

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 2007-08

Ordered by the House of Commons to be printed on 29th January 2009.

LONDON: The Stationery Office
HC115

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RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

MANAGEMENT COMMENTARY

Background Information

1. These accounts cover the year 1 April 2007 to 31 March 2008 and are in a form directed by HM Treasury. Expenditure reported in the accounts relates to parliamentary elections, being general elections, European parliamentary elections and by-elections.
2. Parliamentary elections are, by statute, financed from the Consolidated Fund as Standing Services that do not require annual approval by Parliament. The accounts include the expenses of Returning Officers and centrally authorised expenditure on items such as delivery of free election material and purchases of equipment. The forfeited deposits of election candidates receiving less than five percent of votes cast are also shown in the accounts as income payable to the Consolidated Fund.

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 and the Electoral Administration Act 2006, a Returning Officer at a parliamentary election is entitled to recover charges in respect of his services or expenses.
4. Maximum levels for Returning Officers' fees and expenses in relation to elections reported in this account are set by the following secondary legislation:

SI No.	Name	Effective from
SI 1994 No.1044	The European Parliamentary Elections (Returning Officers' Charges) Order 1994	8 April 1994
SI 1997 No.1034	The Parliamentary Elections (Returning Officers' Charges) Order 1997	8 April 1997
SI 1999 No.1378	The European Parliamentary Elections (Returning Officers' Charges) Order 1999	18 May 1999
SI 1999 No.1377	The European Parliamentary Elections (Local Returning Officers' Charges) Order 1999	18 May 1999
SI 2001 No.1736	The Parliamentary Elections (Returning Officers' Charges) Order 2001	15 May 2001
SI 2004 No.1298	The European Parliamentary Elections (Returning Officers' Charges) (Great Britain and Gibraltar) Order 2004	7 May 2004
SI 2004 No.1299	The European Parliamentary Elections (Local Returning Officers' Charges) (Great Britain and Gibraltar) Order 2004	7 May 2004
SI 2005 No.780	The Parliamentary Elections (Returning Officers' Charges) Order 2005	23 March 2005

5. In addition, the following regulations set out the form in which the accounts are to be submitted, the deadlines and the address to which they should be sent:

Name	Effective from
The Returning Officers' and Local Returning Officers' Accounts (European Parliamentary Elections) (England, Wales and Gibraltar) Regulations 2004	May 2004
The Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 2005	February 2005

Departmental Responsibility

6. Responsibility for setting and reimbursing the fees and expenses of Returning Officers at UK and European parliamentary elections in England and Wales has been with the Ministry of Justice (MoJ) and its predecessors since 29 May 2002.
7. The MoJ was established on 9 May 2007. The new Ministry performs the functions and activities of the former Department for Constitutional Affairs (DCA), and of the National Offender Management Service (including Her Majesty's Prison Service and the National Probation Service) and the Office of Criminal Justice Reform, previously undertaken by the Home Office. The Ministry is responsible for policy on the overall criminal, civil, family and administrative justice system, including sentencing policy, as well as the courts, tribunals, legal aid and constitutional reform.
8. The creation of MoJ had no impact on the working arrangements for Returning Officers' Expenses, nor any financial effect. The Finance Shared Services Division (FSSD) of the Department for Communities and Local Government (DCLG) runs the day-to-day operations of the Returning Officers' Expenses on an agency basis for the MoJ.

Review of Activities

9. These accounts have been produced on an accrual basis for the first time. This has necessitated a restatement of the comparative figures for 2006-07. The accounts reflect unsettled claims for parliamentary elections dating back to the 1997 general election. There were no general or European elections in 2007-08; there were two parliamentary by-elections in 2007-08.
10. Election expenses are made up of expenses incurred while conducting parliamentary elections. Costs include the original accruals for expected claims, revisions of accruals, subsequent settlement differences, central Royal Mail costs, equipment grants and other miscellaneous election expenditure. Total expenses for 2007-08 were £2.54 million (2006-07: £4.18 million).
11. When an election is held, the anticipated cost of all of the claims expected from Returning Officers are accrued and recognised as election expenses in the accounts. In 2007-08, costs of £192,649 were accrued for by-elections called in year (2006-07: £206,066).
12. Cash is advanced to Returning Officers when the election is called to enable them to arrange the election. Within twelve months of the election the Returning Officers should complete a statement of account, detailing the full actual election costs. The claim is processed and the remaining balance due, over and above the advances, is paid to the Returning Officer.
13. Prior to receipt of the statement of account, the estimated amount due is carried as an accrual in the accounts and the corresponding advances made are held as a debtor in the accounts. At 31 March 2008, this accrual amounts to £21.25million (2007: £29.46million) and forms the majority of the creditors balance shown in note

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5 to the accounts. At 31 March 2008, the associated advances made stood at £17.91 million (2007: £24.42million) and forms the majority of the debtors balance shown in note 4.

