

Presented to the House of Commons pursuant to section 7 of the Government  
Resources and Accounts Act 2000

# **Returning Officers' Expenses, England & Wales**

## **Statement of Accounts 2005-06**

Ordered by the House of Commons to be printed on 12th December 2007.

LONDON: The Stationery Office  
HC125

£5.15p

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**RETURNING OFFICERS' EXPENSES, ENGLAND & WALES  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

**FOREWORD**

**Background Information**

1. This account covers the year 1 April 2005 to 31 March 2006 and is in a form directed by HM Treasury.
2. Parliamentary Elections are financed from the Consolidated Fund. The account includes the expenses of Returning Officers and centrally authorised expenditure on items such as delivery of free election material under The Representation of the People legislation and purchases of equipment. The forfeited deposits of election candidates receiving less than five percent of votes cast are also shown in the account.

**Statutory Basis**

3. Under section 29(4) of the Representation of the People Act 1983, as amended by the Representation of the People Act 1991, a Returning Officer at a Parliamentary Election is entitled to recover his charges in respect of his services or expenses. The European Parliamentary Elections (Returning Officers' Charges) Order 1994 (SI 1994 No.1044), the Parliamentary Elections (Returning Officers' Charges) Order 1997 (SI 1997 No.1034), the European Parliamentary Elections (Local Returning Officers' Expenses) Order 1999 (SI 1999 No. 1377) and the Parliamentary Elections (Returning Officers' Charges) Order 2001 (SI 2001 No.1736), the European Parliamentary Elections (Returning Officers' Charges) Order 2004 (SI 2004 No.293) which came into force on 8 April 1994, 8 April 1997, 18 May 1999, 15 May 2001 and 6 May 2004 respectively, together with the elections guidance issued by the Home Office, set maximum levels for Returning Officers' fees and expenses in relation to elections reported in this account. Since May 2002 and, subsequently, in June 2004 guidance has been issued by the Department for Constitutional Affairs (now Ministry of Justice since 9 May 2007)

**Departmental Responsibility**

4. Responsibility for the setting and reimbursement of the fees and expenses of Returning Officers at UK and European Parliamentary Elections in England and Wales has been with the Department for Constitutional Affairs (DCA) since 29 May 2002. For operational reasons the Office of the Deputy Prime Minister (now Department for Communities and Local Government) has continued the day to day operations on an agency basis for the DCA.

**Review of Activities**

5. Under the Returning Officers' Accounts (Parliamentary Elections – England and Wales) Regulations 1991 and Returning Officers' Accounts (European Parliamentary Elections – England and Wales) Regulations 1994, a Returning Officer must submit his accounts within twelve months of a Parliamentary Election. A significant number of Returning

Officers failed to submit their accounts within the required twelve months following elections. Details of the claims received and settled as at 31 March 2006 in respect of the 2005 General Election, 2004 European Parliamentary Election, 2001 General Election, 1999 European Parliamentary Election and 1997 General Election are set out in the table below. These percentages are based on the number of claims and not their value.

| Election                             | As at 31 March 2006 |         | As at 31 March 2005 |         |
|--------------------------------------|---------------------|---------|---------------------|---------|
|                                      | Received            | Settled | Received            | Settled |
| 2005 General Election                | 34.6%               | 14.0%   | N/A                 | N/A     |
| 2004 European Parliamentary Election | 76.2%               | 97.0%   | 51.6%               | 61.6%   |
| 2001 General Election                | 92.5%               | 96.2%   | 90.7%               | 94.2%   |
| 1999 European Parliamentary Election | 95.6%               | 95.4%   | 92.8%               | 96.2%   |
| 1997 General Election                | 91.2%               | 88.4%   | 91.2%               | 88.4%   |

6. In order to address this backlog of claims, checking procedures were streamlined in September 2000. Whilst maintaining adequate checks over the claim forms it is hoped that the new declaration to be completed by all Returning Officers whose claims have yet to be checked will result in a speedier turn around of work.
7. In an effort to improve efficiency the new Election Claims Unit is insisting on seeing a detailed claim before any monies over 90% are advanced to a Returning Officer. The claims are then settled in full less any amounts in query. This has meant less time spent on trying to reclaim monies advanced in the past and has been met with general approval by the Returning Officers.
8. The 2005 General Election was held in May.

Alex Allan  
Accounting Officer,  
Ministry of Justice.

Date  
29 November 2007

## **STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

The Department for Constitutional Affairs are required to prepare a statement of accounts for the financial year 2005-06 in respect of the Returning Officers' Expenses in the form and on the basis directed 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.

