



WESTMINSTER
FOUNDATION FOR
DEMOCRACY

The Westminster Foundation for Democracy Limited

Company number: 2693163

AN EXECUTIVE NON-DEPARTMENTAL PUBLIC BODY OF THE
FOREIGN & COMMONWEALTH OFFICE

ANNUAL REPORT AND ACCOUNTS 2011/12

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Presented to Parliament pursuant to Article 6 of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009

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The Westminster Foundation for Democracy Limited

GOVERNORS' REPORT

The Governors have pleasure in submitting their annual report together with the audited financial statements of the Westminster Foundation for Democracy for the year ended 31 March 2012. The financial statements have been prepared in a form directed by the Secretary of State for Foreign and Commonwealth Affairs with the consent of HM Treasury.

BACKGROUND INFORMATION

The Westminster Foundation for Democracy Limited (WFD) is a Non-Departmental Public Body (NDPB) which was established by the Foreign and Commonwealth Office in 1992. It is a private company limited by guarantee with no share capital.

The aim of WFD is to help establish and strengthen pluralist democratic institutions and political parties in countries where these are absent, or of recent foundation, or in need of further encouragement and development. WFD generally seeks to avoid supporting projects for which alternative British Government support is available.

WFD receives grant-in-aid from the Foreign and Commonwealth Office provided out of monies voted by Parliament to enable it to achieve agreed objectives. WFD also receives additional specific grants from the Foreign and Commonwealth Office, from the Department for International Development, and from the European Union, and may receive private sector funds in addition to these core funds. WFD's priorities and objectives for the grant-in-aid are established by its Board of Governors and are kept under continuous review.

The Secretary of State for Foreign and Commonwealth Affairs and the Treasury Solicitor are the two named subscribers to the Company's Memorandum of Association. The Secretary of State has formal powers of appointment to WFD's Board of Governors but the Board operates independently and at arm's length from Government.

RESULTS

The results for the year are summarised on page 22 and take into account the requirement under the Government Financial Reporting Manual that grant-in-aid is to be treated as financing and is taken directly to the core funds reserve, as opposed to being recognised as income. Accordingly the deficit for the year, before accounting for grant-in-aid is £3,489,066 (2010-11: £3,412,004).

This deficit is set-off with the grant-in-aid in the core funds reserve, which leaves total funds (core and corporate) of £148,980 to be carried forward at the end of the year (2010-11: £138,046).

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GOVERNORS' REPORT

BOARD OF GOVERNORS

Governors who served on the Board during the year and who were Directors under the Companies Act 2006 were:

	<i>Appointed in the year</i>	<i>Resignation date</i>	<i>Appointment Ends</i>
Baroness Armstrong			21 April 2012
James Bewsher*			18 November 2012
Tina Fahm*			14 August 2014
Sean Farren		8 September 2011	
Don Foster MP			15 July 2013
Lord Foulkes			3 August 2012
John Glen MP	6 September 2011		5 September 2014
Kenneth Jones*			16 October 2013
Bronwen Manby*			20 February 2014
Meg Munn MP			30 September 2012
John Osmond*			21 February 2014
Andrew Rosindell MP			17 August 2013
Gary Streeter MP			8 August 2013
Myles Wickstead CBE*		27 February 2012	
Peter Wishart MP	3 October 2011		2 October 2014

*Denotes Independent Governor

No Board member holds company directorships or has other significant interests which may conflict with their management responsibilities. The Register of Interests is available to the public at WFD's registered office between the hours of 10.00 a.m. and 5.00 p.m. upon provision of 24 hours notice.

AUDIT COMMITTEE

WFD's Audit Committee ensures that WFD adheres to the highest standards of propriety in the use and stewardship of public funds and encourages proper accountability for the use of those funds. The Committee also promotes the development of internal control systems. During the year ending 31 March 2012 membership of WFD's Audit Committee comprised;

Tina Fahm	Chair
Kenneth Jones FCMA, CPFA	
John Osmond	Appointed 13 July 2011
Gary Streeter MP	Appointed 13 July 2011

DISABLED PERSONS

WFD is an equal opportunities employer and is committed to ensuring that there is no unlawful direct or indirect discrimination. It is WFD's aim that there will be no discrimination of any kind against any person on the grounds of disability. The application process for advertised vacancies within WFD is designed to ensure confidentiality of candidates at the short-listing stage, so ensuring that applications from disabled candidates are given full and fair consideration. We follow the Equality Act 2010 and make reasonable adjustments for people with disabilities. Every possible step is taken to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria. If a member of staff becomes disabled while working with us, we will do everything possible to ensure they continue working with us.

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EMPLOYEE INFORMATION

Each member of staff has their performance against agreed objectives appraised annually. An integral part of this review requires the identification of training needs and the development of a training programme, by their manager, to address these needs. Staff will be helped to pursue studies which will support their career development and benefit the Foundation by improving performance.

Staff meetings were held throughout 2011-12, normally on a monthly basis. These meetings provided the opportunity for consultation by providing information to employees and encouraging views to be expressed. A whistle-blowing policy is in place and staff are reminded of this and encouraged to use it.

AWARENESS OF RELEVANT AUDIT INFORMATION

So far as each of the Governors is aware, there is no relevant audit information that has not been disclosed to the company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the company's auditors have been made aware of that information.

CREDITORS

WFD adheres to the Government-wide standard on bill-paying which is to settle all valid bills within 30 days. In 2011-12, the average age of invoices paid was 14.06 calendar days (2010-11 13.55 days). All undisputed invoices were paid within the agreed credit terms. The proportion of the aggregate amount owed to trade creditors at the year-end compared with the aggregate amount invoiced by suppliers during the year was equivalent to 31.2 days (2011 14.1 days).

AUDITORS

The Comptroller & Auditor General is the statutory auditor for the accounts of WFD.

Approved and authorised for issue and signed on behalf of the Board

Gary Streeter MP
Chair
26 June 2012

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STATEMENT OF GOVERNORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

In accordance with Company Law and with the Memorandum and Articles of Association, the Governors of The Westminster Foundation for Democracy Limited are responsible for the administration and management of the affairs of WFD and are required to present audited financial statements for each financial year.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of WFD and enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2006 and the Accounts Direction given by the Secretary of State for Foreign and Commonwealth Affairs and relevant International Financial Reporting Standards.

In addition, within the terms and conditions of a Management Statement agreed between the Foreign and Commonwealth Office and the Governors of The Westminster Foundation for Democracy Limited, the Governors, through the Chief Executive, are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of WFD and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Governors have to ensure that:

- a. appropriate accounting policies are selected and then applied consistently;
- b. judgements and estimates are made that are reasonable and prudent;
- c. applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. the financial statements are prepared on the going concern basis unless it is inappropriate to presume that WFD will continue its activities.

The Governors have taken reasonable steps to:

- a. ensure that funds from the Foreign and Commonwealth Office are used only for the purposes for which they have been given and in accordance with the Management Statement;
- b. ensure that there are sound financial systems and management controls in place to safeguard public funds;
- c. safeguard the assets of WFD and prevent and detect fraud;
- d. secure the economical, efficient and effective management of WFD's resources.

Sections 3.2.1 and 3.2.2 of the Management Statement define the Permanent Under-Secretary for Foreign and Commonwealth Affairs as Principal Accounting Officer. The Chief Executive of WFD is designated by the Principal Accounting Officer as WFD's Accounting Officer with responsibilities for:

- a. ensuring that the requirements of Government Accounting are met as defined in the Treasury guidance publication "Managing Public Money";
- b. compliance with the terms of the Management Statement with the Foreign and Commonwealth Office;
- c. ensuring that all accounts of WFD are properly maintained and presented; and
- d. ensuring that all resources are used economically, efficiently and effectively.

The Governors are responsible for the maintenance and integrity of the corporate and financial information on the Westminster Foundation for Democracy website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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MANAGEMENT COMMENTARY

This Management Commentary has been prepared in accordance with the Reporting Statement: Operating and Financial Review, issued by the Accounting Standards Board.

