
Returning Officers' Expenses England and Wales

Statement of Accounts
2013-14

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Statement of Accounts 2013-14

(For the year ended 31 March 2014)

*Accounts presented to the House of Commons pursuant to Section 7 of the
Government Resources and Accounts Act 2000*

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Strategic Report

Strategic Review

The Cabinet Office is responsible for supporting the Prime Minister and Deputy Prime Minister, supporting the Cabinet, and taking forward work to strengthen the Civil Service. The Deputy Prime Minister has responsibility for electoral policy, and responsibility for setting and reimbursing the fees and expenses of Returning Officers at Parliamentary elections in England and Wales rests with the Elections and Parliament Division (EPD) within the Cabinet Office.

Returning Officers for UK Parliamentary elections are appointed by statute and whilst acting in that capacity do so independently of both the local authority that employs them (the law requires them to be local authority officers) and Central Government. In practice, this means that Returning Officers take on considerable responsibility in administering elections and are ultimately responsible to the courts for their actions and decisions.

Returning Officers are entitled to recover specified amounts from HM Treasury's Consolidated Fund for their services and the expenses they incur in conducting UK Parliamentary elections in their respective voting areas. In this year's accounts, the maximum recoverable amounts Returning Officers are able to recover are found in The Parliamentary Elections (Returning Officers' Charges) Order 2010. Returning Officers are personally responsible for all the expenditure incurred for running the aforementioned polls and must ensure that their claims for costs are complete, legitimate, properly presented, submitted on time and auditable.

The Statement of Accounts relates to expenditure for the running of UK Parliamentary by-elections in England and Wales held during the financial year as follows:

- South Shields by-election on 2 May 2013
- Wythenshawe and Sale East by-election on 13 February 2014

Expenditure has also been recognised in respect of the settlement of the Corby, Croydon North, Rotherham, Middlesbrough and Eastleigh by-elections, which were held in 2012-13.

The responsibility for accounting for Returning Officers' expenditure in Northern Ireland and Scotland rests with the Northern Ireland Office and Scotland Office respectively. These accounts do not cover the costs of local elections which are funded by local authorities from the monies which they receive from the Government's Revenue and Support Grant.

A detailed account of the strategic risks and our mitigation strategy can be found in the Governance Statement.

Richard Heaton CB

Permanent Secretary for the Cabinet Office, First Parliamentary Counsel and Accounting Officer

Financial Review

UK Parliamentary by-elections held since the 2010 UK Parliamentary General election

Financial Year	Date of the Poll	Conduct of the Poll	Royal Mail	Total expenditure	Residual Funding
		£	£	£	£
Residual funding from 2010 UK Parliamentary General election					4,132,360
Oldham East and Saddleworth	13 Jan 2011	127,740	94,292	222,032	
Barnsley Central	03 Mar 2011	131,783	85,144	216,927	
Leicester South	05 May 2011	111,304	86,324	197,628	
Feltham and Heston	15 Dec 2011	159,329	116,439	275,768	
Bradford West	29 Mar 2012	110,005	110,000	220,005	
Cardiff South and Penarth	15 Nov 2012	148,959	99,367	248,326	
Corby	15 Nov 2012	113,716	115,793	229,509	
Manchester Central	15 Nov 2012	136,286	128,441	264,727	
Croydon North	29 Nov 2012	-	122,405	122,405	
Rotherham	29 Nov 2012	-	87,779	87,779	
Middlesbrough	29 Nov 2012	-	86,198	86,198	
Eastleigh	28 Feb 2013	133,075	126,554	259,629	
South Shields	02 May 2013	-	85,691	85,691	
Wythenshawe and Sale East	13 Feb 2014	-	109,651	109,651	
Bank Charges		-	-	639	
Settled Expenditure at 31 March 2014		1,172,197	1,454,078	2,626,914	(2,626,914)
Residual funding from 2010 UK Parliamentary General election					1,505,446
Croydon North	29 Nov 2012	157,840	-	157,840	
Rotherham	29 Nov 2012	148,073	-	148,073	
Middlesbrough	29 Nov 2012	114,691	-	114,691	
South Shields	02 May 2013	156,649	-	156,649	
Wythenshawe and Sale East	13 Feb 2014	149,878	-	149,878	
Accrued Expenditure at 31 March 2014		727,131	-	727,131	(727,131)
Funding available at 31 March 2014 to cover future UK by-elections					778,315

The Cabinet Office has no budget cover for UK by-elections and HM Treasury has approved that a portion of the unused budget from the 2010 UK Parliamentary General election may be used to fund UK by-elections. The portion of unused funding amounts to £4,132,360 of which £2,626,914 has been applied to settle the costs of by-elections, a further £727,131 has been set aside to cover accrued expenditure for by-elections that have taken place up to 31 March 2014 and the residue of £778,315 has been retained to fund by-elections to be held after 31 March 2014. See Note 6 to the accounts.

