

Presented pursuant to Schedule 1(17) of the Political Parties, Elections and Referendums Act 2000

The Electoral Commission

Resource accounts 2007–8

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1 Foreword

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

1.2. The Commission's 2007–08 resource accounts are prepared in accordance with an accounts direction, set out on page 59 issued by HM Treasury under paragraph 17 (2) of Schedule 1 to the Political Parties, Elections and Referendums Act 2000.

Aim and objectives for 2007–8

1.3 The five-year corporate plan from 2007-8 set out the Commission's central purpose to set and guarantee standards in key areas of democratic life in the UK. It identified an ambitious agenda with a significant shift in the Commission's focus and approach in order to demonstrate effectiveness as a regulator of party and election finance and in setting and monitoring performance standards for electoral registration and electoral administration. This meant that some areas of work previously undertaken would become less prominent or disappear altogether over the course of the five-year plan. This included the grants programme to organisations in the voluntary and community sector and a reduced role for the Commission in examining issues of electoral policy.

1.4 The Commission's aim is to promote:

Integrity and public confidence in the UK's democratic process.

1.5 Our objectives are:

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

1.6 The cost, and associated income, of the Commission's work in meeting these objectives is shown in the statement of operating costs by aims and objectives on page 39 of the accounts.

1.7 The Commission's current *Corporate Plan 2008–9 to 2012–13* (HC491) approved by the Speaker's Committee is available at www.electoralcommission.org.uk

Main activities

1.8 The Commission is responsible for:

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

Management commentary

Going concern note

1.9 The balance sheet at 31 March 2008 shows negative taxpayers' equity of £2.322 m. The future financing of the Commission's liabilities is to be met by grants of supply approved annually by Parliament. Approval for amounts required for 2008–09 has already been given and there is no reason to believe that future approvals will not be forthcoming. Therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Investment and funding

1.10 As an independent public body, the Commission is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through a Supply Estimate (HC 441) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. The Commission drew down voted funds during the year from the Consolidated Fund as required.

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

1.12 The Commission had one request for resources for 2007–08: RfR 1. In these Accounts, the Statement of Parliamentary Supply shows outturn figures against the Estimate.

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

Performance for the year

1.14 As set out in the Statement of Parliamentary Supply on page 34 Parliament approved the Commission's net resources in 2007–08 to enable the Commission to carry out its statutory functions.

1.15 During 2007–08 the Commission's key achievements included:

Objective 1 – Integrity and transparency of party and election finance

- We have demonstrated that we will not accept non-compliance by parties who fail to submit financial information on time. We imposed 155 fines on parties who have not met the statutory deadlines.
- We published an advisory opinions protocol, offering advice in response to those we regulate and also where we believe the law is open to misunderstanding or misapplication.
- We have established a clear staffing structure which separates advice and guidance from enforcement.
- We used legislation on party and election finance to challenge impermissible donations to parties in the courts.
- We removed 51 parties from the Great Britain and Northern Ireland registers of political parties for failing to maintain their annual registration with us.
- We implemented the new controls on donations to political parties in Northern Ireland, introduced in November 2007.
- We monitored activity undertaken during election campaigns to ensure that we are thoroughly aware of campaign methodology and can challenge how campaign expenditure is reported. We are using this information to identify priority areas for legislative review and reform, as well as to improve our advisory, support and enforcement work.
- We published details of more than 3,450 donations to parties totalling more than £56 million.

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

- We collected information about how Electoral Registration Officers across Great Britain are doing their job, on the basis of their performance against a set of initial measures. We are now consulting on a set of standards to apply to electoral registration work across Great Britain.
- We published a series of reports on electoral registration in Northern Ireland, including the impact of the move to continuous registration.
- As a result of our 2007 public awareness campaigns encouraging people to register to vote, over 72,000 registration forms were downloaded from our website. Almost 90,000 people registered to vote through our annual homemover mailing.
- We published the first Great Britain-wide comprehensive manual on registration for Electoral Registration Officers.
- We embarked on a new public awareness campaign in Northern Ireland explaining the system of continuous registration.

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

- We provided guidance, training, materials and advice to elections staff across the UK for each of the 2007 elections, reflecting the extensive changes brought about by the Electoral Administration Act 2006 and related legislation in Scotland, Wales and Northern Ireland.
- We consulted on an initial number of performance indicator areas for elections and referendums management. We plan to publish our first analysis of performance by Returning Officers in England and Wales in late 2008.
- We reported on the administration of the May 2007 elections to the National Assembly for Wales, local elections in England and the local government and combined Scottish elections and two UK Parliamentary by-elections. Our report on the Scottish elections included an independent report from international expert Ron Gould. We also reported on the March 2007 Northern Ireland Assembly election, the introduction of absent voting identifiers in England and Wales and the distribution of the UK's Members of the European Parliament. We

published our evaluation of 12 pilot schemes for innovations in election management such as electronic voting and signing in polling stations.

- We enabled accredited observers to witness electoral events for the first time in the UK.

Objective 4 – Public understanding of the way our democracy works

- Our public awareness campaigns reached around 31.8 million electors ahead of the May 2007 elections in England, Scotland and Wales. This included targeted information for young people, people from black and minority ethnic communities and people in the armed forces to encourage them to register to vote.

Objective 5 – Fair boundary arrangements for elections

- We completed five Further Electoral Reviews of local authority boundaries in England to ensure that the number of residents represented by each councillor in an area is as uniform as possible.
- We provided the Government with advice on boundary aspects of the Local Government and Improvement of Public Health Bill which led to this becoming an Act in November 2007.

1.16 In achieving its objectives the Commission used £22.334 m resources. This amount was £1.661 m (or 7%) less than the sum of £23.995m approved by Parliament in the Commission's Supply Estimate (HC441) for the net resource requirement.

1.17 Part way through 2007–8 the Commission undertook contingency planning in the face of widespread speculation about an imminent UK Parliamentary General Election. This activity and subsequent refining of the Commission's scenario planning lead to a fundamental conclusion that over the life of any multi-year resource settlement the Commission would be prudent to put in place plans to ensure that appropriate funding is available should a general election be called. As a result of this, the Commission reviewed its planned use of resources and identified £1m to carry-forward under End of Year Flexibility. The total saving at year end was higher than this by £661,000.

1.18 The key areas that contributed to these savings in 2007–8 were:

- The Commission was not required to carry out as much work in 2007–8 as originally anticipated on boundary reviews arising from changes in the Local Government and Public Involvement in Health Act 2007. The Act was implemented later than anticipated, and as a result these reviews

did not commence until the last quarter of the financial year. The full programme is now well under way.

- The Commission's major refocusing and restructuring of its Party and Election Finance Directorate during 2007–8 was completed at lower cost than had originally been anticipated, primarily owing to recruiting new staff later in the year than originally expected. The full-year costs of the restructured team will be incurred in 2008–9.
- The UK government decided not to proceed with pilots of alternative election practice at the 2007 elections, which meant that the Commission was able to save resources which would otherwise have been used for the evaluation of such pilots.
- The expenditure profile of a number of grants under the Partnership Grant scheme altered. This change is within the overall time frame of the scheme but with the result that the planned expenditure will now take place in subsequent years.
- The Commission was able to gather indicators of performance by electoral registration officers in Great Britain through its existing structures, especially its network of English offices, and processes without needing to spend significantly on additional procedures.
- The management of the public awareness campaigns relating to the local elections and London elections on 1 May 2008 provided additional opportunities for identifying efficiencies and partnership working with London Elects which reduced the overall planned expenditure.

