

Presented pursuant to the Government Resources and Accounts Act 2000 Section 7(2)

**Scottish Parliament
Election Accounts:
2006-07 Account**

Returning Officers' Expenses

**Scottish Parliament
Election Accounts:
2006-07 Account**

Returning Officers' Expenses
(For the year ended 31 March 2007)

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SCOTTISH PARLIAMENT ELECTION ACCOUNTS: 2006-07 ACCOUNT- RETURNING OFFICERS' EXPENSES

1. Foreword

1.1 Statutory Background

The Scotland Act 1998 conferred upon the Secretary of State for Scotland the power to make by Order provisions as to the conduct of elections for membership of the Scottish Parliament. Under this power the Secretary of State made the Scottish Parliament (Elections etc) Order 1999 which provided for the making of regulations to set out the range and scale of fees and expenses which will apply to elections to the Scottish Parliament. Subsequently, the Secretary of State made the Scottish Parliamentary Elections (Returning Officers' Charges) Order 1999 which came into force on 12 April 1999. In preparation for the second elections to the Scottish Parliament in May 2003, the Secretary of State made the Scottish Parliament (Elections etc) Order 2002 which consolidated amendments made to the legislation since 1999. This Order also provided for the making of regulations to set out the range and scale of fees and expenses which will apply to elections to the Scottish Parliament. Subsequently, the Secretary of State made the Scottish Parliamentary Elections (Returning Officers' Charges) Order 2003 which came into force on 22 January 2003.

1.2 History of the Account

The account came into effect in February 1999 in order to provide the necessary funding for Returning Officers to conduct the first elections to the Scottish Parliament held on 6 May 1999 and subsequent Scottish Parliament Elections. The elections are financed from the Scottish Block and funds are drawn as required to provide sufficient advances for necessary preparations to be put in hand. Other calls on the account are made by the payment of postal charges to Royal Mail Letters for the delivery of poll cards, the free election material permitted under the Representation of the People legislation, and payments for printing and storage of election stationery. Finally, when Returning Officers' accounts have been approved, any outstanding balances are received or disbursed as appropriate.

The scrutiny of Election Accounts was the responsibility of our election policy team in Glasgow until October 2006 when responsibility was transferred to our finance team in Edinburgh. At this point the Office reviewed a number of its practices and made a number of changes, such as retaining funds due to be paid to Returning Officers until such time as all outstanding accounts were settled. The Office thereafter embarked on an active campaign to encourage Returning Officers to submit outstanding accounts, as well as mediating in long outstanding unresolved issues which had prevented settlement of accounts. Returning Officers are required to submit their election accounts within 12 months of the date of the election; all pre-2007 Election Accounts have now been received and settled. The majority of the 2007 Election Accounts have been received and are currently being assessed.

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1.3 Main Areas of Receipts and Payments

The main area of expenditure was £233,169.54 on final settlement of accounts for the 2003 election. In addition, a constituency by-election was held in Moray in 2006 and a payment to the Returning Officer of £61,251.20 was made with a further £52,451.22 paid in final settlements for other constituency by-elections that occurred in previous years. If a vacancy occurs where originally a regional member was returned from a political party list, the vacancy is filled by whoever is next in order on the party's regional list, until that list has been exhausted. When the list has been exhausted, the vacancy remains unfilled until the next General Election. If a vacancy occurs where originally an individual candidate was returned, the vacancy remains unfilled until the next Scottish Parliament General Election. Miscellaneous other expenditure totalling £30,596.30 is also included within this account, that related to expenditure misposted to the account in previous years. This is further broken down in note 4.

The main areas of income were the £19,000,000 funding in preparation for the May 2007 election, a £200,000 transfer of surplus funds from the Scottish Devolution Referendum Account, in anticipation of the closure of the Scottish Devolution Referendum Account in 2007-08, £64,093.87 in final settlement of accounts, £69,126.35 returned by Returning Officers in respect of surplus advances made, and various miscellaneous receipts totalling £18,968.34. This is further broken down in note 2.

David Middleton
Accounting Officer
Scotland Office
4 July 2008

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2. Statement of Accounting Officer's Responsibilities

The Scotland Office is required to prepare a statement of accounts for each financial year in respect of Returning Officers' Expenses in the form and on the basis directed by HM Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year-end.

HM Treasury has appointed the Head of the Scotland Office as the Accounting Officer for Returning Officers' Expenses. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which the Accounting Officer is accountable, for the keeping of proper records and for safeguarding the Office's assets, are set out in Managing Public Money.