14. Once the election has occurred, and prior to receipt of the statement of account, the estimated cost of the election may be revised from the original estimate based on requests submitted for further advances. These amounts are shown in note 2 as "revised accruals for other elections" and amounted to £76,683 in 2007-08 (2006-07: £644,913).
15. As the accrual is an estimate, the final statement of account that is received from the Returning Officer is likely to be for a different amount to the accrual. The difference between the two is recognised as expenditure in the year of settlement, as opposed to the year of the election. Adjustments made upon settlement of claims are shown in note 2 and amount to £1.88 million in 2007-08 (2006-07: £2.95 million).
16. In some instances the settlement of the claim will indicate that the Returning Officer should return some of the advances because the final costs were not as high as anticipated. In these cases a debtor invoice is raised giving rise to a debtor in the accounts. These amounts are shown in note 4 and were £74,659 at 31 March 2008 (2007: £71,567).
17. There is a statutory deadline of twelve months for the submission of claims, set out in the Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 2005 and the Returning Officers' and Local Returning Officers' Accounts (European Parliamentary Elections) (England, Wales and Gibraltar) Regulations 2004. A significant number of Returning Officers fail to submit their accounts within the required twelve months following elections. This matter is discussed further in the Statement on Internal Control, together with weaknesses in the arrangements in place in 2007-08 for monitoring the service level agreement with DCLG.
18. Details of the claims received and settled for all these elections as at 31 March 2008 are set out in the table below, along with comparative figures for the year ended 31 March 2007. The percentages in the table are based on the number of claims and not their value.

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Election	As at 31 March 2008		As at 31 March 2007	
	Received	Settled	Received	Settled
			As Restated	As Restated
2005 General Election	85.9%	75.9%	81.5%	62.0%
2004 European Parliamentary Election	93.3%	90.3%	89.5%	83.9%
2001 General Election	96.8%	89.8%	93.9%	88.1%
1999 European Parliamentary Election	94.4%	91.2%	94.4%	90.7%
1997 General Election	96.8%	91.6%	96.8%	91.6%

19. At 31 March 2008 the amount of advances still unsupported by settled statements of accounts was £17,907,121 (Note 4). Since that date, some of the outstanding claims have been settled and/or received. By 5 November 2008, the amount of advances for which statements of account had not been received was £3,401,420.

20. During 2007-08 HM Treasury granted approval to write off advances for statements of accounts that had been outstanding for over seven years or where it is established that inadequate accounting records have been maintained. On this basis, losses shown of £1,082,063 have been recognised in 2007-08 (Notes 8B and 12).

Cost of Elections

21. From 1 April 2007 the estimated full cost of all future general and European elections will be disclosed in the management commentary. The full cost will comprise of the original estimated accrual adjusted for all subsequent revisions made up to the balance sheet date. The note will also show the split of expenditure between different expenditure categories, for example Returning Officers' fees, for all settled claims. There were no general or European elections in 2007-08.

Suma Chakrabarti
Accounting Officer,
Ministry of Justice.

Date
22 January 2009

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Ministry of Justice (formerly the Department for Constitutional Affairs and the Lord Chancellor's Department) to prepare for each financial year a statement of accounts in respect of the Returning Officers' Expenses, England and Wales in the form and on the basis set out in the Accounts Direction they have provided. The accounts are prepared on an accrual basis. They must give a true and fair view of the state of affairs of the Returning Officers' Expenses, England and Wales at 31 March 2008 and of its income and expenditure, recognised gains and losses, assets and liabilities and cash flows for the financial year then ended.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury have appointed the Permanent Secretary of the Ministry of Justice as Accounting Officer for Returning Officers' Expenses, England and Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Returning Officers' Expenses, England and Wales' assets, are set out in chapter three of Managing Public Money, published by HM Treasury.

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 Ministry of Justice's (MoJ'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.

A system of internal control operates in Departmental headquarters, including the Ministry of Justice's Elections and Democracy Division (EDD) (formerly the Electoral Policy Division (EPD)) within MoJ and the Department for Communities and Local Government's (DCLG) Finance Shared Services Division (FSSD).

EDD have the delegated responsibility for managing the performance and compliance of DCLG against the service level agreement (SLA) that governs the provision of financial services by them to MoJ. To the extent that controls are delegated to both EDD and DCLG, I place reliance upon the assurance provided by them in support of this Statement on Internal Control.

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 2008, 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.

The Department's Risk Management Strategy, Policy, and Framework document was published in July 2008. It sets out the Department's approach to risk in the achievement of its policies and objectives, along with the formal processes for identifying, evaluating, managing and reporting risk. The policy and framework is available to all staff on the Department's Intranet, and is supported by guidance and targeted training in the form of seminars and workshops.

