

Presented pursuant to Acts 29 and 30 Vict., c.39, s.22, and 11 and 12 Geo. 5, c.52, ss.4 and 6

Appropriation Accounts 1998–99

Volume 14: Class XIV Wales

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Volume 14: Class XIV Wales

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The Comptroller and Auditor General

The Comptroller and Auditor General is the head of the National Audit Office employing some 750 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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Introduction

The 1998–99 Appropriation Accounts are being published in 18 Volumes:

Volume	Class	Title
1	I	Ministry of Defence
2	II	Foreign and Commonwealth Office
3	III	International Development
4	IV	Ministry of Agriculture, Fisheries and Food and Intervention Board—Executive Agency
5	V	Trade and Industry and Export Credits Guarantee Department
6	VI	Environment, Transport and the Regions
7	VII	Home Office
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9	IX	Education and Employment
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11	XI	Department of Health
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13	XIII	Scotland and the Forestry Commission
14	XIV	Wales
15	XV	Northern Ireland
16	XVI	Departments of the Chancellor of the Exchequer
17	XVII	Cabinet Office: Office of Public Service, etc
18	XVIII, XVIII A and XVIII B	Cabinet Office: other services, Privy Council Office and Parliament, House of Commons; National Audit Office

Reports on accounts and subjects under consideration

Each volume

Each of the 18 volumes will contain my report on the accounts within it.

Revenue accounts

In volume 6 I will also report upon the revenue generated by the Motor Tax Account—Class VI, Vote 9 (Driver Vehicle Licensing Agency); and in volume 16 I will report upon the results of my examination of the Customs & Excise and Inland Revenue accounts—Class XVI, Votes 3 and 4.

Summary of transactions

A summary of the transactions contained within all 18 volumes is included in the last published volume. The summary will include:

- a summary of Excess Votes required
- a statement of outturn of all Votes and the amount to be surrendered; and
- a statement of the payment of extra receipts to the Consolidated Fund and of the adjustment of balances on the 1997-98 Votes.

The General Report

Once all 18 volumes have been published a final document is produced: *Financial Auditing and Reporting: 1998-99 General Report of the Comptroller and Auditor General*. The General Report brings together the results of financial audit work undertaken by the National Audit Office over the last twelve months and highlights issues arising from it. A number of areas will be covered including:

- Accounting and Auditing Developments
- Audit of Assets
- Audit of Receipts of revenue
- Corporate Governance
- Financial Management and Control
- Inspection Visits
- Resource Accounting
- Summary of Stock and Stores examinations

John Bourn
Comptroller and Auditor General

National Audit Office
29 October 1999

Report of the Comptroller and Auditor General

In accordance with Section 22 of the Exchequer and Audit Departments Act, 1866, I have examined and certified the Appropriation Accounts in this Volume. I have no observations to make upon them.

John Bourn
Comptroller and Auditor General

29 October 1999

National Audit Office
Audit House
23-24 Park Place
Cardiff CF1 3BA

**Class XIV—
Wales**

Statement of Accounting Officers' responsibilities

Section 22 of the Exchequer and Audit Departments Act 1866 requires all departments to prepare accounts of the appropriation of supply grants comprised in each year's Appropriation Act. The Treasury appoint an Accounting Officer for each Vote and determine the form of accounts. The accounts are prepared on a cash basis and must properly present the expenditure and receipts for each Vote in the financial year. The relevant responsibilities of Accounting Officers, including their responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Class XIV:

Page	No. of Vote	Service	Estimated Gross Expenditure	Authorised Appropriations in Aid	Supply Grant
			£000	£000	£000
6	1	Agriculture, fisheries and food, Wales	64,683	7,210	57,473
19	2	Industrial support, training and enterprise, education, arts and libraries, Wales	899,607	39,683	859,924
34	3	Roads and transport, housing, other environmental services, Cadw, health and personal social services, ERDF, Welsh Office administration and devolution preparation, Wales	861,316	14,564	846,752
58	4	Hospital, community health, family health services and other health services (part), Wales	2,841,361	579,623	2,261,738
69	5	Local government, Wales	2,467,055	10	2,467,045
76	6	Office of Her Majesty's Chief Inspector of Schools in Wales	10,597	380	10,217
		Total	7,144,619	641,470	6,503,149

Wales

Gross Expenditure	Appropriations in Aid Applied	Net Expenditure	Gross Expenditure compared with Estimate: Saving or (Excess)	Deficiency of Appropriations in Aid	Amount to be surrendered	Extra Receipts payable to Consolidated Fund	No. of Vote
£000	£000	£000	£000	£000	£000	£000	
63,454	6,851	56,603	1,229	359	870	248	1
879,960	39,184	840,776	19,647	499	19,148	11,201	2
814,944	14,564	800,380	46,372	—	46,372	4,300	3
2,753,589	553,390	2,200,199	87,772	26,233	61,539	72,305	4
2,452,359	10	2,452,349	14,696	—	14,696	8	5
8,465	374	8,091	2,132	6	2,126	10	6
6,972,771	614,373	6,358,398	171,848	27,097	144,751	88,072	
Total amount to be surrendered					144,751		
Actual total amount to be surrendered					£144,752,287.63		

Agriculture, Fisheries and Food, Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Welsh Office on market support; support for agriculture in special areas and compensation to sheep producers; animal health; assistance to agricultural production, marketing and processing; grants for capital and other improvements and certain alternative land uses; compensation to the farming, fishing and fish-farming industries; support for the food industry, the rural economy and the fishing industry; fisheries protection; agency payments for fishing projects; European Agricultural Guidance and Guarantee Fund grants to local authorities and other organisations; other miscellaneous agricultural services; and arterial drainage, flood and coast protection.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Agriculture, Fisheries and Food						
A	171,140	—	171,140	183,800	—	183,800
B	50,080	6,216	43,864	53,098	5,850	47,248
C	10,649	994	9,655	10,392	1,001	9,391
D	273	—	273	173	—	173
E	1,037	—	1,037	873	—	873
F	1	—	1	—	—	—
G	6,244	—	6,244	2,148	—	2,148
H	(171,139)	—	(171,139)	(183,669)	—	(183,669)
I	(3,602)	—	(3,602)	(3,361)	—	(3,361)
Total	64,683	7,210	57,473	63,454	6,851	56,603

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Market support etc. (net)				
A4 Grants and transfers: current	171,140	183,800	—	12,660
Structural and Agri-environmental measures				
B2 Direct expenditure: other current	105	88	17	—
B4 Grants and transfers: current	49,421	52,718	—	3,297
B5 Grants and transfers: capital	554	292	262	—
Other agriculture				
C2 Direct expenditure: other current	6,245	6,313	—	68
C3 Direct expenditure: capital	38	—	38	—
C4 Grants and transfers: current	3,004	2,590	414	—
C5 Grants and transfers: capital	1,362	1,489	—	127
Fishing industry and fisheries protection				
D2 Direct expenditure: other current	222	163	59	—
D4 Grants and transfers: current	10	—	10	—
D5 Grants and transfers: capital	41	10	31	—
Arterial drainage and flood prevention				
E3 Direct expenditure: capital	1,037	873	164	—
Rural support				
F4 Grants and transfers: current	1	—	1	—

A4, B4 and B5 See Explanatory Notes.

Explanation of the Causes of Variation between Expenditure and Grant.

A4 See Explanatory Notes for Note B.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Arterial drainage, coast protection and flood prevention, etc				
G5 Grants and transfers: capital	6,244	2,148	4,096	—
Market support etc				
H4 Grants and transfers: current	(171,139)	(183,669)	—	(12,530)
Environmental support etc				
I4 Grants and transfers: current	(3,602)	(3,361)	(241)	—
Gross Total	£000			
Original	48,072			
Supplementary	1,307			
Supplementary	15,304			
	64,683	63,454	4,851	3,622
			Surplus of Gross Estimate over Expenditure	
			<u>1,229</u>	
	Estimated	Realised		
	£000	£000		
Deduct				
Z Appropriations in Aid				
Original	6,643			Deficiency of Appropriations in Aid Realised
Supplementary	567			<u>359</u>
	7,210	6,851		
Net Total				Net Surplus
Original	41,429			<u>870</u>
Supplementary	1,307			
Supplementary	14,737			
	57,473	56,603		
	Actual surplus to be surrendered		<u>£870,275.69</u>	

Explanation of the Causes of Variation between Expenditure and Grant.

G5 Coast Protection—Two major schemes planned for 1998–99 have been re-scheduled and Phase 2 of a major project was delayed pending settlement of a substantial contract claim.

H4 See Explanatory Notes for Section A.

I4 See Explanatory Notes for Sections A and B.

Jon Shortridge
Accounting Officer

17 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure items

Section A comprises of the following:

	Estimate £000	Actual £000
Section A		
Market Support (EU Schemes)	171,140	183,735
Ex-gratia Payments	—	53
Market Support (Other) (Note F)	—	12
Total	171,140	183,800

Details are as follows:

Section A: Market Support etc. (net) (EU Schemes)

Section A	Estimated £000	Actual £000	Saving £000	Excess £000
Sheep Annual Premium Scheme (Note A)	96,815	99,880	—	3,065
Suckler Cow Premium Scheme (Note B)	34,356	40,042	—	5,686
Beef Special Premium Scheme (Note C)	29,103	32,004	—	2,901
Arable Crops Area Payments (Note D)	11,337	12,138	—	801
Honey Bee Health (Note E)	—	66	—	66
Recoveries	(471)	(395)	(76)	—
Total Expenditure	171,140	183,735	(76)	12,519
<i>Less</i>				
Receipts from the Intervention Board (See Explanatory Note on Sections H and I)	171,610	184,130	12,520	—
Repayment of Recoveries to the Intervention Board	(471)	(395)	—	(76)
Net Total	1	—	12,444	12,443

Net saving

1

Explanatory Notes on Expenditure and Receipts—continued

Note A: Payments of an annual premium on breeding ewes to maintain overall returns of sheepmeat producers at the basic price. Includes payments under the agri-monetary aid scheme.

Note B: Annual headage payments to augment incomes of specialist beef producers. Includes payments under the agri-monetary aid scheme. Changes in the level of advances paid to farmers under the 1998 Suckler Cow Premium Scheme resulted in increased expenditure in 1998–99.

Note C: Premium in respect of bovine animals which have been fattened by claimants. Included in the payment will be an additional amount to those producers with low stocking densities.

Note D: Payments made under the arable area payments scheme to producers growing cereals, oilseeds, protein crops, linseed and maize, including payments for land set aside under the scheme.

Note E: Payments to the Central Science Laboratory (CSL) for bee health advice measures.

Note F: Provision for payments under the Oilseed Support Scheme, the cereals co-responsibility levy, the surrender of milk quota, EU compensatory payments to milk producers and the grubbing-up of apple trees. Includes expenditure incurred as a result of judicial reviews.

Section B: Structural and Agri-environmental measures [£53,098,000]

Section B comprises of the following:

- 1. Hill Livestock Compensatory Allowances Scheme (Note G)
 - Sheep Compensation (Note H)
 - Farm Animal Health (Note I)

Current	Capital
£000	£000
44,702	—
526	—
772	—
46,000	—

Total

Note G: Payment of annual headage compensatory allowances for the breeding and rearing of hill sheep and hill cattle to supplement incomes and encourage farming in less favoured areas.

Note H: Payments to compensate certain sheep producers for loss of variable premium, market price loss and other costs following the restrictions placed on the movement and slaughter of sheep.

Note I: Compensation payments in respect of animals compulsorily slaughtered as a result of brucellosis, tuberculosis and other diseases.