The average cost of UK by-elections held since the 2010 UK Parliamentary General election is £239,529; £135,666 of which relates to the conduct of the poll expenses, and £103,863 relates to Royal Mail costs. The expenses for the poll include the cost of polling stations, postal voting, poll cards and the count. The factors which drive these costs are as follows.

Conduct of the poll

Parliamentary by-elections run on the basis of existing legislation and guidance in place from the previous UK Parliamentary General election in 2010. Overall maximum recoverable amounts that Returning Officers are able to claim for the expenditure of running the poll are listed in '*The Parliamentary Elections (Returning Officers' Charges) Order 2010*'. Parliamentary by-elections can cost more than the maximum recoverable amount provided in the Charges Order from 2010, reflecting changes in the electorate size and inflation since 2010. By-elections, by their nature, are often called at short notice and this gives the Returning Officer less time to plan compared to a scheduled poll and this can lead to an increase in conduct costs. If expenditure has occurred that exceeds the maximum recoverable amount stated in the relevant Charges Order, Returning Officers can be reimbursed these expenses following Ministerial approval

Royal Mail – Candidates' Mailings

Some of these by-elections had a higher number of candidates than usual, for example, the Eastleigh by-election was contended by fourteen candidates, eleven of which made use of the candidate mailings service. This was a further contributory factor to the increased cost of by-elections.

Insurance

Returning Officers make their own arrangements to insure themselves against any risks which they face in taking forward their statutory duties at local and UK Parliamentary elections. The cover obtained usually forms part of the local authority's own insurance arrangements.

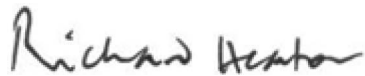
Deposits

Under Rules 9 and 53, Schedule 1 of the Representation of the People Act 1983, in order to stand as a candidate at a UK Parliamentary election, a candidate is required to pay a deposit of £500. If the Candidate doesn't receive one twentieth of the votes which are cast at the poll he / she loses their deposit and it is returned within twenty four hours of the declaration of the result by the Returning Officer to the Consolidated Fund. The income payable to the Consolidated Fund through forfeited deposits for the UK Parliamentary election and by-elections in 2012-13 was £26,000. The equivalent figure for the UK Parliamentary by-elections which took place in 2013-14 was £4,500. These amounts are set out at Note 3 to the Accounts.

Receipt and Settlement of Claims

As at 31 March 2014, all UK Parliamentary by-election claims have been received except for the by-election in Wythenshawe and Sale East. This election was held in February 2014 and the Returning Officer has until February 2015 to submit their expenses claims.

As at 31 March 2014, the Cardiff South and Penarth, Corby, Manchester Central and Eastleigh by-elections had been settled. The Croydon North, Rotherham, Middlesbrough and South Shields by-elections were settled after 31 March 2014.



Richard Heaton CB
Permanent Secretary for the Cabinet Office,
First Parliamentary Counsel and
Accounting Officer

5 September 2014

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Governance

Governance Statement

Introduction

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

A system of internal control operates within the Cabinet Office, including the Elections and Parliament Division (EPD) and within the Department for Communities and Local Government's (DCLG) Finance Shared Services Division (FSSD). The Finance Shared Services Division (FSSD) of the Department for Communities and Local Government (DCLG) acts as an agent for EPD to run the day-to-day operations of the Returning Officers' Expenses for England and Wales. EPD has the delegated responsibility for managing the performance and compliance of DCLG against the service level agreement (SLA) that governs the provision of financial services by them to the Department. The system of internal control has been in place for the year ended 31 March 2014, and up to the date of approval of the statement of accounts, and accords with HM Treasury guidance.

Risk Management

Key risks relate to Cabinet Office and DCLG processes, late submission of claims by Returning Officers and regularity, propriety and value for money.

