

# Accounts relating to issues from the National Loans Fund 2008-2009

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

Housing Associations Act 1985

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 2008-2009

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 8 DECEMBER 2010

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# Contents

This volume contains statutory accounts prepared to show the transactions of Ministers and others in 2008-2009 in connection with loans to various bodies out of issues from the National Loans Fund. Details of issues from the National Loans Fund in 2008-2009 are given in the relevant part of the National Loans Fund Account (see page 16 of HC 935 of 2008-2009). 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 2008-2009'

### Aircraft And Shipbuilding Industries Act 1977

Section 12(4) of the above Act requires the Secretary of State for Business, Enterprise and Regulatory Reform 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 2009.

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 £6,823,000 was made during the 2008-09 financial year, so the total paid to 31 March 2009 is £1,617,562,000.

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 2009. The net liabilities of the British Shipbuilders Corporation, as at 31 March 2009 were £118 million as disclosed in the Departmental Resource Account 2008-2009.

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, Enterprise and Regulatory Reform 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(2) and (3) 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 2009.

Under Section 3 of the Act, there is a financial limit of £200 million in respect of aggregate financial arrangements.

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 2009, the limit specified was £2,000 million.

BNFL have previously repaid all loans and during 2008-2009, 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, Enterprise and Regulatory 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, Enterprise and Regulatory Reform 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 2009.

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.

*Simon Fraser*

10 July 2009

Principal Accounting Officer and Permanent Secretary

### Commonwealth Development Corporation Act 1999

Section 13(1)(a) of the Commonwealth Development Corporation Act 1999 requires the Secretary of State 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 2009.

### 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 2009.

*Robert Devereux*

13 November 2009

Accounting Officer

Department for Transport

# 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 2008-2009.

### 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 2009 the aggregate outstanding borrowings counting against these limits were

	£
Loans made by the Secretary of State	6,840,000
Temporary borrowings	0
Commencing Capital Debt	0
	<u>6,840,000</u>

\* All references to sections relate to the Transport Act 1962 except where otherwise stated.



**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. £1,024,000 of principal was repaid by the Board to the National Loans Fund in 2008-2009. During 2008-2009 a temporary loan for £11,000,000 was issued to The British Waterways Board. This loan was repaid in full on 31 October 2008.

**Statement of Accounting Officer's responsibilities**

- 5 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.
- 6 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

9 July 2009

Accounting Officer for the Department for Environment,  
Food and Rural Affairs

## 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 2009.

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
<b>Receipts</b>		
Issues from the National Loans Fund (s.20(3)):	<b>11,000,000</b>	0
	<b>11,000,000</b>	
<i>Payments by the British Waterways Board [s.20(2)]</i>		
Repayment of loans	<b>12,024,000</b>	2,048,000
Interest on loans	<b>934,938</b>	888,603
	<b>12,958,938</b>	2,936,603
<b>Payments</b>		
Loans to British Waterways Board (s.20(1)):	<b>11,000,000</b>	0
	<b>11,000,000</b>	
<i>Payments to the National Loans Fund [s.20(5)]</i>		
Repayment of loans	<b>12,024,000</b>	2,048,000
Interest on loans	<b>934,938</b>	888,603
	<b>12,958,938</b>	2,936,603

### Notes

At 31 March 2009 the debt outstanding to the Secretary of State was £6,840,000.

*Helen Ghosh* 9 July 2009  
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 2008-2009.

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 continued to develop during the year, up to the date of approval of the annual report and accounts and accords with HM Treasury guidance.

## Capacity to handle risk

The Management Board reviews strategic-level risk through the corporate Balanced Scorecard, and by monitoring the status of our mission-critical programmes and top threats.

As well as generalist risk management training for managers across the Department, staff are encouraged to identify and address risks at a local level, free from blame.

## Risk and control framework

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.

The Department has published a high level statement regarding its risk appetite but emphasis is being placed on taking a more explicit approach.

## 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; and
- Internal Audit reports to the Audit and Risk Committee and provides 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; and
- 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

9 July 2009

# 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 2009 under the Transport Act 1968. 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

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the Transport Act 1968 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and in accordance with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Transport Act 1968 and HM Treasury directions made thereunder. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

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

I review whether the Statement on 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 Environment, Food and Rural Affairs' 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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit Opinion**

In my opinion

- the financial statements properly present the receipts and payments of the Secretary of State for Environment, Food and Rural Affairs in respect of advances to the British Waterways Board for the year ended 31 March 2009 and the balance held at that date; and
- the financial statements have been properly prepared in accordance with the Transport Act 1968 and the directions made thereunder by HM Treasury.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

15 July 2009

# 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 2009, the aggregate outstanding borrowings counting against the limit of £550 million was

	£
Loans made by the Secretary of State	8,027,556
Foreign loans	0
	8,027,556

<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 1981-1982.

### **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.

No such directions were issued in respect of the accounting year 2008-2009.

