



# Accounting for elections

The National Assembly for Wales  
elections 2007

March 2008

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# 1 Introduction

## About the Electoral Commission

1.1 The Electoral Commission is an independent body set up by the UK Parliament under the Political Parties, Elections and Referendums Act 2000 (PPERA). Our aim is integrity and public confidence in the UK's democratic process. We regulate party and election finance and set standards for well-run elections. Our corporate plan sets our strategic direction over the next five years from April 2007. The aims and objectives of the plan are underpinned by two key priorities – demonstrating and enhancing our effectiveness as the regulator of party and election finance and leading the drive for increasingly high standards of electoral administration, including electoral registration. Our objectives for the period 2007-08 to 2011-12 are:

- integrity and transparency of party and election finance
- complete and accurate electoral registers supported by a well-run electoral registration process
- well-run elections and referendums which produce results that are accepted
- public understanding of the way our democracy works
- fair boundary arrangements for elections

1.2 We produce independent, statutory reports on the administration of all major elections in the UK. We also review and comment on draft legislation and identify where changes in the law will help secure improvements in the delivery of quality electoral administration.

## About this report

1.3 This report identifies and comments on key issues concerning the financial accounting arrangements for the National Assembly for Wales elections. We were asked by the Welsh Assembly Government, in March 2007, to report on the handling of Assembly election finances, with particular regard to the accounting arrangements operated by Returning Officers and the legislative framework currently governing funding arrangements. This report has been produced to meet that request.

1.4 In July 2007 we published a statutory report on the administration of the Assembly elections, held on 3 May 2007.<sup>1</sup> That report focused primarily on the administration of the elections and identified key issues that emerged in the course of the elections, excluding issues concerning election finances.

1.5 Details of campaign expenditure incurred by election candidates and political parties contesting the Assembly elections are not within the scope of this report. Information about election campaign expenditure was made

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<sup>1</sup> The Electoral Commission, *The National Assembly for Wales elections 2007* (2007).

publicly available during 2007, after the relevant deadlines for the statutory returns by candidates and parties.<sup>2</sup>

## Role of the Wales Audit Office

1.6 We have received expert assistance from the Wales Audit Office in this review. The Wales Audit Office provided expert advice and undertook field work with all 22 local authorities in Wales, during October and November 2007. The Welsh Assembly Government met the additional costs of engaging the services of the Wales Audit Office.

1.7 This report presents within it the findings of the Wales Audit Office, in full. The suggestions and recommendations resulting from those findings are those of the Wales Audit Office and not of the Commission.

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<sup>2</sup> Reports of campaign expenditure by candidates and political parties contesting the National Assembly for Wales elections 2007 are available at [www.electoralcommission.org.uk](http://www.electoralcommission.org.uk)

## 2 Context

### Sources of funding for elections

2.1 The overall costs of administering elections to the National Assembly for Wales are met by the Welsh Assembly Government. Locally, Returning Officers for Assembly constituencies are responsible for the conduct of the elections and their costs and expenses are recompensed by the Welsh Assembly Government.

2.2 Sources of funding for other elections in the UK vary according to the type of election. Returning Officers' costs for running UK Parliamentary general elections are distributed by the Ministry of Justice in England and Wales and by the Scotland Office and the Northern Ireland Office. Returning Officers' costs for European Parliamentary elections are met by the same sources.

2.3 Costs of elections to the Scottish Parliament are met by the Scotland Office and costs of elections to the Northern Ireland Assembly by the Northern Ireland Office. Funding of elections to the devolved institutions in Scotland and Northern Ireland contrasts with that of Wales to the extent that the Secretary of State for Wales has devolved the responsibility for payment of Returning Officers' costs to the Welsh Assembly Government, since the first set of Assembly elections in 1999.<sup>3</sup> In practice, this means that the Welsh Assembly Government is uniquely placed to gain an overview of the funding of its elections.

2.4 To complete the picture, costs of local council elections are met directly by local authorities from their own budgets. A Returning Officer may claim expenses from the council for which the election is being held. Expenses must not exceed a pre-arranged scale which may be fixed in advance by the council concerned. Costs of community council elections (parish councils in England) are also borne by local authorities, although many 'charge' community councils for running their elections.

### Returning Officers' election costs

2.5 Returning Officers at Assembly constituency and regional elections, in common with Returning Officers in the rest of Great Britain, are senior local authority officials, usually the Chief Executive or the local authority Director of Legal Services, or similar.<sup>4</sup> However, a Returning Officer's legal and financial responsibilities for the conduct of the election are personal and not corporate. This principle, common to all major elections in Great Britain, is intended to preserve the constitutional independence of the Returning Officer from local political influence and has centuries-old origins. At the same time, electoral services management and administration are provided by local authority staff.

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<sup>3</sup> Section 23, National Assembly for Wales (Representation of the People) Order 2007.