Risk Management in the Cabinet Office

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk throughout the Department. The Cabinet Office Audit and Risk Committee (COARC) continued to provide the Cabinet Office Board with an independent view of the department's risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances. Further details on the Department's capacity to handle risk is set out in the Governance Statement contained in the Cabinet Office Annual Report and Accounts 2013-14. A link to the accounts is provided below:

<https://www.gov.uk/annual-report-and-accounts-2013-14>

Risk Management in the Finance Shared Services Division in the Department for Communities and Local Government

The Cabinet Office receives financial services from the Election Claims Unit (ECU) of the Department for Communities and Local Government (DCLG) under a shared services arrangement. An annual letter of assurance from DCLG confirms that risk management is reviewed regularly and that appropriate systems

of internal controls are applied to ensure the integrity of Cabinet Office data which DCLG is processing on behalf of the Cabinet Office. The letter of assurance for 2013-14 states that: 'My review is informed by internal and external audit opinion and by other ad-hoc reviews (both internal and external). No issues have been raised by the Audit and Risk Committee in relation to these services'. It also confirms that, 'specifically for services provided to Cabinet Office by FSSD, all key controls are in place'.

Risk of late submission of claims by Returning Officers

Returning Officers have twelve months from the date of the poll to submit their claims expenses for UK Parliamentary by-elections. The by-elections for Corby, Croydon North, Rotherham, Middlesbrough and Eastleigh took place in 2012-13. In line with the statutory requirement to submit claims within 12 months of the by-election, the claims for these polls were submitted in financial year 2013-14. Of the two Parliamentary by-elections held in 2013-14, the claim from the Returning Officer for South Shields has been submitted and settled. The deadline for the submission of the claim for the Wythenshawe and Sale East by-election is February 2015. The statutory deadline for accounts to be submitted for Parliamentary by-elections is set out in *The Returning Officers' Accounts UK Parliamentary Elections England and Wales Regulations 2010*.

In a wider perspective, for the Police and Crime Commissioner (PCC) Elections held in 2012, which were funded via the Home Office and accounted for within the Home Office Annual Report and Accounts 2013-14, all claims for Returning Officers were received within the eight month deadline set.

Risks to Regularity, Propriety and Value for Money

EPD officials seek to ensure rigorous oversight of the assessment of claims and to ensure they are aware of any anomalies and queries so they can take necessary decisions on policy or judgements of any significance. ECU is required to refer all claims to the Cabinet Office for final resolution where there is either an overall over-spend, over-spends on particular elements of the poll or in circumstances where novel or unusual spends are identified.

Upon the receipt of any such claims from ECU, the Cabinet Office has taken forward additional work with Returning Officers to explore the reasons behind the over-spends or unusual types of expenditure which have been incurred. As part of this work, the Cabinet Office has asked Returning Officers to evidence the value for money judgements which they took when committing expenditure for the conduct of the poll. Where a Returning Officer has provided evidence to prove that the expenditure was reasonable and necessary for the effective conduct of the poll, we have instructed ECU to settle the claim.

Whilst many Returning Officers (ROs) and their teams have found this onerous, EPD is keen to ensure that there is appropriate challenge and clarification / supporting evidence where queries arise. This helps to regulate the process and ensure that the amounts which Returning Officers spend for elections are in accordance with the purposes intended by Parliament.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of internal auditors, the statement of assurance from DCLG, assurance statements from EPD and in addition comments made by the external auditors in their management letter and other reports.

Work of Internal Audit

An internal audit review to provide the Cabinet Office Accounting Officer with an independent and objective opinion on the governance, risk management and control arrangements covering election administration processes with a particular focus on the review of election funding was completed during 2013-14. The outcomes of this audit will be reported upon in the Statement of Accounts 2014-15.

Advances

Returning Officers are normally provided with an advance of 75% of the maximum recoverable amount ahead of the by-election. The level of advance can be lower (60 or 65%) as a result of late submission from the Returning Officer of the previous election claim. Applications for further advances (beyond 60%) will continue to be denied to Returning Officers who at the most recent election failed to submit their claims on time, unless there are genuinely mitigating circumstances. Applications for further advances received later than six months after the date of the election will be denied without exception. Applications for further advances in excess of 90% of the maximum recoverable amount shown in the Charges Order from any Returning Officer will be denied unless there are genuinely exceptional circumstances.

Timetable for submitting claims

As part of the funding review, and after deadlines of 8 months in the UK Referendum on the voting system for UK Parliamentary elections in May 2011, and the PCC elections in November 2012, the Cabinet Office has now reduced the timetable for submitting claims from 12 months to 6 months for the 2014 European Parliamentary elections. The evidence we have collected suggested that some Returning Officers and their staff wait until near the deadline to submit their claims and then find themselves caught up in running the next set of elections; setting an earlier statutory deadline will avoid that clash.