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

- 7 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.
- 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

13 November 2009



## 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 2009.

### Receipts

	Previous year	
	£	£
Balance as at 1 April 2008	0	0
From the National Loans Fund	0	0
<i>From the Civil Aviation Authority Loans [s.12(4)]</i>		
Repayment of Principal	<b>1,047,768</b>	980,521
Interest	<b>564,763</b>	632,010
Premium for early repayment of loans	0	0
Penalty for late repayment of loan	0	0
	<b><u>1,612,531</u></b>	<u>1,612,531</u>

### Payments

	Previous year	
	£	£
<i>Loans to the Civil Aviation Authority [s. 12(2)]</i>	0	0
Payments to the National Loans Fund [s.12(4)]		
Repayment of Principal	<b>1,047,768</b>	980,521
Interest	<b>564,763</b>	632,010
Premium for early repayment of loans	0	0
Penalty for late repayment of loan		
Balance of 31 March 2009	0	0
	<b><u>1,612,531</u></b>	<u>1,612,531</u>

### Notes

At 31 March 2009 the debt outstanding to the Secretary of State was: £8,027,556.22.

Robert Devereux  
Accounting Officer  
Department for Transport

13 November 2009

# Statement on Internal Control

## Scope of responsibility

- 1 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.
- 2 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

- 3 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 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

- 4 Leadership on risk management is provided by The Department's Board, which monitors performance, 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 2008-2009, the Department's Board included the five Directors General in the central Department and four non-executive members. An Executive Committee helps ensure that risks are effectively managed by assessing progress on, and key risks to, deliverables and budgets and assessing the potential impact on plans major new initiatives from Ministers or beyond the Department.
- 5 The Department's 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 from the wider DfT family. Each Agency has its own Audit Committee, which fulfils a similar function. The business of the Civil Aviation Authority National Loans Fund Account has not been subject to consideration of any Audit Committee.
- 6 Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system, including public perceptions, and to the successful delivery of new policies.
- 7 During 2008-2009, a new overall DfT Group Risk Management Framework was agreed by the Executive Committee. This Framework included revised 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. 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.
- 8 Along with the new Risk Management Framework, the risk management guidance was updated and made available to staff on Transnet (the Department's intranet system). The RMPTs have also been responsible for ensuring that the appropriate support and training on risk management is available to staff within the central Department. A new e-learning Risk Management package is currently being developed for release Departmental wide.

## Risk and Control Framework

- 9 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.
- 10 The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Agency Chief Executives, 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.

## Review of effectiveness

- 11 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 Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 12 The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government's 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 and by what the Group Audit Committee identify the key risks to be. 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.
- 13 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 opinion for 2008 2009 concluded that the DfT Group's arrangements for governance, risk management and internal control have been adequate and effective throughout the year.
- 14 The Group Audit Committee receives 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. The Chair of the Group Audit Committee reports regularly to the Departmental Board the Committee's views on the effectiveness of internal control.
- 15 Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed assurance returns which have been communicated to the Group Audit Committee. No significant weaknesses have been identified relating to the business of the Civil Aviation Authority National Loans Fund Account.

*Robert Devereux*  
Accounting Officer  
Department for Transport

13 November 2009

# 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 for the year ended 31 March 2009 under the Civil Aviation Act 1982. 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

The Accounting Officer is responsible for preparing the Foreword and 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. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments 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.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

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 ended 31 March 2009 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.

### **Audit 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.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

15 December 2009

# Post Office Act 1969

Advances to Royal Mail

(Secretary of State for Business, Enterprise and Regulatory Reform)

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. 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 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 £500m 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 German Parcel. This facility was utilised in full on the 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-yearly 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 2009, 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 2009, the balance outstanding on the principal loan is £500m.

- 3 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 new Department of Business, Innovation and Skills (BIS) was created and will take forward the work of the two former Departments, including sponsorship of Royal Mail. The merger will be effective from 1 April 2009.

*Simon Fraser*  
Principal Accounting Officer and Permanent Secretary

10 July 2009

### **Statement of the Secretary of State's and 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, Enterprise and Regulatory Reform 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, Enterprise and Regulatory Reform 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*'.



## 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, Enterprise and Regulatory Reform under Section 37 of the Post Office Act 1969 for the year ended 31 March 2009.

### Receipts

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
Balance at 1 April	<b>0</b>	0
From National Loans Fund	<b>0</b>	0
<i>From Royal Mail Holdings plc:</i>		
Repayments of Loans	<b>0</b>	0
Interest on Loans	<b>29,170,000</b>	29,172,306
	<b><u>29,170,000</u></b>	<u>29,172,306</u>

### Payments

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
<i>Advances to Royal Mail Holdings plc</i>	<b>0</b>	0
<i>To the National Loans Fund</i>		
Repayments of Loans	<b>0</b>	0
Interest on Loans	<b>29,170,000</b>	29,172,306
Balance at 31 March	<b>0</b>	0
	<b><u>29,170,000</u></b>	<u>29,172,306</u>

The Accounting Officer has authorised these accounts to be issued on 14 July 2009.

Simon Fraser  
Principal Accounting Officer and Permanent Secretary

10 July 2009

# 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 Royal Mail National Loans Fund Account'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'*.