1. Nature, Objectives and Strategies of the Foundation

The Westminster Foundation for Democracy Ltd (WFD) is an Executive Non-Departmental Public Body (NDPB) established and sponsored by the Foreign and Commonwealth Office (FCO) in 1992. It is a private company limited by guarantee with no share capital. WFD works to help establish and strengthen pluralist democratic institutions and political parties in countries where these are absent, or of recent foundation, or in need of further encouragement and development.

The aims of the Westminster Foundation for Democracy, as set out by the Foreign Secretary within its Memorandum and Articles of Association in 1992, are:

- To assist, support and encourage the peaceable establishment and development of pluralistic democratic practices and political institutions;
- To provide advice, guidance and practical assistance in support of pluralistic democratic electoral processes; and
- To assist in the formation, organisation and management of democratic political parties committed to non-violent policies and programmes.

WFD's priorities and objectives contribute to the delivery of the Government's strategic international goals. Its programmes aim to strengthen democracy, governance and human rights in fragile states and in post-conflict countries, and to contribute to the FCO's work to reduce conflict, improve governance and stability and promote British values including human rights. WFD also contributes to the Department for International Development's (DFID) international goals, notably through its work to develop local democratic institutions, strengthen transparency and accountability and promote civil society participation in policy-making.

WFD offers the FCO and HMG two principal capabilities:

- A focus on political work which the FCO or the Government could not or would not wish to undertake directly: developing political parties and democratic institutions, in particular parliaments, and working in repressive regimes and post-conflict situations where engaging directly with new/emerging political and civic groups and free media is politically sensitive, and where direct British government support could be interpreted as foreign interference.
- The ability to deliver parliamentary and political party strengthening programmes, providing the FCO/DFID/HMG with an instrument capable of working alongside their own teams, leveraging external sources of funding in addition to FCO and DFID sources.

Working to a new strategy and corporate plan 2011-15

In March 2011, WFD's Board of Governors approved a new, four year strategic direction for the organisation. This was based on a comprehensive assessment of WFD's programmes, its expertise, the needs and priorities of major donors, the work of other democracy organisations in the field and the growing body of literature and best practice in parliamentary and political party assistance. The revised strategy set out three new strategic objectives, which all WFD programmes are designed to support. These are to:

1. Contribute to democracy, stability and good governance in post-conflict countries and fragile states.
2. Improve engagement in political processes in weak, emerging or developing democracies.
3. Be a results and learning orientated organisation delivering programmes of the highest quality.

2. Current and Future Development and Performance

During 2011-12 WFD worked in more than 20 countries around the world to strengthen democracy, stability, and good governance, and to improve citizen engagement in emerging democracies, post-conflict countries, and fragile states.

It ran programmes in Africa, Asia, Europe and the Middle East, where it continued to expand its work following

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the Arab Spring. WFD operated parliamentary strengthening and cross-party programmes in Bangladesh, Democratic Republic of Congo, Georgia, Ghana, Kenya, Kyrgyzstan, Lebanon, Macedonia, Montenegro, Morocco, Mozambique, Serbia, Sierra Leone, Uganda and Ukraine, as well as running party development projects in more than 22 countries on a bi-lateral basis through the Westminster political parties.

2.1 Key achievements during 2011-12

WFD is committed to increasing its role and impact as a world leader in supporting the development of democratic systems of government in sub-Saharan Africa, the Middle East and North Africa, Asia, as well as Central and Eastern Europe. WFD's ambition is to deliver high quality programmes and diversify its funding base in the long term. During 2011-12, time was invested in improving impact and delivery, reducing overheads and increasing cost-recovery to release more programme funding.

Supporting democratic transition in the Middle East and North Africa (MENA)

The Arab Spring has seen democracy taking root in many countries in the Middle East, albeit tenuously in some places, and provided new opportunities for engagement. During 2011-12 WFD responded to many requests for assistance in strengthening democratic institutions, reforming governance, working with local partners and helping to build bridges across the region. WFD developed new parliamentary strengthening programmes in Tunisia and Egypt, funded from the Arab Partnership Fund (APF), and Lebanon, funded by the European Union (EU), as well as ongoing work in Morocco through The Westminster Consortium Programme¹.

Strengthening women's political rights and increasing their participation in political life was a focus for WFD's regional work in the Middle East. For example, WFD and its local partners provided a 'Training of Trainers' workshop for experienced former women parliamentarians from the MENA region, delivered by Thomson Reuters Foundation. The project aimed to create a 'bridge' between generations and enable future women leaders to benefit from the knowledge and know-how of experienced women politicians

WFD's programme in Tunisia got underway during the year and has delivered several successful activities with the National Constituent Assembly and the Tunisian political parties. Our work with the Constituent Assembly focused on parliamentary organisation and procedures; on the mechanisms of parliamentary oversight and accountability; and on legal texts and drafting constitutions – both from the UK model and from other Parliaments in the region. It also focused on issues of interest to the Tunisian political parties, especially to their youth and women wings. These activities looked at party structure and the importance of these wings, how they can participate in strengthening their parties and their capacity to communicate and campaign better. The APF has committed to a further three year programme in Tunisia from 2012-15 that will continue to work with the Tunisian Constituent Assembly and parties to strengthen the country's democratic institutions.

Also during the year, women leaders from 10 MENA countries and representatives from Afghanistan, Northern Ireland, Kenya and Rwanda, met in Iraq to discuss and share experiences on the role of women in peace-building and reconciliation. This was seen as a milestone in empowering women regionally and helping them develop their own action plans for change.

In Lebanon, an Advisory Unit was launched in May 2011 to provide technical and professional expertise to the Lebanese Parliament. Established by the Lebanese Parliament and WFD, as part of a programme funded by the European Union, the Unit supported the work of two key committees – Administration and Justice, and Finance and Budget. The staff of the Advisory Unit and the Lebanese Supreme Audit Institution's 'Court of Audit' underwent induction training during the year on Value for Money, carried out by the Institute of Finance in Lebanon in collaboration with the National Audit Office in the UK, who are partners of the WFD programme.

The Advisory Unit has been providing evidence-based studies to support the drafting of new bills, and increase the quality of bills reviewed by the Justice and Administration Committee. Significantly, the Advisory Unit is now attending specialist committee meetings reflecting the Parliament's growing trust in its work. This is also helping it to get a better idea about the work of the committees, current issues and debates.

¹ TWC is a partnership between WFD, the Commonwealth Parliamentary Association – UK Branch, the House of Commons Overseas Office, the International Bar Association, the National Audit Office, Thomson Reuters Foundation, and the University of Essex Centre for Democratic Governance

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WFD's new programme this year in Egypt, where we first began working in 2008, has focused on support to the new Parliament. As elections were twice postponed, much of the scheduled programme will now take place in 2012. A key priority is induction training for MPs, which is planned to take place from May until the end of July 2012. Since more than 80% of the 508 MPs are serving for the first time, this is a significant piece of work which we hope will feed into a longer term programme of parliamentary support.

Regional projects on enhancing public policy in the region also got underway during the year. The National School of Government and Issam Fares Institute are establishing a benchmark for policy development. Researchers, activists and experts from Tunisia and Egypt are being trained to write policy analysis and recommendations to develop a pool of expertise to work across both countries.

In June 2011 WFD held a seminar with the UK Deputy Prime Minister's Office and the British Council on *The Arab Spring – the Power of the People*, which reflected on recent developments in the region and prospects for long-term democratic reform.

Also during the year, WFD and its local partner, the Arab Region Parliamentarians against Corruption, launched an Arabic version of a handbook on parliamentary ethics. The handbook, developed by WFD and the Global Task Force on Parliamentary Ethics and Conduct, provides a 'how to' guide for parliamentarians on developing their own codes-of-conduct, aimed at strengthening parliamentary transparency and promoting best practice in this area.

There remains significant demand for assistance in building strong democratic institutions and WFD is developing a number of strategic programmes in the region from 2012-15 in countries that are well placed to receive help in their transitions. These include programmes in Egypt, Iraq, Jordan, Lebanon, Morocco and Tunisia as well as two regional programmes - women's leadership and better policy making. An ongoing challenge is to ensure that our investment delivers real support where it is needed, in what is still an evolving political environment.