Explanatory Notes on Expenditure and Receipts—continued

	Estimate	Actual
	£000	£000
<i>Section B (continued)</i>		
2 Environmentally Sensitive Areas/Other Agri-Environmental Measures (Table 1)	7,212	7,074
Marketing and Processing Projects (Table 2)	300	230
Fisheries Projects (Table 3)	254	62
LEADER Projects (Table 4)	50	327
Ex-gratia Payments	—	—
Total	7,816	7,693
<i>Less</i>		
Receipts		
Marketing and Processing Projects	299	230
Fisheries Projects	253	62
LEADER Projects	—	303
	552	595
Total	7,264	7,098
Section B Total (1 + 2)	50,080	53,098

Table 1. (Environmentally Sensitive Areas /Other Agri-Environmental Measures)

Section B	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Environmentally Sensitive Areas (Note J)	6,300	6,188	112	—
Other Agri-Environmental Measures (Note K)	918	897	21	—
Recoveries	(6)	(11)	—	(5)
Total Expenditure	7,212	7,074	133	(5)
<i>Less</i>				
Receipts from the Intervention Board (See Explanatory Note on Sections H and I)	3,608	3,306	—	302
Repayment of Recoveries to the Intervention Board	(6)	(11)	—	5
Net Total	3,610	3,779	133	302
			Net Excess	<u>169</u>

Note J: This scheme designates areas of particular environmental importance. Farmers who contract to limit their activities in a conservationally beneficial manner receive compensatory payment on a hectare basis.

Note K: Includes the Farm Woodland Scheme, the Farm Woodland Premium Scheme, the Moorland Scheme, the Countryside Access Scheme, the Organic Aid Scheme and the Habitat Scheme.

Explanatory Notes on Expenditure and Receipts—continued

Table 2. (Marketing and Processing Projects)

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Agency Payments on behalf of the European Union (net): Marketing and Processing Projects</i>				
Grants to improve the marketing of Welsh foods	300	230	70	—
Total Expenditure	300	230	70	—
<i>Less</i>				
Receipts from the Guidance Section of the European Agricultural Guidance and Guarantee Fund	299	230	—	69
Net Total	1	—	70	69
			Net saving	<u>1</u>

Table 3. (Fisheries Projects)

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Agency payments on behalf of the European Union (net): Fisheries Projects</i>				
Grants of up to 30 per cent to the fishing and aquaculture industries	254	62	192	—
Total Expenditure	254	62	192	—
<i>Less</i>				
Receipts from the European Union	253	62	—	191
Net Total	1	—	192	191
			Net saving	<u>1</u>

Explanatory Notes on Expenditure and Receipts—continued

Table 4. (LEADER Projects)

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Agency Payments on behalf of the European Union: LEADER (net)</i>				
Payments in respect of LEADER projects in Wales	50	327	277	—
Total Expenditure	50	327	277	—
<i>Less</i>				
Receipts from European Agricultural Guidance and Guarantee Fund in respect of LEADER projects in Wales	—	303	—	303
Net Total	50	24	277	303
		Net Excess	<u>26</u>	

	Current £000	Capital £000
Section C: Other Agriculture [£10,392,000]		
Farm and Conservation Grant Scheme (Note L)	—	1,444
Other Capital Grant Schemes (Note L)	—	15
Farm and Rural Conservation Agency/Agricultural Development and Advisory Service (Note M)	5,718	—
Rural Development Programme (Note N)	750	—
Other Schemes (Note O)	2,435	30
Total	<u>8,903</u>	<u>1,489</u>

Note L: Grant payments to farmers under the Farm and Conservation Grant Scheme to maintain environmental features. Include payment of grants under the following closed schemes: Agricultural Improvement Scheme; Agriculture and Horticulture Development Scheme; Farm Diversification Grant Scheme; and Improvement of Farm Structure Grant Scheme.

Note M: On 1 April 1997 the Farm and Rural Conservation Agency (FRCA) was established to undertake certain functions previously undertaken by the Agricultural Development and Advisory Service (ADAS). These functions include laboratory services and research and development work. The FRCA is jointly owned by the Welsh Office and Ministry of Agriculture Fisheries and Food.

Explanatory Notes on Expenditure and Receipts—continued

Note N:

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Rural Development Programme (net)</i>				
(1) EU Funded payments	2,475	2,152	323	—
(2) UK Funded payments	1,000	750	250	—
Total Expenditure	3,475	2,902	573	—
<i>Less</i>				
Receipts from the European Union	2,474	2,152	—	322
Net Total	1,001	750	573	322

Net saving

251

Note O: Includes expenditure on Food Promotion, Food Strategy, Marketing, Set Aside, commissioned surveys, Bee Health, Pwllpeiran Research Farm, publicity, committee and tribunal expenses and other miscellaneous expenditure. During 1998-99 Welsh Food Promotions Ltd. were merged with the enlarged Welsh Development Agency to combine the promotion of Welsh food with the work on supporting economic development in the agri-food sector.

	Current £000	Capital £000
Section D: Fishing Industry and Fisheries Protection [£173,000]		
Sea fisheries protection	163	—
Grants to producer organisations	—	—
Grants for fish farming projects	—	10
Total	163	10

Section E: Arterial Drainage and Flood Protection [£873,000]
 Grants to provide assistance for capital works undertaken by the Environment Agency, local authorities and internal drainage boards.

Explanatory Notes on Expenditure and Receipts—continued

Section F: Rural Support (net) (EU Funded)

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Rural Support (net)</i>				
EU Funded payments	1	274	—	273
Total Expenditure	1	274	—	273
<i>Less</i>				
Receipts from the European Union	—	274	274	—
Net Total	1	—	274	273

Net saving

1

Section G: Arterial Drainage, Coast Protection and Flood Prevention, etc [£2,148,000]

	Current £000	Capital £000
Arterial drainage, flood prevention and coast protection (Note P)	—	1,976
Grants to local authorities for harbour improvements (Note P)	—	172
Total	—	2,148

Note P: Grants to provide assistance for capital works undertaken by the Environment Agency, local authorities and internal drainage boards.

Section H: Market Support etc

Section I: Environmental Support etc

	Market Support Current £000	Environmental Support Current £000
Receipts from the Intervention Board	184,130	3,306
Repayment of Recoveries to the Intervention Board	(395)	(11)
Market Support Receipts Accounted for within Section I (Honey Bee Health—Note E)	(66)	66
Total	183,669	3,361

2 Receipts Payable to the Consolidated Fund

	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	246	248
Actual sum payable separately to the Consolidated Fund		<u>£248,417.49</u>

Explanatory Notes on Expenditure and Receipts—continued**Details of Receipts****(i) Receipts of classes authorised to be used as Appropriations in Aid**

	Current £000	Capital £000
Section B: Structural and Agri-environmental Measures		
Contributions from European Agricultural Guidance and Guarantee Fund	5,640	—
Receipts from sale of carcasses of slaughtered animals	206	—
Milk sample testing VAT receipts	3	—
Haulage/Slaughter VAT receipts	—	—
Support services VAT receipts	1	—
Total	5,850	—

	Current £000	Capital £000
Section C: Other Agriculture		
Contributions from European Agricultural Guidance and Guarantee Fund	200	—
Receipts in respect of the wildlife incident investigation scheme	36	—
Receipts in respect of Pwllpeiran Research Centre	47	—
Other payments VAT receipts	46	—
Surveys VAT receipts	137	—
Agricultural Development and Advisory Service (ADAS) VAT receipts	417	—
Farm and Rural Conservation Agency (FRCA) VAT receipts	114	—
Hill Livestock Compensatory Allowances Scheme (HLCA) evaluation VAT receipts	4	—
Total	1,001	—

	Current £000	Capital £000
(ii) Receipts of other classes		
Miscellaneous	32	—
Receipts from the Environment Agency (formerly the National Rivers Authority)	—	216
Receipts from local authorities in respect of arterial drainage, flood prevention and coast protection	—	—
Total	32	216

Other Notes

In line with estimates, expenditure is included gross of VAT. Any recoveries of such VAT are credited to Appropriations in Aid.

Jon Shortridge
Accounting Officer

17 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors.

As well as the framework of corporate management controls identified above, my review of the effectiveness of the system of internal financial control has been informed by the reviews of executive managers in the Department who are responsible for the development and maintenance of the financial control framework. I have recently developed a formal system of review and reporting by the executive managers, which for 1998–99 has relied upon a high level review process, but which in future years will include a more regular, detailed assessment.

In informing my view on the effectiveness of the system of internal financial control I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

Jon Shortridge
Accounting Officer

17 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 6 to 16 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement of the system of internal financial control on page 17. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 1, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 17 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 1 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

26 October 1999

National Audit Office
Audit House
23–24 Park Place
Cardiff CF10 3BA

Industrial Support, Training and Enterprise, Education, Arts and Libraries, Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Welsh Office on regional assistance; Welsh Development Agency; the former Development Board for Rural Wales (merged with the Welsh Development Agency); exchange risk guarantees; other industry expenditure; the Teaching Company Scheme; expenditure via Training and Enterprise Councils and amounts retained by them as surpluses on training, programmes for young people and adults; the Welfare to Work programme; initiatives and programmes within education; the promotion of enterprise, and encouragement of self-employed and small firms; help for unemployed people; Careers Service; publicity and research; education (including the Further Education Funding Council for Wales and the Higher Education Funding Council for Wales); certain other services and expenses; arts, libraries and museums.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Industrial Support, Training and Enterprise, Education, Arts and Libraries						
A	211,769	295	211,474	206,861	880	205,981
B	3,977	121	3,856	3,947	122	3,825
C	128,577	7,456	121,121	123,049	6,487	116,562
D	465,774	27,311	438,463	464,739	27,191	437,548
E	38,100	4,500	33,600	36,545	4,504	32,041
F	18,161	—	18,161	18,452	—	18,452
G	1	—	1	—	—	—
H	17,919	—	17,919	17,453	—	17,453
I	13,867	—	13,867	8,557	—	8,557
J	1,000	—	1,000	269	—	269
K	462	—	462	88	—	88
Total	899,607	39,683	859,924	879,960	39,184	840,776

Explanation of the Causes of Variation between Estimated and Actual Receipts.

AZ Due to early receipt of a refund of £553,000 originally not expected until 1999-2000.

CZ Mainly due to estimated recoveries of VAT relating to expenditure towards the year end, not actually received until early in 1999-2000.

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Industry				
A2 Direct expenditure: other current	3,120	2,294	826	—
A4 Grants and transfers: current*	39,656	39,146	510	—
A5 Grants and transfers: capital*	168,993	165,421	3,572	—
Industry				
B4 Grants and transfers: current	3,977	3,947	30	—
Training and Enterprise				
C2 Direct expenditure: other current*	126,465	121,193	5,272	—
C4 Grants and transfers: current	2,111	1,856	255	—
C5 Grants and transfers: capital*	1	—	1	—
Education				
D2 Direct expenditure: other current*	45,382	44,987	395	—
D3 Direct expenditure: capital	2,289	1,168	1,121	—
D4 Grants and transfers: current*	418,061	418,499	—	438
D5 Grants and transfers: capital*	42	85	—	43
Arts and Libraries				
E2 Direct expenditure: other current*	18,798	17,661	1,137	—
E4 Grants and transfers: current*	13,167	14,724	—	1,557
E5 Grants and transfers: capital*	6,135	4,160	1,975	—
Education (current grant within aggregate external finance)				
F4 Grants and transfers: current*	18,161	18,452	—	291

*See other Notes.

Explanation of the Causes of Variation between Expenditure and Grant.

