

# Accounts relating to issues from the National Loans Fund 2009-2010

Presented to Parliament pursuant to

Aircraft and Shipbuilding Industries Act 1977

Atomic Energy Authority Act 1971

Atomic Energy Authority Act 1986

Civil Aviation Act 1982

Commonwealth Development Corporation Act 1999

Government of Wales Act 2006

Harbours Act 1964

Northern Ireland (Loans) Act 1975

Post Office Act 1969

Postal Services Act 2000

Scotland Act 1998

Transport Act 1968

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# Accounts relating to issues from the National Loans Fund 2009-2010

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The Comptroller and Auditor General, Amyas Morse,  
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This volume contains statutory accounts prepared to show the transactions of Ministers and others in 2009-2010 in connection with loans to various bodies out of issues from the National Loans Fund. Details of issues from the National Loans Fund in 2009-2010 are given in the relevant part of the National Loans Fund Account (see page 18 of HC 409 of 2010-2011). Certain issues and payments in respect of accounts not included herein are also notes to complete the reconciliation with that part on the National Loans Fund Accounts.

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## Notes for inclusion in the Summary to the Volume 'Accounts relating to issues from the National Loans Fund 2009-2010'

### Aircraft and Shipbuilding Industries Act 1977

Section 12(4) of the above Act requires the Secretary of State for Business, Innovation and Skills to prepare an account of any transactions with British Shipbuilders Corporation in respect of loans made from the National Loans Fund under Section 12(1) of the Act. As all outstanding loans made from the National Loans Fund were repaid in the financial year ended 31 March 1993 and there have been no subsequent transactions under the foregoing provisions, no account has been prepared for the year ended 31 March 2010.

Section 16 of the Act provides that the Secretary of State may, with the approval of HM Treasury, pay to the Corporation out of money provided by Parliament, Public Dividend Capital within certain limits as he thinks fit. A payment of £6,500,000 was made during the 2009-2010 financial year, so the total paid to 31 March 2010 is £1,624,062,000.

In consideration of the sums received under Section 16(1), Section 16(2) of the Act requires the Corporation to make payments to the Secretary of State (public dividends) in respect of each accounting year, unless the Corporation satisfies him that it is inappropriate to make a payment in any year. If the public dividend proposed by the Corporation in any year is not acceptable to the Secretary of State and HM Treasury, the Secretary of State, with the approval of HM Treasury, and after consultation with the Corporation, may determine the public dividend to be paid. The Government announced on 29 October 1979 that the Corporation would not pay dividends on its capital until it was profitable. No dividend therefore was paid in respect of the financial years up to 31 March 1988. The Government subsequently announced in May 1988 that dividends would no longer be expected to be proposed by or required of the Corporation in respect of further payments of public dividend capital. No dividends were therefore paid in respect of the financial year ended 31 March 2010. The net liabilities of the British Shipbuilders Corporation, as at 31 March 2010 were £118 million as disclosed in the Departmental Resource Account 2009-2010.

Under SI 1988 – 1401, there is a financial limit of £1,700 million in respect of aggregate borrowings and Public Dividend Capital.

### Atomic Energy Authority Act 1971

Section 12(4) of the above Act requires the Secretary of State for Business, Innovation and Skills to prepare accounts for any transactions with British Nuclear Fuels plc (BNFL) in respect of loans made from the National Loans Fund under Sections 12(1) and (2) of the 1971 Act. As the company has repaid all outstanding debts from the National Loans Fund in the financial year ended 31 March 1991 and there have been no subsequent transactions under the foregoing provisions, no account has been prepared for the year ended 31 March 2010.

### Limits on borrowing

The commitment of public finance to BNFL under Section 2(1) and (2) of the Nuclear Industry (Finance) Act 1977 as amended by the Nuclear Industry (Finance) Act 1981 and by the Atomic Energy Act 1989 is limited. At 31 March 2010, the limit specified was £2,000 million.

BNFL have previously repaid all loans and during 2009-2010, no new loans were taken out.

The shares in BNFL, now British Nuclear Group Sellafield Limited, were transferred to British Nuclear Group Limited on 1 April 2005 by the Nuclear Transfer Scheme, executed on behalf of the Secretary of State for Business, Innovation and Skills Reform under Section 39 of the Energy Act 2004. There was no consideration for the transfer.

### Atomic Energy Authority Act 1986

Section 4(6) of the above Act requires the Secretary of State for Business, Innovation and Skills to prepare accounts for any transactions with the United Kingdom Atomic Energy Authority in respect of loans made from the National Loans Fund under section 4(4) of the above Act. As all outstanding debt was extinguished by the UKAEA (Extinguishment of Liabilities) Order 1996 No. 2511, and there have been no subsequent transactions under the foregoing provisions, no account has been prepared for the year ended 31 March 2010.

Under Section 3(1) of the Act, the aggregate amount outstanding by way of principal in respect of borrowing and guarantees in connection with the finances of the United Kingdom Atomic Energy Authority is limited to £150 million, or such greater sum, not exceeding £200 million, as the Secretary of State may specify by order.

*Martin Donnelly*  
Principal Accounting Officer and Permanent Secretary

25 November 2010

### Commonwealth Development Corporation Act 1999

Section 13(1)(a) of the Commonwealth Development Corporation Act 1999 requires the Secretary of State for International Development to prepare accounts of the transactions with the Commonwealth Development Corporation (now renamed the CDC Group) in respect of loans from the National Loans Fund under Section 9(2) of the Act. As the CDC Group repaid all outstanding loans from the National Loans Fund in the financial year ended 31 March 1999 and there have been no subsequent transactions under the foregoing provisions, no account has been prepared for the year 31 March 2010.

### Transport Act 1968

Section 44(1) of the above Act requires the Secretary of State for the Department for Transport to prepare accounts for any transactions with the British Railways Board in respect of loans made from the National Loans Fund under section 20(1) of the Transport Act 1962. As the British Railways Board has repaid all outstanding debt from the National Loans Fund in the financial year ended 31 March 2002, and as there have been no subsequent transactions under the foregoing provisions, no account has been prepared for the year ended 31 March 2010.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

# Accounts of Loans to Public Corporations

# Transport Act 1968

## Foreword to the Accounts

### Scope of the Account

- 1 This Account is prepared in compliance with section 44(1) of the Transport Act 1968 and is required to show:
- i the sums issued to the Secretary of State for Environment, Food and Rural Affairs out of the National Loans Fund under section 20(3) to enable the Secretary of State to make loans under section 20(1) to the British Waterways Board;
  - ii the loans so made by the Secretary of State;
  - iii the sums received by the Secretary of State in respect of interest on and repayment of:
    - a loans under section 20(2);
    - b commencing capital debt under section 39(6);
  - iv the payment into the National Loans Fund of the sums received under (iii);
  - v the sums received by the Secretary of State in respect of surpluses of the Board under section 43(5) of the Transport Act 1968; and
  - vi the payment into the Consolidated Fund of the sums received under (v).

Grants made to the Board under the provisions of the Transport Act 1968 were accounted for in the Defra Resource Accounts 2009-10.

### Secretary of State's power to make loans

- 2 Section 20 provides that the Secretary of State may, with the approval of HM Treasury, lend to the Board any sums which it has power to borrow under sections 19(1) or (2). Sums needed for such loans are issued by HM Treasury to the Secretary of State who is required to give directions for repayment on terms approved by HM Treasury and to pay into the National Loans Fund sums received in respect of interest and repayment of principal.

### Limits on borrowing

- 3 Section 19(3) of the Act as amended by section 1(1) of the Water Act 1981 and The British Waterways Board (Limit for Borrowing) Order 2001 (SI No 1054) imposes a limit of £35 million on the Board's aggregate outstanding borrowing and its commencing capital debt. The borrowings comprise government loans and temporary borrowings from approved sources. A limit on temporary borrowings has been set by the Secretary of State, in accordance with section 19(1) of the Act, at £3 million and HM Treasury has guaranteed this borrowing under section 21(1). At 31 March 2010 the aggregate outstanding borrowings counting against these limits were:

	£
Loans made by the Secretary of State	5,944,000
Temporary borrowings	0
Commencing Capital Debt	0
	<hr/>
	5,944,000
	<hr/>



**Loans made by Secretary of State, interest payable and repayment of principal**

- 4 In accordance with section 5 of the National Loans Act 1968, HM Treasury prescribes the rate of interest applicable to each loan. The loans to the Board are repayable after 7 or 25 years, with interest payable half-yearly. £896,000 of principal was repaid by the Board to the National Loans Fund in 2009-10.
- 5 Unless otherwise stated all references are to the Transport Act 1962.
- 6 There have been no events since the period end that require additional reporting in this account.