1.19 The Commission collected £98,000 in fines from political parties and these were surrendered to the Consolidated Fund.

1.20 The Commission required cash amounting to £21.554 m in 2007–08 to finance its activities which was £2.541 m less than the sum of £24.095 m approved by Parliament in the Commission's Supply Estimate; note 2 of the accounts provides a reconciliation between resources approved and cash requirement.

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

	£ m
Net Resource Outturn (Estimate)	22.334
Net Operating Cost (Accounts)	22.334
Resource Budget Outturn	22.334
of which: Departmental Expenditure Limit (DEL)	22.334
Annually Managed Expenditure (AME)	-

Going forward

1.22 The Commission's Supply Estimate for 2008–09 (HC487) provides for a net resource requirement of £25.185 m. The key factors influencing the resources required by the Commission during 2008–09 are:

- continuing to maintain and publish information about political parties and their finances
- ensuring that parties, candidates and others understand and follow the rules on party and election finance
- setting standards for running elections and electoral registration and reporting on how well this is done; in particular, introducing a framework of performance standards in relation to electoral registration
- providing support, advice and training for those involved in delivering elections
- making sure people understand it is important to register to vote, and know how to vote
- making sure boundary arrangements for local government in England are fair
- making grants to eligible parties for policy development
- maintaining a programme of research to support and inform the Commission's work

The Speaker's Committee

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

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

1.24 The Speaker's Committee met in February 2008 to consider the Commission's Supply Estimate for the 2008–09 financial year. The corporate plan for 2008–09 to 2012–13 was also considered in February 2008. The plan was laid before the House of Commons in pursuance of paragraph 15(4) of Schedule 1 to the Act and published in May 2008. The Committee received

one report in May 2007 from the Comptroller and Auditor General, prepared under paragraph 16 of Schedule 1 to the Act, *Electoral Registration: the Lynchpin of Democracy*.

1.25 The members of the Committee during the year were:

- Rt Hon Michael Martin MP, Speaker of the House of Commons (Chairman)
- Rt Hon Sir Alan Beith MP, Chairman of the House of Commons Justice Committee
- Mr John Healey MP, Minister for Local Government (from November 2007)
- Lady Sylvia Hermon MP
- Rt Hon Sir Gerald Kaufman MP
- Mr Humfrey Malins CBE MP
- Lord Falconer of Thoroton QC (until June 2007)
- Rt Hon Jack Straw MP, Lord Chancellor and Secretary of State for Justice (from June 2007)
- Mr Phil Woolas MP (until November 2007)
- Mr Gary Streeter MP
- Sir Peter Viggers MP

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

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

1.27 During the year the Committee published three reports which are available from its website.

<http://www.publications.parliament.uk/pa/cm/cmspeaker.htm>

Pensions

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

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

Superannuation Resource Accounts. Further details are provided in note 6 to the Accounts.

Audit Committee

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

1.31 The terms of reference were agreed by the Audit Committee at its meeting in March 2005 and have been kept under review. They are based on best practice guidelines from a variety of sources. The Committee meets four times a year as required and the Chair of the Committee may convene further meetings as necessary, including at the request of the Accounting Officer, the Head of Internal Audit, the external auditor or Legal Counsel. The Committee reviews in particular:

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

1.32 The members of the Committee during the year were:

- Sir Neil McIntosh CBE, Electoral Commissioner
- Ian Kelsall OBE DL, Electoral Commissioner
- Karamjit Singh CBE, Electoral Commissioner
- John Quin, independent member
- Max Caller CBE, Electoral Commissioner

1.33 The Commission reappointed Sir Neil McIntosh and John Quin as members of the Audit Committee until 31 December 2007. The Commission also reappointed Karamjit Singh to the Committee until 31 March 2008. Ian Kelsall and Max Caller were appointed to the Audit Committee by the Commission for terms commencing on 19 January 2008 and 1 January 2008 respectively and Ian Kelsall was further appointed Chairman of the Committee from 6 February 2008.

1.34 The Audit Committee met on four occasions during the 2007–8 financial year and considered a number of specific matters.

Early departure costs

1.35 The Commission meets the additional pension costs of any employees who retire before they reach normal pensionable age. The total pension liability up to the normal retiring age in respect of each employee is charged to the account in the year in which the employee takes early retirement and a provision for future payments is created.

Accounting Officer

1.36 In accordance with Schedule 1(19) of the Political Parties, Elections and Referendums Act 2000, the Speaker's Committee has appointed the Chief Executive as Accounting Officer of the Electoral Commission. His responsibilities as the Accounting Officer and for the Commission's system of internal control are set out separately on pages 25 to 30.

Auditors

1.37 The Comptroller and Auditor General was appointed as the Electoral Commission's external auditor under Schedule 1 to the Political Parties, Elections and Referendums Act 2000. As disclosed in note 7 to the accounts, a notional cost of £51,000 was incurred on audit services provided by the Comptroller and Auditor General (2006–7: £51,000).

1.38 Internal audit services during 2007–08 were provided by Sandwith Internal Audit Services.

Policy for payment of suppliers

1.39 The Commission recognises the Confederation of British Industry's Prompt Payment Code and discloses the following information in accordance with Regulations SI 1997/571. The Commission's payment policy is that all undisputed invoices should be paid on the contractual due date or, where there is no contractual provision, within 30 days of receipt of a valid invoice. The calculation of payment performance for the year ended 31 March 2007 has been based on continuous monitoring of payments since the start of the year. On this basis, approximately 98.7 % (2006–07: 99.6%) of payments met the policy criteria. The Commission did not incur any interest under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998.

Staff relations

1.40 The Commission is committed to communicating directly with all staff and taking into account their views on all matters affecting their employment. To enable the Commission and its staff to achieve this objective, a recognition

agreement was signed between the Commission and the Public and Commercial Services Union (PCS) in October 2007. This agreement encourages clear working arrangements which promote the mutual interests of the Commission and its employees and maintain good relations by fostering a spirit of understanding, co-operation and trust between the Commission, its employees and the Union. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on current and prospective developments is widely disseminated.

Occupational health and safety report

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

1.42 Health and safety management responsibilities are borne by the Health and Safety Group and line managers within the Commission. The Group meets on a quarterly basis and reports to the Management Team.

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

Environmental policy

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

- Encouraging staff to use public transport, for instance, through the provision of Oyster cards for business travel in London
- Populating a 'green' page on the organisation's intranet and using that to promote 'green' performance and awareness of events
- Encouraging the landlord of our Head Office to adopt recycling initiatives throughout the building
- Developing an environmental policy statement which was endorsed by London Remade and approved by the Chief Executive
- Encouraging staff to cycle to work with secure storage and locker and showering facilities at some of our offices
- Investigating the possibility and viability of carbon offsetting the organisation's air travel
- Signing an agreement for taxi services where the provider uses electric hybrid vehicles
- Submitting statistics to support the London Mayor's Green Procurement Code
- Continuing with the purchasing of Fairtrade refreshment supplies
- More official publications are printed using recycled paper and paper from sustainable sources

- The organisation continues to have double-sided printing as the default setting for printers and routinely orders stationery and paper that are made from recycled materials.

