration. In accordance with FRS 5 such income is recognised net of amounts deemed to be irrecoverable.

Notional income of £3.7m (2002-03 - £3.6m) due to the Agency was not invoiced and was uncollected due to there being no assets, or insufficient assets, in these sequestrated estates (See Note 20).

1.07 Value Added Tax

Irrecoverable VAT is charged to the Income and Expenditure Account in the year in which it is incurred, apart from that which is capitalised as part of estate values. Recoverable VAT is deducted from the expenditure to which it relates.

1.08 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in Note 2.03. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1.09 Capital Charge or Credit

A charge, reflecting the cost of capital utilised by AiB is included in operating costs. The charge (or credit where net average liabilities exceed assets) is calculated at the Government's standard rate of 3.5% (2002-03 - 6%) in real terms on all assets less liabilities.

Notes to the Accounts

for the year ended 31 March 2004 (continued)

1.10 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. There are 14 years remaining on the lease for George House, 126 George Street, Edinburgh.

1.11 Notional Charges

Certain central costs and overheads (auditor's remuneration and elements of cost of capital) are charged on a notional basis to Accountant in Bankruptcy and are contained within the Income and Expenditure Account.

1.12 Insurance

As the Agency adopts the standard Government policy not to insure other than where required to do so in accordance with statutory requirements, and as required by specific third parties, insurance premiums are only incurred in these circumstances.

2 Staff numbers and costs

2.01 Staff numbers

The average number of whole time equivalent persons employed (including senior management) was as follows:

Branch	2003-04			2002-03	
	Senior Management	Officials	Agency, temporary contract staff	Total Number	Total Number
Case Operation	3.0	45.5	13.5	62.0	58.0
Finance and Office Administration	1.0	16.0	2.0	19.0	21.0
Project Team	1.0	1.0	-	2.0	-
IT	-	6.0	0.5	6.5	6.0
CE & Policy Unit	2.0	3.0	0.5	5.5	2.0
	7.0	71.5	16.5	95.0	87.0

The above prior year numbers have been restated to: a) reflect the combining of Case Management Branch with Registration and Supervision Branch to form Case Operations Branch; and b) to include agency personnel.

2.02 Payroll costs

The aggregate payroll costs of these persons were as follows:

	2003-04 £000	2002-03 £000
Wages and Salaries	1,614	1,430
Social Security Costs	93	82
Other Pension Costs	167	162
	1,874	1,674

Notes to the Accounts

for the year ended 31 March 2004 (continued)

2.03 Senior Management

The following notes supplement the table as presented on this page.

Salary

'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

Benefits in Kind

There were no benefits in kind within 2003-04 (2002-03 - Nil).

Employer contribution to partnership pension account including risk benefit cover

There were no contributions to partnership pension account within 2003-04 (2002-03 - Nil).

	1	2	3	4	5	6
	Salary, including performance pay	Real Increase in pension at 60	Total Accrued Pension at 60 at 31/03/04 and related lump sum	CETV at 31/03/03	CETV at 31/03/04	Real increase in CETV after adjustment for inflation and changes in market investment factors
	(£'000)	(£'000)	(£'000)	(nearest £'000)	(nearest £'000)	(nearest £'000)
Gillian Thompson* <i>Chief Executive</i>	40 - 45	0 - 2.5	10 - 15 50 - 55	222	266	31
Maureen McGeown* <i>Depute Accountant, and from November 2003 FOAB Head of Branch</i>	35 - 40	0 - 2.5	10 - 15 20 - 25	118	126	3
Elizabeth McPhillips <i>CMB - Head of Branch to December 2003</i>	30 - 35	0 - 2.5	10 - 15 35 - 40	180	209	19
Norrie Murray <i>FOAB - Head of Branch to November 2003</i>	30 - 35	0 - 2.5	10 - 15 35 - 40	197	216	8
Gordon Kilpatrick* <i>RSB - Head of Branch to June 2003</i>	25 - 30	0 - 2.5	5 - 10 10 - 15	53	60	3
Sandra Jack <i>RSB - Head of Branch from June 2003 COB - Head of Branch from December 2003</i>	25 - 30	0 - 2.5	5 - 10 15 - 20	47	57	5
Keith Jenkinson <i>Head of Corporate Policy from February 2004</i>	35 - 40	0 - 2.5	15 - 20 50 - 55	214	239	1
Dave Thomson <i>Head of IT from April 2004</i>	25 - 30	0 - 2.5	0 - 5 10 - 15	39	41	0

Notes to the Accounts

for the year ended 31 March 2004 (continued)

2.03 Senior Management (continued)

Pension benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based final salary defined benefit schemes (**classic, premium, and classic plus**). The schemes are unfunded with the costs and benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, and classic plus** are increased annually in line with changes in the retail Prices Index. New entrants after 1 October 2002 may choose between membership of **premium** or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (**partnership pension account**).