Although not in post during the accounting period for the 2008-2009 Statement on Internal Control, my predecessor, Chairman of the Audit Committee and Head of Internal Audit have advised me about the control environment that operated in the Department up to the approval of the annual report and accounts.

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 as 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 NLF Account for the year ended 31 March 2009 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 is available to staff in the Royal Mail Team through the Risk Management Intranet site. This site includes the Department's risk management policy and has specific guidance on undertaking risk self-assessment. Risk management workshops are available to all staff and practical guidance on its application has been incorporated into a wide range of BERR training courses that staff in Shareholder Executive attends. These courses cover all ranges of staff and are tailored to be appropriate to their authority and duties. The Shareholder Executive 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 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 and 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 2008-2009.

*Simon Fraser*  
Principal Accounting Officer and Permanent Secretary

10 July 2009

# 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 2009 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 on the basis determined by HM Treasury.

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

The Secretary of State and Accounting Officer are responsible for preparing the Foreword and the financial statements in accordance with the Post Office Act 1969 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Secretary of State's and Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with section 39 of the Post Office Act 1969 and Treasury directions made thereunder. I report to you whether, in my opinion, 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 RM NLF 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 the RM NLF's 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 RM NLF's corporate governance procedures or its risk and control procedures.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Post Office Act 1969 and directions made thereunder by HM Treasury, for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with section 39 of the Post Office Act 1969 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

14 July 2009

# Postal Services Act 2000

Advances to Royal Mail

(Secretary of State for Business, Enterprise and Regulatory Reform)

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, Enterprise and Regulatory Reform, 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 implement its existing business transformation programme. Part of this framework includes debt facilities of £900m provided via the NLF, comprising a revolving loan facility of up to £300m and a separate long-term facility of £600m, 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 2008-2009 Royal Mail utilised £232m of the £300m revolving loan facility but did not utilise any of the £600m long-term facility. In the financial year ended 31 March 2009 Royal Mail had repaid all outstanding debts to the National Loans Fund under the loan facility arrangements.

### **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 new Department of Business, Innovation and Skills (BIS) was created and will take forward the work of the two former Departments, including sponsorship of Royal Mail. The merger will be effective from 1 April 2009.

*Simon Fraser*  
Principal Accounting Officer and Permanent Secretary

10 July 2009

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

- 8 Under Section 76 of the Postal Services Act 2000 the Secretary of State for Business, Enterprise and Regulatory Reform 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 Permanent Secretary at the Department for Business, Enterprise and Regulatory Reform 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, Enterprise and Regulatory Reform for the year ended 31 March 2009

## 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, Enterprise and Regulatory Reform under Section 68 of the Postal Services Act 2000 for the year ended 31 March 2009.

### Receipts

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
Balance at 1 April	<b>0</b>	0
From National Loans Fund	<b>232,000,000</b>	0
<i>From Royal Mail Holdings plc</i>		
Repayments of Loans	<b>232,000,000</b>	0
Interest on Loans	<b>317,653</b>	0
	<b><u>464,317,653</u></b>	<u>0</u>

### Payments

	<b>2008-2009</b>	2007-2008
Advances to Royal Mail Holdings plc	<b>232,000,000</b>	0
<i>To the National Loans Fund</i>		
Repayments of Loans	<b>232,000,000</b>	0
Interest on Loans	<b>317,653</b>	0
Balance at 31 March	<b>0</b>	0
	<b><u>464,317,653</u></b>	<u>0</u>

The Accounting Officer has authorised these accounts to be issued on 14 July 2009.

*Simon Fraser*  
Principal Accounting Officer and Permanent Secretary

10 July 2009



## 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 Royal Mail National Loans Fund Account'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*'.

Although not in post during the accounting period for the 2008-2009 Statement on Internal Control, my predecessor, Chairman of the Audit Committee and Head of Internal Audit have advised me about the control environment that operated in the Department up to the approval of the annual report and accounts.

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 as 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 NLF Account for the year ended 31 March 2009 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 is available to staff in the Royal Mail Team through the Risk Management Intranet site. This site includes the Department's risk management policy and has specific guidance on undertaking risk self-assessment. Risk management workshops are available to all staff and practical guidance on its application has been incorporated into a wide range of BERR training courses that staff in Shareholder Executive attends. These courses cover all ranges of staff and are tailored to be appropriate to their authority and duties. The Shareholder Executive 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 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 and 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 2008-2009.

*Simon Fraser*  
Principal Accounting Officer and Permanent Secretary

10 July 2009

# 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 2009 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 on the basis determined by HM Treasury.

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

The Secretary of State and Accounting Officer are responsible for preparing the Foreword and the financial statements in accordance with the Postal Services Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Secretary of State's and Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with section 76 of the Postal Services Act 2000 and HM Treasury directions made thereunder. I report to you whether, in my opinion, 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 RM NLF 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 the RM NLF's 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 RM NLF's corporate governance procedures or its risk and control procedures.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Postal Services Act 2000 and directions made thereunder by HM Treasury, for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with section 76 of the Postal Services Act 2000 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

14 July 2009

# 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 2008, total capital balances outstanding were £789,918,125, and after repayments during the year of £7,106,250, capital balances outstanding at 31 March 2009 were £782,811,875.