Equal opportunities and diversity

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

Disability

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

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

Personal data related incidents

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

1.49 A statement of actions to manage information risk is set out in the Statement on Internal Control on pages 25 to 30.

Post balance sheet events

1.50 There have been no events since the balance sheet date that would affect the financial statements for the year ended 31 March 2008.

Disclosure of audit information to the auditors

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

Peter Wardle
Chief Executive and Accounting Officer
1 July 2008

2 Remuneration report

The Commissioners and Deputy Commissioners and their remuneration

2.1 Commissioners, the first of whom were appointed on 19 January 2001, are appointed by Royal Warrant to exercise the functions of the Commission as described in the Political Parties, Elections and Referendums Act 2000. The chairmanship of the Commission is a full-time appointment, but the other Commissioners are all part time.

2.2 The following Commissioners served during the year:

- Sam Younger (Chairman)
- Pamela Gordon (Chair of the Boundary Committee for England) – term of office ended on 30 June 2007
- Glyn Mathias – term of office ended on 18 January 2008
- Sir Neil McIntosh CBE – term of office ended on 18 January 2008
- Karamjit Singh CBE
- Max Caller CBE – term of office started on 17 July 2007
- Henrietta Campbell CB – term of office started on 17 July 2007
- Ian Kelsall OBE DL – term of office started on 19 January 2008
- John McCormick – term of office started on 19 January 2008

2.3 Sam Younger's term of appointment as Chairman of the Electoral Commission was renewed by the House of Commons on 19 January 2007 for a period of two years to 31 December 2008. The House of Commons reappointed Pamela Gordon with effect from 19 January 2007 to 30 June 2007. The appointment of Sir Neil McIntosh CBE was renewed for three years on 19 January 2005, while those of Glyn Mathias and Karamjit Singh CBE were renewed on 19 January 2006 for two and four years respectively.

2.4 During the first half of 2007 four new Commissioners were appointed via a recruitment process which was overseen by the Speaker's Committee and independently assessed. Max Caller CBE and Henrietta Campbell CB were appointed from 17 July 2007 to 31 December 2011; and Ian Kelsall OBE DL and John McCormick were appointed from 19 January 2008 to 31 December 2012.

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

2.6 The following Deputy Commissioners served during the year:

- Robin Gray
- Joan Jones CBE

- Ann M. Kelly
- Professor Colin Mellors
- Dr Peter Knight CBE

2.7 Professor Colin Mellors was reappointed for a period of four years until 31 March 2009; Joan Jones and Robin Gray were reappointed in March 2007 from 1 April 2007 to 31 December 2008; Ann M. Kelly was reappointed in March 2007 from 1 April 2007 to 31 March 2008.

2.8 The Commission recruited three new Deputy Commissioners in 2007, a process which was independently assessed. Dr Peter Knight CBE was appointed from 25 October 2007 to 24 October 2010. Jane Earl and Professor Ron Johnston were appointed from 1 April 2008 to 31 March 2011.

2.9 The House of Commons has resolved that fees for the Commissioners may be increased on 1 April each year by the percentage increase paid for High Court Judges.

2.10 The fees for Commissioners are paid out of the Consolidated Fund, as may be specified in a resolution of the House of Commons. They were paid a daily fee of £345 for the period 1 April 2007 to 31 March 2008 (2006–7: £337). The Chairman receives a salary direct from the Consolidated Fund.

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

2.12 The Commission determined that fees for the Deputy Commissioners, which are paid by the Commission, should increase by 2.4% with effect from 1 April 2007.

2.13 Deputy Commissioners receive a daily fee which is determined by the Commission under Schedule 1(6) of the Political Parties, Elections and Referendums Act 2000. Their remuneration is included in the figures for 'others' in note 6 to the accounts. They were paid a daily fee of £303 (2006–07: £296) for the period 1 April 2007 to 31 March 2008.

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

2.15 The salary, fees and other benefits paid from the Consolidated Fund to the Commissioners during 2007–08 were as follows:

Name	2007–08 *Salary or Fees £000	2006–07 Salary or Fees £000
Sam Younger (Chairman)	150 - 155	145 -150
Pamela Gordon	5 - 10	30 - 35
Glyn Mathias	15 - 20	25 - 30
Sir Neil McIntosh CBE	15 - 20	25 - 30
Karamjit Singh CBE	15 - 20	20 - 25
Max Caller CBE	25 - 30	0
Henrietta Campbell CB	15 - 20	0
Ian Kelsall OBE DL	5 - 10	0
John McCormick	5 - 10	0

* Audited

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

Name	2007–08 *Fees £000	2006–07 Fees £000
Robin Gray	10 - 15	5 - 10
Joan Jones CBE	10 - 15	10 - 15
Ann M. Kelly	10 - 15	5 - 10
Professor Colin Mellors	10 -15	5 - 10
Dr Peter Knight CBE	0 - 5	-

* Audited

Senior management

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

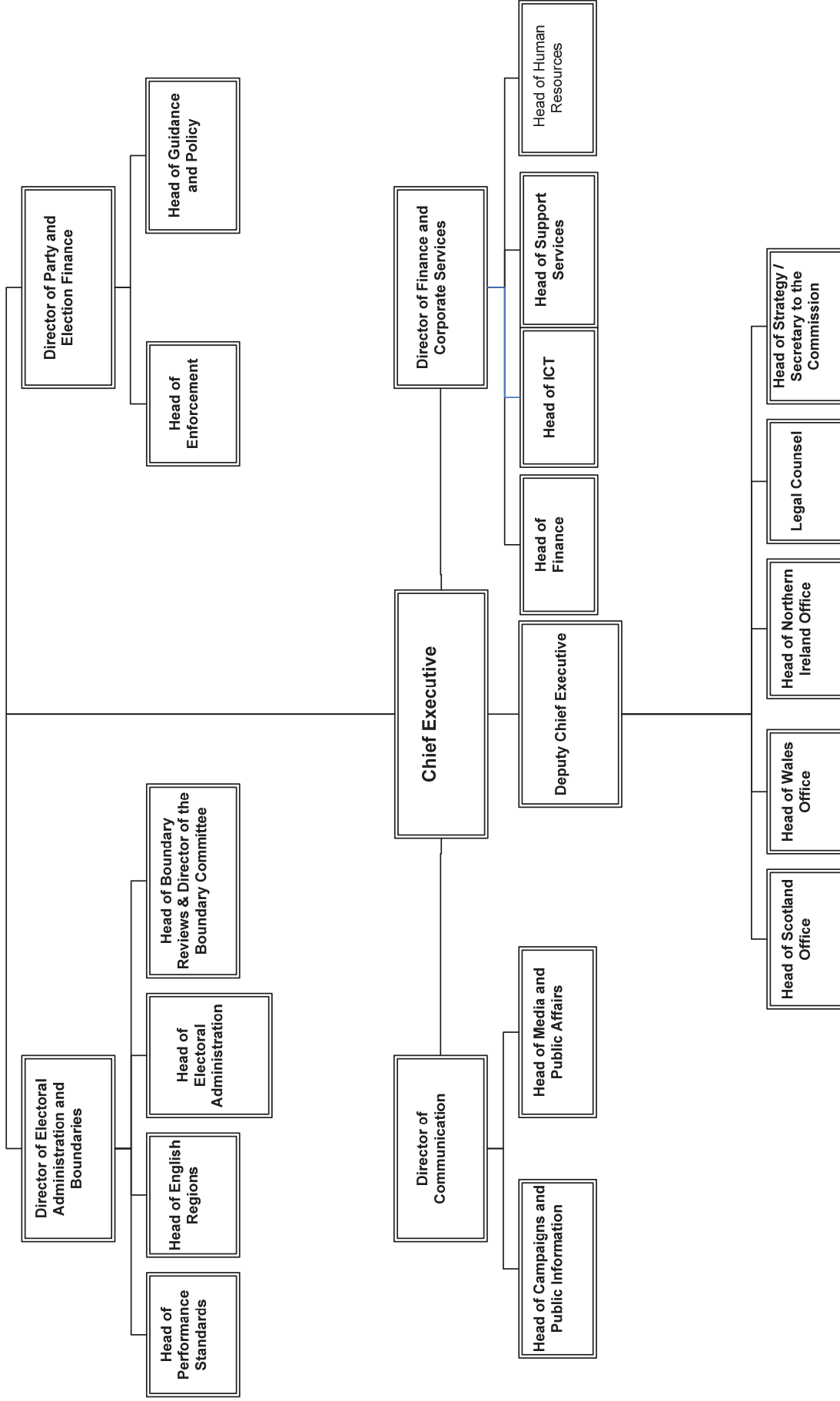
2.18 The Executive Team is the Chief Executive's forum for strategic decisions and is responsible, for advising Commissioners on aims and objectives, and for ensuring they are met