Registers that identify, assess, and set out mitigating actions to significant risks are in place across the Department's headquarters, Agencies, NDPBs, and associated offices. The management and review of the risks identified are led at Board and Directorate level within each business area.

Significant risks are considered by the Board through the Corporate Risk Report covering the entire organisation, and the Monthly Overview and Exception Report to the key programmes and projects for delivering the Department's aims and objectives.

Risk management is also incorporated into FSSD's day-to-day activities and forward planning. Risk assessments are carried out in accordance with the DCLG risk management guidance and, in relation to the delivery of business objectives, 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 the Department's risk management strategy for identifying, evaluating and controlling risk include:

- a) Risk Management Policy and Framework document, which sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the achievement of the Department's objectives are reported regularly in Risk Registers at Board, Directorate and Group level for each of the Departmental business areas. Ownership for each risk is assigned to a named individual and risk co-ordinators have been appointed in each of the Department's business areas to support the reporting process.
- b) An annual Assurance Statement, from Senior Budget Holders, Agency and Additional Accounting Officers, NDPBs, associated offices, on the development and effectiveness of risk management arrangements.
- c) DCLG (FSSD) provide an annual assurance statement in respect of the financial services provided by them to MoJ. I also draw assurance from the work carried out as part of the DCLG Internal Audit programme and the DCLG Statement on Internal Control.

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 internal auditors; the Statement on Internal Control for the DCLG; assurance statements from EDD and FSSD, in addition to 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.

Following a Departmental Internal Audit produced in July 2008 it is apparent that the Department failed to exercise adequate internal control over Returning Officers' Expenses.

Significant Internal Control Issues

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

A. Late submission of claims by Returning Officers

I am concerned at the length of time that it has taken some Returning Officers to submit claims for reimbursement of the costs of running national elections – in some cases many years after the event – and the negative effect this has had 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 twelve months for submission of these claims (set out in the Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 2005 and the Returning Officers' and Local Returning Officers' Accounts (European Parliamentary Elections) (England, Wales and Gibraltar) Regulations 2004). 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 since 2002-03. The Department has therefore adopted an active approach when developing further steps to encourage Returning Officers to submit their accounts in a more timely fashion.

Last year, in order to address the backlog of claims, my predecessor Alex Allan wrote to all Returning Officers who had outstanding claims from previous elections. The letter advised them that, although initial advances to Returning Officers for future elections will continue to be paid at the rate of 75% of the estimated cost of the election, no further advances would be paid until the outstanding claim is satisfactorily submitted. Additionally, in these cases, initial advances would explicitly exclude any element of the Returning Officer's own fee. This letter also addressed the possibility of applying a lower limit of initial advance for worst cases in future.

In July 2008, the Department's Internal Audit branch produced a report on an investigation to determine the difficulties and barriers faced by those Returning Officers who have failed to meet the deadlines. The report also sought to identify ways in which the Department can assist Returning Officers to submit their claims more promptly. A sample of Returning Officers was contacted and the status of several outstanding claims revised. As a result some claims were submitted, others have been promised and a few have been written off since it has been established that the data has been lost. Where outstanding claims are deemed to be recoverable, they will be actively pursued.

Over the past few months, the Department has negotiated a new SLA with DCLG which sets clear performance targets and makes the responsibilities and processes for chasing outstanding claims clearer than under the old arrangements. This revised SLA has been considered and endorsed by the MoJ's Internal Audit function as delivering an effective response to the weaknesses in the previous regime, provided that it is fully implemented.

Given the reluctance of some Returning Officers to submit claims within the 12 month period, I have agreed with the Secretary of State that the following range of measures be adopted to deal with the small number of outstanding claims from past elections and to

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ensure that claims are returned more promptly for future elections:

- For the backlog of claims from past elections, a deadline will be set in the early part of 2009 beyond which the Government will refuse to pay any outstanding claims;
- For future elections, where Claims are returned by Returning Officers after the 12 month deadline then any outstanding amounts will not be paid unless there are genuinely exceptional circumstances;
- Advances made to Returning Officers before the election will be reduced (from 75% to 60%) for those who have failed in the past, or fail in the future, to submit their claims on time;
- Applications for further advances will be denied to Returning Officers who have recently failed to submit their claims on time unless there are genuinely exceptional circumstances;
- Applications for further advances received later than six months after the date of the election will be denied without exception.

I am also considering putting in place a presumption that applications for further advances in excess of 90% of the original estimate from any Returning Officer will be denied unless there are genuinely exceptional circumstances.

All of these actions are aimed at promoting compliance with the twelve month deadline. This would be a clear break from the approach that has been taken over the last decade. MoJ officials have informed the twelve Regional Returning Officers – who will co-ordinate the running of the June 2009 European election across the United Kingdom at regional level – of these proposals, and they will be set out in full in the guidance circulated to all local Returning Officers at the start of 2009¹.