- A2 The underspend on the Teaching Company Scheme resulted from the late submission by Higher Education Institutions of claims and the reduction in the number of projects approved under the College Business Partnership Scheme. The underspend on the Innovation and Technology Counsellor service was due to difficulties in recruiting staff and delays in the commencement of certain projects.
- D3 Grant maintained schools capital—the underspend was due to delays in the commencement of a large rebuilding project.
- E4 The overspend was mainly due to additional expenditure on National Lottery activities by the Arts Council for Wales, subsequently re-imbursed by receipts from the National Lottery Distribution Fund.
- E5 Expenditure was delayed awaiting the decision on the location for the Welsh Industrial and Maritime Museum.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
European Community Payments (Net)				
G4 Grants and transfers: current	1	—	1	—
Education (grants outside aggregate external finance)				
H4 Grants and transfers: current	10,044	9,744	300	—
H5 Grants and transfers: capital	7,875	7,709	166	—
Welfare to Work Education				
I5 Grants and transfers: capital	13,867	8,557	5,310	—
Welfare to work education voluntary aided schools				
J5 Grants and transfers: capital	1,000	269	731	—
Welfare to work training and enterprise				
K4 Grants and transfers: current	462	88	374	—

Explanation of the Causes of Variation between Expenditure and Grant

I5 Expenditure is dependent upon progress by the Local Education Authorities which was slower than anticipated because of delays in beginning work on new projects.

J5 Progress on a number of projects was slower than anticipated.

Account—continued

Service	£000	Grant £000	Expenditure £000	Expenditure compared with Grant	
				Less than Granted £000	More than Granted £000
Gross Total					
Original	863,367				
Supplementary	4,300				
Supplementary	6,487				
Supplementary (Revised Sum)	25,453				
		899,607	879,960	21,976	2,329
		Estimated £000	Realised £000	Surplus of Gross Estimate over Expenditure <u>19,647</u>	
Deduct					
Z Appropriations in Aid					
Original	31,604				
Less: Supplementary	1,082				
Supplementary	9,161				
(Revised Sum)		39,683	39,184		Deficiency of Appropriations in Aid Realised <u>499</u>
Net Total					
Original	831,763				
Supplementary	4,300				
Supplementary	7,569				
Supplementary (Revised Sum)	16,292				
		859,924	840,776		Net Surplus <u>19,148</u>

Actual surplus to be surrendered

£19,147,735.47

Jon Shortridge
Accounting Officer

8 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure Items

	Current £000	Capital £000
Section A: Industry [£206,861,000]		
Welsh Development Agency (Note A)	33,884	83,974
Development Board for Rural Wales (Note A)	2,399	1,485
Regional Selective Assistance (Note B)	—	79,886
Regional Development Grants	—	—
Regional Enterprise Grants (Note C)	1,257	76
Coalfields Regeneration Trust (Note D)	—	—
Miscellaneous Industrial Support Services (Note E)	1,327	—
Innovation Support Schemes (Note F)	1,665	—
Teaching Company Scheme/College Business Partnerships (Note G)	379	—
Innovation Technology Counsellors (Note H)	529	—
European Union Payments (Note I)	—	—
Total	41,440	165,421

Note A: Programmes are funded from a combination of grant in aid and self-generated and other receipts. The Government of Wales Act 1998 made provision for the merger of the Development Board for Rural Wales and the Land Authority for Wales with the Welsh Development Agency. This merger took effect from 1 October 1998.

Note B: The Regional Selective Assistance (RSA) scheme provides discretionary grants to viable businesses for investment projects which create or safeguard employment in the Assisted Areas (Development Areas and Intermediate Areas).

Note C: Assistance towards the cost of investment and innovation projects by small firms in the Assisted Areas.

Note D: The Coalfields Regeneration Trust was established to help coalfield communities in all countries of Great Britain. This independent charitable Trust makes provision for assistance in Wales to regenerate the former coal mining areas.

Note E: Expenditure incurred by the Welsh Office on industrial development, promotion, research, seminars and exhibitions, trade missions, trade fairs (including foreign trade fairs), financial support for the Welsh Design Advisory Service and of the Welsh Industrial Development Advisory Board, associated consultants' fees, design advice, legal fees and other expenses.

Note F: Assistance for the development in Wales of innovative projects through the Small Firms Merit Awards for Research and Technology (SMART) and Support for Products Under Research (SPUR) grant schemes. Includes publicity costs.

Note G: The Teaching Company Scheme places graduates with industrial companies for two years. The College Business Partnerships Scheme places National Vocational Qualification (NVQ) Level 4 students with industrial companies for up to one year.

Note H: Assistance for the delivery of a strategic framework for resource allocation in innovation and technology transfer in Wales.

Explanatory Notes on Expenditure and Receipts—continued

Note I

Section A	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>Agency Payments on behalf of the European Community (net): European Social Fund</i>				
Payments of European Social Fund in respect of EUROPEAN COMMUNITY LEADER projects in Wales	2	7	—	5
Total Expenditure	2	7	—	5
<i>Less</i>				
Receipts from European Social Fund in respect of EUROPEAN COMMUNITY LEADER projects in Wales	1	7	6	—
Net Total	1	—	6	5

Net saving

1

Section B: Industry [£3,947,000]

Payments to meet claims under guarantees provided against the exchange risk on foreign currency loans available from the European Coal and Steel Community and European Investment Bank for investment by private industry in Wales. The scheme is now closed to new applications.

Section C: Training and Enterprise [£123,049,000]

	Current £000	Capital £000
Training for Young People (Note J)	54,360	—
Education Initiatives (Note J)	3,472	—
Adult Training (Note J)	11,834	—
Business Growth and Start Up and Local Initiatives (Note J)	31,422	—
Training, Education and Enterprise Support (Note J)	1,911	—
Careers Service (Note K)	16,056	—
Contributions towards TEC Management Costs (Note J)	3,994	—
Total	123,049	—

Explanatory Notes on Expenditure and Receipts—continued

Note J: The Department contracts annually with the six Welsh Training and Enterprise Councils (TECs) for the delivery of certain Government training, enterprise and work-related education programmes. The TECs, in turn, contract with a network of local training providers. The programmes included are:—

Training for Young People—TECs fund work-based training for 16 and 17 year-old school leavers through Youth Credits, Modern Apprenticeships, National Traineeships and separate arrangements for training below NVQ Level 2. Provision is also made for Bridging Allowances.

Education Initiatives—Funding is aimed at fostering locally co-ordinated links between education and business. TECs are required to obtain from private sources, either in cash or kind, matched funding of at least 20 per cent of their annual allocation for work on Education Business links.

Adult Training—Provision is made for spending by TECs principally on training, structural work activity and associated assessment costs under the work-based Training for Adults programme for unemployed people.

Business Growth and Start Up and Local Initiatives—The Business Start Up scheme provides financial assistance and advice to unemployed people wishing to start their own businesses. The Local Initiative Fund is available to finance new initiatives to promote training and vocational education and to strengthen existing programmes.

Training, Education and Enterprise Support—This provision supports a range of programmes and initiatives such as: Chwarae Teg, which was set up to expand the role of women in the workforce; Out of School Childcare grant which helps parents and guardians to work by expanding childcare available outside school hours and the Under 5's Initiative which aims to demonstrate to the private sector the business benefits to be gained by supporting childcare provision for their employees. The Employment Services management fee attributable to services provided to trainees in Wales is also included here.

Contributions towards TEC Management Costs—The Department pays to TECs in Wales a contribution to the administration costs of providing services to the Department for the delivery and administration of the major adult, youth and enterprise training programmes.

Note K: The Department contracts with the eight Careers Service companies in Wales for the delivery of careers guidance services to young people. The companies work closely with education institutions, employees and training providers. These companies produce annual reports outlining the range of services provided and performance against targets.

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section D: Education [£464,739,000]		
Grant-Maintained Schools (Note L)	28,518	1,168
Assisted Places Scheme (Note M)	3,963	—
Other Programmes (includes National Curriculum) (Note N)	1,161	—
Qualifications, Curriculum, and Assessment Authority for Wales (ACCAC): grant in aid (Note O)	9,425	—
Further Education Funding Council for Wales: grant in aid (Note P)	178,794	—
Higher Education Funding Council for Wales: grant in aid (Note P)	231,222	—
Higher and Further Education: Student Access Funds (Note P)	3,025	—
Youth Services (including Wales Youth Agency) (Note Q)	1,085	—
Welsh Language (Note R)	628	—
Welsh Language Board: grant in aid (Note R)	3,738	85
Educational Services and Research (Note S)	1,342	—
Vouchers for pre-school education (Note T)	77	—
Total	463,486	1,253

Note L: Annual maintenance grant and special purpose grants to grant-maintained schools in Wales. In addition, grants and loans for capital expenditure.

Note M: Financial assistance to parents on low incomes to enable their children to attend high-quality independent schools in Wales. The scheme is now closed to new applications.

Note N: Includes grants and other payments to the National Council for Educational Technology (NCET), the Centre for Information in Language Technology and Research (CILT), the Wales Committee of the National Institute of Adult Continuing Education (NIACE), the Basic Skills Agency, the Qualifications, Curriculum and Assessment Authority for Wales (ACCAC) and the National Council for Vocational Qualifications (NCVQ).

Note O: The Qualifications, Curriculum, and Assessment Authority for Wales (ACCAC), is the principal advisory body on curriculum, assessment and qualifications matters in Wales.

Explanatory Notes on Expenditure and Receipts—continued

Note P: Support for administration, associated costs and payments to the Councils to cover recurrent expenditure, capital works, by Further Education Institutions and Higher Education Institutions. Includes payments to these Councils to cover the distribution of access funds to Further and Higher Education Institutions.

Note Q: Support to the youth service and associated voluntary sector organisations through funding to the Wales Youth Agency.

Note R: Covers administration, associated costs and grants to promote and further the use of the Welsh Language.

Note S: Grants and other payments in respect of educational services, research, publicity and related expenditure. Includes International Education Initiatives, and Treasury Solicitor services.

Note T: Payments to registered providers of nursery education under the Nursery Education Voucher Scheme. From September 1997, local education authorities received a block grant for provision of nursery education instead of voucher related payments. The voucher scheme continued for private and voluntary providers until April 1998, when the scheme was abolished.

	Current £000	Capital £000
Section E: Arts and Libraries [£36,545,000]		
Arts Council of Wales: grant in aid (Note U)	14,339	—
National Museums and Galleries of Wales: grant in aid (Note U)	12,095	3,530
National Library of Wales: grant in aid (Note U)	5,401	630
Other programmes (Note V)	550	—
Total	32,385	4,160

Note U: Grant in aid paid to the Arts Council of Wales, the National Museums and Galleries of Wales (includes a payment of £100,000 to the Big Pit (Blaenafon) Trust) and the National Library of Wales to cover running costs and capital expenditure.

Note V: Includes financial support to the Council of Museums in Wales. Also includes grants and payments in respect of Library and Information Services Council (Wales); European Libraries Co-operation Fund; the Art for Architecture scheme and the Welsh Chess Union.

	Current £000	Capital £000
Section F: Education (Current Grant Within Aggregate External Finance) [£18,452,000]		
GEST (Note W)	16,314	—
Bilingual Education (Note X)	1,991	—
Education of Travellers' Children (Note X)	147	—
Total	18,452	—

Explanatory Notes on Expenditure and Receipts—continued

Note W: Funding for the Grants for Education Support and Training programme (GEST). These grants are provided in the annual local government revenue settlement.

Note X: Payments to the Welsh Language Board in respect of bilingual education support and training grants, and payments to local authorities for the education of children of travellers and displaced persons.