Employees get tax relief on their contributions. These are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium and classic plus**. Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater. **Classic Plus** is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

The **Partnership Pension Account** is a stakeholder pension arrangement. No employee has elected to participate in this scheme.

Further details about the Civil Service pension arrangements can be found at the website:

www.civilservice-pensions.gov.uk

Columns 4 & 5 of the table on Page 49 show the member’s cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 6 is the difference between columns 4 and 5 after adjustment of column 4 to reflect the same market valuation factors as used to calculate the CETV at the end of the reporting period, an inflation adjustment factor between the start and end of the reporting period, and less the pension scheme contributions made by the member during the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total actual service as a civil servant, not just their service in a senior capacity to which disclosure applies.

Notes to the Accounts

for the year ended 31 March 2004 (continued)

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. It includes any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

3 Other Operating Costs

	2003-04	2002-03
	£000	£000
Rentals under operating leases:		
Other operating leases	434	375
Notional cost - audit	40	34
Notional cost - capital charge/(credit)	(4)	(2)
Accommodation	199	151
Building maintenance	15	43
Travel, subsistence, hospitality	13	13
Other	4,294	3,673
	4,991	4,287

4 Analysis of capital expenditure

Capital expenditure amounted to £372k (2002-03 - £70k), details of which are contained in Notes 5 and 6.

5 Tangible Fixed Assets

	Furniture, Fittings, Equipment	Computers	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2003	341	171	10	522
Additions	-	39	-	39
Transfers	-	-	(10)	(10)
At 31 March 2004	341	210	-	551
Depreciation				
As at 1 April 2003	157	47	-	204
Provided during year	35	41	-	76
At 31 March 2004	192	88	-	280
Net Book Value				
At 31 March 2004	149	122	-	271
At 1 April 2003	184	124	10	318

Notes to the Accounts

for the year ended 31 March 2004 (continued)

6 Intangible Fixed Assets

	Computer Software	Assets Under Construction	Total
Cost or Valuation	£000	£000	£000
At 1 April 2003	48	-	48
Additions	6	327	333
Transfers	-	10	10
At 31 March 2004	54	337	391
Depreciation			
At 1 April 2003	15	-	15
Provided during year	12	-	12
At 31 March 2004	27	-	27
Net Book Value			
At 31 March 2004	27	337	364
At 1 April 2003	33	-	33

7 Movements in working capital other than cash

	2003-04		2002-03	
	£000	£000	£000	£000
Increase/(decrease) in stocks		2		10
Increase/(decrease) in debtors	(88)		522	
	7	(81)	14	536
Decrease/(increase) in creditors		(587)		(343)
Total		(666)		203
Less decrease/(increase) in capital debtors		-		-
Less increase/(decrease) in capital creditors		326		1
Total		(340)		204

8 Debtors

	31 March 2004	31 March 2003
	£000	£000
Amounts due within one year		
VAT	109	466
Prepayments and accrued income	777	503
Other	97	94
	983	1,063

Notes to the Accounts

for the year ended 31 March 2004 (continued)

9 Cash at bank and in hand

	31 March 2004	31 March 2003
	£000	£000
Cash in hand		
Balance at 1 April 2003	-	-
Net change in cash balance	-	-
Balance at 31 March 2004	-	-

As all payments and receipts other than petty cash are effected through SEAS, apart from an account used as the means for clearing inward payments, no other separate bank account is currently held by AiB other than as detailed below.

Third Party Funds

Funds of £17.7 million (2002-03 - £15 million) are held on behalf of third parties within interest bearing accounts. This mainly comprises realised assets awaiting repayment to the public purse, distribution to creditors £ 15.2 million (2002-03 - £13 million), money consigned in respect of unclaimed dividends and unapplied balances £2.4 million (2002-03 - £2 million).

Unclaimed dividends and unapplied balances are, after 7 years, paid over to the Treasury. These payments do not form part of the AiB accounts. During 2003-04 these payments amounted to £90k (2002-03 - £120k), and are based upon balances as at 31 December 2003.