HM Treasury designated the Permanent Secretary of the Department for Constitutional Affairs as Accounting Officer for Returning Officers' Expenses, England and Wales. 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 HM Treasury and published in Managing Public Money.

## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Constitutional Affairs' 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 Government Accounting.

A system of internal control operates in Departmental headquarters. This includes the monitoring of Office of the Deputy Prime Minister (now Department for Communities and Local Government (DCLG) Financial Accounting Services Divisions (FASD) performance by the DCA Electoral Policy Division. To the extent that controls are delegated to FASD, I place reliance upon their Statements of Internal Control submitted by the FASD Divisional Manager to the DCA.

### **2. 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 the year ended 31 March 2006, and up to the date of approval of the annual accounts, and accords with HM Treasury guidance.

### **3. Capacity to handle risk**

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the Department.

Risk management is also incorporated into FASD's day-to-day activities and forward planning. Risk assessments are carried out in accordance with the DCLG Risk Management guidance, in relation to the delivery of business objectives; and a risk register is maintained and reviewed as part of the business planning and performance reporting process.

### **4. The risk and control framework**

The key elements of FASD's risk management strategy for identifying, evaluating and controlling risk are as follows:

- The FASD Business Risk Register sets out formal processes for identifying, evaluating, managing and reporting risk;
- FASD Corporate Planning team co-ordinating risk reporting and review across the Division, monitoring progress and responding to requirements issued by central Departments;

- FASD system of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action and individual risk owners; and
- Key importance is placed on the FASD's Compliance with ISO 9000-2001 the international Standard for Quality Management Systems.

Other key elements in FASD's control system are regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- Business Planning, which is agreed and reviewed by the Management Team;
- Target setting to measure financial and other performance; and
- A formal system of financial compliance controls, consisting of core control checks with an auditable trail of evidence, and a review and reporting mechanism to provide assurances from the FASD budget holder that internal financial controls are in place and operating effectively.

## **5. Review of effectiveness**

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors from DCLG; the Statement on Internal Control for the DCLG, which sets out details of the risk, review & control framework, and highlights any significant internal control issues; and comments made by the external auditors in their management letter and other reports.

The key elements of the system of internal control are set out in section 4 above and contribute to my review of the system's effectiveness.

### **Significant Internal Control Issues**

I outline below the significant internal control issues for the Returning Officers Expenses for England and Wales:

I am concerned at the length of time that it takes some Returning Officers to submit claims for re-imbursment of the costs of running national elections – in some cases many years after the event – and the negative effect this has on the ability to manage accurately the relevant budgets (including the delay in being able to close off accounts relating to a specific election). There is a statutory deadline of 12 months for submission of these claims (set out in the Returning Officers' (Parliamentary Elections) (England and Wales) Regulations 1991). However, there is no specific sanction prescribed for failure to meet this deadline. The late submission of claims by Returning Officers has led to the accounts being qualified from 2002-03 until now.

I have therefore adopted an active approach when developing further steps to encourage Returning Officers to submit their accounts in a more timely fashion. In particular, I shall be writing personally directly to Returning Officers who have not submitted their account within the 12-months period. At the same time, I propose that the arrangement whereby a Returning

Officer can apply for a “further advance” to secure 90% of the estimated cost of the election should not be available to any Returning Officer who already has an account outstanding for more than 12 months from a previous election. Such Returning Officers will therefore only be entitled to claim the “basic advance” amounting to 75% of the estimated election cost. I am actively considering two further measures. Firstly, the Department may reserve the right to send in its own Internal Auditors to investigate why Returning Officers are unable to submit their accounts within 12 months of the election, where this is the case. Secondly, for the most serious transgressors, I am considering limiting the amount of the basic advance for any future election they claim for to 50% of the estimated cost (rather than 75%), although I will need to carefully balance that option against the risk that it may significantly impede the Returning Officers’ ability to perform their duties.

The Department acknowledges the lateness of these accounts. This follows a series of machinery of government moves for this function and a resulting lack of clarity over responsibilities for accounts production. Accounts for 2002-03 and 2003-04 are now complete and have been laid before Parliament. Those for 2004-05, 2005-06 and 2006-07 are now audited and will be signed before the end of November 2007. The accounts will be moved onto an accruals basis from 2007-08.

This statement applies to the accounts of the Returning Officers’ Expenses for England and Wales. The Statement on Internal Control for the Department as a whole is included within the Department for Constitutional Affairs 2005-2006 Resource Accounts, which are available from the Stationery Office.