**Statement of Accounting Officer's responsibilities**

- 7 Under section 44(1) of the Transport Act 1968 the Secretary of State for Environment, Food and Rural Affairs is required to prepare an account for each financial year in the form and on the basis determined by HM Treasury. The Accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year end.
- 8 The Secretary of State has designated the Principal Accounting Officer for the Department for Environment, Food and Rural Affairs as Accounting Officer for the Fund. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

*Helen Ghosh*  
Accounting Officer for the Department for Environment,  
Food and Rural Affairs

20 July 2010

## Transport Act 1968

Account prepared under Section 44(1) of the Transport Act 1968, of the receipts and payments of the Secretary of State for Environment, Food and Rural Affairs under Sections 43 and 44(4) of that Act (and Sections 20 and 39 of the Transport Act 1962) for the year ended 31 March 2010.

	2009-10 £	2008-09 £
<b>Receipts</b>		
Issues from the National Loans Fund (s.20(3)):	<u>0</u>	11,000,000
	<u>0</u>	<u>11,000,000</u>
<i>Payments by the British Waterways Board [s.20(2)]</i>		
Repayment of loans	<b>896,000</b>	12,024,000
Interest on loans	<b>562,123</b>	934,938
	<b><u>1,458,123</u></b>	<u>12,958,938</u>
<b>Payments</b>		
Loans to British Waterways Board (s.20(1)):	<b>0</b>	11,000,000
	<b>0</b>	11,000,000
<i>Payments to the National Loans Fund [s.20(5)]</i>		
Repayment of loans	<b>896,000</b>	12,024,000
Interest on loans	<b>562,123</b>	934,938
	<b><u>1,458,123</u></b>	<u>12,958,938</u>

### Note

At 31 March 2010 the debt outstanding to the Secretary of State was £5,944,000.

*Helen Ghosh* 20 July 2010  
Accounting Officer for the Department for Environment,  
Food and Rural Affairs

# Statement on Internal Control

## Scope of responsibility

This statement is given in respect of the British Waterways Board National Loans Fund (NLF) Accounts. The Department for Environment, Food and Rural Affairs (Defra), since its inception on 8 June 2001, has managed waterways in England. Accordingly, I, as Accounting Officer for Defra, am responsible for preparing the British Waterways Board National Loans Fund Accounts for 2009-10.

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of departmental policies, aims and objectives, 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 *Managing Public Money*.

## Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2010 and up to the date of approval of the accounts and accords with HM Treasury guidance.

## Capacity to handle risk

The Management Board has collective responsibility for managing the overall portfolio of risk and for encouraging a supportive risk management culture. Throughout the year, the Board has maintained its rhythm of risk review which places risk on its agenda at regular intervals. A risk coordinator provides advice, guidance and support across a full range of risk activity within the Department.

## Risk and control framework

We seek to embed risk throughout Defra's business model, from the development of strategy and the allocation of resources, through the management of the business as a portfolio, with corporate reporting from key parts of the business, to a consistent way of developing and approving policy.

The Department identifies and addresses risks affecting all levels of the organisation, from high level strategic risks down to lower level operational matters. The risks associated with the British Waterways Board National Loans Fund (NLF) Accounts fall at operational level.

## Review of effectiveness

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

The Department has applied the following processes in maintaining, reviewing and developing the effectiveness of the system of internal control:

- The Management Board meets monthly and provides strategic leadership for the Department and is responsible for ensuring effective risk management and control;
- The Audit and Risk Committee, a sub committee of the Management Board, meets throughout the year and considers the adequacy of audit arrangements, both internal and external. It reviews and challenges risk assurances from senior managers;
- Internal Audit reports provide independent assurance of the adequacy and effectiveness of the Department's risk management, control and corporate governance procedures.

## Financial control

Financial control for the British Waterways Board National Loans Fund (NLF) Accounts is supported by management information, financial regulations and procedures. Processes to achieve this control include:

- Compilation of a timetable which incorporates activities designed to minimise risk;
- Reconciliation of the account on a monthly basis. This is subject to regular management verification.

*Helen Ghosh*  
Accounting Officer for the Department for Environment,  
Food and Rural Affairs

20 July 2010

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

I certify that I have audited the financial statements of the British Waterways Board National Loans Fund for the year ended 31 March 2010 under the Transport Act 1968. These comprise the Receipts and Payments Account which has been prepared in the form and on the basis determined by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Transport Act 1968 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the British Waterways Board National Loans Fund for the year then ended; and
- the financial statements have been properly prepared in accordance with the Transport Act 1968 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the information given in the Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters for which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

23 July 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Civil Aviation Act 1982

Advances to the Civil Aviation Authority (Secretary of State for Transport)

Account Presented pursuant to the Civil Aviation Act 1982, c.16 s.15 (4)

## Foreword

### Scope of the Account

- 1 This Account is prepared in compliance with section 15(4) of the Civil Aviation Act 1982 and is required to show
  - i the sums issued to the Secretary of State out of the National Loans Fund under section 12(4)<sup>1</sup> to enable him to make loans under section 12(2) to the Civil Aviation Authority;
  - ii the loans so made by the Secretary of State;
  - iii the sums received by the Secretary of State in respect of interest on and repayment of loans under section 12(3);
  - iv the payment into the National Loans Fund of the sums received under (iii);
  - v the sums received by the Secretary of State directed to be paid to him by the Authority in respect of:
    - a any excess revenues under section 13(1);
    - b any sums standing to the credit of reserves under section 13(2);
  - vi the payment into the Consolidated Fund of the sums received under (v).

### Secretary of State's Power to make loans

- 2 Section 12 of the Act provides that the Secretary of State may, with the approval of the Treasury, lend to the Civil Aviation Authority any sum which it has the power to borrow under section 10 (as amended) by the Civil Aviation Authority (Borrowing Powers) Act 1990. Sums needed for such loans are issued by the Treasury to the Secretary of State who is required to give directions for repayment on terms approved by the Treasury and to pay into the National Loans Fund sums received in respect of interest and repayment of principal.

### Limits on borrowing

- 3 The Civil Aviation Authority (Borrowing Powers) Order 1995, made under the Civil Aviation Authority (Borrowing Powers) Act 1990, sets the limit on the Authority's aggregate outstanding borrowings and its initial debt at £550 million. These borrowings may comprise Government advances, temporary borrowings from banks and other sources, borrowings in foreign currency, borrowings from the Commission of the European Communities and from the European Investment Bank. At 31 March 2010, the aggregate outstanding borrowings counting against the limit of £550 million was

	£
Loans made by the Secretary of State	12,998,028
Foreign loans	<u>0</u>
	<u>12,998,028</u>

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<sup>1</sup> All references to sections relate to the Civil Aviation Act 1982 except where otherwise stated

### **Loans made by the Secretary of State, Interest Payable and Repayment of Principal**

- 4 Up to the end of 1992, advances made to the Authority under section 12(2) were normally repayable at maturity. However, from January 1993, advances made to the Authority under section 12(2) have been equal repayment loans. Advances at fixed interest rates are based on the rates prescribed by the Treasury for the period in which the dates of the loan fall. There are no outstanding variable rate loans. Interest on advances is paid half-yearly on 2 January and 2 July. The Authority pays interest to the Secretary of State without deductions for Income Tax. The Authority is also permitted to take up to 10 per cent of its non-temporary borrowing from the NLF in any one year on variable rate terms. Such loans are available for maturities of from 1 to 10 years, with roll-over periods of 1, 3 or 6 months.

### **Initial debt**

- 5 The Authority's initial debt was repaid in full during the accounting year 1981-82.

### **Excess revenues and sums standing to the credit of reserves**

- 6 Under sections 13(1) and (2) the Secretary of State may, with the approval of the Treasury and after consultation with the Authority, direct the Authority to pay him:
  - i the whole or any part of the excess of the revenues of the Authority in any accounting year over the sums properly chargeable by the Authority to revenue account; and
  - ii the whole or part of the sums for the time being standing to the credit of any reserves of the Authority.
- 7 No such directions were issued in respect of the accounting year 2009-2010.