Section G: European Community Payments (net)

Section G	Estimated £000	Actual £000	Saving £000	Excess £000
EC Intercultural Education Projects (net)				
European Community funding for pilot projects on intercultural education, children of migrant workers and of gypsies and occupational travellers, for which the Department acts as agents in making payments to private sector recipients and to local authorities	1	—	1	—
Total Expenditure	1	—	1	—
<i>Less</i>				
Receipts from the European Community	—	—	—	—
Net Total	1	—	1	—
			} Net saving 1	

Section H: Education (Grants Outside Aggregate External Finance)
[£17,453,000]

	Current £000	Capital £000
New Deal for schools (Note Y)	—	2,456
Voluntary-aided schools (Note Z)	—	5,253
Infant class size reduction (Note Y)	3,528	—
Literacy and Numeracy (Note Y)	6,216	—
Total	9,744	7,709

Explanatory Notes on Expenditure and Receipts—continued

Note Y: During 1998–99 there was an increase in revenue support to local authorities for schools. This was partly distributed as grants for education support and training. Capital funding was provided to make a start on bringing school buildings into a fit condition and to promote investment in new technology. Includes provision to assist in the reduction of Infant Classes through the employment of additional teachers. Includes provision to support literacy and numeracy at local levels.

Note Z: The Department provides capital assistance for the establishment, alteration and repair of voluntary-aided (VA) schools.

Section I: Welfare to Work Education [£8,557,000]

Capital expenditure on schools as part of the New Deal for schools initiative.

Section J: Welfare to Work Education Voluntary Aided Schools [£269,000]

Capital expenditure for voluntary aided schools as part of the New Deal Initiative.

Section K: Welfare to Work Training and Enterprise [£88,000]

Provision for the Further Education sector in Wales as part of the New Deal Initiative. Includes expenditure on out of school childcare and childcare training.

	Estimated	Realised
	£000	£000
2 Receipts payable to the Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	36,003	11,201
Actual sum payable separately to the Consolidated Fund		<u>11,201,297.49</u>

Explanation of the Causes of Variation between Estimated and Realised Receipts.

Receipts were less than estimated due to unforeseen delays in receiving refunds from the European Social Fund.

Explanatory Notes on Expenditure and Receipts—continued

Details of Receipts

(i) Receipts of classes authorised to be used as Appropriations in Aid

Section A: Industry

	Current £000	Capital £000
Repayments of Regional Selective Assistance	—	728
Refunds of Regional Enterprise and Development Grants	—	13
Miscellaneous Industrial Support Services receipts	99	—
Miscellaneous Industrial Support Services VAT receipts	40	—
Total	139	741

Section B: Industry

Departmental charges for Exchange Risk Cover on European Community loans	122	—
Total	122	—

Section C: Training and Enterprise

Other VAT receipts	4,178	—
Careers Service VAT receipts	2,309	—
Total	6,487	—

Section D: Education

Repayment of loans to aided/grant-maintained schools	38	—
Repayments of overpaid grants to grant-maintained schools	—	—
Recovery of grant-maintained school costs from local education authorities	27,142	—
Goods and services VAT receipts	11	—
Total	27,191	—

Section E: Arts and Libraries

National Museums and Galleries of Wales		
Capital Receipts (Proceeds from the sale of the Welsh Industrial and Maritime Museum)	—	4,504
Total	—	4,504

(ii) Receipts of other classes

Repayments of public dividend capital by the Welsh Development Agency	1,500	—
Contributions from the European Social Fund (ESF) towards certain expenditure by the Welsh Office	8,257	—
Miscellaneous	1,444	—
Total	11,201	—

Explanatory Notes on Expenditure and Receipts—continued

Losses Statement	£000
Total losses (454 cases)	<u>3,977</u>
 Details	 £000
Claims abandoned—Two claims for repayment of Regional Selective Assistance	
(i) From a company in receivership	250
(ii) From a company in receivership	2,917
Claims abandoned—One claim for repayment of Regional Selective Assistance from a company in liquidation	<u>429</u>

Other Notes

Sections: A, D, E and F. The annual accounts of the following are published separately and laid before Parliament: the Welsh Development Agency, the Development Board for Rural Wales, the Qualifications, Curriculum, and Assessment Authority for Wales, the Further Education Funding Council, the Higher Education Funding Council, the Wales Youth Agency, the Welsh Language Board, the Arts Council of Wales, the National Museums and Galleries of Wales and the National Library of Wales. Losses, etc., relating to these bodies are detailed in the annual accounts.

Section C: The Summarised Income and Expenditure account of the Training and Enterprise Councils in Wales is published separately and laid before Parliament.

Section C: Payments to Training and Enterprise Councils under the training programmes described in the notes to Section C of this account are subject to annual examination by the Welsh Office Financial Appraisal and Monitoring team. Erroneous payments identified during the examination of 1998–99 expenditure will be recovered in 1999–2000.

The Financial Appraisal and Monitoring team also investigate specific cases of suspected fraud or maladministration involving payments made under these training programmes. As a result of these investigations, £395,000 was recovered from the TECs in 1998–99. Investigations are continuing on five cases, and recovery of any further erroneous payments will be sought in 1999–2000.

Sections D, F, H, I and J. Some receipts and payments included in this account are derived from claims made by local authorities which are audited by other auditors. Audit of some of these claims had not been completed when this account was prepared. The effect of any material difference disclosed during audit scrutiny will be noted in the appropriation account for 1999–2000. No material differences in the 1997–98 accounts were found.

In line with estimates, expenditure is included gross of VAT. Any recoveries of such VAT are credited to Appropriations in Aid.

Jon Shortridge
Accounting Officer

8 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors.

As well as the framework of corporate management controls identified above, my review of the effectiveness of the system of internal financial control has been informed by the reviews of executive managers in the Department who are responsible for the development and maintenance of the financial control framework. I have recently developed a formal system of review and reporting by the executive managers, which for 1998–99 has relied upon a high level review process, but which in future years will include a more regular, detailed assessment.

In informing my view on the effectiveness of the system of internal financial control I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

Jon Shortridge
Accounting Officer

8 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 19 to 31 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 32. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 2, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I Review whether the statement on page 32 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed by audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 2 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

29 October 1999

National Audit Office
Audit House
23–24 Park Place
Cardiff CF10 3BA

Roads and Transport, Housing, Other Environmental Services, Cadw, Health and Personal Social Services, ERDF, Welsh Office Administration and Devolution Preparation, Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Welsh Office on roads and transport and associated services; housing, including the commutation of loan charge grants to local authorities and Capital Receipts Initiative; historic buildings and ancient monuments; Cadw Agency; other environmental services (including tourism, civil defence, national parks, Planning Inspectorate Agency and payments related to EC matters); health and personal social services (including Welfare to Work) and related inquiries; European Regional Development Fund; Welsh Office administration; costs associated with Devolution; TEC management fees (part); and other grants and services, including research.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Roads and Transport, Housing, Other Environmental Services, Cadw, Health and Personal Social Services, ERDF, Welsh Office Administration and Devolution Preparation, Wales						
A	120,886	5,690	115,196	119,890	6,500	113,390
B	57,743	750	56,993	58,173	149	58,024
C	35,499	1,082	34,417	24,893	1,082	23,811
D	14,190	3,690	10,500	13,366	3,662	9,704
E	89,659	682	88,977	88,843	830	88,013
F	66,463	90	66,373	63,669	78	63,591
G	15,000	100	14,900	11,882	186	11,696
H	81,721	2,430	79,291	75,115	2,090	73,025
I	16,490	50	16,440	7,019	50	6,969
J	1	—	1	—	—	—
K	6,034	—	6,034	6,034	—	6,034
L	7,755	—	7,755	7,437	—	7,437

Summary of Outturn—continued

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Roads and Transport, Housing, other Environmental Services, Cadw, Health and Personal Social Services, ERDF, Welsh Office Administration and Devolution Preparation, Wales—continued						
M	2,115	—	2,115	2,113	—	2,113
N	1,918	—	1,918	1,918	—	1,918
O	176,976	—	176,976	167,997	—	167,997
P	854	—	854	593	—	593
Q	1	—	1	—	—	—
R	22,060	—	22,060	20,206	—	20,206
S	102,913	—	102,913	103,579	—	103,579
T	672	—	672	661	—	661
U	36,679	—	36,679	36,707	—	36,707
V	1,105	—	1,105	947	—	947
W	1,161	—	1,161	371	—	371
X	2,150	—	2,150	1,957	—	1,957
Y	990	—	990	1,086	—	1,086
Z	280	—	280	488	—	488
AA	1	—	1	—	—	—
Total	861,316	14,564	846,752	814,944	14,627	*800,317

*This figure is £63,000 less than the net total on the Appropriation Account, being the difference between the Appropriations in Aid realised (£14,627,000) and those authorised to be applied (£14,564,000).

Explanation of the Causes of Variation between Estimated and Actual Receipts

- AZ Expenditure arising from additional funding made available to the Roads Programme in the final part of the financial year resulted in greater than anticipated VAT refunds for the year.
- BZ Following the merger of Tai Cymru with the Housing Division of the Welsh Office in November 1998, funds previously classified as receipts and surrendered to the Welsh Office are now retained by Registered Social Landlords in ring-fenced reserves for use in the development programme.

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Roads and Transport				
A2 Direct expenditure: other current	29,325	31,476	—	2,151
A3 Direct expenditure: capital	90,070	88,036	2,034	—
A4 Grants and transfers: current	339	74	265	—
A5 Grants and transfers: capital	1,152	304	848	—
Housing				
B2 Direct expenditure: other current	1,282	906	376	—
B4 Grants and transfers: current*	11,158	9,812	1,346	—
B5 Grants and transfers: capital	45,303	47,455	—	2,152
Housing				
C4 Grants and transfers: current*	5,310	5,952	—	642
C5 Grants and transfers: capital*	30,189	18,941	11,248	—
Cadw				
D1 Direct expenditure: running costs	4,292	4,128	164	—
D2 Direct Expenditure: other current	5,340	6,095	—	755
D3 Direct expenditure: capital	888	608	280	—
D4 Grants and transfers: current	3,670	2,535	1,135	—

Explanation of the Causes of Variation between Expenditure and Grant.

- A5 The underspend arose due to fewer applications being received than anticipated for some of the Transport Grant Schemes.
- B4 Registered Social Landlords claimed less Tax Relief Grant for the previous financial year than anticipated. This was due to a reduction in the percentage of Tax Relief Grant paid, and also to an increase in Registered Social Landlords obtaining charitable status.
- C4 The overspend arose from the need for additional funding to support one local authority's Housing Revenue Account deficit.
- C5 Mainly due to lower than anticipated take-up of Social Housing Grant by housing associations.
- D2 Conservation development expenditure planned for 1997-98 was carried forward to 1998-99 because of slippage on two large projects.
- D4 The underspend resulted from slippage in submission of claims by the grant applicants and unforeseen delays in acquiring property for one project.

*See Other Notes.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Other Environmental Services				
E2 Direct expenditure: other current*	24,252	24,016	236	—
E3 Direct expenditure: capital*	947	1,312	—	365
E4 Grants and transfers: current*	27,381	26,293	1,088	—
E5 Grants and transfers: capital*	37,079	37,222	—	143
Health and Personal Social Services				
F2 Direct expenditure: other current*	59,566	56,908	2,658	—
F3 Direct expenditure: capital*	10	9	1	—
F4 Grants and transfers: current*	6,882	6,752	130	—
F5 Grants and transfers: capital	5	—	5	—
Health and Personal Social Services				
G2 Direct expenditure: other current	15,000	11,882	3,118	—
Central Administration				
H1 Direct expenditure: running costs*	80,259	73,419	6,840	—
H2 Direct expenditure: other current	(749)	(1,132)	—	(383)
H3 Direct expenditure: capital	2,211	2,828	—	617
Devolution				
I2 Direct expenditure: other current	3,450	2,172	1,278	—
I3 Direct Expenditure: capital	13,040	4,847	8,193	—

Explanation of the Causes of Variation between Expenditure and Grant.