### History of Accounts

- 5 The advances outstanding at 31 March 2008 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.

*Alisdair McIntosh*  
Accounting Officer  
Scotland Office

21 August 2009

**Statement of Secretary of State for Scotland'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*'

## 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 2008 to 31 March 2009.

### Receipts

	<b>2008-2009</b>	2007-2008
	£	£
<i>Received from Scottish Water by way of</i>		
interest on advances	<b>52,034,842</b>	52,855,900
repayment of advance	<b>7,000,000</b>	20,000,000
<i>Received from Registers of Scotland</i>		
interest on advances	<b>251,381</b>	260,279
repayment of advance	<b>106,250</b>	106,250
Total of interest payments	<b>52,286,223</b>	53,116,179
Total of repayments of advance	<b>7,106,250</b>	20,106,250
<b>Total receipts</b>	<b><u>59,392,473</u></b>	<b><u>73,222,429</u></b>

### Payments

	<b>2008-2009</b>	2007-2008
	£	£
<i>Payments to National Loans Fund of sums received</i>		
interest on advances	<b>52,034,842</b>	52,855,900
repayment of advance	<b>7,000,000</b>	20,000,000
<i>Payments to National Loans Fund of sums received</i>		
interest on advances	<b>251,381</b>	260,279
repayment of advance	<b>106,250</b>	106,250
<b>Total Payments</b>	<b><u>59,392,473</u></b>	<b><u>73,222,429</u></b>

Note : Statement of balances at 31 March 2009

	Advances at 1 April 2008	Advances during 2008-2009	Advances repaid during 2008-2009	<b>Advances outstanding at 31 March 2009</b>
	£	£	£	£
Scottish Water	786,890,000	0	7,000,000	<b>779,890,000</b>
Registers of Scotland	3,028,125	0	106,250	<b>2,921,875</b>
Total	<u>789,918,125</u>	<u>0</u>	<u>7,106,250</u>	<b><u>782,811,875</u></b>

### Events after year end

In accordance with the requirements of FRS 21, 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.

Alisdair McIntosh  
Accounting Officer  
Scotland Office

21 August 2009

# 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 2009 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 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.

## 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.

During the year the Cabinet Office introduced a new Security Policy Framework setting out universal mandatory standards for physical, personnel and information/data security across Government. This included a mandatory requirement to report on any significant control weaknesses in the annual Statement on Internal Control. The Scotland Office has undertaken a review of all the mandatory requirements and is either compliant or well under way to be compliant. There are no significant weaknesses, nor were there any breaches of information that were required to be notified to the Information Commissioner during the year.

### 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 Scotland 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, 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 Scotland 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 Scotland 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

21 August 2009

# 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 Account for the year ended 31 March 2009 under section 66 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

The Accounting Officer is responsible for preparing the Foreword, and the financial statements in accordance with the Scotland Act 1998 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Secretary of State for Scotland's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Scotland Act 1998 and Treasury directions made thereunder. 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 Scotland Office 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 the Scotland Office's 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 Scotland Office'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.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

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 Authorities and Registers of Scotland, in accordance with the Scotland Act 1998 and directions made thereunder by Treasury, for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with the Scotland Act 1998 and Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas CE Morse*  
Comptroller and Auditor General  
National Audit Office

1 September 2009

# 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 £200 million 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 2008-2009.

**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

13 November 2009

## Harbours Act 1964

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 2009.

	£	Previous year £
<b>Receipts</b>		
Balance as at 1 April 2008	0	0
<i>Payments by the Harbour Authorities [s. 43(1)]</i>		
Repayment of Loans	3,962	3,698
Interest on Loans	3,270	3,534
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	3,962	3,698
Interest on Loans	3,270	3,534
Less (discount) or plus premium on premature redemption		
<b>Balance of 31 March 2009</b>	<u>7,232</u>	<u>7,232</u>

### Notes

The aggregate amount of principal outstanding in respect of advances to Harbour Authorities under the Harbours Act 1964 at 31 March 2009 was £43,731.44.

Robert Devereux  
Accounting Officer  
Department for Transport

13 November 2009

# Statement on Internal Control

## Scope of responsibility

- 1 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.
- 2 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

- 3 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 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

- 4 Leadership on risk management is provided by The Department's Board, which monitors performance, 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 2008-2009, the Department's Board included the five Directors General in the central Department and four non-executive members. An Executive Committee helps ensure that risks are effectively managed by assessing progress on, and key risks to, deliverables and budgets and assessing the potential impact on plans major new initiatives from Ministers or beyond the Department.
- 5 The Department's 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 from the wider DfT family. Each Agency has its own Audit Committee, which fulfils a similar function. The business of the Harbour Authority National Loans Fund Account has not been subject to consideration of any Audit Committee.
- 6 Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system, including public perceptions, and to the successful delivery of new policies.
- 7 During 2008-2009, a new overall DfT group Risk Management Framework was agreed by the Executive Committee. This Framework included revised 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. 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.
- 8 Along with the new Risk Management Framework, the risk management guidance was updated and made available to staff on Transnet (the Department's intranet system). The RMPTs have also been responsible for ensuring that the appropriate support and training on risk management is available to staff within the central Department. A new e-learning Risk Management package is currently being developed for release Departmental wide.