The new SLA requires DCLG to provide a monthly report listing the outstanding claims. This will allow MoJ to:

- Publish the information, both on the European Parliament elections pages of the MoJ website and through MoJ bulletins to electoral administrators;
- Present the information at the February and September Association of Electoral Administrators conferences and the January Society of Local Authority Chief Executives' elections conference;
- Send targeted letters to local authorities at key intervals.

¹ The governance structure for the delivery of European elections has two levels. The elections are run on the basis of 12 UK electoral regions – Scotland, Wales, Northern Ireland and nine regions in England. In each region, there is a "Regional Returning Officer" who is responsible for the return of MEPs for the region. In Great Britain, beneath those Regional Returning Officers, there are "Local Returning Officers", who are based in local authorities. Local Returning Officers essentially administer the election on the ground, under the direction of the Regional Returning Officers. The Regional Returning Officer has direct responsibility for delivering some aspects of the poll, including the count process.

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In addition, EDD have already informed Regional Returning Officers which local authorities in their region have yet to return claims for the 2004 European election and the 2001 and 2005 general elections, and will continue to circulate this information in future. The Regional Returning Officers have a leadership role before and after delivery of the poll, so they can assist in targeting and encouraging poor performers.

B. Inadequate monitoring of the service level agreement with DCLG

A further significant internal control issue was highlighted by the Department's Internal Audit report presented in July 2008, following an investigation to determine the difficulties and barriers faced by Returning Officers in returning claims. The report concluded that the Department had failed to adequately monitor the SLA that was in operation for 2007-08 with DCLG. This was exacerbated by the fact that the respective responsibilities of the MoJ and the DCLG and the performance targets for DCLG within the SLA were not clearly defined.

As detailed above, the Department has negotiated a new SLA with DCLG that sets clear performance targets and makes the responsibilities and processes for chasing outstanding claims very much clearer than under the old arrangements. Following the implementation of the new SLA, EDD will conduct regular monitoring meetings with DCLG to ensure that both MoJ and DCLG meet their respective responsibilities. The first of these was held on 8 December and the proceedings have been documented. Action points will be followed up at the succeeding meeting in January 2009. In addition, the new SLA requires DCLG to report monthly against the performance targets listed within it.

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 Ministry of Justice 2007-08 Resource Accounts, which are available from the Stationery Office.

Suma Chakrabarti
Accounting Officer,
Ministry of Justice.

Date

22 January 2009

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Returning Officers' Expenses (England & Wales) Accounts for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement 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 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. 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 give a true and fair view and whether the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the review of activities in the Foreword, is consistent with the financial statements. I also report whether in all material respects the expenditure and income 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 Department 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 Department'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 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 Foreword, other than the review of activities, 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 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, 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 expenditure and income 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.

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 or these have been submitted but remain to be settled. As at 5 November statements of account have not been provided or settled for advances totalling £9,511,331. 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.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, net operating cost and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the review of activities is consistent with the financial statements.

Opinion on Regularity

In my opinion, except for any adjustments that may have been necessary had I been able to obtain sufficient evidence on advances totalling £9,511,331 for which statements of account have not been provided or settled, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

- 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 14 to 20.

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria

Date 28 January 2009

London SW1W 9SS

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Introduction

1 The Ministry of Justice (the Department) is responsible for paying the expenses incurred by Returning Officers for running Parliamentary and European Parliamentary elections, from monies drawn down from the Consolidated Fund, and for preparing annual financial statements in respect of the Returning Officers' expenses. The accounts have been prepared on an accruals² basis for the first time in 2007-08 (previously they were prepared on a receipts and payments basis).

Purpose of report

2 The purpose of this report is:

- to explain the background to the qualification of my audit opinion in respect of the regularity of transactions reported in the Returning Officers' Expenses (England and Wales) accounts for the year ended 31 March 2008;
- to report on significant control weaknesses within the Department over the management of the administration of election expenses; and,
- to note the steps the Department have taken and intend taking to improve the control environment and encourage Returning Officers to submit statements of accounts on a timely basis.

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 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.

² Under the accruals basis of accounting, expenditure is recorded once the underlying activity (the Election) takes place and requires also the recording of liabilities and assets relating to those elections, for example amounts owed to and due from the Returning Officers. Under cash accounting, expenditure was recorded only once advances and invoices were paid, or receipts only once monies were received.