- G2 There has been a downward trend in claims received for the demand-led Welfare Foods Scheme in recent years and, although annual budgets have been reduced accordingly, fewer claims than anticipated were received.
- H3 Faster completion for the supply of IT services to the Welsh Office meant that expenditure originally planned for 1999–2000 was incurred in 1998–99.
- I2 The underspend resulted mainly from slower than planned progress on the supply of IT services to the National Assembly for Wales building.
- I3 The decision to construct a new building for the National Assembly for Wales was taken when the Secretary of State made an announcement in March 1998. Progress during 1998–99 was slower than originally anticipated because there was a design competition and a desire for newly appointed Assembly members to take a view on the chosen design.

*See Other Notes.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
European Regional Development Fund (Net)				
J4 Grants and transfers: current	(11,499)	(9,320)	(2,179)	—
J5 Grants and transfers: capital	11,500	9,320	2,180	—
National Parks				
K4 Grants and transfers: current	6,034	6,034	—	—
Social, Economic and Environmental				
L4 Grants and transfers: current	7,755	7,437	318	—
Health and Personal Social Services				
M4 Grants and transfers: current	2,115	2,113	2	—
Housing				
N4 Grants and transfers: current	1,918	1,918	—	—
Housing				
O4 Grants and transfers: current	176,976	167,997	8,979	—
Environmental Services, including Cadw				
P4 Grants and transfers: current	854	593	261	—
European Regional Development Fund (Net)				
Q4 Grants and transfers: current	1	—	1	—
Roads and Transport				
R4 Grants and transfers: current	2,263	2,249	14	—
R5 Grants and transfers: capital	19,797	17,957	1,840	—
Housing				
S5 Grants and transfers: capital	102,913	103,579	—	666
Other Environmental Services				
T5 Grants and transfers: capital	672	661	11	—
Social, Economic and Environmental				
U5 Grants and transfers: capital	36,679	36,707	—	28

J4 and J5 See Explanatory Notes.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Health and Personal Social Services				
V4 Grants and transfers: current	850	808	42	—
V5 Grants and transfers: capital	255	139	116	—
Health and Personal Social Services Welfare to Work				
W2 Direct expenditure: other current*	861	240	621	—
W4 Grants and transfers: current	300	131	169	—
Housing: Capital Receipts Initiative				
X4 Grants and transfer: current	2,150	1,957	193	—
Housing				
Y4 Grants and transfers: current	988	1,086	—	98
Y5 Grants and transfers: capital	2	—	2	—
Other Environmental Services				
Z4 Grants and transfers: current	280	488	—	208
European Regional Development Fund (Net)				
AA4 Grants and transfers: current	(29,749)	(11,602)	(18,147)	—
AA5 Grants and transfers: capital	29,750	11,602	18,148	—

* See Other Notes.

Explanation of the Causes of Variation between Expenditure and Grant.

W2 The underspend on the development of a National Childcare Strategy in Wales resulted from the newly formed Childcare Partnerships being slower to incur expenditure than anticipated.

AA4 and AA5 see Explanatory Notes.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Gross Total	£000			
<i>Original</i>	821,499			
<i>Supplementary</i>	29,669			
<i>Supplementary</i>	<u>10,148</u>			
	861,316	814,944	53,814	7,442
	Estimated	Applied		
	£000	£000		
<i>Deduct</i>				
Z Appropriations in Aid				
<i>Original</i>	7,524			
<i>Supplementary</i>	443			
<i>Supplementary</i>	<u>6,597</u>			
	14,564	14,564		
Net Total				
<i>Original</i>	813,975			
<i>Supplementary</i>	29,226			
<i>Supplementary</i>	<u>3,551</u>			
	846,752	800,380		
			Surplus	
				<u>46,372</u>

Actual surplus to be surrendered

£46,372,428.64

Jon Shortridge
 Accounting Officer

17 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure Items

	Current £000	Capital £000
Section A: Roads and Transport [£119,890,000]		
Motorways and trunk roads: capital (Note A)	—	88,340
current (Note A)	31,550	—
Total	<u>31,550</u>	<u>88,340</u>

Note A: Maintenance expenditure on motorways, trunk roads and bridges. Grants and payments in respect of traffic census, transport and road research studies, seat belt exemptions and roads construction publicity. Payments in respect of the Valuation Agency, Treasury Solicitor and ADAS agency. Capital expenditure on acquisition of land for new construction and improvement schemes together with all associated costs. Road and bridge renewal expenditure and equipment and vehicle purchases. Includes expenditure on road safety and road safety publicity and grants paid towards the cost of works and equipment for freight haulage by rail and inland waterway.

	Current £000	Capital £000
Section B: Housing [£58,173,000]		
Tai Cymru: running costs (Note B)	1,604	—
Other (Note C)	9,114	47,455
Total	<u>10,718</u>	<u>47,455</u>

Note B: Grant in aid paid to Tai Cymru (Housing for Wales) to cover running costs. Tai Cymru was merged with the Welsh Office Housing Department during 1998–99.

Note C: Includes provision for expenditure by Tai Cymru. Additional grants and payments in respect of the Rent Assessment Panel; Housing Mobility; Welsh Housing Consultative Committee; Welsh housing awards; Treasury Solicitor; leasehold enfranchisement advisory service; voluntary organisations to prevent homelessness; housing research, surveys and publicity; housing management; and home improvement agencies.

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section C: Housing [£24,893,000]		
Tai Cymru (Note D)	5,010	18,941
Housing Revenue Account Subsidy—housing element (Note E)	942	—
Total	<u>5,952</u>	<u>18,941</u>

Note D: Payments to Tai Cymru under the Housing Associations Act 1985 and the Housing Act 1988.

Note E: The Housing Revenue Account Subsidy exists to support local authorities' housing revenue accounts. The programme now consists largely of rent rebate subsidy.

Section D: Cadw [£13,366,000]

Expenditure on the administration, preservation, conservation and promotion of the built heritage. Includes the overseeing of the work of the Royal Commission on Ancient and Historical Monuments of Wales.

	Current £000	Capital £000
Section E: Other Environmental Services [£88,843,000]		
Monitoring of radioactivity	60	—
Other (Note F)	73	—
Wales Tourist Board: grant in aid (Note G)	12,090	—
Cardiff Bay Development Corporation: grant in aid (Note H)	3,740	33,654
Tourist projects in Wales (Note G)	—	3,400
Sports Council for Wales: grant in aid (Note I)	6,211	385
Countryside Council for Wales: grant in aid (Note J)	23,743	793
Planning Services: payments to the Planning Inspectorate (Note K)	1,020	—
Other programmes (Note L)	2,964	302
Local Government Boundary Commission (Note M)	375	—
Local Government Publicity Costs	33	—
European Union (Note N)	—	—
Total	<u>50,309</u>	<u>38,534</u>

Note F: Publicity, research and legal costs on urban and rural development, and urban regeneration programmes.

Note G: Grant in aid paid to the Wales Tourist Board to cover running costs. The Board provides financial incentives for the development and upgrading of tourism facilities.

Note: Subhead E2 includes notional expenditure of £50,000 in respect of capital charges on land and buildings which is offset by negative expenditure of £50,000 included in Subhead E2. This reflects the basis on which the Estimate was prepared.

Explanatory Notes on Expenditure and Receipts—continued

Note H: Grant in aid paid to the Cardiff Bay Development Corporation to cover running costs and capital expenditure.

Note I: Grant in aid paid to the Sports Council for Wales to cover running costs and capital expenditure.


Note J: Grant in aid paid to the Countryside Council for Wales to cover running costs and capital expenditure.

Note K: The Planning Inspectorate is an Agency of the Welsh Office and of the Department of the Environment Transport and the Regions. This provision covers the full economic cost of the Agency's work in Wales.

Note L: Grants and payments in respect of Local Commissions; Royal Commission on Ancient and Historical Monuments (Wales); environmental research, surveys and publicity; structure plan panels; tribunal and inquiry expenses and associated costs; Transport and Works Act 1992; Treasury Solicitor services; civil defence; land availability studies; provision of water and sewerage services in assisted and rural areas; Environment Wales Initiative and Lord Lieutenant's expenditure.

Note M: Funding for the Local Government Boundary Commission. The Commission's function is to review local government areas and boundaries in Wales.

Note N:

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>EU Payments (other than European Agricultural Guidance and Guarantee Fund, European Social Fund and European Regional Development Fund) (Net)</i>				
European Union funding for which the Department acts as agents in making payments to private sector recipients, local authorities and other bodies	1	—	1	—
Total Expenditure	1	—	1	—
<i>Less</i>				
Receipts from the European Union	—	—	—	—
Net Total	1	—	1	—
				
			Net saving <u>1</u>	

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section F: Health and Personal Social Services [£63,669,000]		
Care in the community*	45,969	—
Grants in support of child and family services	2,826	—
Family fund	1,691	—
Social work training (Note O)	2,074	9
Support for people with disabilities	695	—
Grants for voluntary organisations	4,396	—
North Wales Child Abuse Tribunal	2,149	—
Other (Note P)	3,860	—
Total	63,660	9

*See Other Notes on receipt of audit certificates.

Note O: Advances to the Central Council for Education and Training in Social Work to cover operating and capital costs.

Note P: Various expenditure concerning tribunals, inquiries, research, consultancies, committees and inspections; information technology; general development programme expenditure arising from inspections and policy initiatives; and special child care initiatives.

Section G: Health and Personal Social Services [£11,882,000]
 Expenditure on providing free milk and vitamins.

	Current £000	Capital £000
Section H: Central Administration [£75,115,000]		
TEC management fee (Note Q)	3,229	—
Running costs (Note Q)	70,190	—
Other current (Note Q)	(1,132)	—
Capital (Note Q)	—	2,828
Total	72,287	2,828

Note Q: Expenditure on Welsh Office running costs, including the salaries of ministers, general administrative expenditure and TEC management fees.

Note: Subhead H1 includes notional expenditure of £2,241,000 in respect of capital charges on land and buildings which is offset by negative expenditure of £2,241,000 included in Subhead H2. This reflects the basis on which the Estimate was prepared.

Explanatory Notes on Expenditure and Receipts—continued

Section I: Devolution [£7,019,000]

	Current £000	Capital £000
Devolution expenditure (Note R)	2,172	4,847
Total	2,172	4,847

Note R: The Government of Wales Act 1998 gave the statutory authority for the creation of a National Assembly for Wales. Current and capital expenditure on establishing a National Assembly for Wales.

Section J: European Regional Development Fund (net)

	Estimated £000	Actual £000	Saving £000	Excess £000
<i>European Regional Development Fund (Net)</i>				
Payments to local enterprise agencies, voluntary organisations, statutory undertakings, public authorities and other bodies:				
Current	9,500	9,951	—	451
Capital	11,500	9,320	2,180	—
Total Expenditure	21,000	19,271	2,180	451
<i>Less</i>				
Receipts from the European Regional Development Fund	20,999	19,271	—	1,728
Net Total	1	—	2,180	2,179
		Net saving	<u>1</u>	

Subhead J4 records net current expenditure of (£9,320,000), which consists of expenditure of £9,951,000 less current European Regional Development Fund receipts of £19,271,000. Capital expenditure is recorded in subhead J5.

Explanation of the Causes of Variation between Estimated and Actual Expenditure.

These subheads cover payments under a number of different European programmes. Approvals under current programmes for Rural Wales and Industrial South Wales and nine smaller Community initiatives will continue until the end of 1999 with payments to be made on eligible expenditure up to the end of 2001. Expenditure is dependent upon the level of claims for grants received, which was lower than anticipated.

