

The
Electoral
Commission



Resource accounts 2008–9

HC 848

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Contents

	Page
Foreword	1
Remuneration report	16
Statement of Accounting Officer's responsibilities	26
Statement on internal control	27
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	33
Statement of Parliamentary Supply	36
Operating Cost Statement	38
Balance Sheet	39
Cash Flow Statement	40
Statement of Operating Costs by Aims and Objectives	41
Notes to the accounts	42
Accounts direction	63
Contact details	64

1 Foreword

1.1 The Electoral Commission is an independent body that was set up under the Political Parties, Elections and Referendums Act 2000. The Commission is independent of Government and political parties and is directly accountable to Parliament through a committee chaired by the Speaker of the House of Commons.

1.2. The Commission's 2008–09 resource accounts are prepared in accordance with an accounts direction, set out on page 63 issued by HM Treasury under paragraph 17 (2) of Schedule 1 to the Political Parties, Elections and Referendums Act 2000.

Aim and objectives for 2008–09

1.3 The five-year corporate plan from 2008-09 set out the Commission's central purpose to set and guarantee standards in key areas of democratic life in the UK. It identified an ambitious agenda and continued a significant shift in the Commission's focus and approach in order to focus on regulating party and election finance and ensuring that elections and electoral registration are well run.

1.4 The Commission aims for:

Integrity and public confidence in the UK's democratic process

1.5 Our 2008-09 objectives were:

- 1. Integrity and transparency of party and election finance**
- 2. Complete and accurate electoral registers supported by a well-run electoral registration process**
- 3. Well-run elections and referendums which produce results that are accepted**
- 4. Public understanding of the way our democracy works**
- 5. Fair boundary arrangements for elections**

1.6 The cost, and associated income, of the Commission's work in meeting these objectives are shown in the Statement of Net operating costs by aims and objectives on page 41 of the accounts.

1.7 The Commission's current *Corporate Plan 2009–10 to 2013–14* (HC389) approved by the Speaker's Committee is available at www.electoralcommission.org.uk

Main activities

1.8 The Commission is responsible for:

- registering political parties
- making sure people understand and follow the rules on party and election finance
- publishing details of where parties and candidates get money from and how they spend it
- setting the standards for running elections and electoral registration and reporting on how well this is done
- making sure people understand it is important to register to vote, and know how to vote
- making sure boundary arrangements for local government in England are fair

Management commentary

Going concern note

1.9 The balance sheet at 31 March 2009 shows negative taxpayers' equity of £1.356m. The future financing of the Commission's liabilities is to be met by grants of supply approved annually by Parliament. Approval for amounts required for 2009–10 has already been given and there is no reason to believe that future approvals will not be forthcoming. Therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Investment and funding

1.10 As an independent public body, the Commission is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through a Main Supply Estimate (HC 487) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. The Commission drew down voted funds during the year from the Consolidated Fund as required. In February 2009, the Commission put a request to the Speaker's Committee for a Supplementary Estimate (HC 223) to reflect the planned profiling of capital investments from 2007-08 to 2008-09; the sums involved were well within the total of funds unused in the previous year (2007-08), which was the first year of a multi-year funding framework agreed with the Speaker's Committee.

1.11 The Estimate was structured by request for resources (RfR) and included a formal description or ambit of the services to be financed under the RfR.

1.12 The Commission had one request for resources for 2008–09: RfR 1. In these Accounts, the Statement of Parliamentary Supply shows outturn figures against the Estimate.

1.13 The cash flow statement analyses the net cash flow from operating activities; identifies cash spent by the Commission on capital expenditure and investment; records what Consolidated Fund Extra Receipts (CFERs) were collected and paid over to HM Treasury; and shows the funding that the Commission drew down from the Consolidated Fund in order to finance its activities during the year.

Performance for the year

1.14 As set out in the Statement of Parliamentary Supply on page 36, Parliament approved the Commission's net resources in 2008–09 to enable the Commission to carry out its statutory functions.

1.15 During 2008–09 the Commission's key achievements which are not subject to audit, included:

Objective 1 – Integrity and transparency of party and election finance

- We maintained excellent performance in relation to the review and publication of statutory returns – receiving over 1,345 returns and publishing these on time. We also conducted permissibility checks for over 4,000 transactions
- We have reviewed our procedures for handling allegations of breaches by parties and candidates. Our strengthened procedures will allow us to more effectively manage allegations now and under the new powers proposed in the Political Parties and Elections Bill.
- We considered 123 allegations of non-compliance with electoral law in 2008-9, an increase from the 88 considered in 2007-8. We resolved 97% of cases involving potential breaches of rules within six months.
- We worked closely with the Government on the development of the Political Parties and Elections Bill, responding to the Government's white paper and engaging with the Ministry of Justice on policy development. We also provided briefings to Parliament and interested stakeholders on the bill and the potential changes it could bring about for the regulation of political finances.
- We held training courses at political party conferences to raise awareness of the regulatory system.
- We conducted a series of meetings with parties and third parties regarding rules for the European Parliamentary elections.
- In Northern Ireland we delivered training to parties in respect of loans controls which were introduced in July 2008.

- We consulted in 2008 on proposals to introduce standard requirements for the annual statements of accounts that registered political parties must submit to us. Following discussions with political parties on these proposals and initial drafts of the new guidance, we have concluded that there are important transparency benefits to be gained by a mandatory approach to the reporting of parties' accounts, but that it will be impractical to introduce it before 2011.
- We provided written responses to queries from parties, candidates and agents on complex issues. This included issuing one formal advisory opinion.
- We continued to provide guidance materials for those we regulate. These included guidance on donations and loans for political parties and guidance for regulated donees.
- We published guidance for political parties, candidates and third parties for the May 2008 elections and June 2009 elections. This covered issues such as election spending controls and reporting of donations.
- As part of our work to revise the party registration process, we developed a new simple guide for those considering registering a party.

Objective 2 – Complete and accurate electoral registers supported by a well-run electoral registration process

- Ten standards for Electoral Registration Officers were laid before the UK Parliament and published in July 2008.
- Performance against the standards was published in April 2009. Following this we produced an action plan to help drive continuous improvement in performance.
- We provided a range of resources to help EROs plan and conduct the 2008 annual canvas. This included canvas-specific guidance, planners, risk logs and presentations for staff training sessions.
- We provided a year-round enquiry service for Electoral Registration Officers.
- We ran a range of seminars and produced a number of guidance products to combat fraud around the May 2008 and June 2009 elections. As this work covered the prevention of fraud in both the electoral registration process and at elections, we have reported it under our third objective – well-run elections and referendums which produce results that are accepted.
- We ran public information campaigns to promote registration ahead of the May 2008 Greater London Authority elections and local elections across

England and Wales. The campaign for the London elections was run in partnership with London Elects. The campaigns resulted in 117,155 orders for voter registration forms through our call centre, text response service or by downloading from the aboutmyvote.co.uk or London Elects websites.

- We commenced a study into the accuracy and completeness of a sample of electoral registers held by local authorities. These samples will help us monitor the quality of registers across Great Britain and identify the types of authorities whose registers need to be improved. We expect to report results from this work in early 2010.

Objective 3 – Well-run elections and referendums which produce results that are accepted

- We undertook a survey of Returning Officers in Great Britain to identify appropriate areas of focus for the performance standards framework. We had an 87% response rate to this survey and used the information received to develop draft standards.
- Following consultation with electoral administrators, Government, and others with an interest in the management of elections, we developed seven final standards which were published and laid before the UK Parliament in March 2009. These standards will come into effect for the June 2009 elections.
- We provide a year-round enquiry service for Returning Officers and electoral administrators. In 2008-09 we responded to 1,428 enquiries.
- We ran seminars for Returning Officers and electoral administrators following the May 2008 elections. The seminars provided an opportunity to share knowledge and experiences from the elections and provide feedback on the support and resources we provided.
- We published a range of resources for the June 2009 elections including a comprehensive guidance manual for Local Returning Officers, polling station handbooks, presentations for use in training polling station staff and guides on managing doubtful ballot papers. We established a working group of electoral administrators, nominated by Regional Returning Officers, and consulted them throughout the development of this guidance.
- We published a report on electoral malpractice allegations at the May 2008 elections, in partnership with the Association of Chief Police Officers (ACPO), Police National Information and Co-ordination Centre. The report found that the elections were free from major incidents of electoral fraud, and that there were no elections in which the outcome was challenged on the grounds of, or shown to have been affected by, incidents of electoral malpractice.

- We held seminars in England and Wales for Police Single Points of Contact and electoral administrators. The seminars allowed for the sharing of knowledge and techniques for the prevention, detection and prosecution of fraudulent electoral activity.
- In partnership with the ACPO and the ACPO in Scotland, we produced guidance for police in preventing and detecting electoral malpractice. This included a pocket guide for police officers.
- We published separate reports for England and Wales on the administration of the local elections that took place in May 2008. Both reported that overall the elections ran smoothly with few problems. The reports noted that we were pleased that almost all Returning Officers checked personal identifiers on postal votes, despite electoral law requiring checking of only 20%. We continue to call on the Government to make 100% checking mandatory.
- We responded to a number of government consultations.

Objective 4 – Public understanding of the way our democracy works

- We ran public information campaigns before the May 2008 elections. The campaigns raised awareness that the elections were taking place and communicated key information such as polling station opening hours and how to cast a vote. The campaign for the Greater London Authority elections was delivered in partnership with London Elects.
- We ran a year-round public enquiries service which responded to 5720 enquiries throughout the year. Key areas for enquiries were voter registration, accessing the electoral register, candidate and agent enquiries, and enquiries regarding party election finance.
- We provide a series of resources on registration and voting, which can be ordered by local authorities, community groups and others interested in conducting public awareness work in this area.
- We undertook the Beyond Barriers project to look at the difficulties that people with disabilities face in accessing voter registration and electoral services. In October 2008 we held a consultation event attended by organisations representing people with physical disabilities, learning difficulties, sensory impairments and communication support needs; representatives of the Association of Electoral Administrators; representatives of the Scottish Assessors Association and Electoral Commission staff. An action plan has been developed, which we are now implementing. This work will continue in 2009-10.