Audit opinion

Qualified audit opinion on the regularity of transactions

- 4 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.
- 5 I have qualified my opinion on the Returning Officers' Expenses (England and Wales) Accounts for the year ended 31 March 2008 as the scope of my examination was limited because some Returning Officers have not yet submitted statements of account showing how they spent monies advanced to them from the Consolidated Fund and not all statements of accounts that were submitted have been settled. I am unable therefore to verify that the monies advanced to those Returning Officers have been spent in accordance with the intentions of Parliament. I first qualified my opinion on the 2002-03 accounts and have qualified my opinion on all subsequent accounts for the same reason.
- 6 As at 5 November 2008, the total value of advances for statements of accounts outstanding or yet to be settled in respect of Parliamentary and European Parliamentary elections and by-elections from 1997 to 2007 was £9,511,331. The difference between this figure and the debtor balance of £17,901,121 at 31 March 2008³ is in respect of statements of account received and settled between 31 March 2008 and 5 November 2008.

Returning Officers and their expenses

- 7 Section 29 of the Representation of the People Act 1983 provides for election expenses of Returning Officers for 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 HM 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 estimated cost of running the election, including the costs of setting up and staffing polling stations. Returning Officers can request further funding up to 90% of the original estimate. In a number of cases, Returning Officers have submitted a revised estimate of their costs and have received 90% of this estimate.
- 9 Following the election, Returning Officers are required to submit statements of account showing the actual costs they incurred in running the election. The Department reviews and 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

³ Note 4, page 26

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Department. Where the total costs incurred exceed the advance, the Department pays the Returning Officer the balance. The Department has contracted out the calculation of estimated costs, payment of advances and settlement of statements of account to the Finance Shared Services Division of the Department for Communities and Local Government under a Service Level Agreement.

- 10 Returning Officers' Accounts Regulations issued at Parliamentary and European elections 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 is a statutory deadline, 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.
- 11 My audit identified a significant level of advances to Returning Officers for which no statements of account had been submitted, well after the twelve month deadline. For example, as at 5 November 2008, statements of account from 22 constituencies for advances totalling £1,385,275 (4% of total advances) in respect of the 2005 General Election remained outstanding.
- 12 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.

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Election	Value of advances issued* (£)	Advances for which no statements of account had been received **			
		As at 5 Nov 2008		As at 31 Oct 2007 ⁴	
		Value (£)	Number	Value (£)	Number
1997 General Election	19,938,555	297,474	6	331,037	7
1999 European Parliamentary Election	20,959,719	398,836	10	975,044	25
2001 General Election	26,951,439	467,864	10	1,174,399	25
2004 European Parliamentary Election	35,632,173	851,971	11	3,057,099	26
2005 General Election	33,834,558	1,385,275	22	4,231,417	93
Total		3,401,420	59	9,768,996	176

*For the 2001, 2004 and 2005 elections, this figure is the total advances, i.e. initial advances and further advances. 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.

**These figures exclude advances for which statements have been received but not settled and outstanding advances for by-elections; the total of uncleared advances including all these elements was £9,511,331 as at 5 November 2008.

Actions taken by the Department since my last report

13 In November 2007, the previous Permanent Secretary of the Department wrote to all Returning Officers who had outstanding statements of account from previous elections, asking them to submit all outstanding statements by 15 January 2008. The letter advised Returning Officers that if they did not comply, for future elections only the initial advances at the rate of 75% of the estimated cost of the election would be paid with no further advances paid until a satisfactory statement of account is submitted. Additionally, in these cases, the initial advance would explicitly exclude any element of the Returning Officer's own fee.

14 In January 2008 the Department's Internal Audit carried out a review of outstanding claims and contacted all local authorities in England with constituencies that had outstanding statements of account. Returning Officers agreed dates for submission of outstanding statements, including constituencies such as Luton North and South, Vauxhall and Streatham that I noted in my Report on the 2006-07 Accounts (HC 126, 2007-08) had returns outstanding for more than one election. Only eight of the 18 Returning Officers who had agreed to submit claims by the end of August did so.

15 The table above shows significant improvement in the receipt and settlement of claims, but the Department did not follow up Internal Audit's work sufficiently to pursue Returning Officers for outstanding statements of account before it wrote again to the Returning Officers in December 2008.

⁴ The date of information used in my Report on the Returning Officers' Expenses, England and Wales Statement of Accounts, 2006-07, (HC 126 of 2007-08)

Control weaknesses

16 Notwithstanding its Service Level Agreement with the Department for Communities and Local Government, it is the responsibility of the Accounting Officer of the Ministry of Justice to ensure that adequate controls are in place to ensure the timely receipt of Returning Officers' statements of account.

17 Internal Audit's review identified deficiencies in the Service Level Agreement, including the absence of relevant performance measures. In addition, they identified the following control weaknesses:

- payment of large further advances;
- poor communication with Returning Officers;
- late settlement of statements of account.