Consolidating democratic progress in Europe

During the year WFD delivered parliamentary strengthening programmes in Kyrgyzstan, Macedonia, Montenegro, and Serbia as well as ongoing work in Georgia and Ukraine through The Westminster Consortium programme. It also undertook some small projects in Albania.

WFD's programmes in Montenegro and Macedonia continued to make good progress with both Parliaments making changes to their 'rules of procedures' to shift MPs work from plenary to committees, enabling greater parliamentary oversight in the future. MPs have also noted improvements in parliamentary support, remarking that innovations such as a briefing note system helped them better prepare for committee meetings. In Montenegro this involved the UK National Audit Office and House of Commons experts helping the Committee on Economy, Finance and Budget to design a briefing note on the budget. This has been embedded into parliamentary budget practice and is now produced on a regular basis for MPs.

An evaluation of WFD's parliamentary strengthening programme in Montenegro found that, *"There was clear political will for reforms in the Parliament from all key stakeholders: the President of the Parliament, the Secretary-General and MPs. They recognised the need to increase capacity amongst staff to support the functions of Parliament to meet the challenges of the future"*. The programme also provided training to increase the ability of staff to support MPs, which resulted in more effective scrutiny of the budget passed in parliament at the end of 2011.

In Kyrgyzstan WFD's programme made significant progress in establishing close relations with parliamentarians and civil society organisations.

Building on WFD's long standing support to the Western Balkans region, we are planning a new region-wide strategic programme from 2012-15. This approach, building on the success of WFD's programmes in Macedonia, Montenegro and Serbia, aims to strengthen further the role of parliaments, particularly in the area of economic development and transparency, as these countries move closer to EU integration. WFD also hopes to expand its country programmes in Ukraine and Kyrgyzstan over the next three years to strengthen democratic participation.

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Democratic reform in Africa

During 2011-12 WFD delivered parliamentary programmes in the Democratic Republic of Congo (DRC), Kenya and Sierra Leone and supported the work of the East Africa Legislative Assembly (EALA). During the next three years, WFD plans to continue its support in DRC, Kenya, and to EALA as well continuing work in Uganda and Mozambique through The Westminster Consortium programme.

During the year, a review of WFD's parliamentary strengthening programme in Sierra Leone, where we have been working since 2009, was published. The programme, funded by the British Council, focused on improving parliamentarians' understanding of the legislative process and their role within it, and to strengthen their ability to initiate, review, debate and amend legislation. It also worked to improve the effectiveness of parliament by introducing civil society and expert opinion during the legislative process. As a result, the country witnessed post-legislative scrutiny in 2011 for the first time ever through a newly established Parliamentary Service Commission. The report found that, "*Activities have contributed to the development of a critical mass of well-trained staff, MPs and a Parliamentary leadership that is capable of steering the establishment of the Parliamentary Service Committee.*" It concluded that; "*WFD identified parliamentary strengthening as an important peace-building and democratisation requirement for post-war Sierra Leone, and addressed it with credibility and expertise from Westminster and other sub-regional parliaments. The linkages between the Sierra Leone and UK parliaments, as well as with the sub-regional parliaments of Ghana and Uganda, have been greatly enhanced.*"

WFD's parliamentary strengthening programme in Kenya, completed in March 2012, has resulted in a comprehensive parliamentary strengthening curriculum to support the institutional development of the Centre for Parliamentary Studies and Training.

This support has seen a parliamentary training curriculum institutionalised regionally, and more than 60 parliamentary staff trained during the year. An international peer review of the 16 modules that make up the curriculum will be undertaken in Kenya in 2012. This event will be run in conjunction with The Westminster Consortium programme, which has seen parliamentary centres established in Mozambique and Lebanon, to share learning and experience. WFD is now developing a longer term three year programme in Kenya from 2012-15, as it moves from a unicameral to a bi-cameral parliament, and the establishment of 47 devolved Assemblies. WFD's programme will support 18 of these County Assemblies in establishing parliamentary best practice, and the parliamentary training modules developed will be used in the new Assemblies. WFD will also be supporting the Office of the Registrar of Political Parties, and working to enhance the 'youth-voice' in Kenya's political parties.

The Westminster Consortium Programme

The Westminster Consortium (TWC) programme, led by WFD, was established in 2009 with a £5 million grant from DFID's Governance and Transparency Fund (GTF). Its mandate is to help developing parliaments create their own sustainable centres of learning for staff and members. The Consortium is delivering programmes over five years from 2009-13, to strengthen parliaments in Georgia, Ukraine, Mozambique, Uganda and Lebanon. This year, Morocco was added as a sixth programme country.

During the year, the TWC programme underwent a mid-term review². It received specific praise for:

- *Managing a complex programme involving seven international partners and 22 local partners;*
- *Sharing with parliaments international knowledge and ways of working from the UK;*
- *Delivering training courses with good technical materials;*
- *Preparing quality parliamentary handbooks on financial oversight, human rights and the rule law and access to information;*
- *Providing focused and practical job-related follow-up support to training participants which is beginning to demonstrate results.*

² (Source: Delta Partnership. 2011. *Strengthening Human Resource Development in Southern Parliaments - Mid-Term Review* (31 March 2011 - TWC / DFID).

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Some highlights of the TWC programme in 2011-12 were:

- A training programme with MPs from the Ugandan Parliament on *Legislative Oversight of the Extractive Industries in Uganda*. This was in advance of developing draft legislation on managing the country's fledging oil and gas industry.
- A workshop on strategic planning with the Georgian Parliament, as it planned the parliament's relocation to Kutaisi. Commenting on the workshop, Mikheil Machavariani, First Deputy Chairman of the Parliament of Georgia said, "*This is the first time the Parliament has had such open discussions and put ideas on paper on the issues relating to its relocation.*"
- The establishment of Parliamentary Study Centres in Mozambique and Lebanon, with support from the broader donor community. A further parliamentary study centre in Uganda will be launched in 2012.
- The further development of the Lebanese Institute for Legislative Studies and Parliamentary Training. The Institute, launched in July 2011 and based in the parliament, is providing expertise, guidance and encouraging communication and debate between MPs and parliamentary officials. TWC has been supporting its early work through its staff based in the Lebanese Parliament. In time, the Institute aspires to improve the transparency and effectiveness of 22 Arab parliaments and help in developing democracy and fighting poverty in more than 20 Arab states.
- Holding a 'Financial Oversight' workshop in Lebanon bringing together MPs, Supreme Audit Institutions, staff and Ministries of Finance to develop strategies to improve financial oversight in TWC countries.
- Developing the capacity of civil society organisations to produce evidence-based research to influence policy making in Ukraine.

Party development work

Political parties are pivotal to a healthy functioning democracy. Without well-functioning parties, governments and legislatures have little chance of representing wider society in a meaningful way.

WFD continued to draw directly on the expertise of all Westminster's political parties who worked on both a sister-party and cross-party basis during the year to develop local political capacity, accountability and strengthen participation. During 2011-12, the political parties delivered projects across five key themes. These were:

- Political party building and organisation development
- Development of party campaigning and communications
- Message and policy development
- Regional co-operation
- Development of nationally and locally elected representatives.

During the year the Conservative International Office undertook programmes in the Balkans, Eastern Europe, Africa and South Asia which covered party building, strengthening campaign and communications, policy and programme development, and consolidation of political and party identities. A central element of the Conservative Party's work was building regional networks of centre-right parties to increase inter-party co-operation and support.

Two of the key events in the programme of centre-right network development were the Balkans and Eastern Europe Regional Youth Conference held in London and the Democratic Union of Africa (DUA) Women's Leadership Workshop held in Uganda.

The Labour Party worked with parties in Africa, the Balkans, the Caucasus, Eastern Europe and the Middle East, to help build their capacity. This work included looking at the effective organisation of parties, campaigning, communications, developing policy platforms and, crucially, regional co-operation.

This work has been complemented by several regional projects including workshops, which have proven an effective tool for maximising capacity building support. Not only have they enabled a wider audience to be reached but they have also promoted regional dialogue - essential in post-conflict environments. Regional projects completed in Africa in 2011-12 resulted in a number of recommendations for further regional cooperation, particularly the development of a regional women's academy. In Eastern Europe, a similar approach to regional support has introduced a new audience of young activists to the history and ideology of social democracy.

