

Presented pursuant to Section 72(a) of the Scotland Act 1998

Advances to Scottish Enterprise, Scottish Homes, Water Authorities and Registers of Scotland Account 2001-2002

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Scotland Act 1998

Advances to Scottish Enterprise, Scottish Homes, Water Authorities, and Registers of Scotland

Foreword

Scope of the Account

This account is prepared in compliance with section 72(a) of the Scotland Act 1998 and is required to show

- the sums issued to the Secretary of State for Scotland out of the National Loans Fund under section 67 of the Scotland Act 1998 to enable him to make loans to the Scottish Ministers under section 66 of the Act;
- the loans so made by the Secretary of State;
- the sums received by the Secretary of State in respect of interest on and repayment of loans under section 66 of the Scotland Act 1998;
- the payments into the National Loans Fund of the sums received under section 66.

Secretary of State's power to make loans

Under section 66 of the Scotland Act 1998, the Secretary of State has the power to lend to the Scottish Ministers sums required for the purpose of (a) meeting a temporary excess of sums paid out of the Scottish Consolidated Fund over sums paid into that fund, or (b) providing a working balance in the Fund. Under section 67 of The Act, the Treasury may issue to the Secretary of State out of the National Loans Fund such sums as are required under section 66.

Limits of borrowing

The aggregate at any time outstanding in respect of the principal of sums borrowed under section 66 shall not exceed £500 million.

Outstanding capital balances

At 1 April 2001, total capital balances outstanding were £1,082,500,741, and after repayments during the year of £22,239,601, capital balances outstanding at 31 March 2002 were £1,060,261,140.

History of accounts

The advances outstanding at 31 March 2002 were made prior to 1 July 1999, under the terms of the Housing (Scotland) Act 1988 (Scottish Homes), the Local Government etc. (Scotland) Act 1994 (Water Authorities), and the Scottish Development Agency Act 1975 (Scottish Enterprise).

Prior to 1 July 1999, responsibility for the preparation of this account fell to the Scottish Office. Upon devolution, the responsibility transferred to the Scotland Office. The Scotland Office first prepared accounts for the year 1 April 2000 – 31 March 2001. Accounts were prepared prior to 1 July 1999 under the terms of the Housing (Scotland) Act 1988 (Scottish Homes), the Local Government etc. (Scotland) Act 1994 (Water Authorities), and the Scottish Development Agency Act 1975 (Scottish Enterprise). No accounts were prepared prior to 2000-2001 for Registers of Scotland.

Statement of Secretary of State for Scotland's responsibilities

Under Section 72(a) of the Scotland Act 1998, the Secretary of State for Scotland is required to prepare, for each financial year, in such form and manner as the Treasury may direct, an account of sums paid and received by her under sections 66, 67 and 71 of the Scotland Act 1998. The accounts will be prepared on a cash basis. The Treasury has appointed an Accounting Officer for the account. 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 Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of departmental policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place in March 2003 necessary to implement Treasury guidance. This takes account of the time needed to embed fully the processes, which the Department has agreed should be established, and to improve their robustness. In addition

- during the year, we held a risk management workshop, attended by representatives of all grades of staff throughout the Department, at which we identified the Department's objectives and risks and determined a control strategy for each of the significant risks. As a result of this workshop, a risk management policy document is under consideration by the Management Board and will be sent to all staff setting out the Department's attitude to risk to the achievement of the Departmental objectives;
- the Management Board will consider risk management and internal control on a regular basis during the year, and there will be a full risk and control assessment before reporting on the year ending 31 March 2003. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the Department; and
- the Board will receive periodic reports from the Chairman of the Audit Committee concerning internal control, and will require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility.

In the coming year the Department plans to

- arrange a regular programme of workshops for staff to identify and keep up to date the record of risks facing the Department;
- establish a system of key performance and risk indicators; and
- develop and maintain a Department-wide risk register.