Payment of large further advances

18 As noted earlier, some Returning Officers have received further advances of up to 90% of their estimate of expenditure, some of which were significantly larger than the initial advance (based on the Department's estimate of expenditure). For example, for the 2005 General Election, South Ribble, whose statement of account is outstanding, received £32,133 as an initial advance and £77,500 as a further advance. There are 107 such instances for the elections since 2001, of which 24 statements of account remain to be submitted.

19 In addition, my staff identified examples of further advances issued to Returning Officers after elections. For example, the Department paid 19 advances relating to the 2005 General Election totalling £785,398 during 2006-07, by which time the Returning Officers should have submitted statements of account. In providing further advances, which may in total cover the full cost of the election, the Department removed the incentive for Returning Officers to submit statements of account.

Poor communication with Returning Officers

20 The Service Level Agreement requires the Department for Communities and Local Government to settle statements of accounts from Returning Officers, but there is no responsibility to pursue outstanding claims. Internal Audit and my staff found little evidence of concerted follow-up of these outstanding statements of account since 2002 until November 2007, when the previous Permanent Secretary wrote to all Returning Officers concerned.

21 As a result the Department's Internal Audit found that Returning Officers considered the submission of election expense claims as low priority. In addition, there were examples where Returning Officers were unaware of outstanding statements of account due from their predecessors. While it is the responsibility of the outgoing Returning Officer to advise their successor of outstanding statements of account, the Department's failure to communicate this requirement may have contributed to the backlog.

22 The Department have concluded that Returning Officers will not be able to provide evidenced statements of account for the 1997 and 2001 General Elections, and the 1999 European Election. They have, therefore, written off outstanding advances of £1,082,063 as losses⁵. However, only four constituencies, accounting for six advances (£296,000) have indicated that they are unable to complete their statements of account due to lack of records and staff turnover. Returning Officers may be able to provide statements of account for the remaining 23 claims. There is a risk, therefore, that the Department may be writing off outstanding advances prematurely.

Late settlement of statements of account

23 As at 31 March 2008, the Department for Communities and Local Government had not settled 119 statements of account amounting to £7.6 million of advances where there were outstanding queries with the Returning Officers. The majority of these statements of account were received in 2006 and 2007, but nine were received in 2002. Under the Service Level Agreement, the Department for Communities and Local Government were not required to provide information on the settlement of claims. As a consequence, the Department were not aware of these delays. Following a concerted effort since August 2008, 86 claims to the value of £5.6 million have been settled. It is only once the claims are settled that it is possible to confirm the regularity of the related expenditure.

Elections administered by other organisations

24 I noted in my Report on the 2006-07 Accounts (HC 126, 2007-08) the success of the Electoral Commission in administering the November 2004 North-East Assembly Referendum. The Commission obtained the statements of accounts from all twenty three Counting Officers (who fulfilled a role similar to Returning Officers for the Parliamentary Elections) within six months of the election taking place. The following actions taken by the Electoral Commission and the Scotland Office⁶ have helped to improve Returning Officers' compliance with requirements for submitting prompt statements of account:

- issuing guidance setting out the clear expectation that claims should be submitted as soon as possible and preferably within six months after the election;
- providing electronic versions of statements of account;
- refusing to issue additional advances after the election date;
- regularly reminding Returning Officers, by e-mail and telephone, to submit outstanding statements of account; and,
- contacting key stakeholders, such as local authority Chief Executives and external auditors, to update them on the position on outstanding statements.

⁵ Note 8B, page 28

⁶ The Scotland Office is responsible for separate Returning Officers' expenses accounts for elections to the Scottish Parliament and for European Parliamentary and Westminster elections taking place in Scotland.

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

25 The Department deals with over 400 constituencies for the General and European Parliamentary Elections. Nevertheless, the Department can learn lessons from the actions taken by other organisations in administering elections.

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

26 The Department is considering a range of steps, including the payment of smaller initial advances and tighter controls on payments of further advances, to encourage greater compliance from Returning Officers for the 2009 European elections.

27 The Department has ratified a new Service Level Agreement recently with the Department for Communities and Local Government. The revised Agreement clarifies the respective responsibilities of the two departments, including the requirement for the Department for Communities and Local Government to issue automatic reminders, settle outstanding statements of account promptly and provide relevant management information to the Ministry of Justice.

Recommendations

28 In administering future elections, the Department should ensure that it reviews and replicates, where possible, the actions that have contributed to the success of other organisations. In respect of outstanding statements of account for previous elections, the Department should follow-up Internal Audit's work in this area by pressing Returning Officers for outstanding statements of account. Only once initial advances are deemed irrecoverable should the Department apply to HM Treasury for authority to write-off these balances.