### **Statement of Secretary of State's and Accounting Officer's responsibilities**

- 8 Under Section 15(4) of the Civil Aviation Act 1982 the Secretary of State is required to prepare an account for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year.
- 9 The Treasury has appointed the Permanent Head of the Department as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

Robert Devereux  
Accounting Officer  
Department for Transport

26 November 2010



## Civil Aviation Act 1982

Account, prepared under section 15 of the Civil Aviation Act 1982 of the receipts and payments of the Secretary of State for the Department for Transport under Sections 9, 10, 12 and 13 of that act for the year ended 31 March 2010

### Receipts

	Previous year	
	£	£
Balance at 1 April 2009	0	0
From the National Loans Fund [s.12(4)]	<b>6,000,000</b>	0
<i>From the Civil Aviation Authority Loans [s.12(4)]</i>		
Repayment of Principal	<b>1,029,528</b>	1,047,768
Interest	<b>500,690</b>	564,763
Premium for early repayment of loans	0	0
Penalty for late repayment of loan	0	0
	<b><u>7,530,218</u></b>	<u>1,612,531</u>

### Payments

	Previous year	
	£	£
<i>Loans to the Civil Aviation Authority [s. 12(2)]</i>	<b>6,000,000</b>	
Payments to the National Loans Fund [s. 12(4)]		
Repayment of Principal	<b>1,029,528</b>	1,047,768
Interest	<b>500,690</b>	564,763
Premium for early repayment of loans	0	0
Penalty for late repayment of loan	0	0
Balance at 31 March 2010	0	0
	<b><u>7,530,218</u></b>	<u>1,612,531</u>

### Note

1 At 31 March 2010 the debt outstanding to the Secretary of State was: Loans £12,998,028.04.

Robert Devereux  
Accounting Officer  
Department for Transport

26 November 2010

# Statement on Internal Control

## Scope of responsibility

Management and preparation of this account and the underlying accounting transactions are subject to the control environment of the Department for Transport to which the rest of this statement refers. There are no risks identified specifically for this account. In my role as Principal Accounting Officer for the Department for Transport (DfT), I have the responsibility for signing this account.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

## Purpose of Report

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve departmental policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Leadership on risk management is provided by the Department's Board, which monitors performance and risk and makes choices (or recommendations to Ministers) on priorities and risk appetite across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. At the end of 2009-10, the Department's Board included the five Directors General in the central Department and four non-executive members.

The Department's Group Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes a non-executive chair, who is also a member of the Board and three further non-executive members.

Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system and to the successful delivery of new policies.

A new overall DfT Group Risk Management Framework was introduced in 2008-09 and is now embedded in Departmental processes. This Framework revised the criteria for Board-level risks and specified the responsibilities for each of the Director General groups in relation to improving risk management within their groups. Each group has a risk management framework which is documented and placed on Transnet, the Department's Intranet. Resource Management Planning Teams (RMPTs), embedded within each Director General group, have continued to support their respective Director General on implementing and updating policies and procedures to improve the identification and mitigation of Board- and group-level risks. Risk management guidance is available to staff on Transnet.

During 2009-10, Board Risk Reporting was developed further to support the escalation criteria defined in 2008-09. All Board level risks are now grouped under themes and from 2010-11, the Board will review in detail a risk theme each month

## Risk and control framework

The Treasury published its Code of Good Practice on Corporate Governance in Central Government Departments in July 2005; the Department's practices are consistent with the principles set out in this Code.

The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Directors General and Directors; and the in-year and end-of-year reporting arrangements. The Corporate Governance Framework includes the risk management framework which is described in paragraph 7, detailing how risks are escalated to the Department's Board for attention. The Framework is supported by delegations from the Accounting Officer to Directors General to maintain effective accountability and management of resources and each Director General group has a documented risk management framework for their area.

## Review of effectiveness

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

The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon its analysis of the risks to which the Department is exposed. The annual audit plan was discussed and endorsed by the Department's Group Audit Committee and approved by me. The work completed in connection with the annual audit plan provides me, as the Department's Principal Accounting Officer, with an independent opinion on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The HIA has informed me that the arrangements for the risk management, governance and control processes have been adequate and effective in 2009-10.

The Group Audit Committee has received summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance.

Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed management assurance returns which are communicated to the Group Audit Committee for review at six months and at the year end. The Group Audit Committee reviewed the responses provided and considered their importance.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

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

I certify that I have audited the financial statements for the year ended 31 March 2010 under the Civil Aviation Act 1982. The financial statements have been prepared in the form and on the basis determined by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Civil Aviation Act 1982 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Civil Aviation Act 1982 and HM Treasury directions made thereunder. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Accounting Officer has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the Secretary of State for Transport in respect of advances made to the Civil Aviation Authority for the year ending 31 March 2010 and the balance held at that date;
- the financial statements have been properly prepared in accordance with the Civil Aviation Act 1982 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

21 December 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Post Office Act 1969

Advances to Royal Mail

(Secretary of State for Business, Innovation and Skills)

Account presented pursuant to the Post Office Act 1969

## Foreword

### Scope of the Account

- 1 This account is prepared in compliance with section 39<sup>1</sup> of the Post Office Act 1969 and is required to show:
  - a sums received by the Secretary of State under section 37(2),
  - b sums issued to the Secretary of State under section 37(3), and
  - c the disposal by the Secretary of State of the sums mentioned in paragraphs (a) and (b).

### Secretary of State's Power to Make Loans

- 2 Section 37 of the Post Office Act 1969<sup>2</sup> enabled the Secretary of State, with the approval of HM Treasury, to lend the Post Office Corporation any sums which it has power to borrow under section 73 of the British Telecommunications Act 1981. Sums needed for such loans were issued by HM Treasury to the Secretary of State who could, with the approval of Treasury, give directions for repayment. Loans made to the Post Office Corporation under section 37 before midnight on 25 March 2001 have been, since midnight on 25 March 2001, by virtue of a scheme made under section 60 of the British Telecommunications Act 1981, loans to Consignia plc. Ownership of Consignia plc was transferred on 26 March 2001 to Consignia Holdings plc by virtue of section 62 of the Postal Services Act 2000. Consignia plc and Consignia Holdings plc were subsequently renamed Royal Mail Group plc and Royal Mail Holdings plc on 4 November 2002. In March 2007, Royal Mail Group plc became Royal Mail Group Limited.

The Secretary of State is required by section 37(4) of the 1969 Act to pay into the National Loans Fund sums received in respect of interest on and repayment of principal on those loans.

### Limits on Borrowing

- 3 Under section 74(2) of the British Telecommunications Act 1981, which applied to loans made to the Post Office Corporation before 26 March 2001, the aggregate amount of loans outstanding by the Post Office was not at any time to exceed £1,200 million (note that this could be increased by statutory instrument to £1,700 million). Section 74 of the 1981 Act was amended by section 115(6) of the Postal Services Act 2000 with effect from 28 September 2000 so that the aggregate amount of loans outstanding to the Post Office Company (i.e. Royal Mail Holdings plc) and its subsidiaries should not exceed £5,000 million.

1 Section 39 of the Post Office Act 1969 was amended by S.I. 1974/691 and by section 5 of the Post Office (Banking Services) Act 1976. It was repealed by Schedule 9 to the Postal Services Act 2000 and its repeal was commenced by S.I. 2001/1148 (C.37) with effect from 26 March 2001. Paragraph 12 of S.I. 2001/1148 saves section 39 insofar as it relates to a loan made before 26 March 2001 by the Secretary of State under section 37 of the 1969 Act.

2 Section 37 of the Post Office Act 1969 was amended by S.I. 1974/691, by paragraph 51(3) of the British Telecommunications Act 1981 and by section 115 (2) of the Postal Services Act 2000 with effect from 28 September 2000 to permit loans to be made to any subsidiary of the Post Office. It was repealed by Schedule 9 to the Postal Services Act 2000 and its repeal was commenced by S.I. 2001/1148 (C.37) with effect from 26 March 2001. Paragraph 11 of S.I. 2001/1148 saves section 37(2) to (4) in respect of a loan made before 26 March 2001 by the Secretary of State.

- 4 Section 74 was subsequently repealed by Schedule 9 of the 2000 Act, and its repeal commenced by S.I.2000/2957 (C.88), with effect from 26 March 2001. Thereafter under section 71(1) of the 2000 Act the Crown's financial arrangements<sup>3</sup> with Royal Mail Holdings plc and any of its subsidiaries are not to exceed £5,000 million, or such greater sum as the Secretary of State may by order specify.

#### Loans made by the Secretary of State, interest payable and repayment of principal

- 5 A £500 million NLF loan facility was made available to Royal Mail (the then Post Office Corporation) by the Secretary of State, acting as an agent for the NLF, to assist with the company's acquisition of GLS, its European parcels business. This facility was utilised in full on 6 February 2001 and it comprises 20 separate tranches of £25m each, the first two tranches of which do not begin to mature until 20 March 2021 and then subsequently two more tranches then mature every 6 months after that until the final remaining tranches mature on 20 September 2025. Royal Mail makes bi-annual interest payments on the loan. In accordance with section 5 of the National Loans Fund Act 1968, HM Treasury prescribed the rate of interest applicable to each loan. As at 31 March 2010, the amounts and terms of loans made to the Royal Mail were as follows

Amount (£)	Rate of interest per cent	Principal to be paid off
25,000,000	5.26	20 March 2021
25,000,000	5.56	20 March 2021
25,000,000	5.7	20 September 2021
25,000,000	5.7	20 September 2021
25,000,000	5.7	20 March 2022
25,000,000	5.7	20 March 2022
25,000,000	5.63	20 September 2022
25,000,000	5.98	20 September 2022
25,000,000	5.87	20 March 2023
25,000,000	6.05	20 March 2023
25,000,000	6.05	20 September 2023
25,000,000	6.03	20 September 2023
25,000,000	6.03	20 March 2024
25,000,000	6.03	20 March 2024
25,000,000	6.12	20 September 2024
25,000,000	5.94	20 September 2024
25,000,000	5.94	20 March 2025
25,000,000	5.94	20 March 2025
25,000,000	5.94	20 September 2025
25,000,000	5.51	20 September 2025

As at 31 March 2010, the balance outstanding on the principal loan is £500 million.