2.19 The Executive Team consists of:

- Chief Executive Peter Wardle
- Deputy Chief Executive Clare Ettinghausen – from 8 May 2007
- Deputy Chief Executive Nicole Smith (on maternity leave from 8 May 2007)
- Director of Party & Election Finance Lisa Klein
- Director of Electoral Administration and Boundaries Andrew Scallan
- Director of Communication Stephen Rooney
- Director of Finance & Corporate Services Carolyn Hughes

2.20 The structure is set out on the following page.

The Electoral Commission
organisation chart



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

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

2.23 Andrew Scallan, who is Head of Statutory Services at Manchester City Council, joined the Commission, on a part time basis, on 24 October 2006 as Director, Electoral Administration and Boundaries. He was initially employed on a 6-month secondment working 3 days a week. From 30 April 2007 the contract was extended and his working days increased to 4 days a week. Following a recruitment and selection exercise to fill the post of Director, Electoral Administration and Boundaries on a long term basis, Andrew Scallan was the successful candidate. This meant the secondment was further extended until 31 December 2008 and his working days increased to 5 days a week from 1 October 2007.

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

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

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

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

Senior managers' emoluments

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

Name	2007-08 *Salary £000	2006-07 Salary £000
Peter Wardle Chief Executive	120 -125	105 - 110
Nicole Smith** Deputy Chief Executive	60 - 65 (90-95 full time equivalent)	75 - 80 (85-90 full time equivalent)
Clare Ettinghausen Deputy Chief Executive – from 7 May 2007	80 - 85 (90-95 full time equivalent)	-
Carolyn Hughes Director of Finance and Corporate Services – from 21 May 2007	75 - 80 (85 -90 full time equivalent)	-
Stephen Rooney Director of Communication	85 - 90	75 - 80 (85-90 full time equivalent)
Andrew Scallan*** Director of Electoral Administration and Boundaries	75 - 80 (85 -90 full time equivalent)	20 - 25 (75-80 full time equivalent)
Lisa Klein Director Party and Election Finance – from 2 April 2007	85 - 90	-

* Audited

**With effect from 23 May 2006 Nicole Smith was employed on a part time basis working 32 hours per week and was then on maternity leave from 8 May 2007 prior to leaving the Commission 2 May 2008.

***With effect from 1 October 2007 Andrew Scallan increased his hours to full time (5 days a week). Prior to this he worked part time (3 days a week until 29/4/07, 4 days week 30/4/07 until 29/9/07).

2.28 Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Commission and thus recorded in these accounts. None of the above received benefits in kind.

Name	*Accrued pension at age 60 as at 31 March 2008 and related lump sum	*Real increase in pension and related lump sum at age 60	*CETV at 31.3.08	*CETV at 31.3.07**	*Real increase in CETV	*Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Peter Wardle Chief Executive	30-35: 100-105	0-2.5: 2.5-5	563	464	99	–
Nicole Smith Deputy Chief Executive – until 7 May 2007	15-20: 50-55	0-2.5: 5-7.5	249	180	69	–
Clare Ettinghausen Deputy Chief Executive - from 7 May 2007	N/A	N/A	46	N/A	N/A	7
Lisa Klein Director of Party and Election Finance	0-2.5: N/A	0-2.5: N/A	28	0	28	
Stephen Rooney Director of Communications	2.5-5 N/A	0-2.5 N/A	43	17	26	–
Carolyn Hughes Director of Finance and Corporate Services	0-2.5: N/A	0-2.5: N/A	19	0	19	
Andrew Scallan Director of Electoral Administration and Boundaries	–	–	–	–	–	–

* Audited

** The CETV at 31 March 2007 may not agree with that published in the 2006-7 Resource Accounts due to correcting adjustments to the calculation carried out during the year.

2.29 Peter Wardle and Nicole Smith's pension disclosures reflect their entitlement for the full period of their respective employment within the Commission together with service transferred from their previous employer, rather than reflecting entitlement since joining the Commission. Clare Ettinghausen has a partnership pension to which the Commission contributes.

Pensions

2.30 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, employees of the Commission have a choice between an occupational pension scheme (Nuvos) that provides a pension based on pensionable earnings in each year of membership to the scheme and the Retail Price Index or a Partnership pension which is a 'money purchase' stakeholder arrangement with a significant employer contribution. Employees of the Commission prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants to the Commission after 1 October 2002 and before 30 July 2007 had a choice between membership of Premium or Partnership pensions. Andrew Scallan's pension is provided by his employer, Manchester City Council.

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

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

2.33 The accrued pension quoted is the pension the member is entitled to receive when he or she reaches 60 for Classic, Classic Plus and Premium pensions schemes and 65 for the Nuvos pensions scheme; or immediately on ceasing to be an active member of the scheme if that member is over 60 or 65 respectively.

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

Cash equivalent transfer values

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

Real increase in the Cash Equivalent Transfer Value (CETV)

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

Peter Wardle
Chief Executive and Accounting Officer
1 July 2008

3 Statement of Accounting Officer's responsibilities

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

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

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

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

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the *FReM*, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

3.5 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in *Managing Public Money* published by HM Treasury.

4 Statement on internal control

Scope of responsibility

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

System of internal control

4.2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failing to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

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

4.3 The system of internal control was in operation in the Commission for the year ended 31 March 2008 and remains in operation at the time of approval of the annual report and accounts. I have based this statement on evidence from the work of internal and external audit; from regular reports on the Commission's financial and other performance; and from my regular and ongoing discussions with members of the Executive Team.

Capacity to handle risk

4.4 The Commission has a risk management process and responsibility lies with the Executive Team for the identification, assessment and management of the risks in their respective areas of Commission activity. This was supported by Management Team managers who had responsibility for all stages of the risk management process.