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The Liberal Democrats held workshops in Egypt in July 2011 for members of their sister-party with a focus on reaching out to women and youth groups to increase their effectiveness in parliamentary elections. An assessment visit to Tunisia during the year was also undertaken to identify potential partner parties with seats in the new Constituent Assembly, which share Liberal Democrat values.

In October, training was delivered for 30 parliamentary candidates from the party's three sister-parties in Congo, held in the margins of the Africa Liberal Network General Assembly. Also in October the Africa Liberal Network General Assembly took place in DRC. The network decided its strategy for 2011-13 including relocation of the Secretariat to Africa in 2012. The network welcomed new parties from Botswana, South Sudan, Congo and a Pan-African Organisation for African Liberal Youth, bringing the membership to 30 parties and organisations.

During the year the Smaller Parties' each provided support to their respective partner parties, which included implementing projects in Moldova, Montenegro, Namibia, Uganda and Zambia. This was following last year's recommendations that the programme focus on fewer priorities in the coming years to yield stronger results, and to consider allocating greater resources to those countries where the chances of producing greater impact were highest.

2.2 Looking ahead to 2012 and beyond

Towards the end of the 2011-12 financial-year WFD secured funding totalling £16.5 million over the next three years (2012-15). This included annual grant-in-aid from the FCO of £3.5 million and a new three year Accountable Grant of £6 million from DFID, starting in April 2012.

From 2012, WFD will be focusing its resources on multi-year strategic programmes that deliver greater impact. WFD is planning to work in the following countries and regions during 2012-15:

AFRICA	Democratic Republic of Congo East Africa Legislative Assembly Kenya Mozambique Nigeria Uganda
ASIA	Bangladesh Indonesia Pakistan
EUROPE	Georgia Kyrgyzstan Ukraine Western Balkans
MENA	Egypt Iraq Jordan Lebanon Morocco Tunisia MENA-wide: women's leadership MENA-wide: policy development

The UK political parties' are continuing to develop strategic programmes from 2012 prioritising: policy-based platforms; political and ideological identity; structure and capacity to communicate internally; networks and local structures including women and youth; ability to communicate with the electorate.

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WFD will retain the ability to respond to new opportunities as they arise; and extend its support through new externally funded programmes where possible. Other programme countries may be added depending on need and funds available.

3. Resources

As at 31 March 2012, WFD employed 19 full-time equivalent staff in the UK, of whom 12 are responsible for the design, management and delivery of country programmes and for managing local and UK partnerships.

Staff are organised into specialist regional teams covering Africa and Asia, Europe and Middle East/North Africa (MENA) and a separate team managing The Westminster Consortium programme. During the year, WFD operated local field offices in Albania, Bangladesh, Georgia, Kenya, the Kurdish region of Iraq, Kyrgyzstan, Lebanon, Macedonia, Montenegro, Morocco, Mozambique, Serbia, Sierra Leone, Tunisia, Uganda, and Ukraine.

WFD also continued to work on a grant-making basis in a few countries, working with established and experienced in-country partners responsible for project delivery. The relationship with these partners and the ability to respond quickly to new needs and opportunities is an organisational strength, as is WFD's geographical and thematic expertise. The relationships with UK political parties and access to their expertise and trainers, and the ability to draw on other specialist expertise in Parliament and the devolved Assemblies, provide WFD with an extensive network of skills and knowledge and a unique selling point. .

Funding remains the most significant influence on the business as this determines the resource available for programme activity. The FCO core grant-in-aid remains central to WFD's operations, both for programme delivery and to maintain its operating base in London. Core grant-in-aid (GIA) for 2011-12 was £3.5 million, an increase of 3.1% on 2010-11.

As of the end of March 2012, WFD has 18 months remaining of its five year contract with DFID to manage a £5 million grant to The Westminster Consortium under its Global Transparency Fund. DFID is an important strategic partner and funder for WFD programmes and this is reflected in our Strategic Objectives. As well as the GTF programme, WFD is managing a five year DFID-funded programme in Bangladesh, with an overall value of £1 million.

In addition to its main funding by the FCO and DFID, WFD secured other funding of £212,000 for programmes during 2011-12 in Egypt and Tunisia through the Arab Partnership Fund. Since the end of the year, further funding has been agreed from this source for a three year programme between 2012-2015 in Tunisia (£680,000) and Morocco (£391,000). WFD is also looking to submit a bid for a three year programme in Egypt. This programme will be developed further once an initial set of workshops have been delivered as part of a planned 'induction' programme for first-time MPs.

During the year 2010-11, WFD received £200,000 from the EU for a parliamentary strengthening programme in Lebanon to be completed in June 2012.

4. Financial Position

WFD receives an annual core grant-in-aid from the FCO out of monies voted by Parliament, to enable it to achieve agreed objectives. This grant is supplemented by further specific contracts from the FCO and DFID. WFD has bid for and received European Union funds and it may seek funds from other public sector funds and from the private sector. The conditions of the grant-in-aid require that it should be applied for according to need and spent in the year to which it relates. Cash balances are to be minimised, commensurate with being sufficient to meet liabilities. WFD applies for grant-in-aid periodically, typically bi-monthly, based upon cash flow forecasts of project and non-project expenditure.

WFD is not capital intensive and grant-in-aid funding is used for project expenditure and WFD non-project costs, capital expenditure and changes in working capital.

The Westminster Foundation for Democracy Limited

MANAGEMENT COMMENTARY

During the year 2011-12 the grant-in-aid was increased from £3.395 million to £3.5 million. In 2011-12 £2,087,648 (2010-11: £2,083,861) was awarded or spent from grant-in-aid on projects and programmes and WFD spent a further £2,664,937 on projects funded wholly or partly by third parties (2010-2011: £1,951,457). WFD fully spent its grant-in-aid allocation to projects and programmes. There were no events during the year that adversely affected the financial position of WFD. It has been confirmed by the FCO that grant-in-aid for 2012-13 will remain at the level of £3.5 million. Looking forward, the FCO has indicated its ongoing support at this same level for 2013-14 and 2014-15. DFID, too, has confirmed to WFD that it will provide a new Accountable Grant of £6 million from 2012-2015 (subject to interval reviews) confirming it as an important strategic partner for WFD.

At 31 March 2012 the Board had approved projects amounting to £1,754,159 (2010-11: £1,492,331) that are intended to be funded from future grant-in-aid.

4.1 Accounting Policies

Core grants are credited in the year to which they relate. WFD has complied with the Government Financial Reporting Manual (FReM 2011-2012) in the treatment of grant-in-aid income which is therefore taken through the income and expenditure reserve. Because of difficult communications in some parts of the world in which the core grants are expended, some project expenditure is recognised when paid, which policy represents a departure from IAS 37. The accounting policy in respect of non-core grants ensures that costs in respect of these grants are matched to revenues. Non-core grants received in advance of expenditure are carried forward as deferred income and released to the Statement of Comprehensive Net Expenditure in the period in which costs are incurred. Grants awarded but received after costs are incurred are accrued as income in the period in which the costs are incurred. Other expenditure is charged to the Statement of Comprehensive Net Expenditure on an accruals basis inclusive of irrecoverable VAT.

4.2 Capital Structure

WFD is a company limited by guarantee and therefore does not have a share capital.

4.3 Cash Flow and Liquidity

During the year WFD had a decrease of £100,696 (2010-11: increase £469,862) in cash and cash equivalents, resulting in net liquid funds at 31 March 2012 of £463,770 (2010-11 £564,466). Key factors contributing to the decrease were the increase of accrued income less the decrease of deferred income, arising from the high level of programme activity in the final quarter (reducing cash reserves by net £317,000) plus a net increase in creditors and accruals (net £190,000). Other working capital changes had the net effect of increasing cash by £26,000. The Statement of Cash Flows provides further analysis.