<sup>4</sup> In Northern Ireland, the Returning Officer for all elections is the Chief Electoral Officer Northern Ireland, a full-time position.

Each council is required to place the services of its officers at the disposal of the relevant Returning Officer.<sup>5</sup> Returning Officers may also appoint one or more deputies to discharge any or all of their functions.<sup>6</sup>

2.6 The management of the local electoral register, which is used to generate the list of postal voters and in-person voters for Assembly elections, is the responsibility of the Electoral Registration Officer, appointed and funded by the local authority. The Returning Officer is often also the Electoral Registration Officer. The same local authority staff normally administer electoral registration and elections, with additional support at election times.

2.7 Whilst there is a separation of functions between the Returning Officer and the local authority for election purposes, the functions are closely interwoven in practice and separating a Returning Officer's costs for running an election from a local authority's electoral services function is not a straightforward matter.

2.8 A further complication is that Returning Officers may claim the costs of election equipment, such as polling booths, furniture for equipping polling stations, and ballot boxes from the relevant funding source. Once purchased, that equipment is available for use at any elections, including local elections, which in Wales are currently held the year following the Assembly elections. In practice, there is a fair amount of cross-funding of election equipment between funding sources.

## Legislative framework

2.9 Categories of expenses and maximum amounts recoverable by Returning Officers are prescribed in secondary legislation. For the Assembly elections in May 2007, the National Assembly for Wales (Returning Officers' Charges) Order 2006 (2006 Order) set out the entitlement of constituency and regional Returning Officers to recover charges for services or expenses for or in connection with the elections. The 2006 Order reflects the approach and parameters of secondary legislation governing the recovery of costs for a general election, that is, most recently, the Parliamentary Elections (Returning Officers' Charges) Order 2005.

2.10 For the first time at an Assembly election, the Welsh Assembly Government issued guidance to Returning Officers to accompany the 2006 Order, again reflecting the practice of the Ministry of Justice for relevant elections. The Assembly Government's guidance was accompanied by supporting forms for requests for advance payments (up to a limit of 90%) and for submission of claims, along with a spreadsheet which automatically calculated amounts claimable. The guidance was not binding.

2.11 Claims made by Returning Officers under the 2006 Order were required to be submitted six months after the Assembly election, although this was not

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<sup>5</sup> Section 19, National Assembly for Wales (Representation of the People) Order 2007.

<sup>6</sup> Section 20, National Assembly for Wales (Representation of the People) Order 2007.

a binding deadline. Claims for general elections may be submitted up to 12 months after an election.

2.12 The report of the Wales Audit Office identifies delays in the submission by Returning Officers of their final accounts to the Welsh Assembly Government. Only eight Returning Officers submitted their accounts by the deadline date of 2 November 2007 and in some cases the delays were significant.

## Costs of elections to the National Assembly for Wales 2007

2.13 The total amount that Returning Officers claimed in costs for the conduct of the Assembly elections in May 2007 amounted to:

- £4,282,036.40<sup>7</sup> for 40 constituencies
- £223,919.84 for five electoral regions
- £4,505,956.24 in total<sup>8</sup>

2.14 This is an average of £107,050.91 per constituency. The range of constituency costs was from £88,526.33 up to £138,307.92.

2.15 The average cost per electoral region was £44,783.97. Regional costs ranged from £12,567.47 up to £150,441.81.

2.16 This equates to £2.00<sup>9</sup> per registered elector.

## Issues

2.17 The main issues giving rise to the request from the Welsh Assembly Government to the Electoral Commission to produce this report were identified by the former Minister for Finance, Local Government and Public Services, Sue Essex – Assembly Member (AM), in a letter dated 7 March 2007 to leaders of all county and county borough councils in Wales. The Minister wrote:

The report published by Bridgend County Borough Council into their electoral services and that published by the Wales Audit Office on councillors' allowances at the City and County of Cardiff both raised issues of concern with respect to the handling of election finance. The Electoral Commission will be asked, as part of their reporting on the Assembly elections in May, to have particular regard to the appropriateness of Returning Officers' accounting arrangements.

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<sup>7</sup> Estimated total for 40 constituencies, including claims remaining to be submitted at the time of compiling this report.

<sup>8</sup> Estimated, see footnote 7.

<sup>9</sup> Based on an electorate of 2,248,122 as reported in The Electoral Commission, *The National Assembly for Wales elections 2007* (2007).

I would urge local authorities to review their arrangements for dealing with electoral funding, particularly to ensure that there is a clear separation between a Returning Officer's account and the authority's own accounts and that the involvement of local authority staff with these funds is subject to adequate controls.

**Sue Essex AM**

2.18 We welcome the opportunity to undertake this report, the first of its kind involving a detailed study of accounting arrangements operated at an election. We have previously reviewed, in broader terms, the funding of electoral services across the UK and published a report in 2003.<sup>10</sup> Our report was concerned with core levels of funding, along with other strategic issues such as the need for the introduction of performance standards and central collection of information on funding levels.