Objective 5 – Fair boundary arrangements for elections

- We conducted public consultation on draft proposals for unitary local government in Norfolk, Suffolk and Devon. We received over 15,000 responses across the three counties. We have been taken to judicial review in Norfolk and Devon over its proposals. Whilst judgments, and subsequent Court of Appeal judgments, have meant that we needed to adapt their process, the structural reviews have been allowed to continue, and the Secretary of State has revised the deadline for provision of final advice to take these delays into account.
- We commenced electoral reviews of Cornwall, County Durham, Northumberland, East Cheshire, and West Cheshire and Chester. We launched public consultation on all reviews.
- We completed electoral reviews of Isle of Wight, West Sussex, Shropshire and Wiltshire. We have orders to implement new electoral arrangements as a result of the reviews.
- We published draft recommendations for new electoral arrangements in Cornwall as the county becomes a unitary authority. The Local Government Minister has asked that we publish our final recommendations in summer 2009, allowing for elections to the new authority to take place under our draft recommendations.

1.16 In achieving its objectives the Commission used £22.490m resources. This amount was £2.695 m (or 11%) less than the sum of £25.185m approved by Parliament in the Commission's Supply Estimate (HC487) for the net resource requirement.

1.17 The Commission reviewed its contingency planning for UK Parliamentary General Election during 2008/09. This activity and subsequent refining of the Commission's scenario planning led the Commission to conclude that, within the multi-year funding framework agreed with the Speaker's Committee, a prudent action would be to set aside funding specifically for use when a general election is called under the End-Year Flexibility principles agreed as part of the multi-year funding framework. By the year end, this amounted to a total of £1.695m.

1.18 The key areas that contributed to this figure in 2008–9 were:

- The programme of reviews of English local authority areas by the Boundary Committee for England which arose from the provisions of the Local Government and Public Involvement in Health Act 2007 began later and some have taken longer than originally expected; the Commission was able to set aside the associated savings.
- Parliament's decision (which was taken after the Commission's budget for 2008-09 had been agreed) to combine the 2009 English local elections

with the UK-wide elections to the European Parliament in June 2009 meant that the Commission was able to set aside expenditure on its public awareness campaigns by comparison with running campaigns for elections on two different dates.

- The Commission has achieved savings in the cost of running its offices.
- The Commission was able to make savings against staff and related costs, partly through taking opportunities to delay planned recruitment
- Also contributing to this total figure were:
 - Some expected expenditure on grants to voluntary sector organizations under the Commission’s Partnership Grant scheme was delayed from 2008-09 to 2009-10

1.19 The Commission collected £19,000 in fines from political parties; these were passed to the Consolidated Fund as required by law.

1.20 The Commission required cash amounting to £23.382m in 2008–09 to finance its activities which was £2.226m less than the sum of £25.608 m approved by Parliament in the Commission’s Supply Estimate; note 2 of the accounts provides a reconciliation between resources approved and cash requirement.

1.21 A table showing the resource expenditure between Estimate, Operating Cost and Budgets is set out below:

	£ m
Net Resource Outturn (Estimate)	25,185
Resource Budget (Estimate)	25,185
Adjustments to additionally include:	
Consolidated Fund Extra receipts in the OCS (fines)	(19)
Unallocated Resource	(2,695)
Net Operating Cost (Accounts)	22,471

Going forward

1.22 The Commission's Supply Estimate for 2009–10 (HC525) provides for a net resource requirement of £23.468m. The key factors influencing the resources required by the Commission during 2009–10 are plans to continue:

- to maintain and publish information about political parties and their finances
- to ensure that parties, candidates and others understand and follow the rules on party and election finance
- to set standards for running elections and electoral registration and reporting on how well this is done; in particular, reporting for the second time on the performance of Electoral Registration Officers, and for the first time on the performance of Returning Officers
- to provide support, advice and training for those involved in delivering elections
- to carry out work designed to make sure people understand it is important to register to vote, and know how to vote
- to conduct reviews of boundary arrangements for local government in England
- to make grants to eligible political parties for policy development
- to conduct a programme of research to support and inform the Commission's work

The Speaker's Committee

1.23 The Speaker's Committee is established under Section 2(1) of the Political Parties, Elections and Referendums Act 2000 (the Act) to perform the functions conferred on it by that Act. Its functions include:

- examining the Commission's annual financial estimates and laying them before the House of Commons, with or without modification
- examining the Commission's five year plan and forward resource estimates and laying them before the House of Commons, with or without modification
- receiving the Commission's accounts
- receiving an annual report from the Comptroller and Auditor General on the economy, efficiency and effectiveness with which the Commission has used its resources
- designating the Commission's Accounting Officer
- reporting to the House of Commons, at least once a year, on how it has carried out its functions

1.24 The Speaker's Committee met in March 2009 to consider the Commission's Supply Estimate for the 2009–10 financial year and the Commission's five-year corporate plan for 2009–10 to 2013–14. The five-year corporate plan was laid before the House of Commons in pursuance of paragraph 15(4) of Schedule 1 to the Act and published in April 2009. The

Committee received one report in March 2009 from the Comptroller and Auditor General, prepared under paragraph 16 of Schedule 1 to the Act: - *Electoral Commission: Improving compliance with regulations on financing political parties*

1.25 The members of the Committee during the year were:

- Rt Hon Michael J. Martin MP, Speaker of the House of Commons (Chairman)
- Rt Hon Sir Alan Beith MP, Chairman of the House of Commons Justice Committee
- Rt Hon John Healey MP, Minister for Local Government
- Lady Sylvia Hermon MP
- Rt Hon Sir Gerald Kaufman MP
- Mr Humfrey Malins CBE MP
- Rt Hon Jack Straw MP, Lord Chancellor and Secretary of State for Justice
- Mr Gary Streeter MP
- Sir Peter Viggers MP

The Secretary of the Speaker's Committee is Mr Steve Priestley.

1.26 The Speaker is *ex officio* chairman of the Speaker's Committee, and the chairman of the House of Commons Justice Committee and the Secretary of State for Justice are *ex officio* members. The appointments of the Minister for Local Government, made by the Prime Minister under Section 2 (3) of the Act; and of the other five members, made by the Speaker under Section 2 (4), are (subject to the provisions of paragraph 2 of Schedule 2 to the Act) for the duration of the Parliament.

1.27 During the year the Committee published two reports which are available from its website. www.publications.parliament.uk/pa/cm/cmspeaker.htm

Pensions

1.28 Under Schedule 1(5) of the Political Parties, Elections and Referendums Act 2000, the pension arrangements for the Electoral Commissioners may be provided for by the House of Commons in a resolution. The only provision made under this section is for the Chair of the Commission.

1.29 Employees of the Commission are eligible for membership of the Civil Service Pension Schemes. These schemes include a choice between a defined benefit scheme and stakeholder pension. Liability rests with the Scheme, and not with the Commission. Benefits are paid from the Civil Superannuation Supply Estimate to which the Commission makes contributions to cover accruing pension entitlement for staff employed. Statements of Account for the Scheme are provided in the Cabinet Office Civil Superannuation Resource Accounts. Further details are provided in note 6 to the Accounts.

Audit Committee

1.30 The Accounting Officer has established an Audit Committee to support him in discharging his formal accountability responsibilities by offering objective advice and ensuring that the most efficient, effective and economic risk, control and governance processes are in place, and that the associated assurance processes are optimal. The Audit Committee also acts on behalf of the Electoral Commissioners to provide them with assurance on these issues.

1.31 The terms of reference are kept under review. They are based on best practice guidelines from a variety of sources. The Committee meets at least four times a year as required and the Chair of the Committee may convene further meetings as necessary, including at the request of the Accounting Officer, the Head of Internal Audit and the external auditor. The Committee reviews in particular:

- strategic processes for risk, control and governance and the statement of internal control
- accounting policies, the accounts and the annual report of the Electoral Commission, including the process for review of the accounts prior to submission for audit; levels of error identified; and management's letter of representation to the National Audit Office
- planned activity and results of the National Audit Office and internal audit
- adequacy of management response to issues identified by audit activity
- assurances relating to the corporate governance requirements for the Electoral Commission
- proposals for tendering for either external or internal audit services, or for the purchase of non-audit services from contractors who provide audit services

1.32 The members of the Committee during the year were:

- Ian Kelsall OBE DL, Electoral Commissioner (Committee Chair)
- Max Caller CBE, Electoral Commissioner
- Henrietta Campbell CB, Electoral Commissioner
- Elizabeth Butler, independent external member (qualified accountant)

1.33 Ian Kelsall and Max Caller were appointed to the Audit Committee by the Commission for terms commencing on 19 January 2008 and 1 January 2008 respectively, and running until 31 December 2010. Ian Kelsall was further appointed Chair of the Committee from 6 February 2008. Henrietta Campbell was appointed for a term commencing on 1 April 2008 and running until 31 March 2010; and Elizabeth Butler was appointed for a term commencing on 11 September 2008 and running until 10 September 2011.

1.34 The Audit Committee met on six occasions during the 2008–09 financial year and considered a number of specific matters.

Early departure costs

1.35 The Commission meets the additional pension costs of any employees who retire before they reach normal pensionable age. The total pension liability up to the normal retiring age in respect of each employee is charged to the account in the year in which the employee takes early retirement and a provision for future payments is created. There were no early retirement costs for 2008/09.

Accounting Officer

1.36 In accordance with Schedule 1(19) of the Political Parties, Elections and Referendums Act 2000, the Speaker's Committee has appointed the Chief Executive as Accounting Officer of the Electoral Commission. His responsibilities as the Accounting Officer and for the Commission's system of internal control are set out separately on pages 26 to 32.