## Risk and control framework

- 9 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.
- 10 The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Agency Chief Executives, 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.

## Review of effectiveness

- 11 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 Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 12 The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government's 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 and by what the Group Audit Committee identify the key risks to be. 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.
- 13 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 opinion for 2008-2009 concluded that the DfT Group's arrangements for governance, risk management and internal control have been adequate and effective throughout the year.
- 14 The Group Audit Committee receives 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. The Chair of the Group Audit Committee reports regularly to the Departmental Board the Committee's views on the effectiveness of internal control.
- 15 Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed assurance returns which have been communicated to the Group Audit Committee. No significant weaknesses have been identified relating to the business of the Harbours Authorities National Loans Fund Account.

*Robert Devereux*  
Accounting Officer  
Department for Transport

13 November 2009

# 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 2009 under the Harbours Act 1964. 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

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the Harbours Act 1964 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments 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.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

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 ended 31 March 2009 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.

### **Audit 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.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

15 December 2009

# 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 2009 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)); and
    - 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 2009 the aggregate amount outstanding was £1,485,804,327 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 2009 was £16,600,000.

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*  
Northern Ireland Office  
Accounting Officer

30 July 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 2009.

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
<b>Receipts</b>		
Issues from the National Loans Fund (s.1(8))	<b>16,600,000</b>	97,605,000
<i>From the Consolidated Fund of Northern Ireland</i>		
i Loans under previous enactments (s.2(1))	<b>14,943,811</b>	14,798,117
Repayment of principal Interest:	<b>4,192,266</b>	5,186,382
ii Loans under the 1975 Act (s.1(7))	<b>104,975,045</b>	101,967,125
Repayment of principal Interest	<b>102,042,375</b>	109,112,126
	<b><u>242,753,497</u></b>	<u>328,668,750</u>
<b>Payments</b>		
Loans to the Consolidated Fund of Northern Ireland (s.1(1))	<b>16,600,000</b>	97,605,000
<i>Payments to the National Loans Fund (ss.1(8) and 2(3))</i>	<b>119,918,856</b>	116,765,242
Repayment of principal	<b>106,234,641</b>	114,298,508
Interest	<b><u>242,753,497</u></b>	<u>328,668,750</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 2009 were

Loans under previous enactments	39,630,171
Loans under the 1975 Act	1,446,174,156
	<u>1,485,804,327</u>

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

Hilary Jackson  
Northern Ireland Office  
Accounting Officer

30 July 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 2009 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.

## 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*  
Northern Ireland Office  
Accounting Officer

30 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 National Loans Fund for the year ended 31 March 2009 under the Northern Ireland (Loans) Act 1975. These comprise the Receipts and Payments Account and the related note. These financial statements have been prepared in the form and on the basis directed by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the financial statements in accordance with the Northern Ireland (Loans) Act 1975 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Northern Ireland (Loans) Act 1975 and Treasury directions made thereunder. 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 National Loans Fund 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 the National Loans Fund's 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 National Loans Fund'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.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relating to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgement made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Northern Ireland (Loans) Act 1975 and directions made thereunder by HM Treasury for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with the Northern Ireland (Loans) Act 1975 and HM Treasury directions made thereunder; and
- information within the Foreword is consistent with the financial statements.

### **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.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

17 September 2010

# Housing Associations Act 1985

Advances to the Housing Corporation

Accounts pursuant to the Housing Associations Act 1985, c.69, s.97(4)

## Management Comentary

### Scope of the Account

- 1 This account is prepared in compliance with Section 97 of the Housing Associations Act 1985 (the 1985 Act) and is required to show
  - i the sums issued to the Secretary of State for Communities and Local Government out of the National Loans Fund under Section 92(5) of the 1985 Act to enable her to make loans under Section 92(1) to the Housing Corporation;
  - ii the loans so made by the Secretary of State;
  - iii the sums received by the Secretary of State under Section 92(4) of the 1985 Act in respect of interest and repayment; and
  - iv the payment into the National Loans Fund of the sums received under (iii).
- 2 The principal activities of the Housing Corporation were to finance, regulate and facilitate the proper performance of Registered Social Landlords (RSLs) in England. With Central Government finance it provided grants to RSLs for the development of homes for people in housing need. The Corporation had a small portfolio of long term loans which were financed by the borrowings disclosed in the attached account.

### Going concern

- 3 The functions of the Housing Corporation were transferred to the new Homes and Communities Agency and Tenants Services Authority, which were set up on 1 December 2008. The loans which are the subject of these accounts were repaid and these accounts are, therefore, the final accounts to be prepared.