4.5 Management Team received support from the Strategy and Planning Team who own the process and have overseen its application throughout the Commission. External training on risk management was organised in the autumn of 2007 with an emphasis on reviewing Commission risks and developing mitigation strategies.

The risk and control framework

4.6 The risk management strategy – published on the Commission intranet – provides a definition of risk; raises awareness of the principles and benefits involved in the risk management process; and identifies the main reporting procedures. The Executive Team approved revised risk processes which were also discussed by the Audit Committee.

4.7 The Commission identified strategic level and operational level risks. The strategic risks were reviewed by the Executive Team. Operational level risks were managed by the Management Team and escalated as appropriate to the Executive Team.

4.8 Risks were identified and evaluated in the following ways:

- All key decisions have been supported by analysis of risk and mitigating actions prioritised. Additionally, Commissioners and Executive Team received quarterly reports on risk.
- Risks are added to registers from a variety of sources: business unit plans held at Management Team level, referrals from project boards and Management Team sub-groups, structured discussions, training, and internal audit.
- Reviews are performed by each risk owner every other month in order to assess the likelihood and impact and mitigations applied.
- All staff are encouraged to identify risks to the achievement of objectives in their area.
- Comprehensive budgeting systems and financial reporting which are agreed by senior management and which indicate financial performance against the budget and forecast, which is in turn reviewed by senior management and reported to the Commission regularly.
- During the year a Capital Programme Board was constituted, chaired by the Director of Finance and Corporate Services. The Board co-ordinated the planning and delivery of the Commission's capital programme, which includes business critical projects. The Board met monthly and its remit included ensuring appropriate detailed plans were in place to deliver approved projects and monitor the achievement of milestones and the management of risk and resources for each project.
- An Internal Audit function.

4.9 The most significant risks faced by the Commission were those which might inhibit our ability to achieve our key objectives by demonstrating our effectiveness as the regulator of party and election finance and by successfully setting and monitoring performance standards for electoral registration and electoral administration. Commissioners and the Executive Team considered the key risks in setting the Commission's objectives for the year and reviewed these periodically during the year. The Commission made good overall progress against these key objectives during the year.

4.10 The main categories of risk that are monitored are:

- human resources
- IT and information security
- business continuity and facilities
- legal
- procurement and third party
- change management
- stakeholder relationships

Any of the above could impact on the reputation of the Commission.

4.11 Since the end of the financial year we have been updating our approach to risk management in order to strengthen its emphasis on individual accountability and risk ownership. This will further promote the rigorous monitoring of actions to mitigate risk exposure and to ensure that residual risk remains within tolerance.

Review of effectiveness

4.12 As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors and the senior managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

- The Electoral Commissioners met regularly to consider the strategic direction of the Commission.
- The Commission's objectives and activities were reviewed and where appropriate revised as part of the 2008–9 to 2012–13 corporate planning exercise.
- The Executive Team and Management Team met monthly to consider both strategic and operational risk issues.
- The Executive Team received monthly highlight reports on key projects and initiatives.
- I reviewed financial and operational performance against plans with individual senior managers and members of the Executive Team on a monthly basis, and in addition the Executive Team met weekly and reviewed ongoing issues and risks as appropriate.

- The Audit Committee met four times during the year with the internal and external auditors in attendance. The Committee reviewed the approach to risk management and the statement on internal control for 2006–07. It approved a programme of audit and reviews for the year ended 31 March 2008 and monitored its achievement.
- Resource Forum meetings chaired by the Director of Finance and Corporate Services are held monthly with the heads of Finance, HR, ICT, Strategy and the Business Managers for the operational areas to review achievement to date and agree remedial action where appropriate.
- The head of internal audit provided me with an opinion on the level of assurance available through the programme of internal audit carried out during the year. That opinion was, ‘that following the completion of the seven annual compliance audits covering Finance, Policy Development Grants and NIF/Partnership Grants along with the follow up audits undertaken and the one risk based audit on Corporate Planning an assurance can be given that there is a generally sound system of internal control, designed to meet the Commission’s objectives, but a number of instances have been identified where controls are not being applied consistently. Control weaknesses have been identified in relation to adherence to financial delegated limits with regard to authorisation of invoices, in relation to separation of duties and adherence to documented procedures. Whilst these are not significant issues they do nevertheless impact on the robustness of the control environment.’
- Internal audit reports adhere to the standards defined in the Institute of Internal Auditors’ Professional Practices Framework and Government Internal Audit Standards, and offered an independent opinion on the adequacy and effectiveness of the Commission’s system of internal control. Final reports, which include recommendations for action to strengthen any control weaknesses, were addressed to the appropriate directors and the Audit Committee. Copies of the full and follow up internal audit reports are provided to the external auditors for information. Not all planned internal audit reviews were completed during the year, but I was able to satisfy myself in those areas not reviewed and which remained of significance during the year that controls were in place through other means, for example as a result of reviews conducted by newly-appointed directors and others, especially through discussions with and assurances from line managers.
- The extent to which recommendations from internal and external audit reports are accepted and implemented is monitored. During the course of the year, five internal audit reports out of eight reports submitted offered ‘limited’, rather than ‘substantial’ assurance; but I was satisfied that the control weaknesses identified in these reports were not sufficient to introduce significant risks to the Commission’s activities, or material errors in the Commission’s financial statements, and I have ensured that

the recommendations made in these reports are being followed up as quickly as possible.

- The National Audit Office has also provided reports to management that inform my review of the system of internal control. These reports are also reviewed by the Audit Committee.

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

4.15 A review of information security was undertaken in autumn 2007. The review identified all sources of data that contained personal information and this was split into internal and external data to facilitate the focus of the review. Internal data was deemed to be data that related to members of the Commission's staff and external data was deemed to be data originating from outside the Commission e.g. Electoral Registers.

4.16 An action plan was produced covering the following issues:

- Requirement to enhance the security of and formalise the ownership of Electoral Registers
- Requirement for a retention, storage, destruction and movement of confidential documents / data policy
- Requirement for a framework document that can be adapted and used for all instances when data / information is provided to external parties
- Requirement to reduce the volume of personal data collected e.g. bank account details, national insurance numbers etc
- Requirement to review and enhance as appropriate security on the Commission's mobile IT equipment
- Requirement to review the Commission's compliance with ISO 27001 (IT Security)
- Requirement to review and consider enhancement to offsite document archiving

4.17 A follow-up review was undertaken at the end of the year to ensure that the agreed recommendations had been implemented or that progress towards implementation was well advanced. Further action will embrace where appropriate wider public sector guidance on data handling.

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

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

Significant internal control problems

4.19 I can confirm that although some gaps in controls and assurances were identified and addressed during the year, most notably through the work of internal audit, these did not represent significant risks to the Commission's overall system in terms of internal control. Nevertheless, it is important that those gaps which have not already been dealt with are fully addressed as we move forward into 2008-9.