Explanatory Notes on Expenditure and Receipts—continued

Section K: National Parks [£6,034,000]

National Park Grant provides 75% of each National Park authority's approved annual expenditure, with the remainder being met by local authorities.

Section L: Social, Economic and Environmental [£7,437,000]

Strategic Development Scheme payments to support local authorities' projects and strategies to promote economic, environmental and social development in their areas.

Section M: Health and Personal Social Services [£2,113,000]

Expenditure by the Social Services Inspectorate for Wales which administers the Training Support Programme, a specific grant scheme for training in local authority social services departments (SSDs) and in the agencies with which SSDs work.

Section N: Housing [£1,918,000]

Expenses of Rent Officers. These costs are borne initially by local authorities.

	Current £000	Capital £000
Section O: Housing [£167,997,000]		
Housing Revenue Account Subsidy—rent rebates (Note E)	167,866	—
Other (Note S)	131	—
Total	<u>167,997</u>	<u>—</u>

Note S: Current expenditure on grants for re-investment, mandatory renovation, other renovation and slum clearance subsidy.

	Current £000	Capital £000
Section P: Environmental Services, Including Cadw [£593,000]		
Cadw grants to Local Authorities	209	—
Groundwork Trusts	384	—
Total	<u>593</u>	<u>—</u>

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section S: Housing [£103,579,000]		
Gypsy sites (Note U)	—	—
Renovation grants (Note U)	—	91,710
Area Renewal & Group Repair (Note U)	—	11,073
Other (Note U)	—	796
Total	<u>—</u>	<u>103,579</u>

Note U: Capital expenditure on grants for provision and improving of sites for gypsies, grants for mandatory renovation and other renovation. Contributions to local authorities for area renewal, group repair and slum clearance subsidy.

	Current £000	Capital £000
Section T: Other Environmental Services [£661,000]		
National Parks (Note V)	—	661
Water and sewerage grants (Note W)	—	—
Total	<u>—</u>	<u>661</u>

Note V: National Park Grant provides 75% of each National Park authority's approved annual expenditure, with the remainder being met by local authorities.

Note W: Capital expenditure in the form of grants to local authorities for the provision of services necessary for new and expanding industrial developments.

	Current £000	Capital £000
Section U: Social Economic and Environmental [£36,707,000]		
Strategic Development Scheme (Note X)	—	15,485
Capital Challenge (Note X)	—	15,417
Small Rural Schemes (Note X)	—	5,805
Total	<u>—</u>	<u>36,707</u>

Note X: Capital expenditure to support local authorities' projects and major strategic priorities to promote economic, environmental and social development in their areas, including disadvantaged urban and rural areas of Wales.

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section V: Health and Personal Social Services [£947,000]		
Secure Accommodation (Note Y)	—	139
Health and Personal Social Services (Note Y)	808	—
Total	<u>808</u>	<u>139</u>

Note Y: Secure accommodation capital expenditure for children in community homes. Includes current provision to meet the costs of providing for asylum seekers and funding to local authorities for the Hazard Analysis Critical Control Points scheme (HACCP).

Section W: Health and Personal Social Services Welfare to Work [£371,000]
 Expenditure to develop a strategy for childcare in Wales. Includes expenditure to encourage voluntary activity by young people.

Section X: Housing: Capital Receipts Initiative [£1,957,000]
 Expenditure on Capital Receipts Initiative which releases additional resources to enable local authorities to improve the condition of their housing stock and estates and to secure additional social housing for rent.

Section Y: Housing [£1,086,000]
 Current expenditure in relation to contributions to local authorities in providing accommodation to agricultural workers; housing improvement grants and grants for works in housing action areas and general improvement areas; slum clearance subsidy; and grants to reinstate or repurchase defective dwellings.

Section Z: Other Environmental Services [£488,000]
 Grant towards planning and development schemes.

Explanatory Notes on Expenditure and Receipts—continued

Section AA: European Regional Development Fund (net)

	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
<i>European Regional Development Fund (net)</i>				
(1) Payments to local authorities for capital schemes	29,750	11,602	18,148	—
(2) Payments to other Government departments	1,000	23	977	—
Total Expenditure	30,750	11,625	19,125	—
<i>Less</i>				
Receipts from the European Regional Development Fund	30,749	11,625	—	19,124
Net Total	1	—	19,125	19,124
			Net saving <u>1</u>	

Subhead AA4 records net current expenditure of (£11,602,000), which consists of expenditure of £23,000 less current European Regional Development Fund receipts of £11,625,000. Capital expenditure is recorded in subhead AA5.

Explanation of the Causes of Variation between Estimated and Actual Expenditure.

These subheads cover payments under a number of different European programmes. Approvals under current programmes for Rural Wales and Industrial South Wales and nine smaller Community initiatives will continue until the end of 1999 with payments to be made on eligible expenditure up to the end of 2001. Expenditure is dependent upon the level of claims for grants received, which was lower than anticipated.

Explanatory Notes on Expenditure and Receipts—*continued*

2 Receipts Payable to the Consolidated Fund	Estimate	Realised
	£000	£000
(i) Receipts of classes authorised to be used as Appropriations in Aid	14,564	14,627
(ii) Receipts of other classes	1,333	4,237
Gross Total	15,897	18,864
Appropriated in Aid		14,564
Net Total		4,300
Actual sum payable separately to the Consolidated Fund		£4,300,096.36

Explanation of the Causes of Variation between Estimated and Realised Receipts.

Receipts were greater than anticipated primarily because of a ruling by H M Treasury that the net reserves held by Tai Cymru on merging with the Welsh Office on 1 November 1998 should be surrendered to the Consolidated Fund. In addition, receipts due from an agri-environmental grant scheme were greater than expected.

Details of Receipts

(i) Receipts of classes authorised to be used as Appropriations in Aid

	Current	Capital
	£000	£000
<i>Section A: Roads and Transport</i>		
Sale of land and materials	—	476
Third party claims and administration	84	—
Charges and rents form property and land	205	—
Receipts from other bodies in respect of maintenance costs	13	—
VAT receipts	4,533	—
Current VAT receipts	1,189	—
Total	6,024	476
 <i>Section B: Housing</i>		
Social Housing Grant receipts	—	—
Widow's pension/superannuation deductions from the President of the Rent Assessment Panel and other Rent Assessment Panel receipts	—	—
VAT receipts	149	—
Total	149	—

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section C: Housing		
Repayment of housing association grant after sale of properties and repayment of capital grant by Tai Cymru	—	1,082
Total	—	1,082
Section D: Cadw		
Income from admission charges, sales and miscellaneous receipts	3,118	—
Business VAT receipts	202	—
Contracted-out VAT receipts	296	—
Receipts from the National Heritage Memorial Fund and other bodies	46	—
Total	3,662	—
Section E: Other Environmental Services		
Receipts received by the Royal Commission for Ancient and Historical Monuments	41	—
Planning inquiry receipts in respect of Transport and Works Act 1992 and other planning receipts	2	—
Repayments to the WTB of loans/grants for tourist projects and to the hotel industry	412	—
Recovery of Examination in Public expenses, etc	—	—
WTB Sector Challenge: receipts from DTI	354	—
Publicity costs VAT receipts	6	—
Monitoring radioactivity VAT receipts	4	—
Other VAT receipts	11	—
Total	830	—
Section F: Health and Personal Social Services		
North Wales Child Abuse Inquiry VAT receipts	—	—
Welsh Drug and Alcohol Initiatives VAT receipts	78	—
Total	78	—

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section G: Health and Personal Social Services		
Sales of subsidised dried milk for under 1-year olds in families receiving family credit	186	—
Total	186	—
Section H: Central Administration		
Receipts for services/secondments to Government Departments and other bodies, receipts for jointly occupied buildings, other certain accommodation costs, and receipts from the sale of land and property (Common User Estate)	300	—
Meteorological Office VAT receipts	106	—
Other VAT receipts	1,684	—
Total	2,090	—
Section I: Devolution		
Media receipts for the National Assembly of Wales	50	—
Total	50	—
(ii) Receipts of other classes		
Repayment of interest-free loan by Dyfed County Council (Cleddau Bridge)	100	—
Surplus rents from letting property and land acquired for road schemes	—	—
Other roads and transport receipts	39	—
Housing receipts	2,106	4
Interest on loans to the hotel industry and for tourist projects	51	—
Office of Water Services: receipts of licence fee (Wales)	—	—
ERDF miscellaneous receipts	—	—
Welsh Office administration miscellaneous receipts	74	—
Miscellaneous receipts	1,863	—
Total	4,233	4

Explanatory Notes on Expenditure and Receipts—continued

Losses Statement	£000
Total losses (178 cases)	<u>332</u>

Notes

Special payments

Total (3 cases)	<u>2,758</u>
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Details

An extra-contractual payment of £2.7m was made to meet additional costs incurred on a motorway construction contract.

New loans made in the year	<u>406</u>
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These 20 loans were inherited from Tai Cymru (Housing for Wales) when they merged with the Welsh Office Department on 1 November 1998. This amount represents the balance as at that date.

Other Notes

Sections: B, C, E and G. The annual accounts of the following are published separately and laid before Parliament: Tai Cymru, the Cardiff Bay Development Corporation, the Sports Council for Wales, the Countryside Council for Wales, the Local Government Boundary Commission and the Central Council for Education and Training in Social Work. Losses, etc., relating to these organisations are detailed in their annual accounts.

Sections O and S. The Notes to the 1997-98 Appropriation Accounts reported that in respect of 1993-94, 1994-95, 1995-96 and 1996-97 exchequer contributions totalling £1,579,466 had been recovered or withheld from authorities where fraud was suspected. Investigations continue in respect of these cases and the exchequer contributions will be released as appropriate when they are resolved.

In 1998-99, twenty of the certified claims received from local authorities in respect of 1997-98 were qualified. Auditors reported 19 cases of system weaknesses which had no financial implications and 1 case which had financial implications. Exchequer contributions totalling £80,924 have been withheld pending further investigation.

Any adjustments to claims resulting will be charged or credited to the account if and when they are resolved.

As a result of Welsh Office and Audit Commission investigations of claims made by local authorities between 1990-91 and 1997-98 the following adjustments were made to the advances to local authorities in 1998-99:

Adjustments for 1990-91 to 1996-97

Overclaims Recovered	: £303,973
Underclaims Paid	: £ 96,942

Explanatory Notes on Expenditure and Receipts—*continued*

Adjustments for 1997–98

Overclaims Recovered : £14,597,853

Underclaims Paid : £ 9,932,232

In addition, at 31 March 1999, some adjustments to claims had not yet been resolved as follows:

Overclaims to be recovered : £2,209,734

Underclaims to be paid : £ 415,574

These adjustments will be made in 1999–2000.

Section E. The accounts of the Wales Tourist Board are published separately and laid before Parliament: these accounts also contain information about loans made by the Wales Tourist Board under the Development of Tourism Act 1969.

Section F. Local Authority Social Service Departments manage the day to day arrangements for controlling expenditure on grants given to them under the Mental Handicap Strategy. The Welsh Office advances monies to the authorities who pay grant on approved schemes to the public and voluntary sector bodies (grant recipients) who are carrying them out. The authorities are required to obtain from the grant recipients information specified by the Welsh Office confirming the receipt and use of the grants. The authorities' auditors certify to the Welsh Office that the monies advanced to the authorities have been properly accounted for and the requirements of grant recipients to provide information have been met. Where expenditure has not been formally certified by the authorities' auditors, alternative confirmation of expenditure has been obtained.