T J Burr
Comptroller & Auditor General

Date 28 January 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

**OPERATING COST STATEMENT
YEAR ENDED 31 MARCH 2008**

	Note	2007-08 £	2006-07 Restated £
Election expenses	2	2,544,883	4,176,424
Bank charges		811	500
Cost of capital		(176,088)	(305,672)
Total costs		<u>2,369,606</u>	<u>3,871,252</u>
Income payable to the Consolidated Fund	3	(12,970)	(26,279)
Net operating cost		<u>2,356,636</u>	<u>3,844,973</u>

There were no other gains or losses during the period.

The notes on pages 24 to 29 form part of these accounts.

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

BALANCE SHEET

AS AT 31 MARCH 2008

		2007-08		2006-07	
	Note	£	£	Restated £	Restated £
Current Assets					
Debtors	4	17,984,780		24,492,118	
Cash at bank		6,756,545		3,173,738	
			24,741,325		27,665,856
Current Liabilities					
Creditors	5		(21,269,757)		(31,269,277)
Total Assets less Current Liabilities					
			3,471,568		(3,603,421)
Taxpayers' Equity					
General Fund	6		3,471,568		(3,603,421)

Suma Chakrabarti
Accounting Officer,
Ministry of Justice.

Date
22 January 2009

The notes on pages 24 to 29 form part of these accounts.

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

**CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2008**

	Note	2007-08 £	2006-07 Restated £
Net cash outflow from operating activities	7	(6,037,876)	(8,051,621)
Financing received from Consolidated Fund		9,620,683	-
Amounts paid to the Consolidated Fund		-	(37,935)
Increase/(decrease) in cash		<u>3,582,807</u>	<u>(8,089,556)</u>

The notes on pages 24 to 29 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 Basis of accounting

These accounts for the Returning Officers' Expenses have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury.

The accounts have been prepared on an accrual basis for the first time and 2006-07 comparatives have been restated.

1.2 Advances and accruals

Initial advances are made based on 75% of the estimated costs of the election. Further advances, up to 90% of the Department's or the Returning Officers' estimate of the total costs, may also be provided. Once advances have been made to Returning Officers they are recognised as debtors in the accounts.

At the date of the election, the estimated full costs of the election for all constituencies are accrued. The full cost of the election for each constituency is based on the cost of the previous election, adjusted for inflation. If requests for further funding are received which indicate that the claim total will be different to the initial estimate then the accrual is adjusted appropriately.

Amounts advanced are recognised as debtors until claims are settled.

Amounts are owed by Returning Officers where advances exceed the actual claim received. Upon settlement of the claim a debtor invoice is raised and posted for the difference due from the Returning Officers.

1.3 Write back of claims and recognition of losses

Returning Officers are required to submit statements of account detailing their actual expenditure within one year of the election.

All outstanding claims for an election are deemed to be irrecoverable seven years after the date of the election unless statements of account are received after seven years but prior to the date the accounts are certified.

Additionally, there are some instances where it has been established that the supporting documentation has been lost and so the Returning Officer will never be able to complete the claim.

In both cases, the accrued liability is written back and the associated amounts advanced are written off and recognised as losses. The net amount is credited to the Operating Cost Statement.

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1.4 Income payable to the Consolidated Fund

Bank interest earned on advances held by Returning Officers and the forfeited deposits of unsuccessful election candidates are returned to the Consolidated Fund.

1.5 Cost of capital

The non-cash cost of capital is included to show the full cost of operating Returning Officers' Expenses and is calculated at the Government's standard rate of 3.5% of average net assets less liabilities over the year, excluding cash deposits with the Office of the Paymaster General.

2. ELECTION EXPENSES

	Note	2007-08 £	2006-07 Restated £
Accrued costs of by-election claims			
- 2007 by-elections		192,649	-
- 2006 by-elections		-	206,066
Revised accruals for other elections		76,683	644,913
Additional expenditure arising upon settlement of claims		1,879,400	2,951,038
Additional expenses paid after settlements were queried		-	13,775
Net effect of the write back of accrued expenditure and the write off of associated advances in relation to 2001 general election expenses	8A	(46,136)	-
Net effect of the write back of accrued expenditure and the write off of associated advances in relation to 1999 European election expenses	8A	-	(153,754)
Centrally authorised Royal Mail costs of by-elections		147,402	166,924
Equipment grants		294,885	337,826
Other election expenditure		-	9,636
Total Election Expenses		2,544,883	4,176,424

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

3. INCOME PAYABLE TO THE CONSOLIDATED FUND

	2007-08	2006-07
	£	Restated
	£	£
Forfeited deposits	7,500	15,000
Bank interest	5,470	11,279
Total Income Payable to the Consolidated Fund	12,970	26,279

4. DEBTORS

	2007-08	2006-07
	£	Restated
	£	£
Advances to Returning Officers in relation to unsettled claims	17,907,121	24,420,551
Amounts owed by Returning Officers where advances exceed claims	74,659	71,567
Amounts owed by Returning Officers for forfeited deposits (to be surrendered to the Consolidated Fund)	3,000	-
Total Debtors	17,984,780	24,492,118

At 31 March 2008 the amount of advances still unsupported by settled claims was £17,907,121. Since that date, some of these outstanding claims have been settled and/or received. By 5 November 2008, the amount of advances still unsupported by statements of account was £9,511,311.