<sup>3</sup> Section 71(2) of the Postal Services Act 2000 provides that the Crown's financial arrangements with the Post Office company (Royal Mail Holdings plc) are the aggregate of;

- a amounts outstanding in respect of the principal of loans made under section 37 of the Post Office Act 1969,
- b amounts outstanding (otherwise than by way of interest) in respect of sums paid by HM Treasury in fulfilment of guarantees given under section 38 of that Act,
- c amounts outstanding in respect of the principal of loans made under section 68 of the Postal Services Act 2000,
- d amounts outstanding (otherwise than by way of interest) in respect of sums paid by the Secretary of State in fulfilment of guarantees given under section 69 of the Postal Services Act 2000,
- e amounts outstanding in respect of the principal of debt securities issued in pursuance of section 63 of this Act, and
- f liabilities extinguished under section 70 of the Postal Services Act 2000 so far as they are not replaced with corresponding liabilities.

### **Machinery of Government Change**

- 6 Following an announcement by the Prime Minister on 5 June 2009, about the way that the Government is organised, the Department for Business, Enterprise and Regulatory Reform(BERR) merged with the Department of Innovation, Universities and Skills (DIUS). The Department for Business, Innovation and Skills (BIS) was created and takes forward the work of the two former Departments, including sponsorship of Royal Mail. The merger was effective from 1 April 2009.

*Martin Donnelly*

25 November 2010

Principal Accounting Officer and Permanent Secretary

### **Statement of the Secretary of State's and Principal Accounting Officer's responsibilities**

- 7 Under Section 39 of the Post Office Act 1969 (see footnote 1 to this Foreword) the Secretary of State for Business, Innovation and Skills is required to prepare an account for each financial year in the form and on the basis determined by HM Treasury of sums received by the Secretary of State under section 37(2) of the 1969 Act and of sums issued to the Secretary of State under section 37(3) and of the disposal by him of those sums respectively. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year-end.
- 8 HM Treasury has appointed Permanent Secretary at the Department for Business, Innovation and Skills as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.



# Account of the Receipts and Payments of the Secretary of State for Business, Innovation and Skills for the year ended 31 March 2010

## Post Office Act 1969

Account, prepared under Section 39 of the Post Office Act 1969, of the Receipts and Payments by the Secretary of State for Business, Innovation and Skills under Section 37 of the Post Office Act 1969 for the year ended 31 March 2010.

### Receipts

	2009-10	2008-09
	£	£
Balance at 1 April	0	0
From National Loans Fund	0	0
From Royal Mail Holdings plc:		
Repayments of Loans	0	0
Interest on Loans	<u>29,170,000</u>	<u>29,170,000</u>
	<u>29,170,000</u>	<u>29,170,000</u>

### Payments

Advances to Royal Mail Holdings plc:	0	0
To the National Loans Fund:		
Repayments of Loans	0	0
Interest on Loans	29,170,000	29,170,000
Balance at 31 March	<u>0</u>	<u>0</u>
	<u>29,170,000</u>	<u>29,170,000</u>

The Accounting Officer has authorised these accounts to be issued on 14 December 2010.

*Martin Donnelly*  
Principal Accounting Officer and Permanent Secretary

25 November 2010

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, my predecessor had responsibility for maintaining a sound system of internal control during 2009-10, that supported the achievement of the Royal Mail National Loans Fund Account's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

The Account is administered and managed by the Royal Mail Team of the Shareholder Executive within the Department in conjunction with Amey Accounting and Business Services. The Secretary of State, with the approval of Treasury, has the power to make loans to Royal Mail Holdings plc or any of its subsidiaries any sums which it has power to borrow. The Treasury issues sums needed for such loans to the Secretary of State. Loans are on such terms as set out in the Finance Agreement and interest rates are calculated in accordance with the requirements of the Agreement. The Secretary of State is required to pay into the National Loans Fund sums received in respect of interest on and repayment of principal on those loans.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Royal Mail National Loans Fund Account for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Guidance on risk management has been available to staff in the Royal Mail team throughout the year via the former Departments' Intranet site. A new Performance & Risk Intranet site for BIS was launched in March 2010. Risk management workshops are also available to staff on request. Specific training on risk management is available to staff through courses run by the National School of Government. The Royal Mail team maintains a risk register for all its activities that is regularly updated.

## The risk and control framework

The risk management framework operates, within the Department, through the initial identification of risks that threaten achievement of objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk against which the Department is exposed which is monitored over time.

## Review of effectiveness

As the current Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of internal control by the Management Board, the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

There were no significant internal control issues during the course of 2009-10.

*Martin Donnelly*  
Principal Accounting Officer and Permanent Secretary

25 November 2010

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

I certify that I have audited the financial statements of the Royal Mail National Loans Fund Account (RM NLF) for the year ended 31 March 2010 under section 39 of the Post Office Act 1969. These comprise the Account of the Receipts and Payments. These financial statements have been prepared in the form and basis determined by HM Treasury.

## Respective responsibilities of the Secretary of State, Accounting Officer and Auditor

As explained more fully in the Statement of the Secretary of State's and Principal Accounting Officer's Responsibilities, the Secretary of State is responsible for the preparation of the financial statements in accordance with the Post Office Act 1969 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the RM NLF's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the RM NLF; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on Regularity

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

## Opinion on financial statements

In my opinion:

the financial statements properly present the receipts and payments of the RM NLF for the year then ended; and

the financial statements have been properly prepared in accordance with the Post Office Act 1969 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

14 December 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Postal Services Act 2000

(Secretary of State for Business, Innovation and Skills)

Account presented pursuant to the Postal Services Act 2000

## Foreword

### Scope of Account

- 1 This account is prepared in compliance with section 76 of the Postal Services Act 2000 and is required to show:
  - a sums issued to the Secretary of State under section 68(6),
  - b sums received by the Secretary of State as mentioned in section 68(8); and
  - c the disposal by the Secretary of State of the sums mentioned in paragraphs (a) and (b).

### Secretary of State's Power to Make Loans

- 2 Section 68 of the Postal Services Act 2000 permits the Secretary of State for Business, Innovation and Skills with the approval of the Treasury to make loans to Royal Mail Holdings plc or any of its subsidiaries. Section 68(6) provides that the Treasury may issue out of the National Loans Fund to the Secretary of State such sums as are necessary to enable him to make loans under this section. Section 68(8) provides that any sums received by the Secretary of State by way of repayment of, or interest on, a loan made by him under this section shall be paid into the National Loans Fund.

### Limits on Borrowing

- 3 Under Section 71 of the Act, the Crown's financial arrangements<sup>1</sup> with Royal Mail Holdings plc and any of its subsidiaries are not to exceed £5,000 million or any such greater sum as the Secretary of State may by order specify.

### Loans Made by the Secretary of State

- 4 On 26 March 2007, the Secretary of State confirmed via a written statement to Parliament the finalisation of a new financing framework for Royal Mail to help the company fund its modernisation programme. Part of this framework includes debt facilities of £900 million provided via the NLF, comprising a revolving loan facility of up to £300 million and a separate long-term facility of £600 million, which would be advanced to the company under section 68 of the Postal Services Act 2000. The facilities became available for utilisation from the 23 March 2007.

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1 Section 71(2) of the Postal Services Act 2000 provides that the Crown's financial arrangements with the Post Office company (Royal Mail Holdings plc) are the aggregate of;

- a amounts outstanding in respect of the principal of loans made under section 37 of the Post Office Act 1969,
- b amounts outstanding (otherwise than by way of interest) in respect of sums paid by HM Treasury in fulfilment of guarantees given under section 38 of that Act,
- c amounts outstanding in respect of the principal of loans made under section 68 of the Postal Services Act 2000,
- d amounts outstanding (otherwise than by way of interest) in respect of sums paid by the Secretary of State in fulfilment of guarantees given under section 69 of the Postal Services Act 2000,
- e amounts outstanding in respect of the principal of debt securities issued in pursuance of section 63 of this Act, and
- f liabilities extinguished under section 70 of the Postal Services Act 2000 so far as they are not replaced with corresponding liabilities.