10 Stocks

	31 March 2004	31 March 2003
	£000	£000
Stocks held in respect of stationery and publications	12	10

Stocks are valued at the lower of cost and net value.

11 Creditors

	31 March 2004	31 March 2003
	£000	£000
Amounts due within one year		
Tax and social security	1	-
Accruals and deferred income	1,740	1,221
Other creditors	199	132
	1,940	1,353

Notes to the Accounts

for the year ended 31 March 2004 (continued)

12 Reconciliation of net operating cost to changes in general fund

	2003-04	2002-03
	£000	£000
Net operating cost for the year (Income and expenditure statement)	(3,435)	(3,181)
Net parliamentary funding	3,018	3,352
Transfer to general fund of realised element of revaluation reserve (Note 13)	2	2
Cost/(credit) re capital	(4)	(2)
Audit	40	34
	36	32
Net increase/(decrease) in general fund	(379)	205
General Fund at 1 April 2003	59	(146)
General Fund at 31 March 2004 (Balance Sheet)	(320)	59

13 Revaluation Reserve

	2003-04	2002-03
	£000	£000
Balance at 1 April 2003	12	9
Revaluation surplus on fixed assets	-	5
Realised element of revaluation reserve	(2)	(2)
Balance at 31 March 2004	10	12

14 Capital Commitments

	2003-04	2002-03
	£000	£000
Contracted capital commitments at 31 March 2004 for which no provision has been made	511	-

15 Commitments Under Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires

	2003-04	2002-03
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Expiry after 5 years	428	428

Notes to the Accounts

for the year ended 31 March 2004 (continued)

16 Financial Commitments

The Agency has entered into contracts (which are not leases or PFI contracts), for the maintenance of IT equipment. The payments to which the Agency is committed during 2004-05, analysed by the period during which the commitment expires are as follows:

	2003-04	2002-03
	£000	£000
Expiry within 1 year	91	44

17 Post Balance Sheet Events

There were no material post balance sheet events other than the relocation review and its potential consequences, as mentioned in Foreword Note 7.

18 Contingent Liabilities

- a. Accountant in Bankruptcy has contingent liabilities in respect of uninsured losses of the assets contained within the estates that are in sequestration.

In accordance with the Scottish Public Finance Manual (SPFM) there is not the requirement to either disclose or quantify this contingent liability.

- b. A contingent liability could arise in the event of irritation of the lease for 126 George Street as a result of the relocation review. In the event of such liability arising this would require to be borne by the Scottish Executive.

19 Related Party Transactions

AIB is an Executive Agency of the Scottish Executive Justice Department. During the year AIB had various material transactions with the Scottish Executive.

None of the senior management team or other parties related to them has undertaken any material transactions with AIB.

20 Losses Statement

Notional income, including accrued income, on sequestration estates not recoverable amounted to £3.7m (2002-03 - £3.6 million). There were no individual cases over £100,000. There was a total of 7,758 cases (2002-03 - 6,763 cases).



ACCOUNTANT IN BANKRUPTCY DIRECTION BY THE SCOTTISH MINISTERS

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

- 1 The statement of accounts for the accounting period ended 31 March 2003 and subsequent financial years shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual which is in force for the year for which the statement of accounts are prepared.
- 2 The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 3 In addition to the requirements of the Manual:
 - 3.1 When preparing its income and expenditure account the Accountant in Bankruptcy shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to the Accountant in Bankruptcy.
- 4 This direction shall be reproduced as an appendix to the statement of accounts

Signed by the authority of the Scottish Ministers

P S Collings
2 April 2003

List of publications

Copies of the following office publications are all provided free of charge unless indicated otherwise, or can be accessed via the website on www.aib.gov.uk:

1. Annual Report of the Accountant in Bankruptcy

This is available free on the web site or hard copies are available from The Stationery Office for a fee. Our Annual Report can be produced in different languages and alternative formats on request by contacting the Accountant in Bankruptcy: 0131 473 4661.

2. Our Notes for Guidance are now only updated on our website.

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AB3	Filling in the statement of assets and liabilities
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AB9	Sequestration: debtor rights
AB10	Sequestration: creditor rights
AB11	Statutory meeting of creditors
AB12	Debtor discharge
AB13	Debtor: what happens to my home?
AB14	Register of Insolvencies, including: AB15a – Search request form (sequestrations) AB15b – Search request form (companies)
AB16	Introduction to sequestration
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