Auditors

1.37 The Comptroller and Auditor General were appointed as the Electoral Commission's external auditor under Schedule 1 to the Political Parties, Elections and Referendums Act 2000. As disclosed in note 7 to the accounts, a notional cost of £56,000 was incurred on audit services provided by the Comptroller and Auditor General (2007–08: £51,000).

1.38 Internal audit services during 2008–09 were provided from: 1 April to 30 September by Sandwith Internal Audit Services and 1 October to 31 March by RSM Bentley Jennison.

Policy for payment of suppliers

1.39 The Commission recognises the Confederation of British Industry's Prompt Payment Code and discloses the following information in accordance with Regulations SI 1997/571. The Commission's payment policy is that all undisputed invoices should be paid on the contractual due date or, where there is no contractual provision, within 30 days of receipt of a valid invoice. The calculation of payment performance for the year ended 31 March 2009 has been based on continuous monitoring of payments since the start of the year. On this basis, approximately 95.29 % (2007–08: 98.7%) of payments met the policy criteria. The Commission did not incur any interest under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998.

Staff relations

1.40 The Commission is committed to communicating directly with all staff and taking into account their views on all matters affecting their employment. To enable the Commission and its staff to achieve this objective, a recognition agreement was signed between the Commission and the Public and Commercial Services Union (PCS) in October 2007. This agreement encourages clear working arrangements which promote the mutual interests of the Commission and its employees and maintain good relations by fostering a spirit of understanding, co-operation and trust between the Commission, its employees and the Union. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on current and prospective developments is widely disseminated.

Occupational health and safety report

1.41 The Commission's health and safety policy is published and is available to all staff. In addition, procedures and risk assessments are in place covering the Commission's core activities.

1.42 A Health and Safety Group oversees the Commission's arrangements but the primary responsibility rests with line management. The Group meets on a quarterly basis and reports to the Commission's Management Team.

1.43 The Commission initiates independent health and safety audits at all of its premises each year. In addition, the internal auditor reviews the Commission's compliance with statutory and regulatory requirements in this area and reports its findings to the Health & Safety Group for consideration and action as appropriate.

Environmental policy

1.44 Among the initiatives which the Commission has taken in relation to environmental matters are:

- Encouraging staff to use public transport, for instance through the provision of Oyster cards for business travel in London
- Populating a 'green' page on the organisation's intranet and using that to promote 'green' performance and awareness of events
- Developing an environmental policy statement which was endorsed by London Remade and approved by the Chief Executive
- Encouraging staff to cycle to work with secure storage and locker and showering facilities at some of our offices
- Completed the investigation of the possibility and viability of carbon offsetting the organisation's air travel. This is ongoing and in 08/09 a total value of £1,314 was paid to PURE
- Signing an agreement for taxi services where the provider uses electric hybrid vehicles

- Submitting statistics to support the London Mayor's Green Procurement Code in relation to which the Commission achieved a 'Bronze' award for 2008/09.
- Continuing with the purchasing of Fair-trade refreshment supplies such as tea, coffee and sugar.
- Printing publications on recycled paper and paper from sustainable sources
- Continuing to use double-sided printing as the default setting for printers, and printing on recycled paper.
- Introduced recycling processes for a wider range of waste materials

Equal opportunities and diversity

1.45 The Commission is committed to the principle of equality of opportunity and values diversity. It opposes all forms of discrimination and is committed to the principle that no job applicant or employee shall face discrimination. The Commission has equality schemes covering race, disability and gender. It also has a separate equality scheme for Northern Ireland.

Disability

1.46 The Commission is committed to ensuring that disability is not a bar to recruitment or to advancement and has successfully achieved the 'Two Ticks' Disability Symbol. The symbol is awarded to employers who have agreed to meet five commitments regarding the recruitment, employment and retention and career development of disabled people.

1.47 This award enhances the Commission's existing working practices so that no job applicant or employee is discriminated against due to a disability. The Commission is a member of the Employer's Forum on Disability and staff receives a copy of the Employer's Forum on Disability booklet *Welcoming Disabled Customers* as part of the Commission's work to increase awareness about working with, communicating with, and providing services to disabled people.

Personal data related incidents

1.48 There were no protested personal data related incidents formally reported to the Information Commissioner's Office over the financial year; neither were there any centrally recorded protected personal data related incidents not formally reported nor any such incidents in previous financial years.

1.49 A statement of actions to manage information risk is set out in the Statement on Internal Control on pages 27 to 32.

Post balance sheet events

1.50 There have been no events since the balance sheet date that would affect the financial statements for the year ended 31 March 2009. John Bercow was

appointed as the new Speaker of the House of Commons (Chairman), 22 June 2009.

Disclosure of audit information to the auditors

1.51 As far as the Accounting Officer is aware, there is no relevant audit information of which the Commission's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken, to make himself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

Peter Wardle
Chief Executive and Accounting Officer
9 July 2009

2 Remuneration report

The Commissioners and Deputy Commissioners and their remuneration

2.1 Commissioners, the first of whom were appointed on 19 January 2001, are appointed by Royal Warrant to exercise the functions of the Commission as described in the Political Parties, Elections and Referendums Act 2000. The chair of the Commission is appointed on a part time, three day a week basis, and the other Commissioners worked between 3-12 days per month.

2.2 The following Commissioners served during the year:

- Jenny Watson (incoming Chair) – term of office started on 1 January 2009
- Sam Younger CBE (outgoing Chair) – term of office ended on 31 December 2008
- Karamjit Singh CBE
- Max Caller CBE
- Henrietta Campbell CB
- Ian Kelsall OBE DL
- John McCormick

2.3 A recruitment process which was overseen by the Speaker's Committee and independently assessed was undertaken in 2008 to appoint a new Chair of the Electoral Commission. Jenny Watson was appointed from 1 January 2009 to 31 December 2012. She succeeded Sam Younger CBE whose term of office as the Electoral Commission's first Chair came to an end on 31 December 2008.

2.4 Karamjit Singh CBE's appointment was renewed on 19 January 2006 for four years. Max Caller CBE and Henrietta Campbell CB were appointed from 17 July 2007 to 31 December 2011. Ian Kelsall OBE DL and John McCormick were appointed from 19 January 2008 to 31 December 2012.

2.5 The House of Commons has resolved that fees for the Commissioners shall increase on 1 April each year (by the percentage increase paid for High Court Judges).

2.6 The fees for Commissioners are paid out of the Consolidated Fund, as may be specified in a resolution of the House of Commons. Commissioners were paid a daily fee of £354 for the period 1 April 2008 to 31 March 2009 (2007–8: £345). The Chair receives a salary direct from the Consolidated Fund.

2.7 The fees received by Commissioners are non pensionable while the pension arrangements for the Chair are covered by the Superannuation Act 1972 and are broadly analogous to a member of the Civil Service Pension Scheme which is unfunded. The Act provides for defined pension benefits to be met from the Consolidated Fund and no liability rests with the Commission.

2.8 The Commission appoints Deputy Commissioners under the powers contained in Section 15(1) of the Political Parties, Elections and Referendums Act 2000.

2.9 The following Deputy Commissioners served during the year:

- Robin Gray – term of office ended on 31 December 2008
- Joan Jones CBE
- Professor Colin Mellors
- Jane Earl
- Professor Ron Johnston
- Dr Peter Knight CBE

2.10 Joan Jones was reappointed for a period of 1 year from 1 January 2009 until 31 December 2009. Professor Colin Mellors was reappointed for a period of 2 years from 1 April 2009 until 31 March 2011. Jane Earl and Professor Ron Johnston were appointed from 1 April 2008 to 31 March 2011. Dr Peter Knight CBE was appointed from 25 October 2007 to 24 October 2010.

2.11 The Commission agreed in 2008, until further notice that a year on year increase in the daily fee rate of Deputy Commissioners, should be in line with that of Commissioners. Once approved the increase is implemented from 1 April.

2.12 Deputy Commissioners receive a daily fee which is determined by the Commission under Schedule 1(6) of the Political Parties, Elections and Referendums Act 2000. Their remuneration is included in the figures for 'others' in note 6 to the accounts. They were paid a daily fee of £311 (2007–08: £303) for the period 1 April 2008 to 31 March 2009.

2.13 The fees and salary paid to Commissioners and Deputy Commissioners are set out in the table below.

2.14 The salary and fees paid from the Consolidated Fund to the Commissioners during 2008–09 were as follows:

Name	2008–09 *Salary or Fees £	2007–08 *Salary or Fees £000
Sam Younger (Chair)	117,671	148,898
Jenny Watson (Chair)	24,125	-
Max Caller CBE	52,824	23,640
Henrietta Campbell CB	24,888	13,638
John McCormick	23,315	4,143
Ian Kelsall OBE DL	18,812	1,381
Karamjit Singh CBE	14,834	19,429

* Audited

The fees received by Commissioners are non pensionable while the pension arrangements for the Chair are covered by the Superannuation Act 1972.

2.15 The fees paid by the Commission to the Deputy Commissioners during the year were as follows:

Name	2008–09 *Fees £	2007–08 * Fees £000
Robin Gray	26,277	12,471
Joan Jones CBE	31,038	16,527
Professor Ron Johnston	24,382	-
Professor Colin Mellors	21,844	10,313
Dr Peter Knight CBE	17,000	4,398
Jane Earl	18,172	-
Ann Kelly**	869	11,802

* Audited

** Term of office ended 31 March 2008

Senior management

2.16 Peter Wardle was appointed as Chief Executive by the Commissioners on 1 December 2004. The Speaker's Committee also designated him the Commission's Accounting Officer. The Chief Executive's contract of employment is for an indefinite period up to the normal civil service pension scheme retirement age. Under the current arrangements he may choose to retire and draw pension at any age between 60 (pension age) and 65 (retirement age). The termination of his employment will be a matter for the Commissioners.