### Limits on borrowing

- 4 Under Section 93 of the 1985 Act as amended by Schedule 6 to the Housing Act 1988 and the Housing Corporation Advances (Increase of Limit) Order 1990, the Secretary of State may make advances up to a limit of £2,300 million.

### Repayment of loans

- 5 The advances must be repaid at such times and by such methods with interest payable at such rates and at such times as the Secretary of State may, with the approval of the Treasury, from time to time determine.

### Transactions during the year ended 31 March 2009

- 6 A total of £1,400,000 was issued to the Secretary of State out of the National Loans Fund for advancement to the Housing Corporation.
- 7 The Corporation repaid £2,800,000 in respect of advances made to them. The Corporation also paid interest totalling £74,047.

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

- 8 Under Section 97 of the Housing Associations Act 1985 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 Secretary for the Department for Communities and Local Government 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* (TSO).

*Peter Housden*  
Accounting Officer  
Department for Communities and Local Government

8 July 2009

# Housing Associations Act 1985

Statement of Receipts and Payments for the year ended 31 March 2009

	<b>2008-2009</b>	2007-2008
	<b>£</b>	£
<b>Receipts</b>		
Issues from the National Loans Fund (s.92(5) of the 1985 Act)	<b>1,400,000</b>	2,800,000
<i>Payments by the Housing Corporation</i>		
Repayment of advances	<b>2,800,000</b>	2,800,000
Interest on advances	<b>74,047</b>	77,882
<b>Total receipts</b>	<b>4,274,047</b>	5,677,882
<b>Payments</b>		
Advances to the Housing Corporation (s.92(1) of the 1985 Act)	<b>1,400,000</b>	2,800,000
<i>Payments to the National Loans Fund</i>		
Repayment of advances	<b>2,800,000</b>	2,800,000
Interest on advances	<b>74,047</b>	77,882
<b>Total payments</b>	<b>4,274,047</b>	5,677,882
Net movement	<b>0</b>	0

## Note

The amount of advances outstanding at 1 April 2008 was £1,400,000. There were no outstanding advances at 31 March 2009.

Peter Housden  
Accounting Officer  
Department for Communities and Local Government

8 July 2009

# Statement on Internal Control

## Scope of responsibility

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Communities and Local Government'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.

I delegate authority for the management and accountability of resources to my Directors-General, including budget provision for the year ahead, programme near cash, non cash and capital budgets, and administration allocations. Directors-General sub-delegate this authority to their Directors and Deputy Directors. I require all submissions to Ministers which have financial implications to be cleared with Finance Directorate and Heads of Finance who support Directors-General.

The Department takes a strategic role across government on

- increasing long-term housing supply, affordability and environmental performance, tackling homelessness and reducing repossessions;
- cohesive, empowered and active communities and citizens;
- strong and accountable local government delivering high quality local services;
- regeneration and investment in our towns, cities, regions and neighbourhoods;
- ensuring an effective and efficient land-use planning system; and
- the Fire and Rescue Service and regional resilience.

During the year, the impacts of the economic downturn has led to a refocusing of activity across government to ensure that citizens, councils and communities receive real help and are well placed to come through stronger in the upturn. For the Department, we have reprofiled investment to support housing and regeneration activity and have looked across all our policy areas to ensure that we, together with our local delivery partners, are responding effectively to changed economic circumstances. We have taken steps to support homeowners concerned about the risk of repossession, supported housing supply and jobs in the construction industry by bringing forward spending from future years, supported local authorities affected by the collapse of the Icelandic banks, and given businesses flexibility to defer part of their business rates costs.

In addition, The Department managed significant change programmes including the establishment of new NDPBs (namely, the Homes and Communities Agency, the Tenant Services Authority and the Infrastructure Planning Commission) with continuing focus on some core programmes, in particular the European Regional Development Fund (ERDF) and the Fire and Resilience programme.

## 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 Department for Communities and Local Government for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

The Department through its Board, Board Executive and key sub-committees of the Board take an active lead in embedding risk management in the organisation. The Board level risk register is reviewed by the Board monthly and in the context of some high profile policy challenges, has been changed significantly during the year. In addition, the Delivery Sub-Committee has been particularly active in reviewing progress on new programmes, including the Home Owner Mortgage Support Scheme and the Mortgage Rescue Scheme.

With the establishment of a number of new NDPBs during the year, particular focus has been given to establishing sponsorship arrangements that ensure proper oversight of delivery risks through our arms-length bodies, particularly where we are delivering a challenging programme in difficult economic circumstances. Work is continuing to put in place an effective sponsorship model which finds the balance between partnership and scrutiny.