2.19 As a result of our recommendations in that report, the Electoral Administration Act 2006 enabled us to introduce a scheme of performance standards for local authority electoral services and to collect financial data. We are currently developing and introducing performance standards frameworks for Electoral Registration Officers and Returning Officers across Great Britain.

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<sup>10</sup> The Electoral Commission, *The funding of electoral services* (2003).

### 3 Conclusions and recommendations

3.1 The report of the Wales Audit Office follows in full after this chapter. The Electoral Commission commends the conclusions of the Wales Audit Office.

3.2 One of the key findings of the Wales Audit Office is that:

**The legal and administrative framework for controlling Returning Officers' expenses could be strengthened for future National Assembly elections.**

3.3 This is a recommendation that the Welsh Assembly Government may in part address through amendments to its 2006 Order and the accompanying guidance. We would be glad to work with the Welsh Assembly Government to that end.

3.4 In our view, the broad shape of the 2006 Order needs to reflect the reality of how elections are run today, involving the outsourcing of services and increasing reliance on external suppliers and contractors in a limited specialist market. The views of Returning Officers and local authority electoral services managers, together with feedback on their experiences, need to be taken into account.

3.5 Although this report is concerned with funding arrangements for the National Assembly for Wales elections, those arrangements are far from unique and reflect those in place for other elections in the UK. Whilst the Wales Audit Office has made suggestions and recommendations for future elections to the National Assembly for Wales, there are implications for funding arrangements for other elections. This report is relevant to the Ministry of Justice, the Scotland Office and Northern Ireland Office. We will host roundtable discussions with the relevant bodies and stakeholders but it will be for the Ministry of Justice to address the main issue of election funding arrangements in the longer term.

3.6 In particular, another key finding of the Wales Audit Office is that:

**Allocating responsibility for election expenditure to an independent Returning Officer, who is also the most senior council official, does not ensure effective control over all election expenses.**

3.7 The allocation of responsibility for election expenditure to independent Returning Officers who are also senior council officials has been the practice for many years across Great Britain and it would not be appropriate to consider the issue in isolation in relation to the Assembly elections or in Wales alone. We will ensure that this finding is considered in its broader context.

3.8 A further finding of the Wales Audit Office that has implications beyond Assembly elections is that:

**In some cases there was only limited evidence that payments to the core election administrative team were for additional electoral duties that**

**were not covered by the normal salary arrangements paid for by the council.**

3.9 Significant variations were identified in the payments made to local authorities' core election teams and to other local authority staff undertaking election duties, according to differing local practices. This is an area that would particularly benefit from a more transparent approach and greater consistency of practice across Great Britain.

3.10 An underlying issue is how the costs of major elections, including UK Parliamentary general elections and elections to the devolved institutions, are met between national and local government respectively.

3.11 Whilst the Charges Order relevant to each major election meets a substantial proportion of the costs of that election, it is also the case that local authorities absorb and meet other election costs. Elections are now heavily reliant on technology, for example, requiring input from local authority IT teams. Some authorities deploy teams of clerical and administrative staff from across an authority to assist with large volumes of postal votes, whilst others recruit temporary staff externally or outsource their postal vote operations. There needs to be full consideration of what election costs are appropriately charged to the UK or devolved governments, where relevant, and what are met by local authorities, to reflect the reality of current practice.

3.12 In December 2007, we published our assessment of electoral administration in the UK,<sup>11</sup> in a report that identified a series of fundamental issues and challenges facing electoral administration in the UK. We outlined our views on three key issues that we believe need to be addressed to support public confidence:

- the delivery structure for elections
- the integrity of elections
- legislation for elections

3.13 We have undertaken to lead a detailed examination of the structure of electoral administration in the UK. We noted that it is the responsibility of the Government to establish the legal framework and provide funding for the delivery of elections. We therefore called on the UK and devolved governments to contribute to this examination and to take an active part in discussion and debate about the future of electoral service delivery across the UK.

3.14 The findings of the Wales Audit Office and this report will feed into that UK-wide examination, currently underway at the time of publication of this report. We will ensure that part of that work includes the real cost of elections and how those are met. We aim to publish our findings by the summer of 2008.

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<sup>11</sup> The Electoral Commission, *Electoral administration in the United Kingdom – the Electoral Commission's assessment* (2007).



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

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# Returning Officer Expenses

## **The Electoral Commission Wales Office**

We concluded that for the most part Returning Officers had exercised effective controls over their expenses for the May 2007 National Assembly elections, but the legal and administrative framework for controlling expenses could be strengthened.

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## Status of this report

This document has been prepared for the internal use of The Electoral Commission Wales Office as part of work performed in accordance with statutory functions, the Code of Audit and Inspection Practice and the 'Statement of Responsibilities' issued by the Auditor General for Wales.