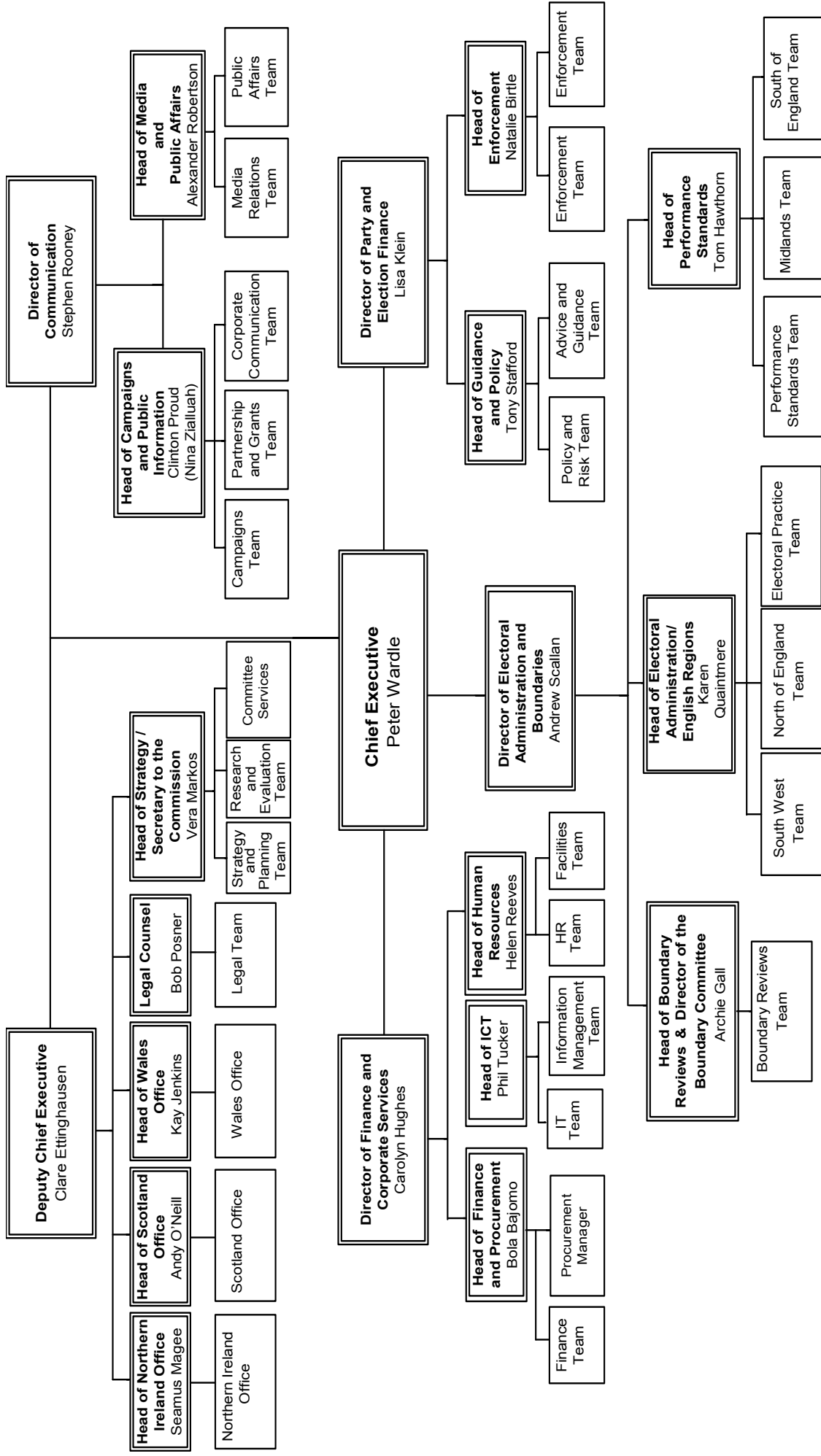
2.17 The Executive Team is the Chief Executive's forum for strategic decisions and is responsible, for advising Commissioners on aims and objectives, and for ensuring they are met

2.18 The Executive Team consists of:

- Chief Executive- Peter Wardle
- Deputy Chief Executive- Clare Ettinghausen
- Director of Party & Election Finance- Lisa Klein
- Director of Electoral Administration and Boundaries- Andrew Scallan
- Director of Communication- Stephen Rooney
- Director of Finance & Corporate Services - Carolyn Hughes

2.19 The structure is set out on the following page.

The Electoral Commission Organisation chart



2.20 The remuneration of the Commission's Chief Executive and the Executive Team is funded through the Commission's Supply Estimate and accounted for in the Commission's resource accounts.

2.21 Unless otherwise stated below, the people covered by this report hold appointments which are open-ended until they reach Commission retirement age of 65. Early termination, with qualifying service other than for misconduct, would normally result in the individual receiving compensation as set out in the Civil Service Compensation Scheme which may be accessed at www.civilservice-pensions.gov.uk.

2.22 Andrew Scallan who is Head of Statutory Services at Manchester City Council, is working on secondment to the Commission as Director, Electoral Administration & Boundaries. The secondment is currently due to end on 31 December 2011.

2.23 The remuneration of the Chief Executive and the Executive Team is agreed by the Remuneration Committee composed of all the Commissioners. In setting the remuneration the Remuneration Committee have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- the Commissioners' policies for improving the Commission, including the requirement to meet its output targets for the delivery of Commission's services
- the funds available to the Commission as set out by Parliament

2.24 This Committee takes account of wider economic considerations and the affordability of their recommendations.

2.25 Appointment to the Executive Team is on merit and follows open competition.

Senior managers' emoluments

2.26 The salary and pension entitlements of the Executive Team of the Commission were as follows:

Name	2008-09	2008-09	2007-08	2007-08
	*Salary	**Benefits in Kind	*Salary	**Benefits in Kind
	£	£	£	£
Peter Wardle Chief Executive	120,000	-	122,179	-
Nicole Smith Deputy Chief Executive- to 2 May 2008 (maternity leave from 7 May 2007 to 2 March 2008)	7,230 (96,410 full time equivalent)	-	60,516 (93,150 full year equivalent)	-
Clare Ettinghausen Deputy Chief Executive	93,996	-	88,064 (93,150 full year equivalent)	-
Carolyn Hughes Director of Finance and Corporate Services	91,054	-	73,257 (87,975 full year equivalent)	-
Stephen Rooney Director of Communication	91,054	-	84,896 (87,975 full year equivalent)	-
Andrew Scallan** Director of Electoral Administration and Boundaries	91,054	30,375	72,259	22,599
Lisa Klein Director Party and Election Finance	91,054	-	84,660 (87,975 full year equivalent)	-

* Audited

**Travel and accommodation costs in support of secondment arrangement. The Commission makes a payment to HM Revenue & Customs to cover the tax liability which arises on these payments.

2.27 Salary includes gross salary; bonuses; overtime and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Commission and thus recorded in these accounts.

.Name	*Accrued pension at age 60 as at 31 March 2009 and related lump sum	*Real increase in pension and related lump sum at age 60	*CETV at 31.3.09	**CETV at 31.3.08	*Real increase in CETV	*Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Peter Wardle Chief Executive	35-40: 110-115	0-2.5 5-7.5	593	528	25	–
Nicole Smith Deputy Chief Executive to 2 May 2008	15-20: 55-60	0-2.5 0-2.5	222	222	1	–
Clare Ettinghausen Deputy Chief Executive	0-5 N/A	0-2.5 N/A	12	N/A	9	2
Lisa Klein Director of Party and Election Finance	5-10 N/A	0-2.5: N/A	161	129	0	–
Stephen Rooney Director of Communications	5-10 N/A	0-2.5: N/A	57	38	13	–
Carolyn Hughes Director of Finance and Corporate Services	0-5 N/A	0-2.5: N/A	40	17	18	–
Andrew Scallan*** Director of Electoral Administration and Boundaries	–	–	–	–	–	–

* Audited

**The 'CETV at 31 March 2008' figure is different from last year's accounts due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Value) (Amendment) Regulations 2008.

*** Andrew Scallan, who is on secondment to the Commission, has pension provided by his employer Manchester City Council.

2.28 Peter Wardle and Nicole Smith's pension disclosures reflect their entitlement for the full period of their respective employment within the Commission together with service transferred from their previous employer, rather than reflecting entitlement since joining the Commission.

Pensions

2.29 Pension benefits for Commission staff are provided through the Civil Service pension arrangements.

2.30 From 30 July 2007, employees of the Commission have had a choice between an occupational pension scheme (“Nuvos”) that provides a pension based on pensionable earnings in each year of membership to the scheme and the Retail Price Index, or a “Partnership” pension which is a ‘money purchase’ stakeholder arrangement with a significant employer contribution.

2.31 New entrants to the Commission before 30 July 2007 but after 1 October 2002 had a choice between membership of “Premium” (a statutory based ‘final salary’ defined benefit scheme) or a “Partnership” pension.

2.32 Employees of the Commission prior to 1 October 2002 may be in one of three statutory based ‘final salary’ defined benefit schemes (“Classic”, “Premium”, and “Classic Plus”). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under “Classic”, “Premium” and “Classic Plus” are increased annually in line with changes in the Retail Prices Index.

2.33 Employee contributions are set at the rate of 1.5% of pensionable earnings for “Classic” and 3.5% for “Nuvos”, “Premium” and “Classic Plus”. Benefits in “Classic” accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pensionable pay is payable on retirement. For “Premium,” benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike “Classic”, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). “Classic Plus” is essentially a variation of “Premium”, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in “Classic”. Benefits for “Nuvos” mean employees earn 2.3% of their pensionable earnings towards their pension each year they are in the scheme. Similarly to “Premium” there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum).

2.34 The “Partnership” pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

2.35 The accrued pension quoted is the pension the member is entitled to receive when he or she reaches 60 for “Classic”, “Classic Plus” and “Premium” pension schemes and 65 for the “Nuvos” pension scheme; or immediately on

ceasing to be an active member of the scheme if that member is over 60 or 65 respectively.