- 5 Interest is calculated as the percentage rate per annum which is the aggregate of the then applicable Margin and LIBOR.
- 6 During 2009-10, Royal Mail made use of the £300 million revolving loan facility at low to mid-level amounts and also utilised £300 million of the £600 million long-term facility. As at 31 March 2010, the debt outstanding from Royal Mail under the £300 million revolving loan facility was £30 million and under the £600 million long-term facility was £300 million.

### **Machinery of Government Changes**

- 7 Following an announcement by the Prime Minister on 5 June 2009, about the way that the Government is organised, the Department for Business, Enterprise and Regulatory Reform (BERR), merged with the Department of Innovation, Universities and Skills (DIUS). The Department of Business, Innovation and Skills (BIS) was created and takes forward the work of the two former Departments, including sponsorship of Royal Mail. The merger was effective from 1 April 2009.

*Martin Donnelly*

25 November 2010

Principal Accounting Officer and Permanent Secretary

### **Statement of the Secretary of State's and Principal Accounting Officer's responsibilities**

- 8 Under Section 76 of the Postal Services Act 2000, the Secretary of State for Business, Innovation and Skills is required to prepare an account for each financial year, in the form and manner as HM Treasury may direct, for sums issued to the Secretary of State under section 68(6), for sums received by the Secretary of State under section 68(8) of the 2000 Act, and of the disposal by him of those sums respectively. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year-end.
- 9 HM Treasury has appointed the Permanent Secretary at the Department for Business, Innovation and Skills as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

# Account of the Receipts and Payments of the Secretary of State for Business, Innovation and Skills For the year ended 31 March 2010

## Post Services Act 2000

Account, prepared under Section 76 of the Postal Services Act 2000, of the Receipts and Payments by the Secretary of State for Business, Innovation and Skills under Section 68 of the Postal Services Act 2000 for the year ended 31 March 2010.

### Receipts

	2009-10 £	2008-09 £
Balance at 1 April	0	0
From National Loans Fund	<b>2,498,000,000</b>	232,000,000
<i>From Royal Mail Holdings plc</i>		
Repayments of Loans	<b>2,168,000,000</b>	232,000,000
Interest on Loans	<b>1,010,232</b>	317,653
	<b><u>4,667,010,232</u></b>	<u>464,317,653</u>

### Payments

	2009-10	2008-09
Advances to Royal Mail Holdings plc:	<b>2,498,000,000</b>	232,000,000
<i>To the National Loans Fund:</i>		
Repayments of Loans	<b>2,168,000,000</b>	232,000,000
Interest on Loans	<b>1,010,232</b>	317,653
Balance at 31 March	0	0
	<b><u>4,667,010,232</u></b>	<u>464,317,653</u>

The Principal Accounting Officer has authorised these accounts to be issued on 14 December 2010.

*Martin Donnelly*  
Principal Accounting Officer and Permanent Secretary

25 November 2010

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, my predecessor had responsibility for maintaining a sound system of internal control during 2009-10, that supported the achievement of the Royal Mail National Loans Fund Account's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

The Account is administered and managed by the Royal Mail Team of the Shareholder Executive within the Department in conjunction with Amey Accounting and Business Services. The Secretary of State, with the approval of Treasury, has the power to make loans to Royal Mail Holdings plc or any of its subsidiaries any sums which it has power to borrow. The Treasury issues sums needed for such loans to the Secretary of State. Loans are on such terms as set out in the Finance Agreement and interest rates are calculated in accordance with the requirements of the Agreement. The Secretary of State is required to pay into the National Loans Fund sums received in respect of interest on and repayment of principal on those loans.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Royal Mail National Loans Fund Account for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Guidance on risk management has been available to staff in the Royal Mail team throughout the year via the former Departments' Intranet site. A new Performance & Risk Intranet site for BIS was launched in March 2010. Risk management workshops are also available to staff on request. Specific training on risk management is available to staff through courses run by the National School of Government. The Royal Mail team maintains a risk register for all its activities that is regularly updated.

## The risk and control framework

The risk management framework operates, within the Department, through the initial identification of risks that threaten achievement of objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk against which the Department is exposed which is monitored over time.

## Review of effectiveness

As the current Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of internal control by the Management Board, the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

There were no significant internal control issues during the course of 2009-10.

*Martin Donnelly*  
Principal Accounting Officer and Permanent Secretary

25 November 2010



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

I certify that I have audited the financial statements of the Royal Mail National Loans Fund Account (RM NLF) for the year ended 31 March 2010 under section 76 of the Postal Services Act 2000. These comprise the Account of the Receipts and Payments. These financial statements have been prepared in the form and basis determined by HM Treasury.

## Respective responsibilities of the Secretary of State, Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Principal Accounting Officer's Responsibilities, the Secretary of State is responsible for the preparation of the financial statements in accordance with the Postal Services Act 2000 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the RM NLF's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the RM NLF; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the RM NLF for the year then ended; and
- the financial statements have been properly prepared in accordance with the Postal Services Act 2000 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

14 December 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Scotland Act 1998

Advances to Scottish Water and Registers of Scotland

Foreword

## Scope of the Account

- 1 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;
  - Under section 71 of the Scotland Act the sums issued to the Secretary of State for Scotland out of the National Loans Fund prior to the enactment of the Scotland 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; and
  - The payments into the National Loans Fund of the sums received under section 66.

## Secretary of State's Power to make Loans

- 2 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

- 3 Under section 67(2) the aggregate at any time outstanding in respect of the principal of sums borrowed shall not exceed £500 million. This limit does not apply to the initial debt of advances to Scottish Water and the Registers of Scotland which existed before the enactment of the Scotland Act 1998 and which were issued within the limits set by the relevant legislation as detailed below.

## Outstanding Capital Balances

- 4 At 1 April 2009, total capital balances outstanding were £782,811,875, and after repayments during the year of £18,106,250, capital balances outstanding at 31 March 2010 were £764,705,625.

## History of Accounts

- 5 The advances outstanding at 31 March 2010 were made prior to 1 July 1999, under the terms of the Local Government etc. (Scotland) Act 1994 (Scottish Water).
- 6 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 Local Government etc. (Scotland) Act 1994 (Water Authorities). Registers of Scotland (ROS) was established as a Trading Fund on 1 April 1996 and the loan was deemed to have been issued from the National Loan Fund (NLF) as ROS had no direct sponsor department. However, no physical payment has been made from the NLF. The deemed loan was based on the value of the assets and liabilities appropriated to the Trading Fund. 60 per cent was attributed to capital loans to be paid through the NLF and 40 per cent as public dividend capital, repayable through the Consolidated Fund. No accounts were prepared for Registers of Scotland prior to 2000-2001.

**Statement of Secretary of State's and Accounting Officer's responsibilities**

- 7 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 him under sections 66, 67 and 71 of the Scotland Act 1998. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year end. The Treasury has appointed the Head of the Scotland Office as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Managing Public Money*.

Alisdair McIntosh  
Accounting Officer  
Scotland Office

13 December 2010

## 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 2009 to 31 March 2010

	2009-2010 £	2008-2009 £
<b>Receipt</b>		
<i>Received from Scottish Water by way of</i>		
interest on advances	<b>51,567,635</b>	52,034,842
repayment of advance	<b>18,000,000</b>	7,000,000
<i>Received from Registers of Scotland</i>		
interest on advances	<b>242,482</b>	251,381
repayment of advance	<b>106,250</b>	106,250
Total of interest payments	<b>51,810,117</b>	52,286,223
Total of repayments of advance	<b>18,106,250</b>	7,106,250
<b>Total receipts</b>	<b>69,916,367</b>	59,392,473
<b>Payments</b>		
<i>Payments to National Loans Fund of sums received</i>		
interest on advances	<b>51,567,635</b>	52,034,842
repayment of advance	<b>18,000,000</b>	7,000,000
<i>Payments to National Loans Fund of sums received</i>		
interest on advances	<b>242,482</b>	251,381
repayment of advance	<b>106,250</b>	106,250
<b>Total payments</b>	<b>69,916,367</b>	59,392,473

Note : Statement of balances at 31 March 2010

	Advances at 1 April 2009 £	Advances during 2009-2010 £	Advances repaid during 2009-2010 £	<b>Advances outstanding at 31 March 2010 £</b>
Scottish Water	779,890,000	0	18,000,000	<b>761,890,000</b>
Registers of Scotland	2,921,875	0	106,250	<b>2,815,625</b>
Total	<u>782,811,875</u>	<u>0</u>	<u>18,106,250</u>	<b><u>764,705,625</u></b>

### Events after year end

In accordance with the requirements of IAS10, events after the year end are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no such events.

Alisdair McIntosh  
Accounting Officer  
Scotland Office

13 December 2010

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Scotland Office, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Scotland Office for the year ended 31 March 2010 and up to the date of approval of the accounts, and accords with HM Treasury guidance.