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## Summary

1. Returning Officers are personally responsible for conducting Welsh Assembly elections for the constituencies they cover and also for assigned regional elections. The Returning Officer is usually a local authority chief executive or occasionally another senior local authority officer. The Welsh Assembly Government (the Assembly Government) pays a fee to Returning Officers and reimburses them for the expenses incurred in preparing for and conducting these elections.
2. Discrepancies were identified in the accounting arrangements put in place by one Returning Officer at the 2003 Assembly elections, and a public interest report was issued by another local authority's auditor in April 2006 covering, amongst other things, the salary payments made to a Returning Officer.
3. The Assembly Government asked the Electoral Commission to produce a report on the May 2007 Assembly elections by February 2008, with particular regard to the accounting arrangements operated by Returning Officers. The Electoral Commission commissioned the Wales Audit Office to assist with the review.
4. The Wales Audit Office sought to answer the question: "Were there adequate arrangements in place to ensure there was effective control over electoral expenses?" Overall, we concluded that for the most part Returning Officers had exercised effective controls over their expenses for the May 2007 National Assembly elections, but the legal and administrative framework for controlling expenses could be strengthened.
5. Key findings were:

### For Returning Officers

- although there was little evidence of any spending not being for the purpose for which it had been intended, and no maximum spending ceilings had been exceeded, some Returning Officers claimed the maximum allowable amounts for clerical assistance and training without providing adequate documentary evidence that the costs had been properly incurred;
- in some cases, there was only limited evidence that payments to the core election administrative team were for additional electoral duties that were not covered by the normal salary arrangements paid for by the council;
- the main criterion used for the procurement of goods and services was the reliability of the service rather than overall value for money;
- the fee paid for Returning Officer services did not always reflect the delegation arrangements put in place, with most Returning Officers personally receiving the entire fee despite informally nominating deputies, and others splitting the fee with properly appointed deputies;

- in some election teams there was inadequate segregation of duties between officers ordering goods and services and officers authorising payments;
- in accounting terms there was a clear separation between Returning Officer expenses and local authority expenses, although there appeared to be some inconsistent accounting for VAT;
- Returning Officers made inconsistent use of Internal Audit or other independent scrutiny before submitting their claims to the Assembly Government;

### **For the Assembly Government**

- allocating responsibility for election expenditure to an independent Returning Officer, who usually is also the most senior council official, does not ensure effective control over all election expenses; and
- the administrative framework for electoral expenses encouraged effective control, apart from the clerical support and training elements and the recovery of VAT.

## **Recommendations**

6. Our recommendations are as follows:

R1	Before settling the claims submitted by Returning Officers, the Assembly Government should seek, where appropriate, further clarification and evidence to justify some of the payments made from the clerical assistance allowance and for training.
R2	The Assembly Government should set fixed fee levels for specific known tasks associated with running elections and consider simplifying the payments for training, perhaps by having one fixed payment per presentation.
R3	The Assembly Government should clarify the VAT recovery position in respect of Returning Officer expenses with HM Revenue & Customs, and issue guidance on the treatment of VAT for future Assembly elections.
R4	where used, Returning Officers should review whether in-house local authority services provide the best value for money.
R5	Returning Officers need to ensure that arrangements to maintain separation of duties are robust.
R6	All Returning Officers should consider using the services of their Local Authority's Internal Auditor to review their election claim prior to submission to the Assembly Government.
R7	The Electoral Commission should consider recommending that the Assembly Government, with the UK Government, carries out a review of the current legal and funding arrangements for Returning Officers' duties and expenses.

## **The controls exercised by Returning Officers over their electoral expenses for the 2007 National Assembly elections were generally effective, but there were some weaknesses**

**Although there was little evidence of any spending not being for the purpose for which it had been intended, and no maximum spending ceilings had been exceeded, some Returning Officers claimed the maximum allowable amounts for clerical assistance and training without providing adequate documentary evidence that the costs had been properly incurred**

7. The National Assembly for Wales (Returning Officers' Charges) Order 2006<sup>1</sup> (the Order) identifies the fee payable to the Returning Officer and the sorts of expenses which will be reimbursed, and specifies a maximum claimable amount for certain elements of expense.
8. The Assembly Government issued an election expenses return for Returning Officers to claim their fees and expenses, along with guidance on its completion. The guidance required that the return, which is effectively the election accounts, along with all supporting documentation, be submitted to the Assembly Government within six months of the 2007 Assembly election.

### **Our examination did not identify any claims for unusual amounts or claims that exceeded maximum allowable amounts.**

9. As at 11 February 2008, 19 of the 22 Returning Officers in Wales had submitted their final accounts to the Assembly Government for the May 2007 Assembly Government elections. Of these, only eight had submitted their accounts by the deadline date of 2 November 2007, six months after the election.
10. The vast majority of payments by a Returning Officer for election expenses would have been made within a few weeks of the election, so there are no valid reasons for the significant delays in submitting final accounts.
11. Our examination of the final account returns submitted by the 19 Returning Officers did not identify any unusual items. Our examination also showed that no claim exceeded the maximum amount in the areas where a maximum claimable amount had been stipulated by the Assembly Government.