2.36 Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash equivalent transfer values

2.37 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in his/her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his/her total membership of the pension scheme, not just the service in a senior capacity to which disclosure applies. The CETV figures, and from 2003–04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of purchasing additional years of pension service in the scheme at the member's cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in the Cash Equivalent Transfer Value (CETV)

2.38. This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Peter Wardle
Chief Executive and Accounting Officer
9 July 2009

3 Statement of Accounting Officer's responsibilities

3.1 Under the Political Parties, Elections and Referendums Act 2000, the Electoral Commission is required to prepare resource accounts for each financial year, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Commission during the year.

3.2 The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

3.3 In preparing the accounts, the Accounting Officer is required to comply with the *Government Financial Reporting Manual (FReM)* prepared by HM Treasury, and in particular to:

- observe 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 *FReM*, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

3.4 In accordance with paragraph 19(1) of Schedule 1 to the Political Parties, Elections and Referendums Act 2000, the Speaker's Committee of the Commission has designated the Chief Executive as Accounting Officer of the Electoral Commission, with responsibility for preparing the Commission's accounts and for transmitting them to the Comptroller and Auditor General.

3.5 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 Commission's assets, are set out in *Managing Public Money* published by HM Treasury.

4 Statement on internal control

Scope of responsibility

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

The purpose of the system of internal control

4.2 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 the Commission's policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically
- Update, clarify and review the Commission's objectives in response to key issues that arise during the year
- monitor the achievement of the Commission's objectives
- report regularly to the Commission's senior management and to the Electoral Commissioners as a body

4.3 The system of internal control has been in place in the Commission for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

4.4 The Commission has a risk management process and responsibility lies with the Executive Team for the identification, assessment and management of the risks in their respective areas of Commission activity. This is supported by managers who report directly to members of the Executive Team, and who are involved at all stages of the risk management process.

4.5 Managers received support from the Strategy and Planning Team who have overseen the operation of the risk management process throughout the Commission.

4.6 Risk has also been the subject of two internal audits; one full internal audit of risk management at the Commission and a second internal audit which

focussed on the Commission's risk maturity. Findings were positive and work is being done to address the recommendations made.

The risk and control framework

4.7 The risk management strategy is available to all staff on the Commission's intranet. It provides a definition of risk; raises awareness of the principles and benefits involved in the risk management process; and identifies the main reporting procedures. The Executive Team approved revised risk processes which were also discussed by the Audit Committee.

4.8 The Commission identified strategic, corporate and operational level risks. The strategic and corporate risks were reviewed by the Executive Team and the Audit Committee. Operational level risks were managed by the managers who report directly to members of the Executive Team, and were escalated as appropriate to the Executive Team.

4.9 Risks were identified and evaluated in the following ways:

- All key decisions have been supported by an analysis of risk, with recommendations on actions to mitigate risk. Additionally, the Commission Board and Executive Team received two-monthly reports on risk.
- All staff are encouraged to identify risks to the achievement of objectives in their area. Risks are also identified from a variety of sources: business unit plans, referrals from project boards and groups working on specific issues such as health & safety; structured discussions; training activities; and audits.
- Each identified risk, its likelihood and impact and the actions to mitigate it, is reviewed by a "risk owner" every other month in order to keep the risk register up to date.
- Comprehensive budgeting systems and financial reporting are agreed by senior management and indicate financial performance against budgets and forecasts; they are reviewed by senior management and reported to the Commission Board regularly.
- During the year a Capital Programme Board was constituted, chaired by the Director of Finance and Corporate Services. The Board co-ordinated the planning and delivery of the Commission's capital programme, which includes business critical projects. The Board met monthly and its remit included ensuring appropriate detailed plans were in place to deliver approved projects and monitor the achievement of milestones and the management of risk and resources for each project.

4.10 The most significant risks faced by the Commission continue to be those which might inhibit our ability to achieve our key objectives of effectively regulating party and election finance and successfully ensuring that elections and electoral registration are well run. The Commission Board and the Executive Team considered the key risks in setting the Commission's

objectives for the year and reviewed these periodically during the year. The Commission made good overall progress against these key objectives during the year.

4.11 Since the end of the financial year we have reviewed our strategic and corporate risks to ensure that they highlight risks to the updated Commission objectives as laid out in the 2009-10 Corporate Plan. We are also planning a full review of the risk management framework to ensure that it remains fit for purpose and supports the Commission's work in the appropriate way.

Review of effectiveness

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

4.13 The effectiveness of the system of internal control was maintained and reviewed through the following:

- The Commission Board met regularly to consider the strategic direction of the Commission.
- The Commission's objectives and activities were reviewed and where appropriate revised as part of the 2009–10 to 2013–14 corporate planning exercise.
- The Executive Team received monthly highlight reports on key projects and initiatives, and two-monthly reports on risks across the Commission.
- I reviewed financial and operational performance against plans with individual senior managers and members of the Executive Team on a monthly basis, and in addition the Executive Team met weekly and reviewed ongoing issues and risks as appropriate.
- The Audit Committee met six times during the year with the internal and external auditors in attendance. The Committee reviewed the approach to risk management and the statement on internal control for 2007–08. It approved a programme of audit and reviews for the year ended 31 March 2009 and monitored its achievement.
- Resource Forum meetings chaired by the Director of Finance and Corporate Services are held monthly with the heads of Finance, HR, ICT, Strategy and the Business Managers for the operational areas to review achievement to date and agree remedial action where appropriate.

- The heads of internal audit provided me with an opinion on the level of assurance available through the programme of internal audit carried out during the year. The first six months internal audit was provided by Sandwith internal audit, a substantial assurance was given upon the completion of internal audit programme of work which included two risk based audits, and a programme of follow up audits, and ad hoc / internal audit consultancy work, an assurance can be given that there is a generally sound system of internal control, designed to meet the Commission's objectives, and that controls are generally being applied consistently. The last six months was carried out by Bentley Jennison their opinion was " We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Electoral Commission's arrangements for governance, risk management and internal control. For the six months ended 31st March 2009, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of the Electoral Commission's arrangements for governance, risk management and control an adequate assurance can be given".
- Internal audit reports adhere to the standards defined in the Institute of Internal Auditors' Professional Practices Framework and Government Internal Audit Standards, and offered an independent opinion on the adequacy and effectiveness of the Commission's system of internal control. Final reports, which include recommendations for action to strengthen any control weaknesses, were addressed to the appropriate directors and the Audit Committee. Copies of the full and follow up internal audit reports are provided to the external auditors for information. Not all planned internal audit reviews were completed during the year, but I was able to satisfy myself in those areas not reviewed and which remained of significance during the year that controls were in place through other means, for example as a result of reviews conducted by newly-appointed directors and others, especially through discussions with and assurances from line managers.
- The extent to which recommendations from internal and external audit reports are accepted and implemented is monitored. During the course of the year, one internal audit reports out of seven reports submitted offered 'limited', rather than 'adequate assurance'; but I was satisfied that the control weaknesses identified in these reports were not sufficient to introduce significant risks to the Commission's activities, or material errors in the Commission's financial statements, and I have ensured that the recommendations made in these reports are being followed up as quickly as possible.
- The National Audit Office has also provided reports to management that inform my review of the system of internal control. These reports are also reviewed by the Audit Committee.

4.14 Financial assistance, in the form of grants, is paid to political parties to provide them with a policy development function in accordance with Section 12 of the Political Parties, Elections and Referendums Act 2000. In administering the scheme, the Commission requires each recipient party to certify, through its authorised party officers, that expenditure has been incurred for the purposes of policy development. In addition, Commission staff also carry out audits of the claims to ensure that grant monies have been spent for the purposes intended. Finally, each party is required to confirm through an external auditor's certificate that expenditure has been spent in accordance with the requirements of the grant. The Commission reserves the right to recover the grant, in whole or in part, to the extent that it is not used for eligible expenditure. I can confirm that the scheme has been administered in accordance with the requirements of the law.

4.15 The Commission continues to strengthen its controls, for example by:

- monitoring performance against detailed operational plans
- linking corporate objectives, operational targets, risks and mitigating actions
- maintaining a formal performance appraisal scheme

Information governance

4.16 Following a review of information security which was undertaken in autumn 2007 by internal audit, consultants were engaged to carry out a risk assessment of the Commission's information assets and a gap analysis of its ICT and Information Management procedures and measures against the ISO27001 standard for information security management. Over the past year, the Commission has also paid due attention to the data handling guidelines issued by the Cabinet Office.

4.17 .These two exercises have informed a work programme carried out over the past year which has included:

- The preparation of a full set of information management policies including a new information security policy
- The appointment of an Information Manager with specific responsibilities for information governance and data protection
- A mandatory programme of information security training for all Commission staff
- A full audit of information assets and the identification of those with responsibility for them
- Improvements to physical security including protection of laptops and PDAs against unauthorised access
- A major upgrade of the IT infrastructure to provide a more resilient and robust service which will better guarantee information integrity and availability

4.18 The 2008-09 Information governance annual review was presented to the July 2009 Audit Committee. This review covers achievement and activities in relation to information governance and how information risk was managed during 2008-09. In addition, a further internal audit review of information governance was carried out, and its key recommendations are being followed up.

Significant internal control problems

4.19 I can confirm that although some gaps in controls and assurances were identified and addressed during the year, most notably through the work of internal audit, these did not represent significant risks to the Commission's overall system in terms of internal control. Nevertheless, it is important that those gaps which have not already been dealt with are fully addressed as we move forward into 2009-10.

Peter Wardle
Chief Executive and Accounting Officer
9 July 2009

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

I certify that I have audited the financial statements of the Electoral Commission for the year ended 31 March 2009 under the Political Parties, Elections and Referendums Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Operating Costs by Aims and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and auditor

The Commission and the Accounting Officer are responsible for preparing the Foreword, Remuneration Report and financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 and HM Treasury directions made there under 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 and the part of the Remuneration Report to be audited 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 and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under Schedule 1(17) of the Political Parties, Elections and Referendums Act 2000. I report to you whether, in my opinion, the information which comprises the Management Commentary, 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 Commission 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 regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission'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 Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Resource Accounts and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword and the unaudited part of the Remuneration Report. 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited 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 and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Political Parties, Elections and Referendums Act 2000 and directions made there under by HM Treasury, of the state of the Electoral Commission's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Political Parties, Elections and Referendums Act 2000; and

- information which comprises the Management Commentary is consistent with the financial statements.