Alex Allan  
Accounting Officer,  
Ministry of Justice.

Date  
29 November 2007

## **RETURNING OFFICERS' EXPENSES, ENGLAND AND WALES 2005-06**

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

I certify that I have audited the financial statements on pages 15 and 16 for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000.

#### **Respective responsibilities of the Accounting Officer and Auditor**

The Accounting Officer is responsible for the preparation of financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. 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 they have been properly prepared in accordance with the Government Resources and Accounts Act 2000 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. I also report to you if, in my opinion, the Foreword is not consistent with the financial statements, if the Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 4 to 6 reflects compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on Internal Control covers all risks and controls, or form an opinion on the effectiveness of the 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 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 significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the circumstances, consistently applied and adequately disclosed.

I planned 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.

The scope of my examination was limited because some Returning Officers have not yet submitted statements of account showing how they spent money advanced to them. No statements of account have been received for advances totalling £9.769 million. I was therefore unable to confirm that the advances received by these Returning Officers were applied to the purposes intended by Parliament and conform to the authorities which govern them.

### **Unqualified audit opinion and qualified regularity opinion arising from limitation in audit scope**

In my opinion:

- the financial statements properly present, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, the receipts and payments of the Returning Officers' Expenses for the year ended 31 March 2006 and the balances held at that date;
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and the directions made thereunder by HM Treasury; and
- except for any adjustments that may have been necessary had I been able to obtain sufficient evidence on the £9.769 million advances which Returning Officers have not yet accounted for, in all material respects the payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

In respect alone of the limitation on my work relating to statements not yet received from Returning Officers:

- I have not obtained all of the information and explanations that I have considered necessary for the purposes of my audit; and
- I was unable to determine whether proper accounting records had been maintained.

Details of these matters are explained more fully in my report on pages 9 to 14.

John Bourn  
Comptroller and Auditor General

6 December 2007

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

# **RETURNING OFFICERS' EXPENSES (ENGLAND AND WALES) ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

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

### **Introduction**

1. The Department for Constitutional Affairs, which became the Ministry of Justice (the Department) on 9 May 2007, is responsible for paying the expenses incurred by Returning Officers for running Parliamentary and European elections and for preparing an annual statement of accounts in respect of the Returning Officers' expenses. The accounts are prepared on a receipts and payments basis. These responsibilities transferred to the Department, then the Lord Chancellor's Department, on 29 May 2002, following a series of machinery of Government changes<sup>1</sup>.

### **Purpose of report**

2. The purpose of this report is:
  - To explain why I have qualified my opinion in respect of the regularity of the transactions reported in the Returning Officers' Expenses (England and Wales) Accounts for the year ended 31 March 2006;
  - To indicate the steps that the Department is taking to address the failure of some Returning Officers to account for the advance payments made to them;
  - To inform Parliament that the Department has not met the statutory timetable for the production of the Returning Officers' Expenses (England and Wales) Accounts for the year ended 31 March 2006; and
  - To indicate the Department's intention to prepare the Returning Officers' Expenses (England and Wales) Accounts on an accruals<sup>2</sup> basis rather than a cash basis from the year ended 31 March 2008.

### **My obligations as auditor**

3. Under S7 (3)(b) of the Government Resources and Accounts Act 2000, I am required to examine and certify the Returning Officers' Expenses (England and Wales) Accounts and report on them. I am required, under International Standards on

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<sup>1</sup> Prior to this responsibility rested with the Office of the Deputy Prime Minister (and its predecessor bodies) and before this the Home Office.

<sup>2</sup> The accruals basis of accounting requires organisations to record expenditure on and liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. Under cash accounting expenditure is recorded only once invoices are paid.

Auditing (UK and Ireland), to obtain evidence to give reasonable assurance that the Returning Officers' Expenses (England and Wales) Accounts are free from material misstatement. In forming my opinion I examine, on a test basis, evidence relevant to the amounts, disclosures and regularity of financial transactions in the financial statements and assess the judgements made in the preparation of the financial statements.

4. I have qualified my opinion on the Returning Officers' Expenses (England and Wales) Accounts for the year ended 31 March 2006 due to a lack of evidence over the regularity of transactions in the accounts.