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<sup>1</sup> Welsh Statutory Instrument 2006 No. 3268 (W.298).

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### **The claims submitted showed large variations in costs**

12. For those claims submitted, the costs varied from just under £100,000 to more than £500,000 (Appendix 1), or £1.73 per elector to £2.71 per elector. The main reasons for the variation were:
- the number of constituencies covered and whether the Returning Officer was also responsible for a regional election area;
  - the number of polling stations, and hence the number of presiding officers and poll clerks<sup>2</sup> (the number of polling stations is usually determined by Returning Officers based on previous experience; the number of electors per polling station varied from 560 to 1420);
  - the proportion of the clerical assistance allowance claimed, which varied from 51 per cent to 100 per cent;
  - the costs associated with training presiding officers and poll clerks, which varied from zero<sup>3</sup> to £5,500 (£14.36 per trained officer); and
  - the printing of ballot papers and poll cards, which varied per elector from £0.24 to £0.92.

### **There were large variations in the organisation of, and payments for general clerical assistance to, core election teams**

13. The Order included a maximum allowance for clerical assistance, based on a fixed amount of £21,280 per constituency plus £62.40 per 75 registered postal voters plus £524 per recount (when carried out). Ten Returning Officers spent more than 90 per cent of their clerical assistance allowance, with three spending virtually 100 per cent (Exhibit 1). The variations in the proportion of the maximum allowance claimed by Returning Officers was in part a consequence of the processes used by them to identify the tasks to be carried out by the core election team and the assignment of remuneration for those tasks.
14. There were some cases where payments were made from the clerical assistance allowance for a deputy appointed by the Returning Officer, even though the deputy was also being paid a proportion of the Returning Officer fee. In other cases, electoral services officers acting as deputies were paid exclusively from the clerical assistance allowance.
15. Returning Officers made payments to the core election team from the general clerical assistance allowance which varied from £1,900 to £34,200. Payments to individual staff ranged from £200 to £12,000.
16. Although some Returning Officers assigned a fee for carrying out certain clerical tasks, others paid for general clerical assistance, in a large number of cases after the election had finished, without specifying the tasks completed. There was not always sufficient documentary evidence to support the payments made.

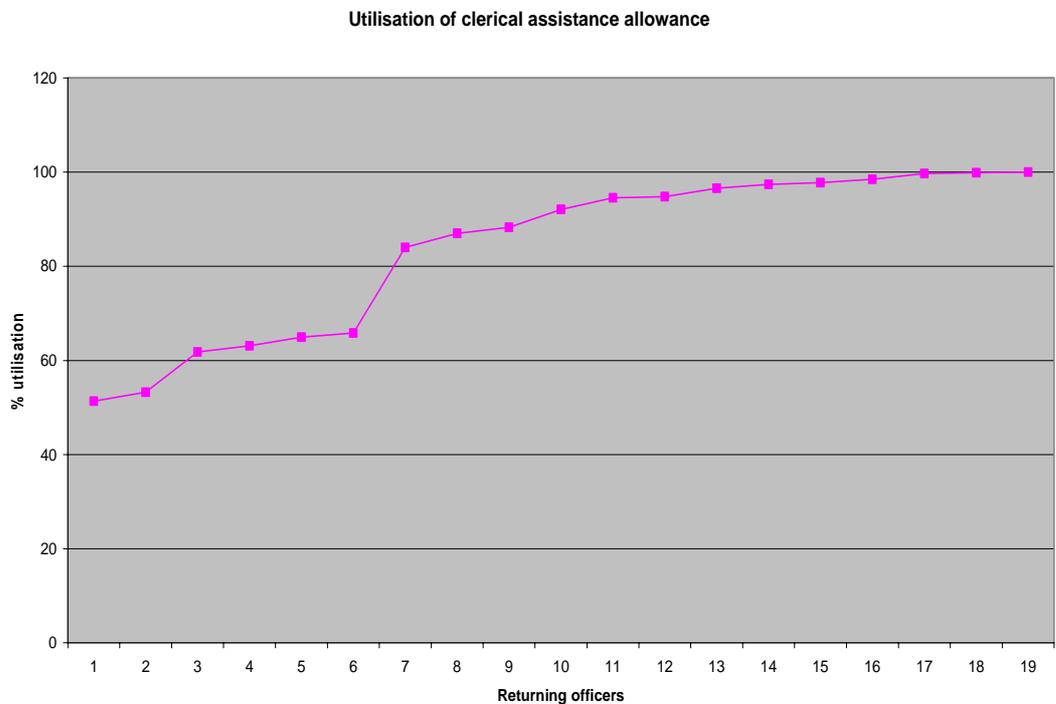
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<sup>2</sup> The fee per presiding officer and poll clerk is set by the Assembly Government