Opinion on regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

July 2009

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

Statement of Parliamentary Supply

Summary of resource outturn 2008–09

Request for resources	Estimate			Outturn			2008–09	2007–08
	Gross expenditure	A in A**	Net Total	Gross Expenditure	A in A	Net Total	£000 Net Total outturn	£000 Outturn
							compared with estimate: savings/(excess)	Net Total
Request for Resources 1*	25,203	18	25,185	22,503	13	22,490	2,695	22,334
Total Resources	25,203	18	25,185	22,503	13	22,490	2,695	22,334
Non-operating cost A in A	-	-	-	-	-	-	-	-

* Amounts required for the year ending 31 March 2009 for expenditure by the Electoral Commission on planning for and carrying out the functions and duties imposed on it by, or by virtue of, the Political Parties, Elections and Referendums Act 2000 and other relevant enactments, including any Act resulting from the Electoral Administration Bill: these functions and duties include the registration of political parties, recognised third parties and permitted participants; regulation and reporting of the income and expenditure of political parties, candidates, third parties and permitted participants; making grants to eligible parties for policy development; reviewing and advising on the administration and law of elections and encouraging best practice; providing guidance, and reporting, on the conduct of elections and referendums; conducting certain referendums; promoting participation in and increased understanding of the democratic process; undertaking boundary, structural and other reviews of local authority areas in England; and associated administration and non-cash items.

** Appropriations in aid

Net cash requirement 2008–09

	Note	£000 Estimate	£000 Outturn	2008–09 £000 Net total outturn compared with estimate: saving/(excess)	2007–08 £000 Outturn
Net cash requirement	2	25,608	23,382	2,226	21,554

Summary of income payable to the Consolidated Fund

(In addition to Appropriations in aid, the following income relates to the Commission and is payable to the Consolidated Fund (cash receipts being shown in italics))

	Note	Forecast 2008–09		Outturn 2008–09	
		£000	£000	£000	£000
Operating income and receipts— excess A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	3	100	<i>100</i>	19	<i>19</i>
Total		100	<i>100</i>	19	<i>19</i>

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary

Operating cost statement

For the year ended 31
March 2009

2008–09 2007–08

	Note	£000 Staff Costs	£000 Other Costs	£000 Income	£000 Totals	£000 Totals
Administration costs						
Staff costs	6	8,683	-	-	8,683	7,716
Other administration costs	7	-	10,526	-	10,526	11,837
Operating income	3,9	-	-	(32)	(32)	(16)
Net administration costs		8,683	10,526	(32)	19,177	19,537
Programme costs						
Request for resources 1						
Other expenditure	8	-	3,294	-	3,294	2,797
Net programme costs		-	3,294	-	3,294	2,797
Totals		8,683	13,820	(32)	22,471	22,334
Net operating cost					22,471	22,334

All income and expenditure is derived from continuing operations.

Statement of recognised gains and losses for the year ended 31 March 2009

	Note	2008–09 £000	2007–08 £000
Net gain/(loss) on revaluation of tangible fixed assets	19	17	25
Recognised gains for the financial year		17	25

Balance sheet as at 31 March 2009

	Note	£000	2008–09 £000	2007–08 £000
Fixed assets				
Tangible assets	11		1,692	1,233
Intangible assets	12		22	7
			<u>1,714</u>	<u>1,240</u>
Current assets				
Debtors	14	128		287
Cash at bank and in hand	15	921		147
		<u>1,049</u>		<u>434</u>
Creditors: amounts falling due within one year	16	(3,772)		(3,508)
			<u>(2,723)</u>	<u>(3,074)</u>
Net current liabilities			<u>(2,723)</u>	<u>(3,074)</u>
Total assets less current liabilities			(1,009)	(1,834)
Provisions for liabilities and charges	17		(410)	(488)
			<u>(1,419)</u>	<u>(2,322)</u>
Taxpayers' equity				
General fund	18		(1,526)	(2,412)
Revaluation reserve	19		107	90
			<u>(1,419)</u>	<u>(2,322)</u>

Peter Wardle **(Accounting Officer)**
9 July 2009

Cash flow statement for the year ended 31 March 2009

		2008–09	2007–08
	Note	£000	£000
Net cash (out flow) from operating activities	20(a)	(22,358)	(21,204)
Capital expenditure and financial investment	20(b)	(1,005)	(350)
Payments of amounts due to the consolidated Fund	3	(19)	-
Financing	20(d)	24,156	21,689
Increase in cash in the period	15	<u>774</u>	<u>135</u>

Statement of Net Operating Costs by aims and objectives for the year ended 31 March 2009

To promote	Note	2008–09		2007–08		
		Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000
Objective 1						
Integrity and transparency of party and election finance		5,105	(32)	5,073	5,144	(16) 5,128
Objective 2						
Complete and accurate electoral registers supported by a well-run electoral registration process		6,683	-	6,683	6,461	- 6,461
Objective 3						
Well-run elections and referendums which produce results that are accepted		3,231	-	3,231	3,653	- 3,653
Objective 4						
Public understanding of the way our democracy works		3,587	-	3,587	4,118	- 4,118
Objective 5						
Fair boundary arrangements for elections		3,897	-	3,897	2,974	- 2,974
Net operating costs	21	22,503	(32)	22,471	22,350	(16) 22,334

Costs that are directly attributable have been allocated to individual objectives while indirect costs have been allocated on the basis of time apportionment.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2008–09 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow United Kingdom generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition, to the primary statements prepared under UK GAAP, the *FReM* also requires the Commission to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Aim and Objectives and supporting notes analyse the Commission's income and expenditure by the objectives agreed with the Speaker's Committee.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over £1,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Tangible fixed assets are restated to current value each year by using indices published by the Office for National Statistics appropriate to each category of asset.

1.3 Intangible Fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the term of the shorter of the term of the licence and the useful economic life. Website developments costs are capitalised.

The Indexation value used as published by the Office for National Statistics for Software Licences and IT Hardware on base year of 2000=100.

1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Asset lives are normally in the following ranges:

- intangible fixed assets 3 years
- IT software 3 years
- IT hardware 3 years
- fixtures and fittings, furniture and other equipment 1 -10 years
- leasehold improvements 5 years

1.5 Stocks

The full cost of stock purchases is charged in the year of purchase and is not material to the Account.

1.6 Operating income

Operating income relates directly to the operating activities of the Commission. It principally comprises income from registration and re-registration of political parties. It includes not only income appropriated in aid of the Estimate but also income payable to the Consolidated Fund due to fines or penalties paid by political parties which, in accordance with the *FReM*, is treated as operating income.

1.7 Administration and programme expenditure

The Electoral Commission is outside HM Treasury's administration costs control regime. In order to enable the Commission to produce the resource accounts with sufficient detail to provide a true and fair view of the state of affairs, the requirements of the *FReM* have been adapted. For reporting purposes, the same level of detail has been provided in the accounts as a whole, as would be necessary for a government department to provide for expenditure governed by the administrative costs control regime.

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Commission. These include both the administrative costs and the associated operating income. Income is analysed in the notes between that allowed to be offset against gross administrative costs in determining outturn and operating income which is not so allowed to be offset. Programme costs reflect non-administration costs being the payments of grants by the Commission.

1.8 Capital charge (notional costs)

A charge, reflecting the cost of capital employed by the Commission, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5 per cent in real terms on the average carrying amount of all assets less liabilities except for:

- tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost
 - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
 - depreciation of tangible and amortisation of intangible fixed assets
- cash balances with the Office of Paymaster General (OPG) which are treated as a Consolidated Fund creditor, where the charge is nil.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in note 6. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Commission recognises the expected cost of those elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the Schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Schemes. In respect of the defined contribution elements of the schemes, the Commission recognises the contributions payable for the year.

Pensions payable by the Commission are accounted for in the period they fall due.

Please refer to note 1.12 for the accounting treatment of the pension for ex-employees of the Local Government Commission for England due to the transfer of its functions and the incorporation of its assets and liabilities on 1 April 2002.

1.10 Operating leases

Rentals payable under operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease.

1.11 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs and are recognised in the account once the claim is accepted as valid.

1.12 Provisions for liabilities and charges

The Commission provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Following the transfer of the functions of the Local Government Commission for England and the incorporation of its assets and liabilities on 1 April 2002, a provision has been established to meet its obligations with respect to pension payments to certain former Commissioners of that entity.

1.13 Value Added Tax (VAT)

VAT is charged to the relevant expenditure category, or if appropriate capitalised with additions to fixed assets. Income and expenditure is reported inclusive of VAT, as the Commission is outside the scope of VAT.

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Commission discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with *Managing Public Money* published by HM Treasury.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Those contingent liabilities not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.15 Going concern

The Electoral Commission is a statutory body established under the Political Parties, Elections and Referendums Act 2000. In the opinion of the Commission as long as the provisions of the Act apply it is appropriate to prepare the Commission's accounts on the going concern basis.

2. Reconciliation of resources to cash requirement

		Estimate	Outturn	2008–09 Net total outturn compared with Estimate saving/ (excess)	2007–08 Prior–year outturn
	Note	£000	£000	£000	£000
Net Resource Outturn Capital:		25,185	22,490	2,695	22,334
Acquisition of fixed assets		1,173	1,106	67	350
Accruals adjustments:					
Non–cash items	7	(600)	(819)	219	(648)
Changes in working capital other than cash	13	(250)	251	(501)	(596)
Use of provision	17	100	354	(254)	114
Net cash requirement (note 20)		25,608	23,382	2,226	21,554

Explanation of the variation between Estimate and Outturn (net total resources and net cash requirement)

In February 2009 the Commission put a request to the Speaker’s Committee for a Supplementary Estimate, and laid in Parliament a proposal to implement a ‘carry forward’ of £498k for capital funding. This represented unused funds as part of the multi-year settlement in 2007-08. It was the first time the Commission had used the End Year Flexibility (EYF) arrangements agreed in 2005-06 (Scrutiny Unit). It was agreed that as part of the multi-year settlement, the Commission could in the future take advantage of any unused funds under EYF, in respect of both resource and capital categories of expenditure.