## **Audit opinion**

### **Qualified audit opinion on the regularity of transactions**

5. As part of my audit of the accounts, I am required to satisfy myself that the expenditure and income shown in the accounts have been applied to the purposes intended by Parliament and conform to the authorities that govern them; that is, they are "regular". In determining whether expenditure and income conform to the authorities which govern them, I have regard to the legislation authorising the financial transactions and relevant regulations issued under the governing legislation.
6. The failure of some Returning Officers to submit statements of account means that I am unable to verify that the monies advanced from the Consolidated Fund to those Returning Officers have been spent in accordance with Parliamentary intention. At 31 October 2007, the total value of outstanding advances in respect of Parliamentary and European Elections from 1997 to 2005 was £9,768,996. I have therefore qualified my audit opinion in respect of the regularity of the transactions in the Returning Officers' Expenses (England and Wales) accounts for the year ended 31 March 2006.

### **Returning Officers and their expenses**

7. Section 29 of the Representation of the People Act 1983 provides for the expenses of Returning Officers at Parliamentary and European Parliamentary elections to be met directly from the Consolidated Fund. When an election is called the Department estimates the likely costs that each Returning Officer will incur. The estimate is based largely on previous election costs adjusted for inflation, changes in voting methods and any other relevant changes. The Department agrees the estimate with the Treasury so that funds can be made available from the Consolidated Fund.
8. The Department makes an initial advance to each Returning Officer of 75% of the total costs that it estimates that the Returning Officer will incur. These costs include the costs of setting up and staffing polling stations. Further advances of up to 90% of the estimated total costs are made if requested by the Returning Officer. Returning Officers are then required to submit statements of account which show the actual costs they incurred in running the election. The Department confirms the validity of the expenditure reported in these statements of account to supporting documentation. Where the advance exceeds the total costs incurred, the Returning Officer returns the

excess advance to the Department. Where the total costs incurred exceed the advance, the Department pays the Returning Officer the balance.

9. The *Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 1991* and *The Returning Officers' and Local Returning Officers' Accounts (European Parliament Elections) (England and Wales) Regulations 1999* require Returning Officers to submit statements of account within a period of twelve months from the day on which the result of the Parliamentary election is announced. Although this deadline is statutory, the legislation does not provide for any sanctions to be applied for those failing to meet it. The regulations do allow for a Returning Officer to submit an incomplete account if necessary and to agree a date for delivery of the final account with the Department.
10. My audit identified a significant level of advances to Returning Officers for which no statements of account had been submitted, well after the twelve months deadline. For example, over two years after the 2005 General Election, statements of account from 93 constituencies for advances totalling £4,231,417 are still outstanding. Until the Returning Officers submit their statement of account, the Department cannot confirm that the advances have been spent on the legitimate expenses of running an election.
11. The table below shows the advances made to Returning Officers for the 1997, 2001 and 2005 General Elections and 1999 and 2004 European Elections and the number and value of advances for which no statements of account had been submitted by Returning Officers as at 31 October 2007:

| Election               | Value of advances issued* | Advances for which no statements of account had been received as at 31 October 2007 |        |
|------------------------|---------------------------|---|--------|
|                        |                           | Value   | Number |
| 1997 General Election  | £19,938,555               | £331,037  | 7      |
| 1999 European Election | £20,959,719               | £975,044  | 25     |
| 2001 General Election  | £26,951,439               | £1,174,399  | 25     |
| 2004 European Election | £35,632,173               | £3,057,099  | 26     |
| 2005 General Election  | £33,834,558               | £4,231,417  | 93     |
| Total                  |                           | £9,768,996  | 176    |

*\*For the 2001, 2004 and 2005 elections, this figure is the total advances, i.e. initial advances (of 75% of estimated costs) and further advances (of up to 90% of estimated expenditure). For the 1997 and 1999 elections, the Department could not provide data for the total advances issued, so the figure is the initial (75%) advances only.*

12. Some Returning Officers were responsible for more than one outstanding statement of account. This occurred where the Returning Officer was responsible for more than one constituency, or had outstanding statements of account for more than one election, or both. This means that some Returning Officers are responsible for relatively large sums that have not been accounted for. For example, constituencies in Leeds had returns outstanding for both the 2004 and 2005 elections totalling £1.171 million and five constituencies had returns outstanding from the 1997, 1999, 2001 and 2005 elections. These constituencies are Luton South, Luton North, Harborough, Streatham and Vauxhall.
13. The failure of Returning Officers to submit accounts within the prescribed time frame means that the Department cannot assess the total cost of each election until several years after the election has taken place. For those constituencies where Returning Officers repeatedly fail to submit statements of account on time, the Department's estimate of the total expenses that the Returning Officer will incur in the next election, and therefore the amount advanced, cannot be based on the most up to date information.