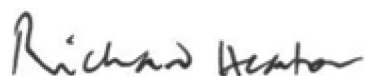
The Cabinet Office has few levers to enforce submission of claims until the statutory deadline is reached and the gap between the respective deadlines will provide the Department with greater ability to leverage pressure on any Returning Officers who do not submit their claims on time. In future, where any claim is received after the statutory deadline without an extension being agreed by the Cabinet Office in advance, our approach is to require Returning Officers to pay back the advances which they received before the poll to the Consolidated Fund via Cabinet Office with immediate effect.

Funding Review

The Cabinet Office undertook an initial review of the election funding model for national polls and produced an informal consultation paper for relevant stakeholders to comment upon in July 2013. The paper covered a wide range of issues including the time period for Returning Officers submitting their expenses claims, reducing the burden of completing the claim whilst improving transparency and allowing for effective accounting of monies spent at national elections.

Feedback and responses received to the consultation, led to the change of a six month deadline for claims to be submitted, a change to how the funding allocations for Returning Officers were initially calculated based on actual expenditure from previous polls and a new lighter touch scrutiny model. Further work will continue in the run up to the 2015 General election to look at payments to staff and Returning Officers' fees.

In summary, no Significant Control Issues have been identified.



Richard Heaton CB

Permanent Secretary for the Cabinet Office,
First Parliamentary Counsel and
Accounting Officer

5 September 2014

Directors' Report

This Directors' Report covers the legislative framework, funding mechanism, the Statement of the Accounting Officer's Responsibilities and the Statement on the Disclosure of Relevant Audit Information.

The Legislative Framework

Primary Legislation

Under section 29(3) of the Representation of the People Act 1983, as amended by the Representation of the People Act 1991 and the Electoral Administration Act 2006, a Returning Officer at a UK Parliamentary General election is entitled to recover charges in respect of his services or expenses. There are similar provisions for European Parliamentary elections in regulation 15 of the European Parliamentary Elections Regulations 2004, as amended by the European Parliamentary Elections (Amendment) Regulations 2009.

The legislation also requires the elections expenses of Returning Officers for these polls (including by-elections) to be met directly from HM Treasury's Consolidated Fund.

Charges Orders

The maximum recoverable amounts which Returning Officers can claim for their fees and expenses in relation to UK Parliamentary elections (including by-elections) are set out in the following Charges Order:

SI No.	Name	Effective from
SI 2010 No 830	The Parliamentary Elections (Returning Officers' Charges) Order 2010 http://www.legislation.gov.uk	16 March 2010

In addition to setting out the maximum recoverable amounts which Returning Officers are entitled to claim (providing that the expenditure is necessary and reasonable for the effective conduct of the poll), the Charges Order specifies the types of expenses which can be claimed, for example, printing and producing the ballot papers and conducting the verification / count process.

Accounts Regulations

Returning Officers' Accounts Regulations issued at Parliamentary elections require Returning Officers to submit statements of account within a period of twelve months from the date on which the result of the Parliamentary election is announced. Although this is a statutory deadline, the legislation does not provide for any sanctions to be applied for those failing to meet it. The regulations do allow for a Returning Officer to submit an incomplete account if necessary and to agree a date for delivery of the final account with the Department.

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

Name	Effective From
The Returning Officers' Accounts UK Parliamentary Elections England and Wales Regulations 2010	May 2010

Candidates' Mailings

Under section 91 of the Representation of the People Act 1983, candidates at UK Parliamentary elections are entitled to have one election address (often called mailings) to each elector or household within the voting area delivered at public expense. The main purpose of allowing candidates to send one communication free of charge for delivery is to allow the electorate to be informed of the policies of candidates / parties standing and to help them to make informed choices when casting their vote.

The Royal Mail, as the only universal service provider, undertakes the delivery of all these communications and is reimbursed from the Consolidated Fund according to the requirements of legislation and the terms of a Service Level Agreement in place between the Cabinet Office and the Royal Mail.

Funding Mechanism

Returning Officers' Expenses

In advance of UK Parliamentary General elections the Cabinet Office estimates the likely costs that each Returning Officer will incur. The assumptions which are used to calculate the cost of UK Parliamentary elections (including by-elections) are largely based upon the size of the electorate and the number of individuals who might apply to vote by post. These factors determine many of the costs, such as the number of ballot papers, polling stations, poll cards, postal ballot packs and estimates of labour costs.

The Department agrees the estimates with HM Treasury so that funds can be made available from the Consolidated Fund for UK Parliamentary elections once the Charges Order has been made by the Secretary of State. Following agreement from HM Treasury, residual monies from the funding which was provided for the 2010 UK Parliamentary General election have and will continue to be used to cover the cost of UK Parliamentary by-elections.