3. Statement on Internal Control

3.1 Scope of Responsibility

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

3.2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Scotland Office for the year ended 31 March 2007 and up to the date of approval of the accounts, and accords with HM Treasury guidance.

3.3 Capacity to Handle Risk

I acknowledge my overall responsibility for the effective management of risk throughout the Scotland Office.

Registers that identify, assess and set out mitigating actions to significant risks are in place across the Office and are regularly reviewed by the Office Management Group. Risk management is incorporated into the planning and decision making processes, with assessment of risk to business objectives documented, along with mitigating actions and reported on through risk registers and other means which are regularly reviewed and updated.

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3.4 The Risk and Control Framework

As part of the Ministry of Justice (MoJ), the Scotland Office applies the Ministry's Risk Management Policy and Framework document and the key elements are maintained in the Scotland Office as follows:

- A formal process for identifying, evaluating, managing and reporting risk;
- A system of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action and individual risk owners; and
- Formal programme and project management disciplines, incorporating procedures for the management of risk.

The other key elements in the MoJ control system, which are followed, are: regular management information, financial and administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- Approval by the Management Group of the business plans;
- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Group;
- Regular reviews by the Management Group of periodic and annual financial reports prepared to indicate financial performance against the forecasts;
- Target setting to measure financial and other performance;
- A formal system of financial and other controls, consisting of core control checks with an auditable trail of evidence, and a review and reporting mechanism to provide assurances from Budget Managers, that internal controls are in place and operating effectively; and
- Business Continuity Plans, ensuring that key activities can continue effectively following a disruption continue to be developed and refined.

3.5 Review of Effectiveness

As Accounting Officer, I have responsibility 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 auditors and the executive managers within the Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Group, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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I confirm that all key controls identified as a result of an assessment of my key business risks, in addition to the following key financial areas, are in place for the following and have been applied:

- all expenditure / income has been recorded and properly spent / received with regard to propriety and regularity;
- the expenditure / income spent and received comply with law and regulations including those which provide the legal framework within which the Office conducts its activities;
- expenditure has been properly classified and transfers of expenditure between expenditure classifications have only been made in accordance with the Finance Manual;
- there have been no breaches of delegated financial authority;
- budgets are monitored regularly, comparing actual expenditure to forecasts, and variances reported upon;
- controls are in place to ensure that assets of the Office are safeguarded against unauthorised use or disposal;
- there are adequate control procedures in place to guard against fraud;
- there have been no breaches of the Finance Manual regarding hospitality and gifts;
- all losses and special payments have been reported, authorised and recorded in accordance with the Finance Manual; and
- all instances of loss resulting from a weakness in internal financial control have been reported and any necessary remedial action taken.

David Middleton
Accounting Officer
Scotland Office
4 July 2008

**SCOTTISH PARLIAMENT ELECTION ACCOUNTS: 2006-07 ACCOUNT-
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The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Scottish Parliament Election : Returning Officers' Expenses for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the receipts and payment account and associated notes and have been prepared in the form and on the basis directed by HM Treasury.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for the preparing the Foreword and the financial statements in accordance with the Government Resources and Accounts 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 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 properly present the receipts and payments and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and with HM Treasury directions made thereunder. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

In addition, I report to you if the Scotland Office 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 is not disclosed.

I review whether the Statement on Internal Control reflects the Scotland Office'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 form an opinion on the effectiveness of the Scotland Office's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my report 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 Opinion

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. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been

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applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit Opinion

In my opinion:

- the financial statements properly present the receipts and payments of the Scottish Parliament Election: Returning Officers' Expenses, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury for the year ended 31 March 2007 and the balances held at that date; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

*TJ Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
10 July 2008*

**RECEIPTS AND PAYMENTS ACCOUNT FOR
THE YEAR ENDED 31 MARCH 2007**

RECEIPTS	Notes	2006-07	2005-06
		£	£
Advances from the Consolidated Fund		19,000,000.00	-
Other Receipts	2	<u>352,188.56</u>	<u>479,323.71</u>
Total Receipts		19,352,188.56	479,323.71
 PAYMENTS			
Local Authority Claims	3	336,871.96	171,342.28
Other Expenditure	3	<u>69,710.46</u>	<u>96,539.12</u>
		406,582.42	267,881.40
 Excess of receipts over payments before amounts surrendered to the Exchequer			
		18,945,606.14	211,442.31
 Less: amounts surrendered to the Exchequer in respect of:			
Refund of advances from the Consolidated Fund		15,050.37	3,764.70
Forfeited Deposits		500.00	1,500.00
Bank Interest (1)		<u>602.51</u>	<u>1,882.43</u>
		16,152.88	7,147.13
 Excess of receipts over payments in the year			
		18,929,453.26	204,295.18
 STATEMENT OF BALANCES AS AT 31 MARCH 2007			
Balance at the beginning of the period		741,697.24	537,402.06
Excess of receipts over payments		<u>18,929,453.26</u>	<u>204,295.18</u>
Balance at the end of the period	5	19,671,150.50	741,697.24