## The risk and control framework

During 2008-2009 risk processes and assurance were applied as follows

- Senior Responsible Officers accountable for the effective management and escalations of risks within their groups and programmes.
- the departmental Board has reviewed the critical risks to departmental business and the actions being taken to mitigate them on a monthly basis through the Board risk register.
- the Audit & Risk Committee under the independent chairmanship of a Non-Executive Member of the Board reviewed and endorsed the approach to risk management and corporate governance across the Department.
- the key Programme Boards across the Department regularly review their risks and escalate strategic and cross cutting risks to the departmental Board through monthly reports.
- the Delivery Sub Committee of the Board provides scrutiny of the highest risk programmes, focussing its time on assuring that the key risks are being effectively managed.
- OGC Gateway reviews and Health checks provide external assurance of the highest risk programmes and their management of risk.
- directors and heads of unit within the Department reported how they were managing risk through their Statement on Internal Control returns provided to me at mid-year and at the end of the financial year.
- the Chief Executives of the Department's three Executive Agencies, two of which have trading fund status, provided draft Statements on Internal Control to me at mid-year and end-year, which outlined how they were managing risk.

The Department has continued to embed its risk management framework through continued investment in a significant training programme to build the skills of staff in best practice in managing Programmes and Projects, including risk management. To date six hundred staff between Executive Officer and Deputy Director have been trained and I intend that a further three hundred receive training during 2009-2010.

The Department continues to review and reinforce its data security measures both within the core department and across the Group. There have been three incidents of data loss in the last year, none of which required a report to the Information Commissioner. I have reviewed the Department's position in relation to the Security Policy Framework and can confirm that it is compliant in all areas except one, where mandatory training for all staff has been delayed but is now in progress. The Department and the Audit Commission are working together with CESG to resolve a compliance issue identified in relation to the National Fraud Initiative.

Following the mid-year review of the risk and control framework, a number of actions were taken to improve levels of assurance

- I raised the profile of the SIC with a commissioning note to Directors and other Heads of Unit making it clear that I hold them personally accountable for returns' accuracy and timeliness;
- a review of the SIC guidance and template to check whether they are drafted in a way to elicit the information needed to provide good assurance;
- briefings, including Q&A sessions for Directors and staff were held to support them on SIC returns;
- introduction of a greater challenge process by expanding the review of returns across disciplines, in particular Corporate Services; and
- provision of feedback and challenge to Directors by offering a greater degree of scrutiny to returns.

### Significant internal control problems

No significant internal control issues were identified.

### Review of effectiveness

As Principal 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 of the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I require all Directors and heads of unit within the Department to complete a return at mid-year and end-year providing a self-assessment of how well they have managed their corporate responsibilities. This encompasses; (a) strategy, planning, monitoring and review, (b) risk management, (c) relationship with Agencies, Non-Departmental Public Bodies and Government Offices for the Regions, (d) system of financial management and control, and (e) other management responsibilities. All returns must be counter-signed by relevant Directors-General.

An analysis of returns and draft Statements on Internal Control provided is presented to the Audit & Risk Committee. At mid-year, the Committee recommends any actions necessary to address any significant internal control concerns. At end-year, the Committee advises me whether I have the necessary level of assurance from senior colleagues in order to sign this Statement on Internal Control.

Clear responsibility for managing risk lies with the Board, Directors and staff of the Department. Internal Audit plays a crucial role in the risk management process by

- focusing activity on the key business risks;
- being available to act as facilitators by guiding managers and staff through the risk management process; and
- auditing the risk management process and its application.



The Department's Internal Auditors operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee. Internal Audit submits regular reports on the adequacy and effectiveness of the Department's systems of internal control and the management of key business risks together with recommendations for improvement. Recommendations have been accepted by Management and have been implemented or progressed in accordance with agreed timetables. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is regularly reported to the Audit Committee. Following completion of the planned work for 2008-2009, the Head of Internal Audit issued an independent and objectives Statement of Assurance on the adequacy and effectiveness of the Department's system of internal control, which stated that.

'My opinion for 2008-2009 is that I can give a substantial assurance on the effectiveness and efficiency of the Department's risk management and governance and a reasonable assurance on arrangements for control. Overall, there has been an upward trend in all three areas since 2007-2008.'

*Peter Housden*  
Principal Accounting Officer  
Department for Communities and Local Government

8 July 2009

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

I certify that I have audited the financial statements on page 65 under the Housing Associations Act 1985. These financial statements have been prepared in the form and on the basis determined by Treasury.

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

The First Secretary of State is responsible for the preparation of the financial statements in accordance with the Housing Associations Act 1985 and Treasury directions made thereunder. The Accounting Officer is responsible for ensuring the regularity of financial transactions and for the preparation of the Management Commentary. These responsibilities are set out in the Statement of the Secretary of State's and Accounting Officer's responsibilities.

My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Housing Associations Act 1985 and directions made thereunder. I report to you whether, in my opinion, the information given in the Management Commentary is not 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 conform to the authorities which govern them.

In addition, I report to you if proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

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 the statement covers all risks and controls or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

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

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures, and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Housing Associations Act 1985 and directions made thereunder by HM Treasury for the year ended 31 March 2009 and the balances held at that date;
- the financial statements have been properly prepared in accordance with the Housing Associations Act 1985 and directions made thereunder by HM Treasury; and
- information given in the Management Commentary is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

11 July 2009

# 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 123 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 2009 the aggregate of amounts outstanding against the limit was

	£
Borrowing outstanding	11,782,699
Sums issued by the Treasury	0
<b>Total</b>	<u>11,782,699</u>

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

- 5 In 2008-2009 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; and
- 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. A loan which was made initially to the former Welsh Development Agency matured on 23 March 2008.