Prior to the poll for UK Parliamentary and European Parliamentary elections, the Department makes an initial advance to each Returning Officer of up to 75% of the estimated cost of running the election, including the costs of setting up and staffing polling stations. Thereafter Returning Officers can request further funding to cover invoices that need to be paid before completed accounts can be submitted. Further advances to cover such invoices are capped so that the total of advances to any Returning Officer does not exceed 90% of the original estimate.

Following the election, Returning Officers are required to submit statements of account showing the actual costs they incurred in running the election. The Department reviews and confirms the validity of the expenditure reported in these statements of account to supporting documentation. Where the advance exceeds the total costs incurred, the Returning Officer returns the excess monies to the Department.

Where the total costs incurred exceed the advance, the Department pays the Returning Officer the balance. In exceptional cases where the total cost of a claim exceeds the estimated amount, the Department has the discretion to pay the additional expenses which are being claimed if the Returning Officer can provide evidence that the expenditure was necessary and reasonable for the effective and efficient conduct of the poll.

Candidates' Mailings

In addition to the funding for the conduct of the UK Parliamentary and European Parliamentary elections, agreement is reached between the Department on the level of costs which will be required for the delivery of the candidates' mailings. The cost of delivering the mailings is based on the prices contained in the Service Level Agreement between the Department and Royal Mail and is presented and agreed in ranges with the Treasury as (a) the number of candidates standing at the election is not known until close of nominations and (b) information on whether each candidate has used addressed or unaddressed mailings (which cost different amounts) is only known after the election has taken place.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Cabinet Office to prepare for each financial year, a statement of accounts in respect of the Returning Officers' Expenses, England and Wales in the form and on the basis set out in the Accounts Direction which they have provided.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Returning Officers' Expenses England and Wales at 31 March 2014 and of their income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

HM Treasury has appointed the Permanent Secretary of the Cabinet Office as Accounting Officer for Returning Officers' Expenses England and Wales.

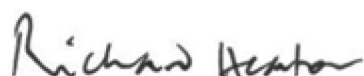
The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets related to the Returning Officers' Expenses England and Wales, are set out in *Managing Public Money*, published by HM Treasury.

Statement on the Disclosure of Relevant Audit Information

The Returning Officers' Expenses England and Wales Statement of Accounts has been prepared on a statutory basis in accordance with the requirements of HM Treasury and is designed to comply with the Accounts Direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses have been included in the amount reported in the Cabinet Office Annual Report and Accounts 2013-14 (HC 3). During the reporting year, no payment was made to the auditors for non-audit work (2012-13: £Nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.



Richard Heaton CB
Permanent Secretary for the Cabinet Office,
First Parliamentary Counsel and
Accounting Officer

5 September 2014

Financial Statements

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

I certify that I have audited the financial statements of the Returning Officers' Expenses (England and Wales) for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of Returning Officers' Expenses (England and Wales) Accounts and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Returning Officers' Expenses (England and Wales) as at 31 March 2014 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Strategic Report, Governance Statement and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

8 September 2014

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2014

This account summarises the expenditure and income generated and consumed on an accruals basis.

£		2013-14	2012-13
	Note		
2009 European Parliamentary Election			
Conduct of the poll - under-spend surrenderable to the Consolidated Fund	2	-	(96,770)
		-	(96,770)
2010 UK Parliamentary General Election			
Conduct of the poll - under-spend surrenderable to the Consolidated Fund	2	-	(334,343)
Accrual released to cover costs of UK by-elections	2	(506,970)	(1,714,076)
Accrual released to cover bank charges		(639)	-
		(507,609)	(2,048,419)
UK Parliamentary by-elections			
Conduct of the poll	2	311,628	947,539
Royal Mail delivery of candidates' mailings	2	195,342	766,537
		506,970	1,714,076
Total		(639)	(431,113)
Bank charges		639	902
Income payable to the Consolidated Fund	3	(4,500)	(26,000)
Total Comprehensive Net Income for the period ended 31 March 2014		(4,500)	(456,211)


Notes 1 to 12 form part of these accounts

Statement of Financial Position

as at 31 March 2014

This statement presents the financial position and comprises three main components; assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

£		As at 31 March 2014	As at 31 March 2013
	Note		
Current assets			
Trade and other receivables	4	665,090	779,662
Cash and cash equivalents	5	840,356	1,666,296
Total current assets		1,505,446	2,445,958
Current liabilities			
Trade and other payables	6	(1,505,446)	(2,445,958)
Total current liabilities		(1,505,446)	(2,445,958)
Total assets less liabilities		-	-
Taxpayers' equity			
General fund		-	-
Total taxpayers' equity		-	-