David Middleton
Accounting Officer
Scotland Office
4 July 2008

The notes on pages 9 to 11 form part of these Accounts.

Note 1

These accounts are compiled in accordance with the accounts direction issued by HM Treasury dated 1 November 2007.

Note 2

Breakdown of Other Receipts

	2006-07	2005-06
	£	£
Refund on final settlement	64,093.87	261,417.61
Surplus of Advances	69,126.35	187,901.19
Transfer of surplus funds from the Scottish Devolution Referendum Account	200,000.00	-
Bank Interest (1)	657.15	1,882.43
Forfeited Deposits	500.00	1,500.00
Payment in respect of Referendum 1997 from Edinburgh City	-	26,606.48
Transfer of Funds from European Election Account	17,760.03	-
Bank Charges refunded	51.16	16.00
Total Other Receipts	<u>352,188.56</u>	<u>479,323.71</u>

(1) £54.64 of the bank interest received was not surrendered to the Consolidated Fund by the 31 March 2007. The transfer will be reflected in the 2007-08 Election Account.

Note 3 Payments Summary

	Payment to Returning Officers		Total Local Authority	Other Payments			Total Other Payments	Total	Prior Year Comparatives
	Funding Advance	Settlement		Royal Mail	Miscellaneous				
Scottish Parliamentary Election									
1999 SP General Election	-	-	-	-	-	-	-	-	139,494.44
2003 SP General Election	-	223,169.54	223,169.54	-	-	-	223,169.54	223,169.54	14,714.29
Sub Total	-	223,169.54	223,169.54	-	-	-	223,169.54	223,169.54	154,208.73
By - Elections									
City of Glasgow Council									
Annesland (23 November 2000)	-	30,122.10	30,122.10	-	-	-	-	30,122.10	113,274.92
Aberdeenshire Council									
Banff & Buchan (7 June 2001)	-	1,101.31	1,101.31	-	-	-	-	1,101.31	-
East Dunbartonshire Council									
Strathkelvin & Bearsden (7 June 2001)	-	21,227.81	21,227.81	-	-	-	-	21,227.81	-
Moray Council									
Moray (27 April 2006)	61,251.20	-	61,251.20	39,114.16	-	-	39,114.16	100,365.36	-
Sub Total	61,251.20	52,451.22	113,702.42	39,114.16	-	-	39,114.16	152,816.58	113,274.92
Costs not directly attributable to a specific election	-	-	-	-	30,596.30	-	30,596.30	30,596.30	397.75
Total	61,251.20	275,620.76	336,871.96	39,114.16	30,596.30	-	69,710.46	406,582.42	267,881.40

A breakdown of the miscellaneous payments can be found in Note 4.

Note 4:	2006-07	2005-06
Breakdown of Miscellaneous Expenditure	£	£
Stationery Office - Storage costs	-	58.75
Incorrect payment received 2004-05	-	339.00
VAT payments	-	32,791.45
Transfer of funds to 1997 Referendum Account	26,606.48	-
Transfer of funds to 1999 UK/European Account	3,950.32	-
Bank charges	39.50	-
Total	30,596.30	33,189.20

Note 5	2006-07	2005-06
Breakdown of Year End Balances	£	£
Amounts due to the Consolidated Fund (3)	19,671,150.50	711,140.44
Amounts due to the UK and European Account	-	3,950.32
Amounts due to the Scottish Referendum Account	-	26,606.48
Total	19,671,150.50	741,697.24

(3) An amount of £169,676.03 of expenditure has been reported in the UK & European Parliamentary Elections Account as due to this account, including expenditure incurred on equipment used in connection with the 1999 Scottish Parliament Election. The transfer will be reflected in the 2007-08 Scottish Parliament Election Account.

Note 6

Events After Year End

In accordance with the requirements of FRS21, events after the year end are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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