We identified savings within each year’s budget in order to carry over funds into future years to ensure that we have adequate finances to meet the challenge of a UK Parliamentary general election. As a result of this, the Commission reviewed its planned use of resources and identified £1m to carry-forward under EYF.

A more detailed explanation is found in the Management Commentary.

3. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Commission and is payable to the Consolidated Fund:

	Note	Income £000	Forecast 2008–09 Receipts £000	Income £000	Outturn 2008–09 Receipts £000
Operating income and receipts– excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	-	-
<hr/>					
Non–operating income and receipts not classified as A in A	4	-	-	-	-
Other non–operating income and receipts not classified as A in A	5	-	-	-	-
Other amounts collected on behalf of the Consolidated Fund		100	100	19	19
Excess cash surrenderable to the Consolidated Fund	2	-	-	-	-
Total		<hr/> 100	<hr/> 100	<hr/> 19	<hr/> 19

4. Non–operating income – Excess A in A

	2008–09 £000	2007–08 £000
Proceeds on disposal of fixed assets	-	-
Other	-	-
Non–operating income – excess A in A	-	-

5. Non–operating income not classified as A in A

The Commission during the year did not receive any non-operating income not classed as A in A such as interest on a commercial bank account (2007–08: £ Nil), which is not regarded as income for the Commission and is surrendered to the Consolidated Fund.

6. Staff numbers and related costs

6.1 Staff costs comprise:

	2008–09			2007–08
	Total	Permanently employed staff	Others*	Total
	£000	£000	£000	£000
Wages and salaries	7,104	5,927	1,177	6,446
Social security costs	493	493	-	415
Other pension costs	1,144	1,144	-	1,047
Sub total	8,741	7,564	1,177	7,908
Less recoveries in respect of outward secondments	(58)	(58)	-	(192)
Total net costs	8,683	7,506	1,177	7,716

* Others include Deputy Commissioners, seconded and agency staff.

The names and remuneration of Commissioners and those of Deputy Commissioners are disclosed in the remuneration report. Their remuneration in respect of the Boundary Committee is included in the figure for 'others'.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007; details may be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008–09, employers' contributions of £1,123,667 were payable to the PCSPS (2007–08: £1,041,953) at one of four rates in the range 17.1 to 25.5% per cent (2007–08: 17.1 and 25.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a **Partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1,686 (2007–08: £5,208) were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £423 being 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **Partnership** pension providers at the balance sheet date were £113. Contributions prepaid at that date were nil.

No pension contributions were paid by the Commission in respect of Commissioners during the period. The Commission is, however, required to pay pensions to certain former Commissioners of the Local Government Commission for England (LGCE). The total provision for these costs was £183k at 31 March 2009 (£154k at 31 March 2008) – see note 17.

Pension costs for ‘Others’ relate to seconded staff from government departments.

6.2 Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

Objective	Permanent staff	*Others	2008-09 Total	2007-08 Total
Integrity and transparency of party and election finance	37	11	48	37
Complete and accurate electoral registers supported by a well-run electoral registration process	33	4	37	31
Well-run elections and referendums which produce results that are accepted	33	4	37	31
Public understanding of the way our democracy works **	18	3	21	18
Fair boundary arrangements for elections**	35	4	39	31
Total	156	26	182	148

* Others include seconded and agency staff.

6.3 Staff Costs by Objective

The total staff costs including seconded and agency staff apportioned by objectives, employed during the year was as follows:

To promote	£'000
Objective 1	
Integrity and transparency of party and election finance	2,025
Objective 2	
Complete and accurate electoral registers supported by a well-run electoral registration process	1,854
Objective 3	
Well-run elections and referendums which produce results that are accepted	1,854
Objective 4	
Public understanding of the way our democracy works	1,093
Objective 5	
Fair boundary arrangements for elections	1,857
	<hr/> 8,683 <hr/>

7. Other administration costs

	Note	2008–09 £000	2007–08 £000
Rentals under operating leases:			
Property rent		1,041	1,037
Equipment		9	32
Other items:			
Staff training and development		522	518
Section 13 expenditure (Administration only)*		3,668	4,972
Consultancy**		1,098	1,315
Travel and subsistence		335	343
Travel and subsistence – Commissioners & Deputy Commissioners		89	71
Accommodation, maintenance		563	534
Design, production and printing		622	727
Publicity and publications		284	362
Conference/Public Meeting		191	271
Mapping costs		223	146
IT/Telephone		534	451
Other expenditure		528	410
		9,707	11,189
Non-cash items:			
Depreciation		436	382
Amortisation		15	7
Permanent diminution of tangible and intangible fixed assets		176	47
Cost of capital charge	18	(65)	(70)
Auditors' remuneration and expenses***	18	56	51
Provision provided for in year	17	201	218
Write off of assets		-	13
Note 20(a)		819	648
Total		10,526	11,837

*Section 13 of the Political Parties, Elections and Referendums Act 2000 requires the Commission to promote public awareness of current electoral systems in the UK and any pending such systems, together with such matters connected with any such existing or pending systems as the Commission may determine; current systems of local and national government in the UK and any pending such systems; and the institutions of the European Union. Section 13 expenditure is limited by Statutory Instrument: The Electoral Commission (Limit on Public Awareness Expenditure) Order 2002 to £7.5m for the 2008–09 financial year (2007–08: £7.5m). In addition to the Section 13 administration resources expended above, an amount of £1,337,000 (2007-08: £803,000) was expended by way of grants to bodies in furtherance of voter education and is included in programme costs (See note 8). Total Section 13 resources for the year amounted to £5,005,000 (2007–08: £5,775,000) and are wholly involved with public awareness as set out in the Order.

**The Consultancy costs are made up of mainly the costs for financial advice on the Structural reviews for the Boundary Committee, legal advice fees and PR Agency retainer fees.

****The auditors were remunerated for audit and IFRS related work.

8. Programme costs

	2008–09	2007–08
	£000	£000
Policy development grants	1,957	1,994
New Initiatives Fund/Partnership grants	1,337	803
Total	3,294	2,797

Section 12 of the Political Parties, Elections and Referendums Act 2000 (PPERA) provides for the Electoral Commission to administer a scheme to make payments of policy development grants to registered political parties.

A scheme was proposed by the Commission, and on 7 February 2002, the then Secretary of State for Transport, Local Government and the Regions laid before Parliament the Elections (Policy Development Grants Scheme) Order 2002. The Order came into force on 5 March 2002.

The scheme allows the Commission to allocate up to £2,000,000 each year to registered political parties to assist with the costs of developing policies to be included in manifestos for local government, National Assembly for Wales, Northern Ireland Assembly, or Scottish, Westminster or European Parliamentary elections. To be eligible for inclusion in the scheme, a registered political party must have at least two MPs sitting in the House of Commons on 7 March prior to the year in question, who have sworn the oath of allegiance provided by the Parliamentary Oaths Act 1866.

The annual allocation of £2,000,000 is divided between the eligible parties according to the allocation formula set out in the Scheme.

Section 13 of PERA authorises the Commission to award grants towards education about electoral and democratic systems. The Commission's initial scheme titled New Initiative Fund came to an end and it launched a Partnership grant scheme as a way to involve more people in democracy. Grants are awarded to organisations working with people who do not currently participate in democracy.

9. Income

During the year the Commission received the following income:

	2008-09	2007-08
	£000	£000
	A in A	A in A
Administration income	(13)	(16)
Total	(13)	(16)

10. Administration cost limits

The Commission is outside the Treasury's administrative cost control regime.

11. Tangible fixed assets

	Leasehold Office improvements	Office equipment	IT software	IT hardware	Fixtures and fittings	Assets in the course of construction	Total of
	£000	£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 2008	1,759	32	104	620	292	443	3,250
Additions	14	15	344	212	28	449	1,062
Disposals	-	(1)	-	(9)	(5)	-	(15)
Reclassification	-	-	281	-	-	(295)	(14)
Revaluations	116	1	(60)	(61)	10	(45)	(40)
At 31 March 2009	1,889	47	669	762	324	552	4,243
Depreciation							
At 1 April 2008	1,292	24	65	421	215	-	2,017
Charged in the year	176	13	112	106	41	-	448
(Disposals)	-	(1)	-	(9)	(5)	-	(15)
Reclassification	-	-	(5)	-	-	-	(5)
Revaluations	97	1	-	-	8	-	106
At 31 March 2009	1,565	37	172	518	259	0	2,551
Net book value at 31 March 2009	324	10	497	244	65	552	1,692
Net book value at 31 March 2008*	467	8	39	199	77	443	1,233

Tangible Fixed Assets are valued using indices published by the Office for National Statistics on base year of 2000=100.

12. Intangible fixed assets

The Commission's intangible fixed assets comprise purchased software licences.

	Software Licences £000
Cost/Valuation	
At 1 April 2008	140
Additions	44
(Disposals)	-
Reclassification	14
Revaluation	(23)
At 31 March 2009	<u>175</u>
Amortisation	
At 1 April 2008	133
Charged in the year	15
Disposals	-
Reclassification	5
Revaluation	-
At 31 March 2009	<u>153</u>
Net book value as at 31 March 2009	<u>22</u>
Net book value as at 31 March 2008	<u>7</u>

Intangible Fixed Assets are valued using indices published by the Office for National Statistics on base year of 2000=100.