5. Relationships

WFD has significant relationships with the UK political parties, FCO, DFID, British Council, in-country partners and institutions, and grantees and citizens of the countries in which we operate. WFD has ongoing contractual arrangements with and on behalf of the European Union, for work until June 2012, and has recently made new bids for further EU funds for which decisions are pending.

WFD is also the lead partner in a consortium of British institutions known as The Westminster Consortium (TWC), which was awarded a grant from DFID scheduled to span five years up to September 2013. The consortium includes the Commonwealth Parliamentary Association UK Branch, House of Commons Overseas Office, International Bar Association, National Audit Office, Thomson Reuters Foundation, and the University of Essex Centre for Democratic Governance.

The Westminster Foundation for Democracy Limited

MANAGEMENT COMMENTARY

6. Details of Particular Matters

6.1 Employees

WFD's policy is to be an equal opportunities employer and its aim is that there will be no discrimination of any kind against any person on the grounds of colour, race, nationality, creed, religion or belief, sexual orientation, marital status, gender, disability, age or any other personal characteristics.

WFD is committed to the policy on equal opportunities set out in the statement above and is required to comply with the Civil Service Commissioners' Recruitment Code. This ensures that there is no unlawful direct or indirect discrimination and enables the development of good employment practices. All staff are required to cooperate with this policy to ensure that it is implemented in full.

WFD's management and staff policies are maintained, reviewed, and updated on a regular basis and made available to all staff. They are also subject to internal audit to ensure compliance with legislation. Recruitment and interview procedures are structured to avoid discrimination. WFD has a grievance procedure to be used by staff if they believe they may have been discriminated against. There was one minor grievance raised by staff during the last financial year which was settled amicably.

6.2 Essential Contractual Arrangements

Political parties in receipt of an allocation of grant-in-aid entered into contractual agreements with WFD for the financial year 2011-12. The contracts specify the amount of, and the conditions attached to, the allocated grant-in-aid. New contracts in respect of the financial year 2012-13 have been issued.

On behalf of the Board

Linda Duffield
Chief Executive and Accounting Officer
26 June 2012

The Westminster Foundation for Democracy Limited

REMUNERATION REPORT

The Terms and Conditions Sub-Committee of the Board is responsible for reviewing all aspects of remuneration and employment conditions of staff. Their recommendations are submitted to the Board for approval. The committee is chaired by an independent governor and during the year ending 31 March 2012 the following Governors were members of the Committee:

James Bewsher	Chairman
Sean Farren	Resigned 8 September 2011
Meg Munn MP	
John Glen MP	Appointed 26 October 2011

The remuneration of the Chief Executive is reviewed annually and is determined by reference to the recommendations of the Senior Salaries Review Body, based on the annual performance appraisal conducted by the Chair. Objectives are set for the succeeding year and used to assess performance. A performance related bonus can be paid dependent on performance levels attained as part of the appraisal process and as determined by the Board. During the year a bonus of £11,250 was paid in respect of performance in the year to 31 March 2011. The Chair's recommendations are reviewed by the Terms and Conditions Committee and approved by the Board.

Governors are appointed by the Secretary of State for the Foreign and Commonwealth Office for a term of three years. Appointments can be renewed for a maximum of three consecutive terms (nine years). Governors are not remunerated and WFD does not pay allowances and benefits in kind to Governors, or to the Chief Executive, or any other members of staff. Details of the dates of appointment of Governors and the dates that appointments end are shown in the Governor's Report. During the year no payments were made to third parties for services of a senior manager.

WFD entered into a Service Agreement with Linda Duffield, Chief Executive, on 1 September 2009 and this was in effect throughout the year.

The following remuneration information has been subject to audit. During the year the following payments were made to senior managers:

Remuneration	Salary	Salary
	2012	2011
	£000	£000
Linda Duffield	95-100	95-100
Paul Naismith	70-75	70-75
All Governors	Nil	Nil
	Performance bonus paid	Performance bonus paid
	2012	2011
	£000	£000
Linda Duffield	10-15	5-10
Paul Naismith	5-10	5-10

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce. The mid-point of the banded remuneration of the highest-paid employee in WFD in the financial year 2011-12 was £110,000 (2010-11, £105,000). This was 3.2 times (2010-11, 2.9) the UK median remuneration of the workforce, which was £34,844 (2010-11, £36,038). Total remuneration includes salary and non-consolidated performance-related pay. There were no benefits-in-kind or severance payments paid in the year (2010-11, nil). It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The Westminster Foundation for Democracy Limited

REMUNERATION REPORT

Pension benefits

	Accrued pension at pension age as at 31 March 2012	Related lump sum at 31 March 2012	Real change in pension at pension age £000	Real change in lump sum at pension age £000	CETV at 31 March 2012 £000	CETV at 31 March 2011* £000	Real change in CETV £000
Linda Duffield	40-45	130-135	(0-2.5)	(2.5-5)	936	882	(19)
Paul Naismith	5-10	-	0-2.5	-	78	59	13

CETV is the Cash Equivalent Transfer Value and is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. As the PCSPS is a multi-employer fund, the CETV values will include accumulated accrued benefits from any previous employers that operate the PCSPS.

* The actuarial factors that are used in the CETV calculation were altered in 2011-12. The CETV at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Real change in CETV reflects the increase/(decrease) in CETV that is funded by WFD. It does not include the increase in accrued pension due to inflation or the contributions paid by the employee and uses common market valuation factors for the start and end of the period.

Linda Duffield
Chief Executive and Accounting Officer
26 June 2012

The Westminster Foundation for Democracy Limited

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of WFD'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. I am therefore responsible for ensuring that WFD is administered prudently and economically and that resources are applied efficiently and effectively. In addition I am accountable to the Principal Accounting Officer of the Foreign and Commonwealth Office (FCO) to enable him to discharge his overall responsibility for ensuring that WFD as an FCO Non-Departmental Public Body has adequate financial systems and procedures in place. The relationship between WFD and the FCO is specified in the Management Statement and its associated Financial Memorandum. WFD's corporate and business plans, objectives and associated risks are discussed at quarterly review meetings with the FCO.

GOVERNANCE FRAMEWORK

Accountability within WFD is exercised through the Board and its three main committees, the Audit Committee, the Projects and Programmes Committee, and the Terms and Conditions Committee. Each of these sub-committees are active and under the chairmanship of a different non-executive Board member and support the Board's and my corporate governance role

The Board takes an overarching role in assurance and monitoring of performance and throughout the year has monitored delivery of the Business Plan 2011-12. The Board met quarterly during the year, and the average attendance by its 14 Governors was 76% across the year. The Board's work during the year also included a review of the way it works and how reform to structure and governance arrangements should be made to improve effectiveness. The outcome of this review has set in motion an agreed 'change agenda' for the company to be implemented during 2012-13. The Board also oversaw a move towards more strategic programming across the company, to be implemented during the next three years, 2012-2015.

The Audit Committee supports the Board to discharge its fiduciary, risk control and governance responsibilities by monitoring and giving advice to me in the exercise of my duties, and by promoting a climate of financial discipline and control within the organisation. The Audit Committee performs the key role of reviewing and monitoring the systems of internal control and receives regular reports on the work and findings of the internal and external auditors. Minutes are prepared immediately following each meeting and provided to the Board, together with an annual report.

The Projects and Programmes Committee considers and decides on project and programme proposals submitted to it, in line with WFD's agreed strategy, Business Plan and policy, as set by the Board. It monitors the progress of approved programmes and projects by considering evaluations and other reports submitted to it. The committee ensures that project and programme scrutiny and supervision processes can enable a thorough and objective examination and oversight to be maintained of all programmes and projects, and advises the Board and me on any matters relating to programmes and projects, including risks.

The membership of the Programmes and Projects Committee has been revised to comprise eight members including four Political Governors (one from each of the three larger parties and one from the smaller parties) and four Independent Governors, with other Governors encouraged to participate in the work of the Committee and attend its meetings.

During the year the Board revised upwards the level of financial responsibility delegated to the Committee. The current limit for approval by the Committee for any single programme is £100,000 within any single year (or up to equivalent £300,000 for three-year programmes).