Richard Heaton CB

Permanent Secretary for the Cabinet Office,
First Parliamentary Counsel and
Accounting Officer

5 September 2014

Notes 1 to 12 form part of these accounts

Statement of Cash Flows

for the period ended 31 March 2014

The Statement of Cash Flows shows the changes in cash and cash equivalents during the reporting period. The statement shows how cash and cash equivalents are generated and used by classifying cash flows as operating activities. The amount of net cash flows arising from operating activities is a key indicator of the cost of the elections. There are no cash flows in 2012-13 and 2013-14 arising from financing activities because HM Treasury has approved that a portion of the unused budget from the 2010 UK Parliamentary General election may be used to fund UK by-elections.

£		2013-14	2012-13
	Note		
Cash flows from operating activities			
Net operating income		4,500	456,211
Decrease in trade and other receivables	4	114,572	6,461,013
Decrease in trade and other payables	6	(940,512)	(19,644,948)
<i>Movement in trade and other payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Non-voted receipts surrenderable to the Consolidated Fund	6	85,941	8,841,802
Net cash outflow from operating activities		(735,499)	(3,885,922)
Non-voted receipts of current year surrendered to the Consolidated Fund		(4,500)	(372,770)
Non-voted receipts of prior year surrendered to the Consolidated Fund		(85,941)	(8,927,743)
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	5	(825,940)	(13,186,435)
Cash and cash equivalents at the beginning of the period	5	1,666,296	14,852,731
Cash and cash equivalents at the end of the period		840,356	1,666,296

Notes 1 to 12 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2014

This statement shows the movement in the year on the general fund reflecting any contribution from the Consolidated Fund and non-voted receipts surrenderable to the Consolidated Fund. It also reflects comprehensive net income for the year.

£		As at 31 March 2014	As at 31 March 2013
	Note		
Balance at 1 April		-	2,500
Non-voted receipts surrendered to the Consolidated Fund		(4,500)	(372,770)
Non-voted receipts surrenderable to the Consolidated Fund	6	-	(85,941)
Comprehensive Net Income for the year		4,500	456,211
Balance at 31 March		<u>-</u>	<u>-</u>

Notes 1 to 12 form part of these accounts

Notes to the Accounts for the year ended 31 March 2014

1. Statement of accounting policies

1.1 Statement of compliance

This statement of accounts has been prepared in accordance with the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the statement of accounts for the purpose of giving a true and fair view has been selected. The particular policies adopted for the statement of accounts are described below. They have been applied consistently in dealing with items that are considered material to the statement of accounts.

1.2 Basis of preparation

This statement of accounts has been prepared under the historical cost convention.

1.3 Going concern

The statement of accounts has been prepared on the basis of going concern. Legislation requires that election expenses of Returning Officers are met directly from HM Treasury's Consolidated Fund as a Consolidated Fund Standing Service without the need for further annual authorisation from Parliament.

1.4 Programme expenditure

The Statement of Comprehensive Net Expenditure classifies income and expenditure as programme. This classification follows the definition set out in the *Consolidated Budgeting Guidance* issued by HM Treasury which describes programme expenditure as associated with the provision of direct frontline services.

1.5 Income payable to the Consolidated Fund

The forfeited deposits of unsuccessful election candidates are accounted for on an accruals basis and are treated as non-voted receipts surrenderable to the Consolidated Fund; see Note 1.9.

Deposits are forfeited by those candidates who fail to obtain one twentieth of the total votes cast at UK Parliamentary elections and by-elections. For European Parliamentary elections candidates must obtain one fortieth of the vote in order to have their deposit returned. Returning Officers are required to return any forfeited deposits to the Consolidated Fund via the Cabinet Office no later than one working day after the result of the election has been declared.

1.6 Value added tax

The activities performed by the Returning Officers are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category.

1.7 Financial assets

Advances to Returning Officers

Prior to an election, advances are made to Returning Officers for 75% of the maximum recoverable amount and are recognised as receivables in the accounts until expense claims are settled. If Returning Officers have spent more than the amount advanced to them, they will be reimbursed accordingly. Unless however, they have failed to submit an expense claim within agreed deadlines and sanctions are applied against them, in which case no additional payments are made and Returning Officers must bear the additional cost of the elections themselves.

Amounts owed by Returning Officers

If Returning Officers have spent less than the amount advanced to them, an invoice for the under-spend will be raised upon them resulting in a debtor balance. Returning Officers are required to return forfeited deposits to the Cabinet Office no later than one working day after the election result has been declared. The Cabinet Office will surrender these amounts to the HM Treasury's Consolidated Fund.