<sup>3</sup> This is likely to represent an underclaim for the Returning Officer concerned as it might reasonably be expected that key polling station staff would receive at least some training

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## Exhibit 1: Utilisation of the clerical assistance allowance



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Source: Analysis of Returning Officers' Accounts

### There were significant variations in the payments for training presiding officers and poll clerks

17. The Order prescribed the maximum amount for training presiding officers and poll clerks as a fixed sum per constituency of £140 for training materials, plus £112 per presentation by the Returning Officer or other nominated presenter, plus £196 per presentation for other associated costs. In addition, the presiding officers and poll clerks were paid a fixed amount of £45 for attending training presentations.
18. Claims for payments for training varied from no claim at all to £5,516. The latter claim was for payments to the Returning Officer personally, for preparation of the training materials (£140 per constituency), presentation of the training (£112 per session) and organisation and supervision of the training (£196 per session). In a number of other cases, Returning Officers personally claimed £196 per training session for organisation and supervision when the presentation was delivered by a deputy or other officer. Although in accordance with the guidance, these payments to Returning Officers could be for as little as facilitating the organisation of training. Returning Officers should not receive the £196 payment in addition to the payment of £112 for carrying out the training.

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**In some cases there was only limited evidence that payments to the core election administrative team were for additional electoral duties that were not covered by the normal salary arrangements paid for by the council**

19. There were significant variations in the payments made to the core election team, and Returning Officers were not always able to demonstrate that the payments made were for tasks carried out above and beyond the employees' normal contractual duties. In particular, in most cases no timesheets were completed to support the local arrangements.
20. There were variations in the way that activities, such as distributing postal votes and counting postal votes, were managed. Some Returning Officers arranged postal ballot opening sessions during normal working hours and paid local authority staff a fee for carrying out the work, which they received in addition to their local authority salary. Others ensured that the local authority salary was deducted from any payments made, by requiring the completion of timesheets for election duties. Others indicated that all election duties were carried out outside local authority core working hours. For presiding officers and poll clerks, some Returning Officers considered that the payment was for the additional hours outside local authority core hours.
21. Where election duties needed to be carried during the working day, some local authorities had allowed staff to carry out them out as part of their normal working day, whilst others required their staff to take annual leave. Some local authorities allowed only staff up to a certain grade to undertake election duties as part of their normal working day. Some Returning Officers took the view that if they did not allow staff to undertake election duties as part of their normal working day they would not be able to ensure enough staff were available to cover the Election Day.

**The main criterion used for the procurement of goods and services was the reliability of the service rather than overall value for money**

22. For the most part the key criterion used by Returning Officers in procuring goods and services was the reliability of the supplier to deliver the service in the time frame required and to the required standard. Suppliers who had been reliable when used previously were generally chosen even though they might not have submitted the cheapest quote.
23. The main expenditure heads for goods and services were for printing and postage. This varied from £33,000 to £134,000 or £0.51 per elector to £0.97 per elector. There were a very limited number of potential suppliers for specialist postal ballot papers, which reduced the opportunity for competition. There was some evidence of core electoral teams working together in some parts of Wales to try to obtain economies of scale, particularly for printing regional ballot papers.

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24. Twenty Returning Officers used their local authority's own workforce to set up and dismantle polling stations. Reliability and control, rather than cost, were the key factors in this decision. The differences in costs charged for this service varied from £23 to £165 per polling station. One Returning Officer employed a local firm at an average cost of £20 per polling station, which suggests that this is an area where Returning Officers might be able to obtain better value for money by testing the market.

**The fee paid for Returning Officer services did not always reflect the delegation arrangements put in place, with most Returning Officers personally receiving the entire fee despite informally nominating deputies and others splitting the fee with properly appointed deputies**

25. Only four of the 19 accounts returned indicated that the Returning Officer had formally delegated any of his duties and shared the Returning Officer fee with his or her deputies. The remainder had delegated duties to nominated staff in the core election team but had not shared the Returning Officer fee.
26. One Returning Officer who had shared the Returning Officer fee had also made payments from the clerical assistance allowance to the formally nominated deputies for specific election duties. Two other Returning Officers had made payments to themselves from the clerical assistance allowance for clerical assistance in addition to the Returning Officer fee. These latter payments were clearly outside the scope of the regulations and should be reclaimed by the Assembly Government.

**For some election teams there was inadequate segregation of duties between officers ordering goods and services and officers authorising payments**

27. Where a Returning Officer utilised a local authority's systems for ordering and paying for goods and services, there was an adequate segregation of duties between ordering, receipt and authorisation of payment.
28. Where goods were ordered and payment authorised within the core election team there was often an inadequate segregation of duties between the officer ordering the goods and services and the officer authorising the payment. In some cases the same officer carried out both functions. However, in most cases there were compensating controls, such as cheques requiring two signatories and the supplier being required to sign a receipt for payment. Nevertheless, Returning Officers need to ensure that there is a clear separation of duties between officers ordering goods and services and those authorising payment.