To assist with improving the decision-making process, the Board also revised upwards the delegated financial responsibility available to me. I now have the authority to approve budget increases and new projects up to £20,000. In the case of the political parties' proposals, I do not have a veto and would refer such proposals to the Projects and Programmes Committee for a final decision.

The Terms and Conditions Committee assists the Board to discharge its responsibilities relative to the terms and conditions of employment of WFD staff. The committee works with me in my role as the Chief Executive to set

The Westminster Foundation for Democracy Limited

GOVERNANCE STATEMENT

out policies relating to terms and conditions of service and to monitor the application of these policies and to ensure transparency and fairness in the application of these arrangements.

During the year in review each of the committees met quarterly except for the Terms and Conditions committee that met once, as required. The committee structures reporting through to the Board have been clearly defined and the terms of reference, membership, and reporting arrangements reviewed annually.

Other issues agreed during the year to enhance Board effectiveness include making training available to all Governors, staff and political party officers, including specifically on the new UK Anti-Bribery and Corruption legislation introduced in July 2011.

The Governors' attendance at each of the meetings that they were entitled to attend during the year was as follows:

	<i>Board Meetings</i>	<i>Audit Committee</i>	<i>Programmes and Projects Committee</i>	<i>Terms and Conditions Committee</i>
Baroness Armstrong	2/4		4/4	
James Bewsher*	2/4		2/4	1/1
Tina Fahm*	4/4	4/4		
Sean Farren	1/1		1/1	
Don Foster MP	2/4		3/4	
Lord Foulkes	3/4		4/4	
John Glen MP	4/4			
Kenneth Jones*	1/4	3/4	1/4	
Bronwen Manby*	3/4		3/4	
Meg Munn MP	4/4			1/1
John Osmond*	3/4	2/3	3/4	
Andrew Rosindell MP	3/4		3/4	
Gary Streeter MP	4/4	3/3		
Myles Wickstead CBE*	3/3		3/3	
Peter Wishart MP	3/3		2/3	

* Denotes Independent Governor

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of WFD's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage or mitigate them efficiently, effectively and economically. The system of internal control has been in place at WFD throughout the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

RISK ASSESSMENT

The Board acknowledges that risk is a characteristic of WFD's work. WFD was set up as a non-departmental public body, at arm's length from Government, precisely so that it could undertake projects carrying a higher degree of political risk than would be undertaken by Government. WFD has always sought to support innovative projects for which direct UK Government support would not be available, and which carry a higher risk of failure than those operating by established methods. WFD's approach is therefore not to avoid risk but to assess it and manage it.

The Westminster Foundation for Democracy Limited

GOVERNANCE STATEMENT

The Risk Management Strategy and the Risk Management Framework that were approved by the Board in March 2010 provide the framework for risk control. The strategy covers risk identification, evaluation, recording risk, control, review and assurance. It also defines the structures for the management and ownership of risk and identifies the company's approach to its risk appetite.

The overall responsibility for the management of risk lies with me as Accounting Officer. The WFD Board ensures that robust systems of internal control and management are in place. This responsibility is supported through the sub-committees of the Board under the chairmanship of a non-executive Director, with appropriate membership or input from members of the Executive team.

A strategic Risk Dashboard is maintained by WFD for review by the Board. Currently a bottom-up approach is in place where risks are reported through monthly and quarterly written reports and verbally during staff and management meetings. Risk is then considered on the agenda at meetings of the Audit Committee, the Projects and Programmes Committee (in the case of programme risks), and the Board. The Audit Committee meets four times a year and reviews the action plans presented for each risk and the progress made towards reducing risk to the tolerance level set on a risk-by-risk basis.

The Audit Committee reports to the Board and the Board reviews and updates the risk dashboard at each meeting. An Internal Audit programme for 2011-12 was agreed by the Audit Committee, which received six reports during the year covering each of the items in the programme, and updates on previous reports. Staff are trained to identify and manage risk in a way appropriate to their authority and duties. This ensures that risk is assessed and managed at a level appropriate to its perceived threat. All new projects and programmes include a risk assessment and risk registers are maintained and used for all major programmes.

The likelihood and impact of identified risks is assessed and graded according to four measures, ranging between green, yellow, amber, and red. A red risk is a real or perceived immediate or sudden inability to deliver upon strategic objectives or to ensure the safety and security of staff. Amber risk is where there is a reasonable expectation of a material risk to the achievement of objectives or a heightened level of risk beyond what is acceptable to the security and safety of staff. During the year there were no red risks identified. Risks considered to be amber were; risk of inability to demonstrate impact of programmes, risk of lack of funding to enable response to political changes overseas, and risk of failing to develop learning and development plans for staff.

FCO and DFID have now approved WFD's Business Case for 2012-15. This brings welcome assurance for funding for the next three years, but approval is conditional. A key requirement is to provide a successful inception report within six months (end September 2012) which will address many of the conditions outlined by the FCO and DFID. A successful outcome for the Business Case bid was anticipated and, therefore, the impact on the current risk register was not material.

REVIEW OF EFFECTIVENESS

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

We have established a framework of regular management information and administrative procedures, including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- an Audit Committee that meets at least four times a year and reports to the Board of Governors regularly, including an Annual Report of the Audit Committee to the Board. In 2011-12 the Committee met quarterly. The membership of the Audit Committee includes a qualified accountant with a background in international development. As well as monitoring an internal audit plan, the Audit Committee initiates a self-assessment review from time-to-time and follows an annual timetable covering its key responsibilities through the year;
-

The Westminster Foundation for Democracy Limited

GOVERNANCE STATEMENT

- an Internal Audit Annual Report to the Audit Committee for 2011-12 included an overall opinion that, on the basis of the work performed, there was reasonable assurance on the system of internal control;
- comprehensive budgeting systems with an annual business plan and budget approved by the Board and reviewed and agreed by the Human Rights, Democracy and Governance Group of the Foreign and Commonwealth Office;

- Management Accounts reporting in detail on programme and project expenditure and overheads, each compared to budget, together with estimated full year outcome regularly updated. These are reviewed by the Audit Committee and approved by the Board;
- setting of targets to measure financial and other performance;
- formal programme management disciplines;
- a system of risk assessment and management throughout the organisation;
- periodic reports from the internal auditors to standards defined in the Government Internal Audit Standards;
- an independent review, in line with Cabinet Office guidelines, by the FCO, our sponsor department; the most recent being February 2010.

Reports are also provided by me to the WFD's Board of Governors, the Human Rights, Democracy and Governance Group of the FCO and the Head of the Internal Audit Unit of the FCO.

WFD has an internal audit function provided by an independent firm of auditors which operates to standards defined in the Government Internal Audit Standards. The work of internal audit is informed by an analysis of the risks to which WFD is exposed, and annual internal audit plans are based on this. The analysis of risk and internal audit plans are approved by me, reviewed by the Audit Committee, and endorsed by WFD's Board of Governors. A rolling programme of internal audit is in place, and provides me with reports on internal audit activity in WFD.

During the year the internal audit programme reviewed the procedures for Programme Management, Risk Management, Budgetary Control Process, Anti-Bribery and Corruption, Financial Reporting of EU grants, and Programme Field-Office audit training. All of the reports reported that substantial assurance can be given to the control environment surrounding the risks reviewed, except for Anti-Bribery and Corruption process and procedure where no assurance was reported. This is because, in advance of the Act's introduction in July 2011, there were not adequate governance arrangements in place and no gap analysis undertaken to identify areas where additional work needed to be undertaken to satisfy the requirements of the Act. The Audit Committee noted that as at year-end, operational responsibility for implementing the necessary governance arrangements has been duly delegated. Activity will include a workshop in early 2012-13 for all relevant staff, to explain the Act and its requirements and to develop an action plan. This will include drafting a Policy and providing broad guidance for its implementation throughout WFD.