The Department relies on the services of the Scottish Executive Audit Services, who provide internal audit for the Scotland Office. Scottish Executive Audit Services operates to standards defined in the Government Internal Audit Manual. They submit regular reports, which include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and of the executive managers within the Department, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

JR Wildgoose
Accounting Officer

5 December 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on page 5 and 6 under the Scotland Act 1998. These financial statements have been prepared in the form and on the basis determined by Treasury.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 2 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Scotland Act 1998 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities as independent auditor are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Scotland Act 1998 and Treasury directions made thereunder, and whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and 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 Accounting Officer 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 page 3 reflects compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 error or by fraud or other irregularity and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the account properly presents the receipts and payments of the Secretary of State for Scotland in respect of advances to the Scottish Homes, Water Authorities and Registers of Scotland for the year ended 31 March 2002 and has been properly prepared in accordance with the Scotland Act 1998 and the directions made thereunder by the Treasury; and
- in all material respects the payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

8 December 2005

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Scotland Act 1998

Account prepared under section 72(a) of the Scotland Act 1998 of the Receipts and Payments of the Secretary of State for Scotland under sections 66, 67 and 71 of the Scotland Act 1998 for the period 1 April 2001 to 31 March 2002.

Receipts

| | 2001-2002 £ | 2000-2001 £ |
|--|--------------------|----------------|
| <i>Received from Scottish Enterprise by way of</i> | | |
| Interest on advances | – | 588 |
| Repayment of advance | – | 7,968 |
| <i>Received from Scottish Homes by way of</i> | | |
| Interest on advances | 37,952,435 | 49,253,690 |
| Repayment of advance | 11,914,934 | 17,354,503 |
| <i>Received from Water Authorities by way of</i> | | |
| Interest on advances | 60,783,605 | 61,766,739 |
| Repayment of advance | 10,000,000 | 15,000,000 |
| <i>Received from Registers of Scotland</i> | | |
| Interest on advances | 321,451 | 361,474 |
| Repayment of advance | 324,667 | 543,085 |
| Total of interest payments | 99,057,491 | 111,382,491 |
| Total of repayments of advance | 22,239,601 | 32,905,556 |
| Total receipts | 121,297,092 | 144,288,047 |

Payments

| | 2001-2002 £ | 2000-2001 £ |
|--|--------------------|----------------|
| <i>Payments to National Loans Fund of sums received from Scottish Enterprise</i> | | |
| Interest on advances | – | 588 |
| Repayment of advance | – | 7,968 |
| <i>Payments to National Loans Fund of sums received from Scottish Homes</i> | | |
| Interest on advances | 37,952,435 | 49,253,690 |
| Repayment of advance | 11,914,934 | 17,354,503 |
| <i>Payments to National Loans Fund of sums received from Water Authorities</i> | | |
| Interest on advances | 60,783,605 | 61,766,739 |
| Repayment of advance | 10,000,000 | 15,000,000 |
| <i>Payments to National Loans Fund of sums received from Registers of Scotland</i> | | |
| Interest on advances | 321,451 | 361,474 |
| Repayment of advance | 324,667 | 543,085 |
| Total of interest payments | 99,057,491 | 111,382,491 |
| Total of repayments of advance | 22,239,601 | 32,905,556 |
| Total payments | 121,297,092 | 144,288,047 |

Note: Statement of balances at 31 March 2002

| | Advances at 1 April 2001 | Advances during 2001-2002 | Advances repaid during 2001-2002 | Advances outstanding at 31 March 2002 |
|-----------------------|-----------------------------|---------------------------------|---|--|
| | £ | £ | £ | £ |
| Scottish Enterprise | 0 | 0 | 0 | 0 |
| Scottish Homes | 161,620,448 | 0 | 11,914,934 | 149,705,514 |
| Water Authorities | 916,890,000 | 0 | 10,000,000 | 906,890,000 |
| Registers of Scotland | 3,990,293 | 0 | 324,667 | 3,665,626 |
| Total | <u>1,082,500,741</u> | <u>0</u> | <u>22,239,601</u> | <u>1,060,261,140</u> |

JR Wildgoose
Accounting Officer

5 December 2005

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