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## **In accounting terms there was a clear separation between Returning Officer and local authority expenses, although there appeared to be some inconsistent accounting for VAT**

29. Thirteen of the 22 Returning Officers maintained their accounts and records separately from the local authority's financial ledger and used separate bank accounts. Some used proprietary election accounting systems, whilst others maintained accounts on spreadsheets. In the nine cases where Returning Officers used the local authority's financial ledger for recording expenditure, this was overseen by a local authority accountant and separate ledger codes were used for recording Returning Officer expenditure. Of these, eight also used the local authority's bank account and one used a separate bank account. Two had a separate bank account for recording income only.
30. Three Returning Officers who recorded expenditure on the local authority ledger system deducted VAT from the invoices paid for Returning Officer expenses and claimed this VAT back from HM Revenue and Customs on behalf of the local authority. This treatment of VAT is inconsistent with the guidance issued by the UK Government's Department for Constitutional Affairs to Returning Officers for the UK parliamentary elections 2005, which clearly indicates that VAT should be included in all expense claims. The guidance issued by the Assembly Government to Returning Officers for the Assembly elections 2007 did not refer to the treatment of VAT.
31. As at 11 February 2008, three accounts had not yet been submitted to the Assembly Government. There is no correlation between the 14 accounts that were submitted later than the Assembly Government's deadline of 2 November 2007 and whether these accounts were separately maintained or part of the local authority's accounting system.

## **Returning Officers made inconsistent use of Internal Audit or other independent scrutiny before submitting their claims to the Assembly Government**

32. Six Returning Officers told us that they intended to use the services of their local authority's Internal Auditor to review the claim or to carry out other audit work relating to election payments. These reviews, where they have been completed, have not identified any significant issues.
33. Some other Returning Officers stated that they personally review the claim, prepared by the Electoral Services Officer, prior to submission and believe that a further review by Internal Audit was either unnecessary or outside the scope of the local authority Internal Auditor's remit. Most Returning Officers consider that the claim is audited sufficiently by Assembly Government officers following submission.

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## **The legal and administrative framework for controlling Returning Officers' expenses could be strengthened for future National Assembly elections**

### **Allocating responsibility for election expenditure to an independent Returning Officer, who usually is also the most senior council official, does not ensure effective control over all election expenses**

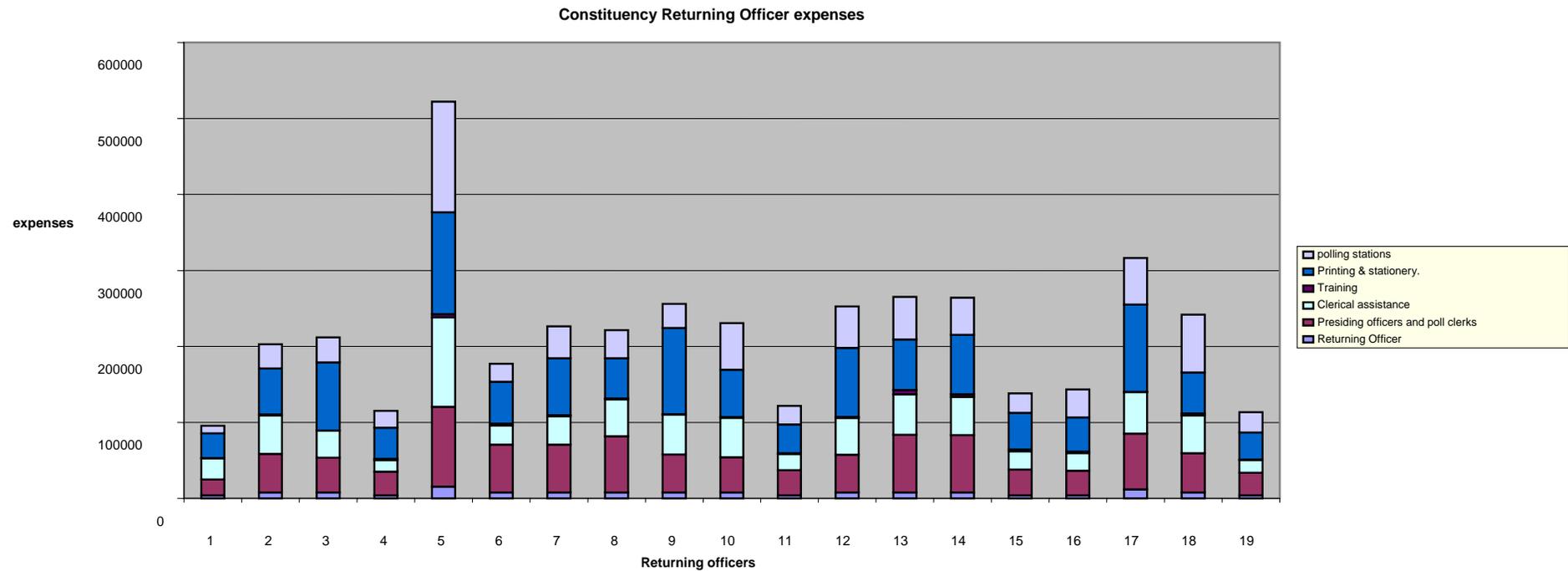
- 34.** A Returning Officer's legal and financial responsibilities for the conduct of elections are personal and not corporate. This is intended to preserve the constitutional independence of the Returning Officer from potential local political influence. Such independence in the conduct of Assembly elections is enhanced by the fact that the Assembly Government meets the costs of administering the elections. This is in contrast to local authority elections, which are funded by local councils. However, an Assembly election Returning Officer still relies upon local authority support to discharge his or her Returning Officer duties, including being able to appoint deputy Returning Officers from local authority staff and using other local authority staff and resources to help administer an election.
- 35.** In all but one case, the Returning Officer for the May 2007 National Assembly elections was also the local authority chief executive. However, there is a potential conflict of interest between an individual's responsibilities for fulfilling the independent role of Returning Officer and his or her responsibilities for running local authority services properly. This is because the Returning Officer will use the assets, personnel and other resources of the local authority to assist in conducting the election, while at the same time he or she is responsible for ensuring those assets, personnel and other resources are used for the maximum benefit of the local authority.
- 36.** This risk is exemplified by the lack of transparency in some of the arrangements for paying local authority staff for general clerical assistance, and the inconsistent treatment of paid local authority time off for Election Day duties and other administrative functions relating to the election.
- 37.** The arrangements to preserve the constitutional independence of the Returning Officer from local political influence have centuries-old origins. Any consideration of whether the current legal and administrative framework for controlling Returning Officers' expenses remains fit for purpose will need to balance any potential financial conflicts of interest and blurring of accountability between the use of and payment for local authority resources under the current arrangements, against any increased risk of political conflicts of interest under alternative proposals.