Linda Duffield
Chief Executive and Accounting Officer
26 June 2012

The Westminster Foundation for Democracy Limited

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE WESTMINSTER FOUNDATION FOR DEMOCRACY LIMITED

I certify that I have audited the financial statements of the Westminster Foundation for Democracy for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its net expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Westminster Foundation for Democracy Limited

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE WESTMINSTER FOUNDATION FOR DEMOCRACY LIMITED

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

2 July 2012

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

The Westminster Foundation for Democracy Limited
STATEMENT OF COMPREHENSIVE NET EXPENDITURE
For the year ended 31 March 2012

	<i>Notes</i>	Core Funds £	Corporate Funds £	31 March 2012 Total £	31 March 2011 Total £
INCOME					
European Union funding	2	180,918	-	180,918	61,347
Other third party funding	2	2,139,526	-	2,139,526	1,702,270
		<u>2,320,444</u>	<u>-</u>	<u>2,320,444</u>	<u>1,763,617</u>
DIRECT EXPENDITURE					
Projects	3	(4,575,139)	(24,994)	(4,600,133)	(3,920,278)
		<u>(2,254,695)</u>	<u>(24,994)</u>	<u>(2,279,689)</u>	<u>(2,156,661)</u>
OTHER EXPENDITURE					
Staff costs	4	(927,869)	-	(927,869)	(891,295)
Depreciation - owned assets		(7,271)	-	(7,271)	(9,723)
Property costs		(134,018)	-	(134,018)	(116,619)
Office expenditure		(71,277)	-	(71,277)	(58,772)
Computer expenses		(31,874)	-	(31,874)	(24,442)
Printing and stationery		(6,545)	-	(6,545)	(8,131)
Professional fees		(16,525)	-	(16,525)	(14,808)
Business development		(2,293)	-	(2,293)	(121,010)
Audit fee	5	(12,000)	-	(12,000)	(12,000)
		<u>(1,209,672)</u>	<u>-</u>	<u>(1,209,672)</u>	<u>(1,256,800)</u>
NET OPERATING EXPENDITURE		<u>(3,464,367)</u>	<u>(24,994)</u>	<u>(3,489,361)</u>	<u>(3,413,461)</u>
Interest receivable		295	-	295	1,457
NET EXPENDITURE FOR THE YEAR		<u>(3,464,072)</u>	<u>(24,994)</u>	<u>(3,489,066)</u>	<u>(3,412,004)</u>

The result for the year arises from WFD's continuing operations.

The Westminster Foundation for Democracy Limited
 STATEMENT OF FINANCIAL POSITION
 31 March 2012

	<i>Notes</i>	£	31 March 2012 £	£	31 March 2011 £
NON-CURRENT ASSETS					
Equipment	6		<u>3,814</u>		<u>11,085</u>
CURRENT ASSETS					
Trade and other receivables	8	465,524		177,543	
Cash and cash equivalents:					
Core		350,382		533,354	
Corporate		<u>113,389</u>		<u>31,113</u>	
		929,295		742,010	
Trade and other payables: amounts falling due within one year	9	(784,129))		(615,049)	
			<u>145,166</u>		<u>126,961</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>148,980</u>		<u>138,046</u>
FUNDS					
Core	11		133,435		97,507
Corporate	11		<u>15,545</u>		<u>40,539</u>
			<u>148,980</u>		<u>138,046</u>

These accounts are exempt from the requirements of Part 16 of the Companies Act 2006 by virtue of section 482 (non-profit-making companies subject to public sector audit) of that Act.

The Accounts were approved and authorised for issue by the Board on 26 June 2012

Gary Streeter

Chair

Linda Duffield

Chief Executive

The Westminster Foundation for Democracy Limited
 STATEMENT OF CASH FLOWS
 For the year ended 31 March 2012

	<i>Notes</i>	31 March 2012 £	31 March 2011 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit after interest		(3,489,066)	(3,412,004)
Adjustment for depreciation	6	7,271	9,723
Decrease/(Increase) in trade and other receivables		(287,981)	187,817
Increase/(Decrease) in trade and other payables		169,080	301,234
Use of provisions		-	-
		<hr/>	<hr/>
Net cash outflow from operating activities		(3,600,696)	(2,913,230)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	6	-	(11,707)
		<hr/>	<hr/>
Net cash outflow from investing activities		-	(11,707)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant from FCO		3,500,000	3,394,800
		<hr/>	<hr/>
Net financing		3,500,000	3,394,800
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD			
		(100,696)	469,863
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period		564,467	94,604
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period		463,771	564,467
		<hr/>	<hr/>

The Westminster Foundation for Democracy Limited
 STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 March 2012

	Core Funds £	Corporate Funds £	Total £
Balances at 31 March 2010	108,120	47,130	155,250
CHANGES IN EQUITY 2010-11			
Net expenditure	(3,405,413)	(6,591)	(3,412,004)
Total recognised Income and Expenditure 2010-11	(3,405,413)	(6,591)	(3,412,004)
Grant from FCO	3,394,800	-	3,394,800
Balances at 31 March 2011	97,507	40,539	138,046
CHANGES IN EQUITY 2011-12			
Net expenditure	(3,464,072)	(24,994)	(3,489,066)
Total recognised Income and Expenditure 2011-12	(3,464,072)	(24,994)	(3,489,066)
Grant from FCO	3,500,000	-	3,500,000
Balances at 31 March 2012	133,435	15,545	148,980

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006, except where noted below for grants payable. The financial statements are prepared under the historical cost convention, and in accordance with those parts of the Government Financial Reporting Manual (FRM) that do not conflict with the Companies Act 2006. The format of the Statement of Comprehensive Net Expenditure has been adapted from that prescribed by the Companies Act to better reflect the nature of WFD's activities.

TANGIBLE FIXED ASSETS

All assets above £1,000 are brought onto the balance sheet at their fair value and all such tangible assets are owned in full. Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

Computer equipment: depreciate on straight line basis over 3 years

Furniture and fittings: depreciate on straight line basis over 5 years

LEASED ASSETS AND OBLIGATIONS

All leases are operating leases and the annual rentals are charged to the net expenditure account on a straight line basis over the lease term.

GRANTS RECEIVABLE AND PAYABLE

In accordance with the FRM grant-in-aid received in the year is accounted for through the net expenditure reserve account in the year to which it relates.

Political party grant-in-aid expenditure is recognised only when paid. On occasions this may be a departure from IAS 37 and arises because of difficult communications in some parts of the world in which these core grants are expended. Other grants are recognised in the net expenditure account when the relevant conditions for the grant have been met. Other grants received in advance of expenditure are carried forward as deferred income and released to the net expenditure account in the period in which costs are incurred. Grants awarded but received after costs are incurred are accrued as income in the period in which the costs are incurred.

WFD has no liability for claims for grants that are not received by the end of the financial year. Other expenditure is charged to the net expenditure account on an accruals basis inclusive of irrecoverable VAT.

FUNDS

Funds represent the unspent balances of income received, for use by WFD in the future at its discretion. Extra-budgetary funds relate to grants received for specific purposes which may be spent only on those purposes.

TAXATION

WFD is not liable to Corporation Tax on grants received, but is liable to tax on investment income.

RETIREMENT BENEFITS

For defined contribution schemes the amount charged to the net expenditure account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Pension benefits are provided by the Principal Civil Service Pension Scheme. The rate of the employers' contribution is determined by the Government Actuary and advised by the Treasury and contributions are charged to the Statement of Comprehensive Net Expenditure.

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2 THIRD PARTY FUNDING

The UK other third party funding income is in relation to multi-year contracts including new project work won by WFD during the year. Income has been recognised to match the project expenditure paid for during the year. During the year funding of £1,374,091 was received from DFID's Governance and Transparency Fund (GTF) on behalf of the Westminster Consortium. Cumulatively £3,624,013 has now been received of the £5,000,000 total. DFID also provided Accountable Grant funding of £64,325 for WFD's programme in Bangladesh, cumulatively £201,092 of the £1,000,000 total.

3 DIRECT EXPENDITURE ON PROJECTS	2012	2011
	£	£
WFD projects	2,879,928	2,306,224
Political parties' sponsored projects:		
Conservative Party	689,243	662,544
Labour Party	685,420	658,608
Liberal Democrats	258,132	225,747
Smaller parties	70,694	36,620
	<u>4,583,417</u>	<u>3,889,743</u>
Travel and subsistence	16,716	30,535
	<u>4,600,133</u>	<u>3,920,278</u>

In the opinion of the Board, owing to the scale of activity there is a single segment of business activity which is strengthening pluralist democratic institutions, particularly political parties. The revenues reported are based on the management accounting information that formed the basis of these financial statements.