1.8 Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at bank. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

1.9 Financial liabilities

Trade and other payables are recognised at cost which is deemed to be materially the same as the fair value. Trade and other payables include an accrual for election expenses, cash received from Returning Officers in respect of unsettled claims and non-voted receipts surrenderable to the Consolidated Fund.

Accruals for elections

On the date of an election, an accrual is raised for the costs of candidates' mailings and for the maximum recoverable amount for each Returning Officers' constituency as listed in the Charges Order. Accruals at 31 March are adjusted to reflect the actual level of claims received (including claims recently settled after the year-end) from Returning Officers in cases where trends indicate that the actual level of claims may be materially lower than the maximum recoverable amount. Accruals are reversed in full within the operating cost upon settlement of Royal Mail invoices and upon settlement of each Returning Officer's actual expense claim.

For by-elections held subsequent to the 2010 UK Parliamentary General election, HM Treasury advised that an unused portion of the General Election funding should be retained to cover their costs. Therefore upon establishment of an accrual for a by-election as described above, a commensurate portion of the remaining accrual pertaining to the 2010 UK Parliamentary General election is released which results in a neutral overall impact on the operating cost.

Cash received from Returning Officers in respect of unsettled claims

Returning Officers may attach a cheque upon submission of their expense claim in cases where they have spent less than the amount originally advanced to them. These cheque receipts are recorded as a liability to the Returning Officers until their claims have been checked, at which point their cheques are recognised as settlement of the invoice raised upon them and offset against the debtor.

Non-voted receipts surrenderable to the Consolidated Fund

Election expenses are classified as Consolidated Fund Standing Services which Parliament has decided by statute should be met directly from the Consolidated Fund rather than being voted annually by Parliament. The Consolidated Fund is the Government's current account operated by HM Treasury.

Non-voted receipts include forfeited deposits (see Note 1.5) and excess funding.

Excess funding arises in cases where Returning Officers claim less than the maximum recoverable amount for their constituency as listed in the Charges Order and is surrenderable to the Consolidated Fund. Excess funding is calculated when almost all claims have been settled to Returning Officers and represents the saving against the amount drawn down from the Consolidated Fund as the budgeted cost of the election. Excess funding may also be calculated on a case by case basis for each Returning Officer where sanctions have been applied as a result of claims being submitted exceptionally late beyond the agreed deadline. Where those deadlines were not met and no acceptable reason was given for the claims not being submitted, then it was decided that no further payments would be made to Returning Officers in respect of those claims. No such sanctions were imposed in 2013-14.

1.10 Contingent liabilities

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the Notes to the Accounts in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured.

In addition to contingent liabilities disclosed in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, this statement of accounts discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

1.11 Impending application of newly issued accounting standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that will be required to apply on or after 1 April 2014 or later periods, following EU-adoption and as applied by the *FReM*. The Department provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Department's financial statements. The Department will assess the impact of these standards.

Effective 1 January 2013:

IFRS 13 'Fair Value Measurement'

This will provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

2. Election expenses

£	2013-14	2012-13		
2009 European Parliamentary Election				
Conduct of the poll – reversal of prior year accrual upon settlement of claims	–	(96,770)		
Conduct of the poll – under-spend surrenderable to the Consolidated Fund	–	(96,770)		
2010 UK Parliamentary General Election				
Conduct of the poll – reversal of prior year accrual upon settlement of claims and under-spend surrenderable to the Consolidated Fund	–	(334,343)		
Accrual released to cover accrued costs of UK by-elections	(506,970)	(1,714,076)		
Sub total	(506,970)	(2,048,419)		
 UK Parliamentary by-elections				
	Conduct of the poll	Royal Mail	Conduct of the poll	Royal Mail
Cardiff South and Penarth	–	–	148,959	99,367
Corby	(247)	–	113,963	115,793
Manchester Central	–	–	136,286	128,441
Croydon North	(5,702)	–	163,542	122,405
Rotherham	13,732	–	134,341	87,779
Middlesbrough	(1,519)	–	116,210	86,198
Eastleigh	(1,163)	–	134,238	126,554
South Shields	156,649	85,691	–	–
Wythenshawe and Sale East	149,878	109,651	–	–
	311,628	195,342	947,539	766,537
Sub total		506,970		1,714,076
Total		–		(431,113)

Accruals are reversed in full within the operating cost upon settlement of each Returning Officer's actual expense claim; see Note 1.9. Any resulting negative expenditure indicates under-spends against original budget which are surrenderable to HM Treasury's Consolidated Fund.