Section H: The Summarised Income and Expenditure account of the Training and Enterprise Councils in Wales is published separately and laid before Parliament.

Some receipts and payments included in this account are derived from the annual accounts of Health Authorities and claims made by Local Authorities which are audited by other auditors. Audit of some of these accounts and claims had not been completed when this account was prepared. The effect of any material difference disclosed during audit scrutiny will be noted in the appropriation account for 1999–2000. No material differences in the 1997–98 accounts were disclosed, other than as noted above.

In line with estimates, expenditure is included gross of VAT. Any recoveries of such VAT are credited to Appropriations in Aid.

Jon Shortridge
Accounting Officer

17 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors.

As well as the framework of corporate management controls identified above, my review of the effectiveness of the system of internal financial control has been informed by the reviews of executive managers in the Department who are responsible for the development and maintenance of the financial control framework. I have recently developed a formal system of review and reporting by the executive managers, which for 1998–99 has relied upon a high level review process, but which in future years will include a more regular, detailed assessment.

In informing my view on the effectiveness of the system of internal financial control I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

Jon Shortridge
Accounting Officer

17 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 34 to 55 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 56. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 3, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 56 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 3 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

29 October 1999

National Audit Office
Audit House
23–24 Park Place
Cardiff CF10 3BA

Hospital, Community Health, Family Health Services and Other Health Services (Part), Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Welsh Office on hospital, community health, family health services, National Health Service Trusts and on other health services (part).

Summary of Outturn

	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Hospital, Community Health, Family Health Services and Other Health Services (Part), Wales						
A	2,026,147	17,783	2,008,364	1,975,273	5,283	1,969,990
B	285,849	236,606	49,243	250,015	223,519	26,496
C	457,337	44,365	412,972	456,273	43,250	413,023
D	—	280,869	(280,869)	—	281,338	(281,338)
E	72,028	—	72,028	72,028	—	72,028
Total	2,841,361	579,623	2,261,738	2,753,589	553,390	2,200,199

Explanation of the Causes of Variation between Estimated and Actual Receipts

AZ Trust Asset Transfers
AZ Health Authorities Capital Local Income
Capital Receipts District Health Authorities

} The completion of a major property sale has been delayed.

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
National Health Service: HCFHS				
A2 Direct expenditure: other current*	2,009,536	1,970,970	38,566	—
A3 Direct expenditure: capital*	15,592	2,850	12,742	—
A4 Grants and transfers: current	19	190	—	171
A5 Grants and transfers: capital*	1,000	1,263	—	263
National Health Service: Trusts				
B5 Grants and transfers: capital*	285,849	250,015	35,834	—
National Health Service				
C2 Direct expenditure: other current*	457,337	456,273	1,064	—
National Health Service Trust Debt Remuneration				
E2 Direct expenditure: other current	72,028	72,028	—	—

* See other Notes.

Explanation of the Causes of Variation between Expenditure and Grant.

- A3 The Estimate was set to allow in-year utilisation of anticipated capital receipts (subhead AZ refers).
- B5 Issue of Public Dividend Capital to Trusts was less than expected because of slippage in major capital projects. Also, the take-up of NHS short-term loans, which depends on Trusts' temporary liquidity needs, was lower than expected.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Gross Total				
<i>Original</i>	2,595,758			
<i>Supplementary</i>	36,389			
<i>Supplementary</i>	209,214			
	2,841,361	2,753,589	88,206	434
			Surplus of Gross Estimate over Expenditure <u>87,772</u>	
	Estimated	Realised		
	£000	£000		
Deduct				
Z Appropriations in Aid				
<i>Original</i>	373,330			
<i>Supplementary</i>	5,000			
<i>Supplementary</i>	201,293			
	579,623	553,390		Deficiency of Appropriations in Aid Realised <u>26,233</u>
Net Total				
<i>Original</i>	2,222,428			
<i>Supplementary</i>	31,389			
<i>Supplementary</i>	7,921			
	2,261,738	2,200,199		Net Surplus <u>61,539</u>
				Actual surplus to be surrendered
				<u>£61,539,244.84</u>

P. R. Gregory
Accounting Officer

14 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure Items	Current	Capital
<i>Section A: National Health Service: HCFHS</i> [£1,975,273,000]	£000	£000
Education and Training (Note A)	78,926	37
Hospital Community Health and Family Health Services (including General Practitioners fundholding) (Note B)	1,884,409	4,028
Other Health Services (Note C)	<u>7,825</u>	<u>48</u>
Total	<u>1,971,160</u>	<u>4,113</u>

Note A: Payments to Dean of Post-graduate Medical and Dental Departments, to the Welsh Council for Post-graduate Medical and Dental Education, to the Director of Pharmaceutical Post-graduate Studies and others in respect of training and education. Includes advances to health authorities for share of salary costs of junior doctors in training grades. Training Commissions are provided through contracts between education providers and the Education Purchasing Unit, Welsh Health Common Services Authority, on behalf of the Department, enabling the training of a number of strategic non-medical staff groups. Also includes advances to the Welsh National Board for Nursing, Midwifery and Health Visiting, who are the statutory body responsible for ensuring that the standards set for education in these professions are met.

Note B: Includes current and capital advances to health authorities. Authorities use the sums advanced to them to secure health services for their resident populations. Includes expenditure on general medical services to provide for the direct reimbursement of a proportion of approved categories of expenditure by general medical practitioners. Also includes the costs of funds for general practice fundholders. Includes funding for research and development via the Welsh Health Common Services Authority (£13,146,000) and centrally by the Welsh Office (£638,000).

Note C: Includes advances to the Public Health Laboratory Service Board (£3,755,000), Dental Practice Board (£1,103,000) and the National Biological Standards Board (£500,000). Also includes expenditure on health promotion (£1,125,000), Hospital Travel Scheme (£672,000), research (£40,000) and other miscellaneous health services (£678,000).

Explanatory Notes on Expenditure and Receipts—continued

Section B: National Health Service: Trusts [£250,015,000]

Contains issues to National Health Service trusts of: Public Dividend Capital (PDC) to fund capital expenditure (£59,819,500); PDC loans to cover working capital requirements (£1,305,000); conversion of long term loans to PDC (£171,085,236); and issue of short term loans to cover temporary liquidity needs (£17,805,000).

	Current £000	Capital £000
Section C: National Health Service [£456,273,000]		
General Medical Services (Note D)	133,822	—
Pharmaceutical Services (Note D)	222,270	—
General Dental Services (Note D)	82,359	—
General Ophthalmic Services (Note D)	17,702	—
British Telecom Priority Repair Scheme (Note D)	120	—
Total	<u>456,273</u>	<u>—</u>

Note D: Contains expenditure on the family health services. Costs include the remuneration and expenses of general medical practitioners, and prescriptions written by them excluding GP fundholder drug costs, together with all other pharmaceutical, dental and ophthalmic service costs.

Section E: National Health Service Trust Debt Remuneration [£72,028,000]

Covers the debt remuneration element of health authorities' payments to National Health Service Trusts.

2. Receipts Payable to the Consolidated Fund

	Estimated £000	Realised £000
Receipts payable to the Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	72,039	72,305
Actual sum payable separately to the Consolidated Fund		<u>£72,305,225.65</u>

Explanatory Notes on Expenditure and Receipts—continued

Details of Receipts

(i) Receipts of classes authorised to be used as Appropriation in Aid	Current	Capital
	£000	£000
Section A: National Health Service: HCFHS		
Public Health Laboratory Service Board income	121	—
Receipts by Health Promotion Authority for Wales	603	—
Transfer of properties from Health Authorities to Trusts	—	725
Income collected by Health Authorities in the registration and inspection of nursing homes and from services to General Practitioners Licensing software in National Health Service computer installations and central procurement services		
Receipts from sale of publications	832	—
Medical negligence claims		
Receipts from Welsh National Board for Nursing, Midwifery and Health Visiting		
Services provided to General Practitioners, etc and receipts from income generation schemes		
Sale of land, buildings, vehicles and other equipment	—	2,634
Capital VAT receipts	—	316
Current VAT receipts	52	—
Total	<u>1,608</u>	<u>3,675</u>
 Section B: National Health Service: Trusts		
Capital repayments by National Health Service Trusts (includes £171.085m repaid by Trusts and immediately re-issued as Public Dividend Capital)	—	223,519
Total	<u>—</u>	<u>223,519</u>
 Section C: National Health Service		
Family Health Service charges (prescription and dental/ophthalmic vouchers)	43,250	—
Family Health Services: Other		
Total	<u>43,250</u>	<u>—</u>

Explanatory Notes on Expenditure and Receipts—continued

	Current £000	Capital £000
Section D: National Health Service Contributions		
Contributions from employers/employees towards cost of National Health Service	281,338	—
Total	<u>281,338</u>	<u>—</u>
 (ii) Receipts of other classes		
Receipts of interest in respect of car loans	—	10
Surrender of monies from Health Authorities	—	—
National Health Service trust debt remuneration	—	72,295
Total	<u>—</u>	<u>72,305</u>
		£000
Losses Statement		
Total losses (1,912 cases)		<u>1,156</u>
 <i>Details</i>		
Claims abandoned—Apportioned share of waivers and remissions of National Health Service contributions together with net debts transferred from the Inland Revenue and claims abandoned.		<u>1,156</u>

Explanatory Notes on Expenditure and Receipts—*continued*

Other Notes

Section A. Under Section 6(1)(da) of the Nurses, Midwives and Health Visitors Act 1979 the Welsh National Board for Nursing, Midwifery and Health Visiting (the Board) is allowed to “perform such other functions relating to nurses, midwives or health visitors as the Secretary of State may prescribe”. Since 1 April 1993 under the terms of SI 614/1993, the Board has provided training for teachers of nurses and those intending to become teachers of nurses, and has provided information to the public about careers in the professions of midwifery and health visiting in Wales.

Although the Board is required to carry out these functions, legislation does not contain powers for the Department to fund these responsibilities. The Treasury have retrospectively approved these extra-statutory payments and has agreed that this expenditure may rest on the sole authority of the Appropriation Act until amending legislation can be enacted.

In 1998–99, funding of £75,000 for teacher training and £7,338 for career information is included in this account. Prior to 1998–99, extra-statutory funding totalled £723,000 for teacher training and £51,416 for careers information.

Section A. The summarised accounts of the Health Authorities and the Dental Practice Board are published separately and laid before Parliament. Losses, etc., relating to these accounts are detailed in their respective annual account.

Section A. The annual accounts of the Public Health Laboratory Service Board, National Biological Standards Board and the Welsh National Board for Nursing, Midwifery and Health Visiting are published separately and laid before Parliament. Losses, etc., relating to these accounts are detailed in those accounts.

Section B. National Health Service Originating Capital Debt.

National Health Service Originating Capital Debt (OCD) consists of deemed Voted Loan and Public Dividend Capital and is created when National Health Service Trusts are established. OCD is set at the value of net relevant assets transferred to National Health Trusts when they are set up.

The Originating Capital Debt issued in financial years 1992–93 to 1998–99 is as follows:

Year	No. of Trusts	OCD Issued £000
1992–93	1	32,313
1993–94	13	395,267
1994–95	10	264,206
1995–96	4	158,367
1996–97	4	249,052
1997–98	1	366
1998–99	1	2,553*
		<u>1,102,124</u>

* This is provisional and is subject to confirmation by Statutory Instrument.