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.

#### **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 an account for each financial year in the form and on the basis determined by the Treasury for loans issued to the Welsh Ministers. The account is 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. 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 '*Managing Public Money*'.

*Alan Cogbill*  
Accounting Officer for the Wales Office

23 September 2009

## 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 2009.

	2008-2009	2007-2008
	£	£
<b>Receipts</b>		
Sums received from the Welsh Ministers in respect of advances made to <i>Former Welsh Development Agency*</i>		
Repayment of Principal	0	5,000
Interest	0	253
<i>Former Development Board for Rural Wales</i>		
Repayment of Principal	6,075	5,286
Interest	567,526	568,315
<i>Former Mid Wales Development Corporation</i>		
Repayment of Principal	23,487	20,421
Interest	1,148,105	1,151,170
<b>Total receipts</b>	<b>1,745,193</b>	<b>1,750,445</b>

\* A loan which was made initially to the former Welsh Development Agency matured on 23 March 2008.

	2008-2009	2007-2008
	£	£
<b>Payments</b>		
<i>Payments to the National Loans Fund</i>		
Repayment of Principal	29,562	30,707
Interest	1,715,631	1,719,738
<b>Total payments</b>	<b>1,745,193</b>	<b>1,750,445</b>

### Notes

#### 1 Statement of balances

	Former Development Board for Rural Wales £	Former Mid Wales Development Corporation £	<b>Total</b> £
Outstanding at 1 April 2008	3,940,218	7,872,043	<b>11,812,261</b>
Repaid during the year	(6,075)	(23,487)	<b>(29,562)</b>
<b>Outstanding at 31 March 2009</b>	<b>3,934,143</b>	<b>7,848,556</b>	<b>11,782,699</b>

#### 2 Events after year end

In accordance with the requirements of FRS 21, events after the year-end 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.

Alan Cogbill  
Accounting Officer for the Wales Office

23 September 2009

## Statement on Internal Control

This statement is given in respect of the account of National Loans Fund advances 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 2009 and up to the date of approval of the foreword and account, and accords with Treasury guidance.

### Capacity to handle risk

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the Wales Office. Leadership is provided by the Wales Office Management Board, who have approved a risk management strategy that has been communicated to all staff. My staff will attend future corporate governance and risk training seminars. During the year a copy of the Board approved Risk Management Strategy was issued to all staff and followed up with informal sessions delivered via team meetings, providing staff with a chance to clarify any issues. To further embed risk management to all areas of the Wales Office, from 2009, the Wales Office will hold annual risk management workshops giving all staff greater understanding and ownership of risk management.

### Risk and control framework

As part of the Ministry of Justice, the Wales Office applies the Ministry's Risk Management Policy and framework document. A risk register identifying risks linked to the Wales Office's business objectives and setting out actions to mitigate significant risks is agreed and reviewed at Management Board meetings with Heads of Departments taking ownership for action and review periods within their specific areas of Business. 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 Ministry of Justice 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;
- 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.

During the year the Cabinet Office introduced a new Security Policy Framework setting out universal mandatory standards for physical, personnel and information/data security across Government. This included a mandatory requirement to report on any significant control weaknesses in the annual Statement on Internal Control. The Wales Office has undertaken a review of all the mandatory requirements and is either compliant or well under way to be compliant. There are no significant weaknesses, nor were there any breaches of information that were required to be notified to the Information Commissioner during the year.

Responsibility for making repayment and interest thereon for the loans during 2008-2009 lay with the Welsh Assembly Government. The risks associated with these tasks were incorporated within the Welsh Assembly Government's risk policy. During 2008-2009 the Ministry of Justice was responsible for passing these remittances to the Secretary of State for payment into the National Loans Fund. Both the Welsh Assembly Government and the Ministry of Justice provide these services under Service Level Agreements.

The Wales Office has an Audit Committee that supports me as Accounting Officer by offering objective advice on issues concerning the risk, control and governance of the Wales Office. Its role is to consider whether the management and governance arrangements are sufficient to support the Accounting Officer's responsibilities. I am also advised by Internal Audit of the Ministry of Justice who operate according to Government Internal Audit Standards.

## 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.

*Alan Cogbill*  
Accounting Officer for the Wales Office

23 September 2009



# 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 Welsh Assembly Government on page 43 for the year ended 31 March 2009 under the Government of Wales Act 2006. These comprise the Receipts and Payments Account and the related notes. These financial statements have been prepared in the form and on the basis determined by HM Treasury.

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

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the Government of Wales Act 2006 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Secretary of State's and Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Government of Wales Act 2006 and HM Treasury directions made thereunder. 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 Wales Office 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 the Wales Office's 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 Wales Office's corporate governance procedures or its risk and control procedures.

I read the 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.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that 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 forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Government of Wales Act 2006 and directions made thereunder by HM Treasury, for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with the Government of Wales Act 2006 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General  
National Audit Office

1 October 2009

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DG Ref: 009456

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