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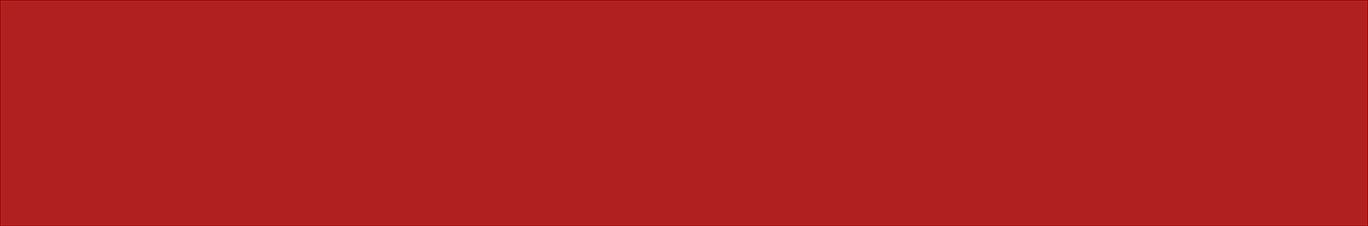
## **The administrative framework for electoral expenses encouraged effective control, apart from the clerical support and training elements and the recovery of VAT**

- 38.** The Order specifies maximum amounts which can be claimed for some elements of Returning Officers' expenditure. Where the order specifies payments to individuals or for specific services, for example for the Presiding Officer and Poll Clerk and their attendance at training, then the framework is sufficiently robust to allow effective controls over expenditure to be designed. However, some parts of the order allow for discretion on the part of Returning Officers to claim for services from the clerical assistance allowance. This area is not well defined or regulated.
- 39.** Although reasonably well defined, the guidance on payments for training allowed Returning Officers considerable discretion to set the fee for providing training at the maximum claimable amount without having to provide evidence of the expenditure that has actually been incurred.
- 40.** The framework could also be strengthened by setting fee levels for specific known tasks associated with running elections similar to the fee levels set for Presiding Officers and Poll Clerks.
- 41.** The framework does not have any mechanism in place to ensure Returning Officer accounts are submitted in a timely manner. Accordingly, the Assembly Government does not intend taking any sanctions against Returning Officers who submit their accounts late.
- 42.** The guidance on UK parliamentary elections 2005 that requires Returning Officers to complete their claims gross of any VAT also suggests that the Assembly Government might be unable to reclaim the VAT on Assembly election expenses. However, generally the Assembly Government is able to recover VAT on certain services, known as 'contracted out services'. Some elements of election expenditure (such as those relating to publicity services, training, collection, delivery and distribution services) are included on the list of 'contracted out services' and, therefore, the VAT on them may be recoverable. In the light of this apparent inconsistency, the Assembly Government should clarify the VAT recovery position in respect of such expenses with HM Revenue & Customs.

## Returning Officers' expenses



Source: Analysis of Returning Officers' Accounts



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