**Delayed production of Returning Officers' Expenses (England and Wales)  
Accounts for the year ended 31 March 2006**

14. Under S7(2) of the Government Resources and Accounts Act 2000, the Treasury have directed the Department to prepare accounts in respect of Returning Officers' Expenses.
15. Under S7(3) of the Government Resources and Accounts Act 2000, the Accounting Officer of the Department is required to submit the signed accounts for the year ended 31 March to me by 30 November of the same year. I am required to certify the accounts by 15 January of the following year and the accounts have to be laid before the House of Commons by 31 January of the same year.
16. The Department attributed the lateness of production of the accounts to a series of machinery of Government changes moving responsibility for the administration of the Returning Officers' expenses and a resulting lack of clarity over responsibilities for the accounts production. This delayed the production of the accounts for the years ended 31 March 2003 and 31 March 2004, which were laid before Parliament in October 2007. The Department were then able to finalise the accounts for subsequent years.
17. The Department is aiming to complete the accounts for the year ended 31 March 2007 within the statutory deadline and to complete the accounts for the year ended 31 March 2005 at the same time.

**Actions taken or proposed to be taken by the Department to address the late submission of statements of account by Returning Officers**

18. The Department is concerned at the length of time that it takes some Returning Officers to submit accounts for reimbursement of the costs of running national

elections and the negative effect this has on the Department's ability to assess the costs of running specific elections. Although there is a statutory deadline of 12 months for submission of these accounts set out in the *Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 1991*, there is no specific sanction prescribed for failure to meet this deadline.

19. The Department is taking steps to encourage Returning Officers to return their accounts in a more timely fashion. The Department's Accounting Officer intends to write personally to Returning Officers who have not submitted their accounts within the twelve month deadline. In addition, the Department may in future reserve the right to use their Internal Auditors to investigate cases where the Returning Officer does not submit their account within the twelve month deadline. The Department may also limit future advances to Returning Officers to 50% of the total estimated cost of running the election, rather than the current 75%, for Returning Officers who have several outstanding advances or where the advances have been outstanding for a very long time. The Department notes the need to take into account the risk that this measure may impede Returning Officers from carrying out their duties effectively.
20. The North East Regional Assembly Referendum in November 2004 was run by the Electoral Commission. All twenty three of the Counting Officers (who fulfilled a role similar to Returning Officers in Parliamentary elections) returned statements of account for their expenses within six months of the election taking place. The following factors contributed to this high rate of return of statements of account:
  - Guidance for Counting Officers, setting out the clear expectation that claims should be submitted as soon as possible;
  - The time and effort devoted by the Electoral Commission to reminding Counting Officers to submit their claims, including monthly e-mail reminders and letters to the Finance Directors of Local Authorities;
  - Electronic claim forms, making it quicker for the Counting Officers to submit claims and for the Electoral Commission to process them.
21. Addressing the long running issue of late submission of accounts will require concerted effort by the Department. The Department should assess whether any lessons can be learnt from the positive experience of administering the North East Regional Assembly referendum.

### **Developments in financial reporting**

22. The Returning Officers' Expenses accounts are currently prepared on a cash basis. This means that the costs of each election are accounted for in the year that payments are made, which may not be the year in which the election took place. The total costs of each election are therefore not transparent in the accounts. As a result the Department is considering moving to an accruals accounting basis for the Returning Officers' Expenses Accounts. This change is planned for the accounts for the year ended 31 March 2008 and subsequent accounts.
23. Accruals based accounts would show the total costs of each election in the accounts of the year in which the election took place. The accounts would also include estimates of debtor balances for any unspent advances to be repaid by Returning

Officers and creditor balances for further claims expected from Returning Officers. The Department will need to ensure the timely submission of statements of accounts by Returning Officers, to enable it to prepare a defensible estimate of the debtors and creditors at the year-end.