5. CREDITORS

	2007-08	2006-07
	£	Restated
	£	£
Receipts due to be paid to the Consolidated Fund	21,537	8,567
Accrued election expenses due to Returning Officers	21,247,208	29,464,194
GLA Electronic Counting Service	1,012	1,755,000
Other creditors	-	41,516
Total Creditors	21,269,757	31,269,277

6. RECONCILIATION OF EXPENDITURE TO CHANGES IN THE GENERAL FUND

	2007-08	2006-07
		Restated
	£	£
Net operating cost	(2,356,636)	(3,844,973)
Financing received from the Consolidated Fund	9,620,683	-
Amounts payable to the Consolidated Fund	(12,970)	(26,279)
Non cash costs	(176,088)	(305,672)
Net increase/(decrease) in General Fund	<u>7,074,989</u>	<u>(4,176,924)</u>
General Fund at start of year	(3,603,421)	573,503
General Fund at end of year	<u>3,471,568</u>	<u>(3,603,421)</u>

7. RECONCILIATION OF OPERATING COST TO OPERATING CASH FLOWS

	2007-08	2006-07
		Restated
	£	£
Net operating cost	(2,356,636)	(3,844,973)
Non cash costs	(176,088)	(305,672)
Decrease in debtors	6,507,338	16,635,647
(Decrease) in creditors	(9,999,520)	(20,548,279)
Less movement in creditors relating to items not passing through the OCS	(12,970)	11,656
Net cash outflow from operating activities	<u>(6,037,876)</u>	<u>(8,051,621)</u>

8. WRITE BACK OF ACCRUED EXPENDITURE

The total estimated cost of an election is accrued in the year the election occurs and adjustments are made for revisions to the estimated cost in subsequent years. The advances associated with these accruals are recognised as debtors.

MoJ policy is to write back these accruals and write off advances as losses (Note 12) where statements of account are not submitted within seven years of an election, or where it is otherwise judged that statements of account cannot be produced because inadequate accounting records have been maintained.

Where statements of account have not been received for the 1997 general election the accruals and associated advances have been written out of the 2006-07 opening

RETURNING OFFICERS' EXPENSES, ENGLAND & WALES 2007-08

balances. Had accruals accounting been in place, these would have been written back and written off in the 2004-05 accounts.

Where statements of account have not been received for the 1999 European election the accruals and associated advances have been written back and written off respectively in 2006-07, in line with the seven-year rule.

During 2007-08 the accruals and associated advances for the constituencies of Harlow and Stoke-on-Trent for the 2001 general election have been written back and written off since the data has been lost and is not recoverable.

HM Treasury gave approval for these policies to be applied on an ongoing basis. Since this approval was given, statements of account have been received and settled after the balance sheet date for amounts over seven years old in relation to 1997 general election claims (equivalent to £1,072,160 worth of advances) and 1999 European election claims (equivalent to £1,470,841 worth of advances). The losses disclosed in note 12 exclude these amounts. The balance sheet reflects accruals for these amounts at 31 March 2008 and 31 March 2007 that have since been settled. These accounts reflect these events and the write back and losses shown within the accounts for 1997 and 1999 elections relate only to statements of accounts that are older than seven years and have not been received by FSSD.

8A. NET EFFECT OF THE WRITE BACK OF ACCRUALS AND WRITE OFF OF ASSOCIATED ADVANCES

	Note	£
1997 general election		89,407
1999 European election	2	153,754
2001 general election	2	46,136
Total		<u>289,297</u>

8B. LOSSES IN RESPECT OF ADVANCES NOT SUPPORTED BY STATEMENTS OF ACCOUNT

	Note	£
1997 general election	12	454,082
1999 European election	12	489,573
2001 general election	12	138,408
Total		<u>1,082,063</u>

9. CONTINGENT LIABILITIES

There are no contingent liabilities.

10. RELATED PARTIES

There are no related party transactions.

11. CAPITAL COMMITMENTS

There are no capital commitments.

12. LOSSES AND SPECIAL PAYMENTS

HM Treasury has approved the write off of advances for claims, where the department has determined that the Returning Officers are unlikely to submit statements of accounts, as detailed in note 8.

13. POST BALANCE SHEET EVENTS

There are no post balance sheet events affecting the Returning Officers' Expenses accounts.

In accordance with the requirements of FRS21, post balance sheet events 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.



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