## Capacity to handle risk

I acknowledge my overall responsibility for the effective management of risk throughout the Scotland Office.

Registers that identify, assess and set out mitigating actions to significant risks are in place across the Scotland Office and are regularly reviewed by the Office Management Group. Risk management is incorporated into the planning and decision – making processes, with assessment of risk to business objectives documented, along with mitigating actions and reported on through risk registers and other means which are regularly reviewed and updated.

## The risk and control framework

As part of the Ministry of Justice (MoJ), the Scotland Office applies the Ministry's Risk Management Policy and Framework document and the key elements are maintained in the Scotland Office as follows

- a formal process for identifying, evaluating, managing and reporting risk;
- a system of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action and individual risk owners; and
- formal programme and project management disciplines, incorporating procedures for the management of risk.

The other key elements in the MoJ control system, which are followed, are: regular management information, financial and administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- approval by the Management Group of the business plans;
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Group;
- regular reviews by the Management Group of periodic and annual financial reports prepared to indicate financial performance against the forecasts;
- target setting to measure financial and other performance;

- a formal system of financial and other controls, consisting of core control checks with an auditable trail of evidence, and a review and reporting mechanism to provide assurances from Budget Managers, that internal controls are in place and operating effectively; and
- business Continuity Plans, ensuring that key activities can continue effectively following a disruption, continue to be developed and refined.

The Scotland Office continues to work towards compliance with the mandatory requirements on physical, personnel and information/data security as specified by the Cabinet Office in the Hannigan report on Data Handling Procedures in Government. The Scotland Office is either compliant, or working towards compliance, with the requirements; improvements made in 2009-10 include appointing a Deputy Director as Senior Information Risk Owner (SIRO) and identifying Information Asset Owners who report to the SIRO on the assets they control. All staff have undertaken Level 1 Justice Academy e-learning training on Information Assurance and Level 2 training has been undertaken by all Information Asset Owners. During 2009-10, there were no significant control weaknesses or breaches of information that were required to be notified to the Information Commissioner.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Group and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I confirm that all key controls identified as a result of an assessment of my key business risks, in addition to the following key financial areas, are in place for the following and have been applied

- all expenditure/income has been recorded and properly spent/received with regard to propriety and regularity;
- the expenditure / income spent and received comply with law and regulations including those which provide the legal framework within which the Office conducts its activities;
- expenditure has been properly classified and transfers of expenditure between expenditure classifications have only been made in accordance with the Finance Manual;
- there have been no breaches of delegated financial authority;
- budgets are monitored regularly, comparing actual expenditure to forecasts, and variances reported upon;
- controls are in place to ensure that assets of the Office are safeguarded against unauthorised use or disposal;
- there are adequate control procedures in place to guard against fraud;
- there have been no breaches of the Finance Manual regarding hospitality and gifts;
- all losses and special payments have been reported, authorised and recorded in accordance with the Finance Manual; and
- all instances of loss resulting from a weakness in internal financial control have been reported and any necessary remedial action taken.

*Alisdair McIntosh*  
Accounting Officer  
Scotland Office

13 December 2010

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

I certify that I have audited the financial statements of the National Loans Fund Advances to the Scotland Office for the year ended 31 March 2010 under Section 71 of the Scotland Act 1998. These comprise the Receipts and Payments Account and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Scotland Act 1998 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scotland Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Scotland Office; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the Secretary of State for Scotland in respect of advances to Scottish Water and Registers of Scotland, in accordance with the Scotland Act 1998 and directions made thereunder by Treasury, for the year ended 31 March 2010; and
- the financial statements have been properly prepared in accordance with the Scotland Act 1998 and Treasury directions issued thereunder.

## Opinion on other matters

In my opinion

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

7 January 2011

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Accounts of Loans to the Private Sector

# Harbours Act 1964

Advances to Statutory Harbour Authorities (Secretary of State for Transport)

Account presented pursuant to the Harbours Act 1964 (C40) s43(5)

## Foreword

### Background

- 1 The Secretary of State has powers to provide loans to statutory harbour authorities under section 11(1) of the Harbours Act 1964, as amended by section 40 of the Docks and Harbours Act 1966. Under section 43(5) of the 1964 Act the Secretary of State is required to prepare an account of receipts and payments in respect of loans under that Act.

### Scope of the Account

- 2 Accounts prepared in compliance with these provisions are required to show
  - i the sums issued to the Secretary of State out of the National Loans Fund;
  - ii the loans so made by the Secretary of State;
  - iii sums received by the Secretary of State in respect of interest on, and repayment of principal of, the loans made by him at ii above; and
  - iv the disposal of the sums received under iii.

### Secretary of State's powers to make loans

- 3 Loans may be made to statutory harbour authorities under section 11(1)(a) of the Harbours Act 1964 (as amended), with the approval of the Treasury, in order to help the authorities to meet expenses of a capital nature incurred in constructing, improving, maintaining, or equipping a harbour. Loans may also be made under section 11(1)(b) of that Act to enable statutory harbour authorities to pay sums due, by way of interest or repayment of principal, on loans made under section 11(1)(a).

### Limits on borrowing

- 4 Limits are usually placed on the total borrowings of individual harbour authorities by private Acts. Steps would be taken before any advances were made by the Secretary of State to ensure that these would not cause the borrowing authority to exceed any statutory limit applying.
- 5 There is a statutory limit of £200m or, if so provided by a resolution of the Commons House of Parliament, £300 million on loans made under S11(1) of the Harbours Act 1964 to harbour authorities. This limit is set out in S4(1) of the Harbours (Loans) Act 1972

### Loans made by the Secretary of State, interest payable and repayment of principal

- 6 Loans made under section 11(1)(a) and (b) of the Harbours Act 1964 (as amended) are subject to interest at the rate prescribed by the Treasury at the date of issue. No such loans were made in 2009-2010.

**Statement of Secretary of State's and Accounting Officer's responsibilities**

- 7 Under Section 43 of the Harbours Act 1964 the Secretary of State for the Department for Transport is required to prepare an account for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year end.
  
- 8 The Treasury has appointed the Permanent Head of the Department as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

## Harbours Act 1964

Account, prepared under Section 43 of the Harbours Act 1964, of the Receipts and Payments of the Secretary of State for the Department for Transport under Section 11 of the 1964 Act, for the year ended 31 March 2010

	£	Previous year
<b>Receipts</b>		
Balance at 1 April 2009	0	0
<i>Payments by the Harbour Authorities [s. 43(1)]</i>		
Repayment of Loans	4,244	3,962
Interest on Loans	2,988	3,270
Less (discount) or plus premium on premature redemption	0	0
	<u>7,232</u>	<u>7,232</u>
<b>Payments</b>		
<i>Payments to the National Loans Fund [s. 43(4)]:</i>		
Repayment of Loans	4,244	3,962
Interest on Loans	2,988	3,270
Less (discount) or plus premium on premature redemption	0	0
<b>Balance at 31 March 2010</b>	<u>7,232</u>	<u>7,232</u>

### Note

- 1 The aggregate amount of principal outstanding in respect of advances to Harbour Authorities under the Harbours Act 1964 at 31 March 2010 was £39,487.80

Robert Devereux  
Accounting Officer  
Department for Transport

26 November 2010

# Statement on Internal Control

## Scope of responsibility

Management and preparation of this account and the underlying accounting transactions are subject to the control environment of the Department for Transport to which the rest of this statement refers. There are no risks identified specifically for this account. In my role as Principal Accounting Officer for the Department for Transport (DfT), I have the responsibility for signing this account.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

## Purpose of Report

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve departmental policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Leadership on risk management is provided by the Department's Board, which monitors performance and risk and makes choices (or recommendations to Ministers) on priorities and risk appetite across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. At the end of 2009-10, the Department's Board included the five Directors General in the central Department and four non-executive members.

The Department's Group Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes a non-executive chair, who is also a member of the Board and three further non-executive members.

Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system and to the successful delivery of new policies.

A new overall DfT Group Risk Management Framework was introduced in 2008-09 and is now embedded in Departmental processes. This Framework revised the criteria for Board-level risks and specified the responsibilities for each of the Director General groups in relation to improving risk management within their groups. Each group has a risk management framework which is documented and placed on Transnet, the Department's Intranet. Resource Management Planning Teams (RMPTs), embedded within each Director General group, have continued to support their respective Director General on implementing and updating policies and procedures to improve the identification and mitigation of Board- and group-level risks. Risk management guidance is available to staff on Transnet.

During 2009-10, Board Risk Reporting was developed further to support the escalation criteria defined in 2008-09. All Board level risks are now grouped under themes and from 2010-11, the Board will review in detail a risk theme each month.