John Bourn  
Comptroller & Auditor General

6 December 2007

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

**RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006**

|   | Notes | 2005-06<br>£      | 2004-05<br>£      |
|---|-------|-------------------|-------------------|
| <b>Receipts</b>   |       |                   |                   |
| Advances from the Consolidated Fund   |       | 71,000,000        | 67,505,390        |
| Other Receipts  | 2     | 823,778           | 797,953           |
|   |       | <u>71,823,778</u> | <u>68,303,343</u> |
| <b>Payments</b>   |       |                   |                   |
| Constituency Claims   | 3     | 40,046,045        | 38,655,541        |
| Other Payments  | 4     | 24,729,507        | 27,345,475        |
|   | 5     | <u>64,775,552</u> | <u>66,001,016</u> |
| <b>Excess of receipts over payments<br/>before amounts to be surrendered<br/>to the Consolidated Fund</b> |       | <b>7,048,226</b>  | <b>2,302,327</b>  |
| <b>Less amounts surrendered to the<br/>Consolidated Fund in respect of:</b>                               |       |                   |                   |
| Forfeited Deposits  |       | (519,500)         | (150,000)         |
| Bank Interest   |       | (4,141)           | -                 |
|   |       | <u>(523,641)</u>  | <u>(150,000)</u>  |
| <b>Excess of receipts over payments</b>   |       | <b>6,524,585</b>  | <b>2,152,327</b>  |

**STATEMENT OF BALANCES AS AT 31 MARCH 2006**

|                                       |          |                          |                         |
|---------------------------------------|----------|--------------------------|-------------------------|
| Balance at the beginning of the year  |          | 4,738,709                | 2,586,382               |
| Excess of receipts over payments      |          | 6,524,585                | 2,152,327               |
| <b>Balance at the end of the year</b> | <b>6</b> | <b><u>11,263,294</u></b> | <b><u>4,738,709</u></b> |

Alex Allan  
Accounting Officer,  
Ministry of Justice.

Date  
29 November 2007

**The notes on page 16 form part of these accounts.**

## NOTES TO THE ACCOUNTS

**Note 1 - These accounts are compiled in accordance with the Accounts Direction issued by HM Treasury dated 16 October 2006.**

|  | 2005-06<br>£     | 2004-05<br>£     |
|--|------------------|------------------|
| <b>Note 2 - Other Receipts</b>                 |                  |                  |
| <b>Forfeited Deposits</b>                      | 536,500          | 150,000          |
| <b>Bank Interest</b>                           | 7,259            | 47,468           |
| <b>Residue of Monies Returned</b>              | -                | -                |
| <b>Settlement of Claim</b>                     | 280,019          | 600,485          |
| <b>Advance Receipt</b>                         | -                | -                |
| <b>Miscellaneous Receipts</b>                  | -                | -                |
|  | <hr/> 823,778    | <hr/> 797,953    |
| <b>Note 3 – Payments to Returning Officers</b> |                  |                  |
| <b>Advance Payments</b>                        | 33,217,329       | 35,560,544       |
| <b>Final Payments</b>                          | 6,828,716        | 3,094,997        |
|  | <hr/> 40,046,045 | <hr/> 38,655,541 |
| <b>Note 4 – Other Payments</b>                 |                  |                  |
| <b>Royal Mail Costs</b>                        | 23,906,371       | 26,076,628       |
| <b>Purchase of Equipment</b>                   | 823,136          | 704,454          |
| <b>Other</b>                                   | -                | 564,393          |
|  | <hr/> 24,729,507 | <hr/> 27,345,475 |
| <b>Note 5 – Election Breakdown</b>             |                  |                  |
| <b>European Election</b>                       | 5,212,493        | 65,492,488       |
| <b>General Election</b>                        | 59,525,059       | 278,836          |
| <b>By-elections</b>                            | 38,000           | 229,692          |
|  | <hr/> 64,775,552 | <hr/> 66,001,016 |
| <b>Note 6 – Cash at Bank</b>                   |                  |                  |
|  | <hr/> 11,263,294 | <hr/> 4,738,709  |

## **Annex to the Accounts**

### **ACCOUNTS DIRECTION GIVEN UNDER SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

#### **RETURNING OFFICERS' EXPENSES**

**The Department for Constitutional Affairs shall prepare accounts in respect of Returning Officers' Expenses for the financial year ended 31 March 2004 and subsequent financial years.**

**The accounts and supporting documents shall comprise:**

- **a Foreword;**
- **a Statement on Internal Control;**
- **a Statement of Accounting Officer's responsibilities;**
- **a Receipts and Payments account; and**
- **a Statement of Balances.**

**including in each case such notes as may be necessary for the purposes referred to in the following paragraph and Schedule.**

**The accounts shall:**

- **properly present the receipts and payments for the year, and the cash and bank balances as at the year-end in respect of Returning Officers' expenses; and**
- **provide disclosure of any material receipts or payments that have not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.**



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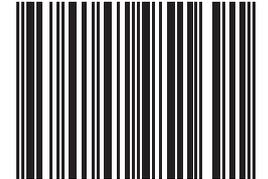
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