13. Movements in working capital other than cash

	Note	2008–09 £000	2007–08 £000
(Increase)/Decrease in debtors	14	159	(7)
Increase/(Decrease) in creditors	16	(511)	(736)
Capital creditors movement		101	-
Consolidated Fund Creditor		-	147
Net movement in working capital		<u>(251)</u>	<u>(596)</u>
Reconciliation to change in working capital other than cash as used in Note 2: Decrease/(Increase) in debtors relating to Appropriations in Aid		-	-
Net movement in working capital		<u>(251)</u>	<u>(596)</u>

14. Debtors

14(a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Trade debtors	19	32
Deposits and Advances	17	81
Prepayments	92	174
Total	128	287

In 2008-09 there is £ nil (2007-08: £nil) included in other debtors that will be payable to the Consolidated Fund once the debts are collected.

14(b) Intra-Government Balances

	2008-09 £000	2007-08 £000
Balances with other central government bodies	-	54
<i>Subtotal: intra-government balances</i>	-	54
Balances with bodies external to government	128	233
Total debtors at 31 March	128	287

15. Cash at bank and in hand

	2008-09 £000	2007-08 £000
Balance at 1 April 2008	147	12
Net change in cash balances	774	135
Balance at 31 March	921	147
The following balances at 31 March are held at:		
Office of HM Paymaster General	921	147
Commercial banks	-	-
Balance at 31 March	921	147
Shown as		
Balance 31 March 2008	147	12
Balance 31 March 2009	921	147
Net increase in cash	774	135

16. Creditors

16(a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Other taxation and social security	275	-
Trade creditors	684	1,637
Other creditors	2	270
Accruals	1,889	1,454
	<u>2,850</u>	<u>3,361</u>
Consolidated fund extra receipts received due to the Consolidated Fund	1	-
Consolidated fund extra receipts receivable due to the Consolidated Fund	-	-
Amounts from the Consolidated Fund for supply but not spent at year end	921	147
Total	<u>3,772</u>	<u>3,508</u>

16(b) Intra-Government Balances

	2008-09 £000	2007-08 £000
Balances with other central government bodies	1,225	307
Balance with public corporations and trading funds	-	-
Subtotal: intra-government balances	<u>1,225</u>	<u>307</u>
Balances with bodies external to government	2,547	3,201
Total creditors at 31 March	<u>3,772</u>	<u>3,508</u>

17. Provisions for liabilities and charges

	Total Pension £000	£000	Other £000
Balance 1 April 2008	488	154	334
Provided in the year	201	41	160
Reclassification from accruals in year	75	-	75
Use of provision	(354)	(12)	(342)
Balance at 31 March 2009	<u>410</u>	<u>183</u>	<u>227</u>

17a. Pension Liability Statement

The Government Actuary's Department prepared a valuation on 31 March 2009.

The Commission provides for the pension liability for certain former Commissioners of the Local Government Commission for England, following the transfer of functions to the Commission.

Pension	£000
Provision at 1 April 2008	154
Interest Cost	8
Actuarial Loss	33
Less benefits paid	<u>(12)</u>
Present Value of scheme at end of year	<u>183</u>

The pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the employer.

There is no fund, and therefore no surplus or deficit. Actuarial advice was sought to ensure that the provision is set at a realistic level.

An actuarial valuation was carried out by the Government's Actuary Department (GAD) to provide a value of the liability as at 31 March 2009. A valuation is carried out every 3 years.

The assumptions used by the actuary were:

- the inflation assumptions 2.75%
- the rate of increase in salaries 4.29%
- the rate of increase for pensions in payment and deferred pensions 2.75%
- the rate used to discount scheme liabilities 6.04%

17b. Other

Other provisions include future pension liability due for a member of staff made redundant during the year as well as taxation liabilities.

18. General fund

The General fund represents the total assets less liabilities of the Commission, to the extent that the total is not represented by other reserves and financing items.

	2008–09	2007–08
	£000	£000
Balance at 1 April	(2,412)	(1,611)
Net parliamentary funding:		
Draw down	24,156	21,689
Deemed	147	10
Year end adjustment:		
Supply creditor- current year	(921)	(147)
Net transfer from operating activities		
Net operating cost	(22,471)	(22,334)
CFERs paid over to Consolidated Fund	(18)	-
CFERs repayable to Consolidated Fund	(1)	-
Non Cash Charges:		
Cost of capital	(65)	(70)
Auditors' remuneration	56	51
Transfer from revaluation reserve	3	-
Balance at 31 March	(1,526)	(2,412)

19. Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2008–09	2007–08
	£000	£000
Balance at 1 April	90	65
Arising on revaluation during the year (net)	20	25
Transferred to general fund in respect of realized element	(3)	-
Balance at 31 March	107	90

20. Notes to the Consolidated Cash Flow Statement

Note 20(a) Reconciliation of operating cost to operating cash flows	Note	2008–09	2007–08
		£000	£000
Net operating cost (operating cost statement)		(22,471)	22,334
Adjust for non-cash transactions	7	819	(648)
(Increase)/Decrease in debtors	13	159	(7)
less: movements in debtors relating to items not passing through the OCS		-	-
Increase/(Decrease) in creditors	13	(511)	(736)
less: movements in creditors relating to items not passing through the OCS		-	-
Consolidated fund creditor		-	147
Use of provisions	17	(354)	114
Net cash outflow from operating activities		(22,358)	21,204
Note 20(b) Analysis of capital expenditure			
Tangible fixed asset additions	11	(961)	350
Intangible fixed asset additions	12	(44)	0
Net Cash Outflow from investing activities		(1,005)	350
Note 20(c) Analysis of capital expenditure and financial investment by request for resources			
Capital expenditure		1,106	-
Note 20(d) Analysis of financing and reconciliation to the net cash requirement			
From Consolidated Fund (Supply): Current year	18	24,156	21,689
Net Financing		24,156	21,689
(Increase)/Decrease in cash	15	(774)	(135)
Net cash flows other than financing		23,382	21,554
Note 20(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash			
Net cash requirement	2	(23,382)	21,554
From the Consolidated Fund (Supply) – current year	18	24,156	21,689
Amount due to the Consolidated Fund- received in prior year and paid over		-	-
Amount due to the Consolidated Fund- received and not paid over	16	1	-
Increase/(decrease) in cash	15	774	135

21. Notes to statement of Net Operating Costs by aims and objectives

The Commission's capital is employed exclusively for administration purposes. Its distribution among objectives is therefore not markedly different from the proportion of related gross administration cost as per Statement of Net Operating Costs by aims and objectives for the year ended 31 March 2009.

22. Capital commitments

Contracted capital commitments at 31 March 2009 for which no provision has been made is NIL, however as per Capital Board authorized commitments:

	2008-09	2007-08
	£000	£000
Contracted	nil	nil
Authorised	713.5	315

23. Commitments under leases

Operating leases

Annual commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2008-09		2007-08	
	£000	£000	£000	£000
Obligations under operating leases comprise	Land and buildings	Other	Land and buildings	Other
Expiry within 1 year	41	81	93	6
Expiry after 1 year but not more than 5 years	938	-	898	11
Expiry thereafter	41	-	35	-
Total	1,020	81	1,026	17

24. Other financial commitments

The Commission has not entered into any non-cancellable contracts (which are not leases or PFI contracts). The payment to which the Commission is committed during 2009-10 is NIL.

25. Financial instruments

FRS25, 26 and 29 enhance the requirements (previously covered by FRS 13, Derivatives and Other Financial Instruments) to disclose the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

FRS 29, *Disclosures* require entities to provide disclosures in their financial statements that enable users to evaluate:

- (a) The significance of financial instruments for the entity's financial position and performance; and
- (b) The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entities manage those risks.

Because of the largely non-trading nature of its activities and the way in which it is financed, the Electoral Commission is not exposed to the degree of financial risk faced by business entities. The Electoral Commission has no powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking its activities.

Liquidity risk

The Electoral Commission's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. Consequently, the Electoral Commission is not exposed to significant liquidity risks.

Foreign currency risk

The Electoral Commission's exposure to foreign currency risk is not significant.

26. Contingent liabilities disclosed under FRS12

The Commission's contingent liabilities, for which the timing of cash flows for 2009-10 is not certain, are set out below:

	2008-09	2007-08
	£000	£000
26.1 Litigation costs. Forest Heath and Suffolk Coastal District Councils and St Edmundsbury Borough Councils have received permission to proceed on litigation against the Commission, relating to structural reviews. This includes the legal cost of the Electoral Commission and the possibility that the Commission is required to pay the claimants cost.	Up to 155	-
26.2 Litigation costs. Civil proceedings issued by the Commission against a political party for forfeiture of impermissible donations, case heard end July 2009	Up to 50	30

27. Contingent liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability

The Commission did not have any contingent liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability at 31 March 2009 £nil (31 March 2008: £nil).

28. Losses and special payments

There were no losses and special payments made during the year NIL (2007–08: £nil).

29. Related party transactions

The Electoral Commission is a body independent of government, non-partisan and directly accountable to Parliament. Other than remuneration as disclosed in the accounts, none of the Commissioners, Deputy Commissioners, key managerial staff or other persons connected with them has undertaken any material transactions with the Commission during the year.

30. Post balance sheet event

There were no significant post balance sheet events.

The Commission's financial statements are laid before the Houses of Parliament by the Commission on behalf of the Comptroller and Auditor General.

In accordance with the requirements of Financial Reporting Standard 21, post balance sheet events are considered up to date on the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The Electoral Commission

Accounts Direction given by the Treasury in accordance with paragraph 17(2) of Schedule 1 to The Political Parties, Elections and Referendums Act 2000

1. The Electoral Commission shall prepare accounts for the financial year ended 31 March 2006 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for the financial year for which the accounts are being prepared.

2. The accounts shall be prepared so as to:

- give a true and fair view of the state of affairs of the Electoral Commission at 31 March 2006 and subsequent financial year ends, and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

4. This direction supersedes that dated 25 February 2002.

Ian Carruthers
Director, Government Reporting, HM Treasury
27 February 2006

Contact details

We are an independent body set up by the UK Parliament. Our aim is integrity and public confidence in the democratic process. We regulate party and election finance and set standards for well-run elections. For more information see: www.electoralcommission.org.uk

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