Peter Wardle
Chief Executive and Accounting Officer
1 July 2008

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

I certify that I have audited the financial statements of the Electoral Commission for the year ended 31 March 2008 under the Political Parties, Elections and Referendums Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Operating Costs by Aims and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and auditor

The Commission and the Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under Schedule 1(17) of the Political Parties, Elections and Referendums Act 2000. I report to you whether, in my opinion, the information which comprises the Foreword and the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to

form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Political Parties, Elections and Referendums Act 2000 and directions made thereunder by HM Treasury, of the state of the Electoral Commission's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Political Parties, Elections and Referendums Act 2000; and
- information which comprises the Foreword and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
4 July 2008

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

Statement of Parliamentary Supply

Summary of resource outturn 2007–08

Request for resources	Estimate			Outturn			2007–08	2006–07
	Gross expenditure	A in A**	Net total	Gross Expenditure	A in A	Net total	£000	£000
							Net total outturn compared with estimate: savings/(excess)	Net total
Request for Resources 1*	24,033	38	23,995	22,350	16	22,334	1,661	22,316
Total Resources	24,033	38	23,995	22,350	16	22,334	1,661	22,316
Non-operating cost A in A	–	–	–	–	–	–	–	–

* Amounts required for the year ending 31 March 2008 for expenditure by the Electoral Commission on planning for and carrying out the functions and duties imposed on it by, or by virtue of, the Political Parties, Elections and Referendums Act 2000 and other relevant enactments, including any Act resulting from the Electoral Administration Bill: these functions and duties include the registration of political parties, recognised third parties and permitted participants; regulation and reporting of the income and expenditure of political parties, candidates, third parties and permitted participants; making grants to eligible parties for policy development; reviewing and advising on the administration and law of elections and encouraging best practice; providing guidance, and reporting, on the conduct of elections and referendums; conducting certain referendums; promoting participation in and increased understanding of the democratic process; undertaking boundary, structural and other reviews of local authority areas in England; and associated administration and non-cash items.

** Appropriations in aid

Net cash requirement 2007–08

		£000	£000	2007–08 £000	2006–07 £000
	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)	Outturn
Net cash requirement	2	24,095	21,554	2,541	21,637

Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Commission and is payable to the Consolidated Fund

		2007–08 Forecast		Outturn 2007–08	
		£000	£000	£000	£000
	Note	Income Receipts		Income Receipts	
Operating income and receipts– excess A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	98	98
Total	3	-	-	98	98

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

Part way through 2007-08 the Commission undertook contingency planning in the face of widespread speculation about an imminent UK Parliamentary General Election. This activity and subsequent refining of the Commission's scenario planning lead to a fundamental conclusion that over the life of any multi-year resource settlement the Commission would be prudent to put in place plans to ensure that appropriate funding is available should a general election be called. As a result of this, the Commission reviewed its planned use of resources and identified £1m to carry-forward under End of Year Flexibility. Towards the end of the year a number of other issues combined with this to account for the reported outturn.

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

The explanation provided for the variation between Estimate and net resource outturn is equally applicable to the variation between Estimate net cash requirement and outturn.

Operating cost statement

For the year ended 31 March 2008	Note	2007–08 £000	2006–07 £000
Administration costs			
Staff costs	6	7,716	6,556
Other administration costs	7	11,837	13,216
Gross administration costs		19,553	19,772
Operating income	9	(16)	(45)
Net administration costs		19,537	19,727
Programme costs			
Other expenditure	8	2,797	2,589
Net programme costs		2,797	2,589
Net operating cost		22,334	22,316
Net resource outturn		22,334	22,316

All income and expenditure is derived from continuing operations.

Statement of recognised gains and losses for the year ended 31 March 2008

	Note	2007–08 £000	2006–07 £000
Net gain on revaluation of tangible fixed assets	19	25	53
Recognised gains for the financial year		25	53

Balance sheet as at 31 March 2008

		2007-08	2006-07
	Note	£000	£000
Fixed assets			
Tangible assets	11	1,233	1,285
Intangible assets	12	7	19
		1,240	1,304
Current assets			
Debtors	14	287	294
Cash at bank and in hand	15	147	12
		434	306
Creditors: amounts falling due within one year	16	(3,508)	(2,772)
Net current (liabilities)		(3,074)	(2,466)
Total assets less current liabilities		(1,834)	(1,162)
Provisions for liabilities and charges	17	(488)	(384)
		(2,322)	(1,546)
Taxpayers' equity			
General fund	18	(2,412)	(1,611)
Revaluation reserve	19	90	65
		(2,322)	(1,546)

Peter Wardle (Accounting Officer)
1 July 2008

Cash flow statement for the year ended 31 March 2008

		2007-08	2006-07
	Note	£000	£000
Net cash (out flow) from operating activities	20(a)	(21,204)	(20,632)
Capital expenditure	20(b)	(350)	(1,005)
Receipts due to the Consolidated Fund which are outside the scope of Commission's activities	3		2
Consolidated Fund extra receipts paid over Financing	20(d)	21,689	(4) 21,624
(Decrease)/Increase in cash in the period	15	<u>135</u>	<u>(15)</u>

Statement of operating costs by aims and objectives for the year ended 31 March 2008

To promote	Note	2007–08			2006–07 (restated)		
		Gross expenditure £000	Income £000	Net £000	Gross expenditure £000	Income £000	Net £000
Objective 1							
Integrity and transparency of party and election finance		5,144	(16)	5,128	4,857	(45)	4,812
Objective 2							
Complete and accurate electoral registers supported by a well-run electoral registration process		6,461		6,461	4,486		4,486
Objective 3							
Well-run elections and referendums which produce results that are accepted		3,653		3,653	5,242		5,242
Objective 4							
Public understanding of the way our democracy works		4,118		4,118	3,330		3,330
Objective 5							
Fair boundary arrangements for elections		2,974		2,974	4,446		4,446
Net operating costs	21	22,350	(16)	22,334	22,361	(45)	22,316

Costs that are directly attributable have been allocated to individual objectives while indirect costs have been allocated on the basis of time apportionment. Comparative figures have been restated as there has been a change in the aims and objectives.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2007–08 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow United Kingdom generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

The comparative figures have been restated for the purpose of producing Statement of Operating Costs by Aims and Objectives and for staff numbers allocated by objectives outlined in note 6 to the accounts as the objectives changed for the financial year.

1.1 Accounting convention

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

1.2 Tangible fixed assets

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

1.3 Intangible assets

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

1.4 Depreciation

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

- intangible fixed assets 3 years
- IT software 3 years
- IT hardware 5 years
- fixtures and fittings, furniture and other equipment 4 -10 years
- leasehold improvements 5 years

1.5 Stocks

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

1.6 Operating income

Operating income is income that relates directly to the operating activities of the Commission. It principally comprises income from registration and re-registration of political parties. It also includes amounts received from the Scottish Executive in respect of research carried out on its behalf. It includes not only income appropriated in aid of the Estimate but also income payable to the Consolidated Fund, which in accordance with the *FReM* is treated as operating income.

1.7 Administration and programme expenditure

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

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Commission. These include both the administrative costs and the associated

operating income. Income is analysed in the notes between that allowed to be offset against gross administrative costs in determining outturn and operating income which is not so allowed to be offset. Programme costs reflect payments of grants by the Commission.