## Risk and control framework

The Treasury published its Code of Good Practice on Corporate Governance in Central Government Departments in July 2005; the Department's practices are consistent with the principles set out in this Code.

The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Directors General and Directors; and the in-year and end-of-year reporting arrangements. The Corporate Governance Framework includes the risk management framework which is described in paragraph 7, detailing how risks are escalated to the Department's Board for attention. The Framework is supported by delegations from the Accounting Officer to Directors General to maintain effective accountability and management of resources and each Director General group has a documented risk management framework for their area.

## Review of effectiveness

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

The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon its analysis of the risks to which the Department is exposed. The annual audit plan was discussed and endorsed by the Department's Group Audit Committee and approved by me. The work completed in connection with the annual audit plan provides me, as the Department's Principal Accounting Officer, with an independent opinion on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The HIA has informed me that the arrangements for the risk management, governance and control processes have been adequate and effective in 2009-10.

The Group Audit Committee has received summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance.

Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed management assurance returns which are communicated to the Group Audit Committee for review at six months and at the year end. The Group Audit Committee reviewed the responses provided and considered their importance.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

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

I certify that I have audited the financial statements for the year ended 31 March 2010 under the Harbours Act 1964. The financial statements have been prepared in the form and on the basis determined by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Harbours Act 1964 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Harbours Act 1964 and HM Treasury directions made thereunder. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Accounting Officer has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion

- the financial statements properly present the receipts and payments of the Secretary of State for Transport in respect of advances made to the Harbour Authorities for the year ending 31 March 2010 and the balance held at that date;
- the financial statements have been properly prepared in accordance with Section 43(5) of the Harbours Act 1964 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.



**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

21 December 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Accounts of Loans with Central Government

# Northern Ireland

Advances to the Consolidated Fund of Northern Ireland (Secretary of State for Northern Ireland)

Account presented pursuant to Act 1975, c.83, s.3(1)

## Foreword

### Scope of the Account

- 1 This account prepared under Section 3(1) of the Northern Ireland (Loans) Act 1975, for the year ended 31 March 2010 is required to show:
  - i the sums issued to the Secretary of State for Northern Ireland out of the National Loans Fund under section 1(8) of the 1975 Act to enable him to make loans under section 1(1) to the Consolidated Fund of Northern Ireland;
  - ii the loans so made by the Secretary of State;
  - iii the sums received by the Secretary of State in respect of interest on, and repayment of:
    - a loans made under the 1975 Act (section 1(7));
    - b loans made under previous enactments (section 2(1));
  - iv the payment into the National Loans Fund of the sums received under (iii).

### The Secretary of State's Powers in respect of loans

- 2 Section 1(1) of the 1975 Act provides that the Secretary of State may, with the approval of the Treasury, advance to the Consolidated Fund of Northern Ireland any sums for the purposes of any expenditure which, in the opinion of the Secretary of State, is of a capital nature. Sums required for making loans are issued by the Treasury to the Secretary of State who is required to determine, with the approval of the Treasury, the repayment terms and conditions and to pay into the National Loans Fund sums received in respect of interest and repayment of principal in respect of loans under this Act and previous enactments.

### Limits on loans outstanding

- 3 Section 1(2) of the 1975 Act as amended by section 1(1) of the Northern Ireland (Loans) Act 1985 specified a maximum of £1,700 million for the aggregate amount outstanding by way of principal in respect of certain loans. The Northern Ireland (Loans) (Increase of Limit) Order 1995 increased the limit in section 1(2) of the 1975 Act by £300 million to £2,000 million. At 31 March 2010 the aggregate amount outstanding was £1,479,278,877 as detailed in the Note to the Account.

### Loans made during the year

- 4 The amounts issued to the Secretary of State out of the National Loans Fund and advanced to the Consolidated Fund of Northern Ireland during the year ended 31 March 2010 was £113,103,000.

The Northern Ireland Public Income and Expenditure Account, published by the Northern Ireland Department of Finance and Personnel, shows the transactions and balances of the Northern Ireland Consolidated Fund.

**Statement of Secretary of State's and Accounting Officer's responsibilities**

- 5 Under section 3(1) of the Northern Ireland (Loans) Act 1975 the Secretary of State for Northern Ireland is required to prepare an account for each financial year in the form and manner directed by the Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end.
  
- 6 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 *Managing Public Money*.

*Hilary Jackson*  
Accounting Officer  
Northern Ireland Office

1 December 2010

## Northern Ireland (Loans) Act 1975

Account, prepared under section 3(1) of the Northern Ireland (Loans) Act 1975 of the receipts and payments of the Secretary of State for Northern Ireland under Sections 1(1), 1(7), 1(8), 2(1) and 2(3) of that Act for the year ended 31 March 2010

	2009-10 £	2008-09 £
<b>Receipts</b>		
Issues from the National Loans Fund (s.1(8))	<b>113,103,000</b>	16,600,000
<i>From the Consolidated Fund of Northern Ireland (s.1(1))</i>		
i Loans under previous enactments (s.2(1))	<b>14,402,704</b>	14,943,811
Repayment of principal Interest:	<b>2,926,057</b>	4,192,266
ii Loans under the 1975 Act (s.1(7))	<b>105,225,746</b>	104,975,045
Repayment of principal Interest	<b>94,593,092</b>	102,042,375
	<b><u>330,250,599</u></b>	<u>242,753,497</u>
<b>Payments</b>		
Loans to the Consolidated Fund of Northern Ireland (s.1(1))	<b>113,103,000</b>	16,600,000
<i>Payments to the National Loans Fund (ss.1(8) and 2(3))</i>	<b>119,628,450</b>	119,918,856
Repayment of principal Interest	<b>97,519,149</b>	106,234,641
	<b><u>330,250,599</u></b>	<u>242,753,497</u>

### Note

Under Section 1(2) of the 1975 Act as amended by Section 1(1) of the Northern Ireland (Loans) Act 1985 the aggregate amount outstanding by way of principal of loans to the Consolidated Fund of Northern Ireland under this and previous enactments shall not exceed £1,700 million. The Northern Ireland (Loans) (Increase of Limit) Order 1995 increased the limit in Section 1(2) of the 1975 Act by £300 million to £2,000 million. The amounts outstanding at 31 March 2010 were:

Loans under previous enactments	25,227,468
Loans under the 1975 Act	1,454,051,410
	<b><u>1,479,278,878</u></b>

The Public Income and Expenditure Account is published separately as a White Paper – see Foreword note 4.

Hillary Jackson  
Northern Ireland Office  
Accounting Officer

1 December 2010

# Statement on Internal Control

## The scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Office policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control has been in place in the Northern Ireland Office for the year ended 31 March 2010 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

## Capacity to handle risk

Executive responsibility for risk management within the National Loans Fund rests with me as Accounting Officer. My staff and I have attended, and will attend in the future, corporate governance and risk management training and seminars to keep me up to date on developments within that sector of management. A risk management strategy has been established and has been communicated to all staff within the National Loans Fund who are trained to manage risks in a way appropriate to their responsibilities and duties.

During the past year, information assurance has continued to be a priority and good progress has been made in many areas. I have overseen the development of the necessary structures, policies and staff training to ensure that the right culture existed for information assurance.

## The risk and control framework

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

- the existence of an appropriate control environment, such as clearly defined responsibilities and procedures and evidence of reaction to control failures;
- the preparation and check by middle management of schedules of amounts due for repayment to the National Loans Fund, for Department of Finance and Personnel approval and HM Treasury agreement, prior to payment over; and
- the preparation of six-monthly reports which indicate the level of transactions.

## Review of effectiveness

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

*Hilary Jackson*  
Accounting Officer

1 December 2010

Northern Ireland Office

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

I certify that I have audited the financial statements of the National Loans Fund for the year ended 31 March 2010 under the Northern Ireland (Loans) Act 1975. These comprise the Receipts and Payments Account, the Foreword, the Statement of Secretary of State's and Accounting Officer's responsibilities and the Statement on Internal Control. These financial statements have been prepared in the form and on the basis determined by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's responsibilities the Accounting Officer is responsible for preparing the financial statements in accordance with the Northern Ireland (Loans) Act 1975 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the National Loans Fund's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the National Loans Fund, and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the National Loans Funds for the year then ended; and
- the financial statements have been properly prepared in accordance with the Northern Ireland (Loans) Act 1975 and HM Treasury directions made thereunder.

## Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters for which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

21 December 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



# Government of Wales Act 2006

Accounts presented pursuant to Act 2006 s.121, s.122 and s.123

## Scope of the Account

- 1 This Account is prepared in compliance with section 123 of the Government of Wales Act 2006 and is required to show:
  - a Loans made by the Secretary of State to the Welsh Assembly Government under section 121 or treated as made by paragraph 11(6) of schedule 3 or paragraph 44(6) of schedule 11; and
  - b Repayments and payments of interest made to the Secretary of State in respect of those loans.