The costs of UK Parliamentary by-elections are offset by a commensurate release of the residual accrual pertaining to the 2010 UK Parliamentary General election. The rationale for this is explained at Note 1.9.

3. Income payable to the Consolidated Fund

£	2013-14	2012-13
Forfeited deposits:		
UK Parliamentary by-elections	4,500	26,000
Total	4,500	26,000

4. Trade and other receivables

£	As at 31 March 2014	As at 31 March 2013
Advances to Returning Officers - claims not yet settled	665,090	779,662
Total	665,090	779,662

The table below analyses the balance at 31 March by election type:

2014 European Parliamentary elections	120,000	–
UK by-elections	545,090	779,662
Total	665,090	779,662

With HM Treasury's approval, advances of £120,000 were paid to Regional Returning Officers to fund their initial preparations for 2014 European Parliamentary elections.

5. Cash and cash equivalents

£	As at 31 March 2014	As at 31 March 2013
Balance at 1 April	1,666,296	14,852,731
Net change in cash and cash equivalent balances	(825,940)	(13,186,435)
Balance at 31 March	840,356	1,666,296

The following balances at 31 March were held at:

Government Banking Service	840,356	1,666,296
Balance at 31 March	840,356	1,666,296

The balance at 31 March is held for use in:

2010 UK General Election	–	85,941
UK by-elections held by 31 March 2013	–	294,431
Future UK by-elections	840,356	1,285,924
Balance at 31 March	840,356	1,666,296

6. Trade and other payables

£	As at 31 March 2014	As at 31 March 2013
Accrued UK by-election expenses	727,131	1,074,093
Advances retained from the Consolidated Fund for by-election expenses	778,315	1,285,924
Non-voted receipts surrenderable to the Consolidated Fund		
2010 UK Parliamentary General election	–	85,941
Total	1,505,446	2,445,958

Accrued UK by-election expenses are detailed in the Financial Review.

Advances retained from the Consolidated Fund for by-election expenses represent a residual accrual from the 2010 UK Parliamentary General election which HM Treasury has agreed may be applied to cover the expenditure of future UK by-elections.

The movement in the accrual for advances retained from the Consolidated Fund for by-elections expenses of £507,609 from £1,285,924 (2012-13) to £778,315 (2013-14) comprises three amounts: the first is bank charges of £639, the second is settled expenditure relating to Royal Mail expenses incurred for by-elections in 2013-14 of £195,342 and the third is accrued costs of by-elections of £311,628 consisting of £306,527 costs of elections and £5,101 of a net over-spend in the five by-elections; Corby, Croydon North, Rotherham, Middlesbrough and Eastleigh, which were held in 2012-13 and settled in 2013-14. Detail of these costs can be seen in Note 2 Election Expenses.

Non-voted receipts surrenderable to the Consolidated Fund represent under-spend as at 31 March 2013 against the overall funding drawn from the Consolidated Fund in respect of the 2010 UK Parliamentary General election.

7. Financial instruments

IFRS 7 Financial Instruments Disclosures requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Funding for the Returning Officers' expenses is received directly from the Consolidated Fund and therefore there is no exposure to liquidity risk. Material deposits are held with the Government Banking Service so there is no exposure to interest rate risk. Deposits held by Returning Officers in commercial bank accounts at 31 March 2014 were not material. All material assets and liabilities are denominated in sterling so there is no exposure to exchange rate risk.

8. Contingent assets and liabilities

There are no material contingent assets or liabilities at 31 March 2014 for disclosure under *IAS 37*.

9. Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

The Cabinet Office has given the following indemnity whose amount is unquantifiable and which, within the meaning of *IAS 37*, is not a contingent liability, since the likelihood of a transfer of economic benefit in settlement is too remote.

Indemnity for Returning Officers at the European Parliamentary Elections May 2014

The Cabinet Office has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Elections which were held on 22 May 2014. The indemnity is for amounts which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department will also certificate the Returning Officers under *The Employers' Liability (Compulsory Insurance) Regulations 1998* in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Regional and Returning Officers for any by-elections which are held prior to the next scheduled European Parliamentary election in 2019. A parliamentary minute was laid on 8 April 2014.

10. Losses and special payments

There are no losses and special payments to report.

11. Related party transactions

Neither members of staff within the Cabinet Office nor within the Department for Communities and Local Government had undertaken any material transactions with Returning Officers.

12. Events after the reporting period

In accordance with the requirements of *IAS 10 Events after the Reporting Period*, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as being the date on the Certificate and Report of the Comptroller and Auditor General to the House of Commons. There are no events after the reporting period which affects these accounts.

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