1.8 Capital charge (notional costs)

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

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

1.9 Pensions

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

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

1.10 Operating leases

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

1.11 Grants payable

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

1.12 Provisions

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

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

1.13 Value Added Tax (VAT)

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

1.14 Contingent liabilities

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

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

1.15 Going concern

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

2. Reconciliation of resources to cash requirement

		Estimate	Outturn	2007–08 Net total compared with Estimate saving/ (excess) £000	2006–07 Prior–year outturn £000
	Note	£000	£000		
Net resource outturn		23,995	22,334	1,661	22,316
Capital:					
Acquisition of fixed assets	11	950	350	600	1,005
Investments					–
Non–Operating A in A					
Proceeds of fixed asset disposals					–
Accruals adjustments:					
Non–cash items	7	(610)	(648)	38	(820)
Changes in working capital other than cash	13	(240)	(596)	356	(876)
Changes in creditors falling due after more than one year					–
Use of provision	17		114	(114)	12
Net cash requirement (note 20)		24,095	21,554	2,541	21,637

3. Analysis of income payable to the Consolidated Fund

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

	Income £000	Forecast 2007–08 Receipts £000	Income £000	Outturn 2007–08 Receipts £000
Operating income and receipts– excess A in A				
Non–operating income and receipts not classified as A in A				
Other operating income and receipts not classified as A in A				
Other non–operating income and receipts not classified as A in A				
Other amounts collected on behalf of the Consolidated Fund	-	-	98	98
Excess cash receipts to be surrendered to the Consolidated Fund				
Total	-	-	98	98

4. Non–operating income – Excess A in A

	2007–08 £000	2006–07 £000
Proceeds on disposal of fixed assets	-	-
Other	-	-
Non–operating income – excess A in A	-	-

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

The Commission did not receive any interest on a commercial bank account (2006–07: £ Nil) during the year which is not regarded as income for the Commission and is surrendered to the Consolidated Fund.

6. Staff numbers and related costs

6.1 Staff costs comprise:

			2007–08	2006–07
	Total	Permanently employed staff	Others*	Total
	£000	£000	£000	£000
Wages and salaries	6,446	5,692	754	5,343
Social security costs	415	415	-	383
Other pension costs	1,047	1,047	-	938
Sub total	7,908	7,154	754	6,664
Less recoveries in respect of outward secondments	(192)	(192)		(108)
Total net costs	7,716	6,962	754	6,556

* Others include Deputy Commissioners, seconded and agency staff.

The names and remuneration of Commissioners and those of Deputy Commissioners are disclosed in the remuneration report.

The Deputy Commissioners are also named in the remuneration report. Their remuneration in respect of the Boundary Committee is included in the figure for 'others'. They were paid a daily attendance allowance of £303 (2006–07: £296) per day.

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

For 2007–08, employers' contributions of £1,041,953 were payable to the CSPS (2006–07: £906,991) at one of four rates in the range 17.1 to 25.5% per cent (2006–07: 17.1 and 25.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a **Partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,208 (2006–07: £15,010) were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £423 being 0.8 per cent of pensionable pay, were

payable to the **CSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **Partnership** pension providers at the balance sheet date were £1,320. Contributions prepaid at that date were nil.

No pension contributions were paid by the Commission in respect of Commissioners during the period. The Commission is, however, required to pay pensions to certain former Commissioners of the Local Government Commission for England (LGCE). The total provision for these costs was £154,467 at 31 March 2008 (£164,000 at 31 March 2007) – see note 17.

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

6.2 Average number of persons employed

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

Objective	Total	Permanent staff	2007–08	2006–07
			Others*	Total**
Integrity and transparency of party and election finance	37	37		33
Complete and accurate electoral registers supported by a well-run electoral registration process	31	30	1	34
Well-run elections and referendums which produce results that are accepted	31	30	1	34
Public understanding of the way our democracy works	31	30	1	18
Fair boundary arrangements for elections	18	18		34
Total	148	145	3	153

* Others include seconded and agency staff.

**The 2006–07 figures have been restated as the objectives changed for the 2007–08 financial year.

7. Other administration costs

	2007–08 £000	2006–07 £000
Rentals under operating leases:		
Property rent	1,037	954
Equipment	32	30
Other items:		
Staff training and development	518	455
Section 13 expenditure (Administration only)*	4,972	5,927
Consultancy	1,315	1,516
Travel and subsistence	343	246
Travel and subsistence – Commissioners & Deputy Commissioners	71	59
Accommodation, maintenance	534	623
Design, production and printing	727	809
Publicity and publications	362	434
Other expenditure	1,278	1,343
	11,189	12,396
Non-cash items:		
Depreciation and amortisation	389	535
Permanent diminution of tangible and intangible fixed assets	47	81
Cost of capital charge	(70)	(43)
Auditors remuneration and expenses**	51	51
Value for Money Audit	-	55
Establishing provision	218	120
Write off of assets	13	21
Movement in provision	-	-
	648	820
Total	11,837	13,216

*Section 13 of Political Parties, Elections and Referendums Act 2000 requires the Commission to promote public awareness of current electoral systems in the UK and any pending such systems, together with such matters connected with any such existing or pending systems as the Commission may determine; current systems of local and national government in the UK and any pending such systems; and the institutions of the European Union. Section 13 expenditure is limited by Statutory Instrument: The Electoral Commission (Limit on Public Awareness Expenditure) Order 2002 to £7.5m for the 2007–08 financial year (2006–07: £7.5m). In addition to the Section 13 administration resources expended above, an amount of £803,000 (2006–07: £589,000) was expended by way of grants to bodies in furtherance of voter education and is included in programme costs (See note 8). Total Section 13 resources for the year amounted to £5,775,000 (2006–07: £6,516,000) and are wholly involved with public awareness as set out in the Order.

** The auditors were not remunerated for any non-audit related work.

8. Programme costs

	2007-08	2006-07
	£000	£000
Policy development grants	1,994	2,000
New Initiatives Fund/Partnership grants	803	589
Total	2,797	2,589

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

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

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

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

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

9. Income

During the year the Commission received the following income:

	2007-08	2006-07
	£000	£000
	A in A	A in A
Administration income	(16)	(45)
Total	(16)	(45)

10. Administration cost limits

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

11. Tangible fixed assets

	Total	Leasehold	Office	IT	IT Fixtures	Assets	
	improvements	equipment	software	hardware	and fittings	under the	
						course of	
						construction	
	£000	£000	£000	£000	£000	£000	
Cost/Valuation							
As at 1 April 2007	2,884	1,676	31	63	551	293	270
Additions	350	0	0	45	112	4	189
Disposals	(35)	0			(21)	(14)	
Revaluation	51	83	1	(4)	(22)	9	(16)
As at 31 March 2008	3,250	1,759	32	104	620	292	443
Depreciation							
As at 1 April 2007	1,599	1,001	17	52	367	162	0
Charged in the year	383	177	5	18	130	53	0
(Disposals)	(30)	0	0	0	(20)	(10)	0
Revaluation	65	114	2	(5)	(56)	10	0
As at 31 March 2008	2,017	1,292	24	65	421	215	0
Net book value as at 31 March 2008	1,233	467	8	39	199	77	443
Net book value as at 31 March 2007	1,285	675	14	11	184	131	270
Asset financing							
Owned	1,233	467	12	40	199	72	443
Net book value as at 31 March 2008	1,233	467	12	40	199	72	443

12. Intangible assets

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

	Total Software Licences	
	£000	£000
Cost/Valuation		
As at 1 April 2007	146	146
Additions		
(Disposals)		
Revaluations	(6)	(6)
As at 31 March 2008	140	140
Amortisation		
As at 1 April 2007	127	127
Charged in the year	18	18
Disposals		
Revaluation	(12)	(12)
As at 31 March 2008	133	133
Net book value as at 31 March 2008	7	7
Net book value as at 31 March 2007	19	19