## Secretary of State's power to make loans

- 2 Under Section 121 of the Government of Wales Act 2006, the Secretary of State has the power, with the approval of Treasury, to lend to the Welsh Ministers sums required for the purpose of (a) meeting a temporary excess of sums paid out of the Welsh Consolidated Fund over sums paid into that Fund, or (b) providing a working balance in the Fund. Under section 122 of the Act, the Treasury may issue to the Secretary of State out of the National Loans Fund such sums as required under section 121.

## Limits on borrowing

- 3 Section 122 of the Government of Wales Act 2006 imposes a limit of £500 million on the Welsh Assembly Government's aggregate outstanding borrowings from the National Loans Fund.
- 4 At 31 March 2010 the aggregate of amounts outstanding against the limit was

Borrowing outstanding	11,748,705
Sums issued by the Treasury	0
	<hr/>
<b>Total</b>	<b>11,748,705</b>

## Loans made by the Secretary of State, Interest Payable and Repayment of Principal

- 5 In 2009-10 no new loans were issued by the Secretary of State to the Welsh Ministers. The amount outstanding relates to advances made initially to:-

- Mid Wales Development Corporation
- Development Board for Rural Wales

The Mid Wales Development Corporation was established under the terms of the New Towns Act 1965 to reverse the trend of depopulation in rural Wales. The Development Board for Rural Wales was established under the 1976 Act (since amended) and took over the functions of the Mid Wales Development Corporation in 1977.

The 1998 Government of Wales Act abolished the Development Board for Rural Wales on 1 October 1998. All functions, property, rights and liabilities were transferred to the Welsh Development Agency including the responsibility for these loans.

The Welsh Development Agency was abolished on 1 April 2006 under the 'Welsh Development Agency (Transfer of Functions to the National Assembly for Wales and Abolition) order 2005'. The Welsh Development Agency's functions, property, rights and liabilities were transferred to the National Assembly for Wales and subsequently the Welsh Assembly Government under the Government of Wales Act 2006. The Welsh Assembly Government is now responsible for repayment of these loans previously held by the Welsh Development Agency. The last loan, which was issued to the former Development Board for Rural Wales, is due to mature on 15 September 2041.

The Government of Wales Act 2006 created the Welsh Consolidated Fund. The repayment of NLF loans held by the Welsh Assembly Government is now made via the Welsh Consolidated Fund to the Ministry of Justice and thereafter paid to the Treasury.

*Fiona Adams-Jones*  
Accounting Officer for the Wales Office

14 October 2010

**Statement of Secretary of State's and Accounting Officer's responsibilities**

- 6 Under Section 123 of the Government of Wales Act 2006, the Secretary of State for Wales is required to prepare accounts for each financial year in the form and on the basis determined by the Treasury for loans issued to the Welsh Ministers. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year-end.
- 7 The Treasury has appointed the Head of the Wales Office as Accounting Officer for the account. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in *Managing Public Money*.

## Government of Wales Act 2006

Account, prepared under section 123 of the Government of Wales Act 2006 of the receipts and payments of the Secretary of State for Wales under the legislation shown for the year ended 31 March 2010.

	<b>2009-2010</b>	2008-2009
	£	£
<b>Receipts</b>		
Sums received from the Welsh Ministers in respect of advances made to <i>Former Development Board for Rural Wales</i>		
Repayment of Principal	<b>6,981</b>	6,075
Interest	<b>566,620</b>	567,526
<i>Former Mid Wales Development Corporation</i>		
Repayment of Principal	<b>27,013</b>	23,487
Interest	<b>1,144,578</b>	1,148,105
<b>Total Receipts</b>	<b><u>1,745,192</u></b>	<b><u>1,745,193</u></b>
<b>Payments</b>		
Payments to the National Loans Fund		
Repayment of Principal	<b>33,994</b>	29,562
Interest	<b>1,711,198</b>	1,715,631
<b>Total Payments</b>	<b><u>1,745,192</u></b>	<b><u>1,745,193</u></b>

Notes

### 1 Statement of balances:

	Former Development Board for Rural Wales	Former Mid Wales Development Corporation	Total
	£	£	£
Outstanding at 1 April 2009	3,934,143	7,848,556	<b>11,782,699</b>
Repaid during the year	(6,981)	(27,013)	<b>(33,994)</b>
<b>Outstanding at 31 March 2010</b>	<b><u>3,927,162</u></b>	<b><u>7,821,543</u></b>	<b><u>11,748,705</u></b>

### 2 Events After the Reporting Period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date at which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Fiona Adams-Jones  
Accounting Officer for the Wales Office

14 October 2010

## Statement on Internal Control

This statement is given in respect of the account of National Loans Fund advance to the former Development Board for Rural Wales and the former Mid Wales Development Corporation now held by the Welsh Assembly Government.

### Scope of responsibility

As Accounting Officer, I have the responsibility for maintaining a sound system of internal control that supports the achievement of the Wales Office's policies, aims and objectives set by the Secretary of State, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my appointment letter and as set out in *Managing Public Money*.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve, policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Wales Office for the year ended 31 March 2010 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

### Capacity to handle risk

I acknowledge my overall responsibility for the effective management of risk throughout the Wales Office.

Registers that identify, assess and set out mitigating actions to significant risks are in place across the Office and are regularly reviewed by the Office Management Board. Risk management is incorporated into the planning and decision making processes, with assessment of risk to business objectives documented, along with mitigating actions, and reported on through risk registers and other means which are regularly reviewed and updated.

### Risk and control framework

As part of the Ministry of Justice (MoJ), the Wales Office applies the Ministry's Risk Management Policy and framework document and key elements are maintained in the Wales Office as follows

- a formal process for identifying, evaluating, managing and reporting risk;
- a system of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action and individual risk owners; and
- formal programme and project management disciplines, incorporating procedures for the management of risk.

The other key elements in the MoJ control system, which are followed, are regular management information, financial and administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- approval by the Management Board of the business plans;
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board;
- regular reviews by the Management Board of periodic and annual financial reports prepared to indicate financial performance against the forecasts;
- Target setting to measure financial and other performance;

- a formal system of financial and other controls, consisting of core control checks with an auditable trail of evidence, and a review and reporting mechanism to provide assurances from Budget Managers that internal controls are in place and operating effectively;
- Business Continuity Plans, ensuring that key activities can continue effectively following a disruption, continue to be developed and refined, including the introduction of further policies, plans will be tested fully in 2010 2011;
- continued progress towards compliance with the Cabinet Office Security Policy Framework setting out universal mandatory standards for physical, personnel and information/data security across Government, which includes the mandatory requirement to report any significant control weaknesses in the annual Statement on Internal Control. I am supported by a Senior Information Risk Officer and all branches of the Wales Office now have dedicated Asset Owners and Custodians for all information assets. All Asset Owners have undertaken and passed Asset Owner e-Training. All staff undertook MoJ e-Training on Information Assurance. During 2009-2010, there were no breaches of information security that were required to be reported to the Information Commissioner.

### Review of effectiveness

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

I confirm that all key controls identified as a result of an assessment of my key business risks, in addition to the following key financial areas, are in place for the following and have been applied

- all expenditure/income has been recorded and properly spent/received with regard to propriety and regularity;
- the expenditure/income spent and received comply with law and regulations including those which provide the legal framework within which the Office conducts its activities;
- expenditure has been properly classified and transfers of expenditure between expenditure classifications have only been made in accordance with the Finance Manual;
- there have been no breaches of delegated financial authority;
- budgets are monitored regularly, comparing actual expenditure to forecasts, and variances reported upon;
- controls are in place to ensure that assets of the Office are safeguarded against unauthorised use or disposal;
- there are adequate control procedures in place to guard against fraud;
- information Assets are monitored and risks properly assessed, reported on and recorded;
- there are adequate controls procedures in place for the Senior Information Responsible Officer (SIRO) to guard against breaches in information security;

- there have been no breaches of the Finance Manual regarding hospitality and gifts;
- all losses and special payments have been reported, authorised and recorded in accordance with the Finance Manual; and
- all instances of loss resulting from a weakness in internal financial control have been reported and any necessary remedial action taken.

*Fiona Adams-Jones*  
Accounting Officer for the Wales Office

14 October 2010

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

I certify that I have audited the financial statements of the Wales National Loans Fund for the year ended 31 March 2010 under the Government of Wales Act 2006. These comprise the Receipts and Payments Account and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's responsibilities, the Secretary of State is responsible for the preparation of the financial statements in accordance with the Government of Wales Act 2006. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Wales National Loans Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Wales National Loans Fund; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the Wales National Loans Fund for the year ended 31 March 2010; and
- the financial statements have been properly prepared in accordance with the Government of Wales Act 2006.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

29 October 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

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