Explanatory Notes on Expenditure and Receipts—*continued*

Remission of OCD

On 1 April 1998, the Welsh Ambulance Services NHS Trust was created from the merger of the four existing Ambulance Trusts (Mid-Glamorgan, North Wales, South East Wales and West Wales) and part of Pembrokeshire and Derwen NHS Trust. The OCD of the original trusts, and the year in which it was issued, were:

Trust	OCD Issued £	Year
Mid Glamorgan	3,277,425	1994–95
North Wales	4,554,337	1994–95
South East Wales	4,145,339	1993–94
West Wales	5,370,758	1995–96
	<u>17,347,859</u>	

These amounts were absorbed into the OCD of the reconfigured Wales Ambulance Services Trust of £19,901,000. The net increase in OCD was therefore £2,553,141.

Long Term Loans

No additional long term loans were issued to NHS trusts in 1998–99. On 15 March 1999, all existing long term loan balances, totalling £171,085,236, were converted to Public Dividend Capital.

Advances of Public Dividend Capital (PDC)

PDC of £61,124,500 was issued in 1998–99 in addition to the conversion of loan balances to PDC of £171,085,236. The total PDC issued to trusts was £232,209,736.

All trust debt is remunerated by payments of interest (on deemed Voted Loan and long and short term loans) and dividends (on PDC). This trust debt remuneration is owed to the Consolidated Fund. Repayments of loan principal are appropriated in aid.

Some receipts and payments included in this account are derived from the annual accounts of Health Authorities which are audited by other auditors. These accounts have been audited prior to the presentation of this account, and no material differences were disclosed. Also, no material adjustments were necessary following the audit of the 1997–98 accounts.

In line with estimates, expenditure is included gross of VAT. Any recoveries of such VAT are credited to Appropriations in Aid.

P. R. Gregory
Accounting Officer

14 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors.

As well as the framework of corporate management controls identified above, my review of the effectiveness of the system of internal financial control has been informed by the reviews of executive managers in the Department who are responsible for the development and maintenance of the financial control framework. I have recently developed a formal system of review and reporting by the executive managers, which for 1998–99 has relied upon a high level review process, but which in future years will include a more regular, detailed assessment.

In informing my view on the effectiveness of the system of internal financial control I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

P. R. Gregory
Accounting Officer

14 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 58 to 66 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 67. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 4, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 67 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 4 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

29 October 1999

National Audit Office
Audit House
23–24 Park Place
Cardiff
CF10 3BA

Local Government, Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Welsh Office on revenue support grant and payment of non-domestic rates income to receiving authorities in Wales; payments to specified bodies; grants to local authorities in Wales in respect of the Council Tax Reduction Scheme; special grants to local authorities following natural emergencies; payments for Valuation Office Agency rating and valuation services; running costs of Valuation Tribunals; publicity costs; Local Government research, reviews and evaluations; exceptional expenses for the Commission for Local Administration in Wales; Treasury Solicitor legal services; repayments of excess contributions made by billing authorities and adjustments for shortfalls in receipts made by the Secretary of State in respect of non-domestic rates in previous years, etc.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Local Government, Wales						
A	6,962	10	6,952	6,844	18	6,826
B	1,798,371	—	1,798,371	1,798,370	—	1,798,370
C	612,000	—	612,000	612,000	—	612,000
D	31,212	—	31,212	31,213	—	31,213
E	1,200	—	1,200	1,200	—	1,200
F	310	—	310	310	—	310
G	17,000	—	17,000	2,422	—	2,422
Total	2,467,055	10	2,467,045	2,452,359	18	*2,452,341

*This figure is £8,000 less than the net total on the Appropriation Account, being the difference between the Appropriations in Aid realised (£18,000) and those authorised to be applied (£10,000).

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Valuation Office Services, etc.				
A2 Direct expenditure: other current	6,961	6,844	117	—
A4 Grants and transfers: current	1	—	1	—
Revenue support grant				
B4 Grants and transfers: current	1,798,371	1,798,370	1	—
Non-domestic rate payments				
C4 Grants and transfers: current*	612,000	612,000	—	—
Council tax reduction scheme (within aggregate external finance)				
D4 Grants and transfers: current	31,212	31,213	—	1
Welfare to work				
E4 Grants and transfers: current	1,200	1,200	—	—
Capital receipts initiative				
F4 Grants and transfers: current	310	310	—	—
Non-domestic rates outturn adjustment				
G4 Grants and transfers: current*	17,000	2,422	14,578	—

*See Other Notes.

Explanation of the Causes of Variation between Expenditure and Grant.

G4 The level of certified contributions to the central non-domestic rates pool confirmed by local authorities was higher than expected. As a result, repayment of excess contributions through the non-domestic rates outturn adjustment was reduced.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Gross Total				
<i>Original</i>	2,467,055	2,452,359	14,697	1
	Estimated £000	Applied £000		
<i>Deduct</i>				
Z Appropriations in Aid				
<i>Original</i>	10			
	10	10		
Net Total				
<i>Original</i>	2,467,045			Surplus
				<u>14,696</u>
	2,467,045	2,452,349		
				Actual surplus to be surrendered
				<u>£14,696,363.65</u>

Jon Shortridge
Accounting Officer

17 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure items

Section A: Valuation Office Services [£6,844,000]

Payments to cover the costs of Valuation Office Agency rating and valuation services, of Valuation Tribunals, publicity costs in connection with the Council Tax and for payments to the Treasury Solicitor for legal advice on local authority finance matters. Includes expenditure on research and project costs.

Section B: Revenue Support Grant [£1,798,370,000]

Revenue Support Grant is distributed between authorities so that each authority can provide a standard level of service for the same level of Council Tax. A small proportion of the grant is paid to bodies specified under section 76(4) of the Local Government Finance Act 1988, which provide central services to local authorities, and to the Commission for Local Administration in Wales (Local Government Ombudsman).

Section C: Non-Domestic Rate Payments [£612,000,000]

Non-domestic rates are collected by local (billing) authorities and paid into a central pool, from which they are distributed on the basis of population to local and police authorities.

Section D: Council Tax Reduction Scheme (within aggregate external finance) [£31,213,000]

Council Tax Reduction Scheme Grant (CTRS) is paid to eligible authorities under Section 88A of the Local Government Finance Act 1988.

Section E: Welfare to Work [£1,200,000]

Funding for Welfare to Work was given as part of the local authorities' revenue settlement.

Section F: Capital Receipts Initiative [£310,000]

Grants to local authorities following the Department's participation in the Government's Capital Receipts Initiative. This initiative released additional resources to local authorities.

Section G: Non-Domestic Rates Outturn Adjustment [£2,422,000]

Provides for repayments of excess contributions made by billing authorities in respect of non-domestic rates in previous years.

2 Receipts payable to the Consolidated Fund

	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid Appropriated in Aid	10	18
Net total		10
Actual sum payable separately to the Consolidated Fund		£8,261.84

Explanatory Notes on Expenditure and Receipts—*continued***Details of Receipts**

(i) Receipts of classes authorised to be used as Appropriations in Aid	Current	Capital
<i>Section A: Valuation Office Services</i>	£000	£000
Valuation tribunals—car loan repayments and other miscellaneous receipts	18	—
Total	<u>18</u>	<u>—</u>

Other Notes

Sections C and G. The annual accounts of the Welsh Non-Domestic Rating Pool are published separately and laid before Parliament. Local (billing) authorities present audited returns after the end of the financial year on the level of non-domestic rates (NDR) they have paid into the central pool during the financial year. Adjustments are made in subsequent years on the basis of these audited returns.

Jon Shortridge
Accounting Officer

17 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors.

As well as the framework of corporate management controls identified above, my review of the effectiveness of the system of internal financial control has been informed by the reviews of executive managers in the Department who are responsible for the development and maintenance of the financial control framework. I have recently developed a formal system of review and reporting by the executive managers, which for 1998-99 has relied upon a high level review process, but which in future years will include a more regular, detailed assessment.

In informing my view on the effectiveness of the system of internal financial control I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

Jon Shortridge
Accounting Officer

17 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 69 to 73 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 74. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 5, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 74 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 5 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

National Audit Office
Audit House
23–24 Park Place
Cardiff
CF10 3BA

28 October 1999

Office of Her Majesty's Chief Inspector of Schools in Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 1999, compared with the sum granted, for expenditure by the Office of Her Majesty's Chief Inspector of Schools in Wales on inspections, publicity, training, teachers' short courses and conferences, administration and associated capital, etc.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
Office of Her Majesty's Chief Inspector of Schools in Wales						
A	10,597	380	10,217	8,465	374	8,091
Total	10,597	380	10,217	8,465	374	8,091

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
OHMCI				
A1 Direct expenditure: running costs	3,512	3,131	381	—
A2 Direct expenditure: other current	7,058	5,307	1,751	—
A3 Direct expenditure: capital	27	27	—	—
Gross Total	£000			
Original	10,571			
Supplementary	26			
	10,597	8,465	2,132	—
			Surplus of Gross Estimate over Expenditure	
			2,132	
	Estimated	Realised		
	£000	£000		
<i>Deduct</i>				
Z Appropriations in Aid				Deficiency of Appropriations in Aid Realised
Original	355			
Supplementary	25			
	380	374		6
Net Total				Net Surplus
Original	10,216			2,126
Supplementary	1			
	10,217	8,091		
			Actual surplus to be surrendered	
			<u>£2,126,239.34</u>	

Explanation of the Causes of Variation between Expenditure and Grant.

A2 The underspend was due mainly to the implementation, in-year, of a longer cycle of inspections for secondary schools and a lower requirement in the number of nursery settings inspections, than was originally planned.

Susan Lewis
Accounting Officer

21 October 1999

Explanatory Notes on Expenditure and Receipts

1 Expenditure items

	Current £000	Capital £000
<i>Section A: OHMCI</i> [£8,465,000]		
Programme costs (Note A)	5,307	—
Running costs (Note A)	3,131	—
Capital expenditure (Note A)	—	27
Total	8,438	27

Note A: Expenditure on the running costs and administrative capital expenditure of Her Majesty's Chief Inspectorate and the staff of HMCI's Office (OHMCI) based throughout Wales. Programme expenditure includes provision for payments under contract for inspections of schools and funded nurseries.

2 Receipts payable to the Consolidated Fund

	Estimated £000	Realised £000
Receipts payable to the Consolidated Fund	1	10
Receipts of classes not authorised to be used as Appropriations in Aid		10,281.67
Actual sum payable separately to the Consolidated Fund		<u>10,281.67</u>

Details of Receipts

(i) Receipts of classes authorised to be used as Appropriations in Aid

	Current £000	Capital £0000
<i>Section A: OHMCI</i>		
Recovery of costs of staff seconded out to other bodies	348	—
VAT receipts	26	—
Total	374	—

(ii) Receipts of other classes

Miscellaneous receipts	2	—
Registration and Training	8	—
Total	10	—

Other Notes

In line with estimates, expenditure is included gross of VAT. Any recoveries of such VAT are credited to Appropriations in aid.

Susan Lewis
Accounting Officer

21 October 1999

Statement on the System of Internal Financial Control

As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. As OHMCI is a small organisation many of the day to day financial decisions are either made by me, or with my agreement.

The system of internal financial control can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with annual budgets;
- procedures to review and agree these budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.
- provision of accounting and financial management expertise by the Welsh Office under a service level agreement.

Under a charging agreement OHMCI uses the Welsh Office internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of this risk and the internal audit plans are agreed by me. The Head of Internal Audit (HIA) provides me with reports on all internal audit activity undertaken in the Department.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive managers within OHMCI who have responsibility for development and maintenance of the financial control framework, and by comments made by the external auditors in their management letter and other reports. It is also informed by the answers provided to me by the Welsh Office in respect of the financial services they provide to my Department.

Susan Lewis
Accounting Officer

21 October 1999

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 76 to 78 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 79. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 6, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 79 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class XIV, Vote 6 for the year ended 31 March 1999; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

29 October 1999

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