13. Movements in working capital other than cash

	2007-08	2006-07
	£000	£000
(Decrease)/Increase in debtors	(7)	34
(Increase)/Decrease in creditors falling due within one year	(736)	(815)
Change in Capital Creditors		(95)
Consolidated Fund Creditor charged to General Fund	147	
Net movement in working capital	(596)	(876)
Reconciliation to change in working capital other than cash as used in Note 2:		
Decrease/(Increase) in debtors relating to Appropriations in Aid	-	-
Net movement in working capital	(596)	(876)

Note 2

14. Debtors

	2007-08	2006-07
	£000	£000
Amounts falling due within one year:		
Trade debtors	32	15
Other debtors	81	84
Prepayments	174	195
Total	287	294

In 2007-08 there is £ nil (2006-07: £nil) included in other debtors that will be payable to the Consolidated Fund once the debts are collected. There was an amount of £54,403 (2006-07: £9,094) included in debtors owing by Government bodies.

15. Cash at bank and in hand

	2007-08	2006-07
	£000	£000
Balance at 1 April 2007	12	27
Net change in cash balances	135	(15)
Balance at 31 March	147	12
The following balances at 31 March are held at:		
Office of HM Paymaster General	147	12
Commercial banks	-	-
Balance at 31 March	147	12
Shown as		
Balance 31 March 2007	12	27
Balance 31 March 2008	147	12
Net increase/(decrease) in cash	135	(15)

16. Creditors

	2007–08 £000	2006–07 £000
Amounts falling due within one year:		
Trade creditors	1,637	1,402
Other creditors	270	784
Accruals	1,454	572
	<hr/> 3,361	<hr/> 2,758
Consolidated fund extra receipts received and receivable due to the Consolidated Fund	-	2
Amounts from the Consolidated Fund for supply but not spent at year end	147	12
Total	<hr/> 3,508	<hr/> 2,772

There was a total of £160,461 (2006–07: £705,605) included in trade creditors, owing to Government bodies.

17. Provisions

	Total £000	Pension £000	Other £000
Balance 1 April 2007	384	164	220
Provided in the year	218	-	218
Provision utilised in year (use of provision)	(114)	(10)	(104)
Balance at 31 March 2008	<hr/> 488	<hr/> 154	<hr/> 334

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

The Government Actuary's Department prepared a valuation on 31 March 2006.

Other provisions include planned redundancy pay and taxation liabilities.

17b. Pension Liability Statement

	£000
Provision at 1 April 2007	164
Less benefits paid	<u>(10)</u>
Present Value of scheme at end of year	<hr/> 154

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

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

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

An actuarial valuation was carried out by the Government's Actuary Department (GAD) to provide a value of the liability as at 31 March 2006. A valuation is carried out every 3 years.

The assumptions used by the actuary were:

- the inflation assumptions 2.50%
- the rate of increase in salaries 4.00%
- the rate of increase for pensions in payment and deferred pensions 2.50%
- the rate used to discount scheme liabilities 5.40%

18. General fund

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

	2007-08	2006-07
	£000	£000
Balance at 1 April	(1,611)	(1,035)
Net parliamentary funding		
Draw down	21,689	21,624
Deemed	10	27
Year end adjustment		
Supply creditor	(147)	(12)
Net transfer from operating activities		
Net operating cost	(22,334)	(22,316)
Cost of capital	(70)	(43)
Auditors' remuneration	51	106
Transfer from revaluation reserve		38
Balance at 31 March	(2,412)	(1,611)

19. Revaluation reserve

	2007-08	2006-07
	£000	£000
Balance at 1 April 2007	65	50
Movement on Reserve	25	15
Balance at 31 March	90	65
Shown as follows:		
B/Fwd as above	65	50
C/Fwd as above	90	65
Movement	(25)	(15)

20. Notes to cash flow statement

	2007-08	2006-07
	£000	£000
Note 20(a) Reconciliation of operating cost to operating cash flows		
Net operating cost (operating cost statement)	22,334	22,316
Adjust for non-cash transactions	7	(648)
(Increase)/Decrease in debtors	13	(7)
Increase/(Decrease) in creditors	13	(736)
Consolidated Fund Creditor charged to General Fund	13	147
Adjust for movements in working capital other than cash	13	-
Use of provisions	17	(95)
Net cash outflow from operating activities	21,204	20,632
Note 20(b) Analysis of capital expenditure		
Purchase of fixed assets	11	350
Net Cash Outflow from investing activities	21,554	21,637

Note 20(c) Analysis of capital expenditure and financial investment by request for resources

Capital expenditure and financial investment relates to only one RfR as provided for in the Estimate

Note 20(d) Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): Current year	18	21,689	21,624
Net Financing		21,689	21,624
(Increase)/Decrease in cash	15	(135)	15
Net cash flows other than financing		21,554	21,639

Note 20(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

Net cash requirement		21,554	21,637
From the Consolidated Fund (Supply) – current year	18	21,689	21,624
Amounts due to the Consolidated Fund – received in a prior year and paid over	16		(4)
Consolidated Fund extra receipts received in year and not paid over	16		2
Increase/(decrease) in cash		135	(15)

21. Notes to statement of operating costs by aims and objectives

The Commission's capital is employed exclusively for administration purposes. Its distribution among objectives is therefore not markedly different from the proportion of related gross administration cost.

22. Capital commitments

Contracted capital commitments at 31 March 2008 for which no provision has been made in these accounts were as follows:

	2007–08	2006–07
	£000	£000
Contracted	nil	212
Authorised	315	nil

23. Commitments under leases

Operating leases

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

Obligations under operating leases comprise	2007-08		2006-07	
	£000 Land and buildings	£000 Other	£000 Land and buildings	£000 Other
Expiry within 1 year	93	6	–	6
Expiry after 1 year but not more than 5 years	898	11	910	8
Expiry thereafter	35	-	26	–
Total	1,026	17	936	14

24. Financial instruments

FRS 13, *Derivatives and other financial instruments*, requires disclosure of the role which financial instruments have had during the reporting period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Electoral Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Electoral Commission has no powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from the currency profile.

Liquidity risk

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

Foreign currency risk

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

25. Contingent liabilities disclosed under FRS12

The Commission's contingent liabilities are set out below:

	2007-08	2006-07
	£000	£000
25.1 litigation costs. This relates to two invoices that have been disputed, one of which has been referred to arbitration.	-	40
25.2 litigation costs. Civil proceedings issued by the Commission against a political party for forfeiture of impermissible donations.	30	50

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

The Commission did not have any contingent liabilities at 31 March 2008 (31 March 2007: £nil).

27. Losses and special payments

There were no losses and special payments made during the year (2006–07: £nil).

28. Related party transactions

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

29. Post balance sheet event

There were no significant post balance sheet events.

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

FRS21 requires the Commission to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are laid.

The authorised date for issue is 4 July 2008.

The Electoral Commission

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

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

2. The accounts shall be prepared so as to:

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

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

4. This direction supersedes that dated 25 February 2002.

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

Contact details

We are an independent body set up by the UK Parliament. Our aim is integrity and public confidence in the democratic process. We regulate party and election finance and set standards for well-run elections.

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