4 STAFF COSTS	2012	2011
	£	£
Wages and salaries	700,575	698,580
Temporary staff	-	-
Social security costs	67,403	63,009
Other pension costs	130,066	126,408
Recruitment and other staff costs	24,343	3,247
Un-taken holiday entitlement	5,482	51
	<u>927,869</u>	<u>891,295</u>

The Governors did not receive any remuneration for their services but travel costs of £708 (2010-11: £4,194) were reimbursed in the year.

	2012	2011
	No.	No.
The average number of employees (excluding Governors and vacancies) during the year was:		
Permanent – UK	17	16
Temporary	0	0

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

PENSION COMMITMENTS

WFD previously made contributions to a defined contribution scheme, the Westminster Foundation for Democracy Pension Plan, the assets of which are held separately from the assets of WFD. The scheme ceased in May 2007 and all the assets have been distributed.

As a publicly-funded body listed in Schedule 1 to the Superannuation Act 1972, WFD is included in Civil Service pension arrangements. The Principle Civil Service Pension Scheme (PCSPS) is an unfunded, multi-employer defined benefit scheme but WFD is unable to identify its share of the underlying assets and liabilities. The scheme actuary (AON Hewitt, formerly Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2011-12, employers' contributions of £118,009 were payable to the PCSPS (2010-11 £112,927) at one of three rates in the range 18.8% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can alternatively opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £146 were paid to one of the panel of three appointed stakeholder pension providers (2010-11: £2,060). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers can also match employee contributions up to 3% of pensionable pay. During the year contributions of £11,910 were also made to other personal money purchase pension schemes (2010-11: £11,421)

From 1 April 2012 the Government Actuary's Department (GAD) has been appointed the Scheme Actuary for the Civil Service pension arrangements in succession to AON Hewitt.

GAD is appointed Scheme Actuary in relation to the Defined Benefit arrangements only (covering the main scheme sections i.e. currently classic, classic plus, premium and nuvos). AON Hewitt is continuing to provide actuarial advice in relation to the Civil Service defined contribution arrangements (i.e. the partnership pension account, Stakeholder, and the CSAVC Scheme).

5	OTHER OPERATING CHARGES	2012	2011
		£	£
	This includes:		
	(Profit)/Loss on foreign exchange	1,054	304
	Auditor's remuneration - for audit work 2012	12,000	12,000
	- non-audit work*	69,973	85,768
	Operating lease rentals - office equipment	-	-
	- property leases	72,502	61,628

*for NAO's work as a partner organisation in the Montenegro, Lebanon, and TWC programmes

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6	NON-CURRENT ASSETS	Computer equipment £	Furniture and fittings £	Total £
	COST			
	At 1 April 2010	26,243	20,773	47,016
	Additions	11,707	-	11,707
	Disposals	-	-	-
	At 31 March 2011	<u>37,950</u>	<u>20,773</u>	<u>58,723</u>
	At 1 April 2011	37,950	20,773	58,723
	Additions	-	-	-
	Disposals	-	-	-
	At 31 March 2012	<u>37,950</u>	<u>20,773</u>	<u>58,723</u>
	DEPRECIATION			
	At 1 April 2010	23,245	14,670	37,915
	Charge for the year	5,569	4,154	9,723
	Disposals	-	-	-
	At 31 March 2011	<u>28,814</u>	<u>18,824</u>	<u>47,638</u>
	At 1 April 2011	28,814	18,824	47,638
	Charge for the year	5,322	1,949	7,271
	Disposals	-	-	-
	At 31 March 2012	<u>34,136</u>	<u>20,773</u>	<u>54,909</u>
	NET BOOK VALUE			
	At 31 March 2012	<u>3,814</u>	-	<u>3,814</u>
	At 31 March 2011	<u>9,136</u>	<u>1,949</u>	<u>11,085</u>

7 As the cash requirements of WFD are substantially met through grant-in-aid provided by the Foreign and Commonwealth Office, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body, and WFD is therefore little exposed to credit, liquidity, or market risk.

8	TRADE RECEIVABLES AND OTHER CURRENT ASSETS	2012 £	2011 £
	Deposits and advances	38,302	49,715
	Trade receivables	54,816	29,330
	Prepayments and Accrued Income	372,406	98,498
		<u>465,524</u>	<u>177,543</u>

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

9	TRADE PAYABLES AND OTHER CURRENT LIABILITIES: amounts falling due within one year	2012 £	2011 £
	Trade payables	375,265	151,616
	Accruals and Deferred Income	408,864	463,433
		<u>784,129</u>	<u>615,049</u>

10 WFD is a company limited by guarantee, not having a share capital. The liability of the two members, being the Secretary of State for Foreign and Commonwealth Affairs and the Treasury Solicitor, is limited to £1 each.

11 FUNDS

Fund balances are held as follows:

	2012 Core £	2012 Corporate £	2012 Total £	2011 Total £
Non-current assets	3,814	-	3,814	11,085
Receivables	465,524	-	465,524	177,543
Cash and cash equivalents	350,382	113,389	463,771	564,467
Payables	(784,129)	-	(784,129)	(615,049)
Inter fund account	97,844	(97,844)	-	-
	<u>133,435</u>	<u>15,545</u>	<u>148,980</u>	<u>138,046</u>

The balance of Corporate Funds at 31 March 2012 represents corporate donation funds allocated for specific projects approved by the board.

12 OPERATING LEASES

At 31 March 2012 WFD had annual commitments under non-cancellable operating leases as follows:

	2012 £	2011 £
Land and buildings: Expiry date:		
Within one year	80,295	25,269
Between two and five years	160,591	-
	<u>240,886</u>	<u>25,269</u>

13 CAPITAL COMMITMENTS

There were no capital commitments (2010-11: £ Nil).

The Westminster Foundation for Democracy Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14	INTRA GOVERNMENT BALANCES	2012	2011
		£	£
	Balances due from other central government bodies	355,737	58,384
	Balances due from local authority bodies	36,110	30,576
	Deposits and advances	39,521	50,933
	Prepayments	34,156	37,650
		<hr/>	<hr/>
		465,524	177,543
		<hr/>	<hr/>
	Deferred income from other central government bodies	58,842	75,676
	Other payables	375,265	151,616
	Accruals	350,022	387,757
		<hr/>	<hr/>
		784,129	615,049
		<hr/>	<hr/>

15 GRANT COMMITMENTS

At the year end, WFD had Board approvals amounting to £1,754,159 (2010-11: £1,492,331) of which £295,253 (2010-11: £430,189) related to WFD regional teams projects and £1,458,906 (2010-11: £1,062,142) related to Political Parties projects. These projects will be funded from future grant-in-aid income and no commitments have been accrued for these in the financial statements.

16 GOING CONCERN

At the time of signing these financial statements the FCO has confirmed its ongoing commitment to providing core annual funding to WFD for 2012-13 and has indicated that it intends to provide a similar level of funding for 2013-14 and 2014-15. The Board has reviewed WFD's position based on known information and is satisfied that the grant-in-aid will continue to be adequate for its regular activity and that no adjustments to the financial statements are necessary. These financial statements were authorised for issue on 20 June 2012.

17 CONTINGENT LIABILITY

From 29 September 2011, WFD has a new operating lease in respect of Artillery Row which provides that either of the two parties can determine the lease at any time by giving not less than six months notice or otherwise it will determine on 31 March 2015. A decision on relocating to other premises has not yet been made. No provisions for dilapidation costs, or relocation and fit-out costs if required, have yet been included within the financial statements. Any costs are anticipated within funds to be used in 2012-13, although the exact level will depend on the decision reached.

18 RELATED PARTY TRANSACTIONS

Core funding of £3,500,000 was received from the Foreign and Commonwealth Office (FCO) as grant-in-aid and a further £602,033, was received from FCO Embassies during the year. Funding of £1,438,417 was received from the Department for International Development (DFID) in the form of grants.



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