

# **Welsh European Funding Office Annual Accounts 2002-03**

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# **WELSH EUROPEAN FUNDING OFFICE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2002**

## **FOREWORD TO THE ACCOUNTS**

### **1. Form of Accounts**

The accounts have been prepared in accordance with a direction given by Treasury in pursuance of Section 97 of the Government of Wales Act 1998. The Direction is shown in full at the end of the Financial Statements.

### **2. Background and Principal Activities of the Welsh European Funding Office**

The Welsh European Funding Office (WEFO) is an Executive Agency of the National Assembly for Wales. It was created on 1 April 2000 taking over functions previously conducted by Welsh European Programme Executive Ltd and the former European Affairs and Urban Regeneration Divisions of the National Assembly for Wales. The Agency is responsible for the administration, management, awarding and monitoring of European Structural funds in Wales.

The Welsh European Funding Office ceased to be an agency of the National Assembly on 24 July 2003. From this date WEFO became a part of the Assembly's Economic Development and Transport Department.

### **3. Executive Management Board**

The names of persons who served on the Management Board during the financial year are disclosed in the Annual Report.

### **4. Disabled Persons**

The Agency follows the Civil Service Code of Practice on Employment of Disabled People. Its policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

### **5. Employee Consultation**

The Agency operates within the arrangements established by the National Assembly for Wales for employee consultation, which has established Whitley Committees, with employee representatives, to discuss matters of concern. Staff are also consulted over the planning process and regular consultation meetings are held between senior and junior staff.

### **6. Creditors' Payment Policy**

The Agency follows the principles of the CBI Prompt Payers Code and is committed to paying all valid invoices within 30 days of receipts. The National Assembly for Wales makes all payments on behalf of the Agency. In 2002-03 93.5% (2001-02 - 85.6%) of payments met this target.

## **7. Financial Review**

The net deficit on the Income and Expenditure Account for the year of £11,811,000 (2001-02 £12,831,000) has been charged to the General Fund. In addition WEFO has also administered Local Regeneration Fund grant which is funded by the National Assembly for Wales as a match-funded scheme.

## **8. Going Concern**

The balance sheet at 31 March 2003 shows net liabilities of £187,000 (2001-02 £113,000). This relates mostly to business creditors and reflects the inclusion of liabilities falling due in future years that may only be met by future grant from the National Assembly for Wales. This is because, under the normal conventions applying to government control over income and expenditure, such grants may not be issued in advance of need.

Grant for 2003-04, taking into account the amounts required to meet WEFO's liabilities falling due in that year, have already been included in the National Assembly for Wales' estimates for that year. There is no reason to believe that these elements of funding will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **9. Auditors**

The Accounts have been audited by the Auditor General for Wales in accordance with Section 97 of the Government of Wales Act 1998.

### **Signed:**

Sir Jon Shortridge  
Permanent Secretary

**Date:** 19 December 2003

**WELSH EUROPEAN FUNDING OFFICE  
STATEMENT OF AGENCY'S AND ACCOUNTING OFFICERS'  
RESPONSIBILITIES**

Under Section 97 of the Government of Wales Act 1998, the Treasury has directed the Welsh European Funding Office Executive Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction on page 22. The accounts are prepared on an accrual basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosing requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Permanent Secretary of the National Assembly for Wales is now the Accounting Officer for the Welsh European Funding Office following its change of status on 24 July 2003. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the National Assembly for Wales Accounting Officers Memorandum issued by the Treasury.

## **WELSH EUROPEAN FUNDING OFFICE STATEMENT ON INTERNAL CONTROL**

1. This statement is given in respect of the resource account for the Welsh European Funding Office. As Accounting Officer I acknowledge my overall responsibility for ensuring that an effective system of internal control is maintained that supports the achievement of the Welsh European Funding Office's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness.
3. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.
4. The Welsh European Funding Office had, until 24 July 2003, a corporate Governance Committee, chaired by the Principal Finance Officer of the National Assembly for Wales, which supports me as Accounting Officer by offering objective advice on issues concerning the risk, control and governance of the organisation. Its role was to consider whether the management and governance arrangements are sufficient to support the Accounting Officer's responsibilities.
5. The internal audit function for the Welsh European Funding Office is provided by the Internal Audit Unit of the National Assembly for Wales. They submit regular reports, which include the Head of Internal Audits independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement to the Corporate Governance Committee.
6. My review of the effectiveness of the system of internal control is informed by the reviews of the internal auditors and by the executive managers in the Agency who have responsibility for the development and maintenance of the internal control framework, and who are required to provide certificates of assurance relating to their system of internal control. These include identification of areas that may need to be strengthened, and comments made by the external auditors in their management letter and other reports.
7. In forming my view on the effectiveness of the system of internal control, I have also taken account of the comments of the external auditors in the reports and management letters they have issued.

8. During 2003-04 as part of the National Assembly, a number of risk management activities will take place:
- Publication of a risk management framework;
  - 'Risk of the Month' reports; and
  - Contracting professional advice to review the progress that the Assembly and all its ASPBs have made on the introduction of risk management procedures.

**Signed:**

Sir Jon Shortridge  
Permanent Secretary

**Date:** 19 December 2003

## **THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the financial statements on pages 9 to 21 in accordance with Section 97(5) of the Government of Wales Act 1998. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 12 to 13.

### **Respective responsibilities of the Agency, the Accounting Officer and Auditor**

As described on page 4 the Agency and the Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Agency and the Accounting Officer are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government of Wales Act 1998 and with the directions made thereunder by the Treasury, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 5 to 6 reflects the Agency's compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### **Basis of audit opinion**

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency'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 are free from material mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Welsh European Funding Office at 31 March 2003 and of the net expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government of Wales Act 1998 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
**Auditor General for Wales**  
**23 December 2003**

**National Audit Office,**  
**3 – 4 Park Place,**  
**CARDIFF CF10 3DP**



**WELSH EUROPEAN FUNDING OFFICE**  
**INCOME AND EXPENDITURE ACCOUNT**  
*for year ended 31 March 2003*

		Year Ended		Year Ended	
		31 March 2003		31 March 2002	
	Notes	£000	£000	£000	£000
<b>INCOME</b>					
European Programmes	2	<b>128,480</b>		197,341	
<b>Total Income</b>			<u><b>128,480</b></u>	<u>197,341</u>	
<b>EXPENDITURE</b>					
European Programmes	2	<b>(128,480)</b>		(197,341)	
Local Regeneration Fund – Match Funded Programmes	3	<b>(7,553)</b>		(9,584)	
Other Expenditure	4	<b>(484)</b>		(290)	
Administration Expenditure	5	<b>(1,740)</b>		(1,642)	
Staff Costs	6	<u><b>(4,140)</b></u>		<u>(3,289)</u>	
<b>Total Expenditure</b>			<b>(142,397)</b>	(212,146)	
Cost of Capital Credit			<b>2,106</b>	1,974	
<b>NET EXPENDITURE FOR THE YEAR</b>			<u><u><b>(11,811)</b></u></u>	<u><u>(12,831)</u></u>	

All activities are continuing.

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**STATEMENT OF RECOGNISED GAINS AND LOSSES**  
*for year ended 31 March 2003*

There were no other recognised gains and losses during the year.

*The notes on pages 12 to 21 form part of these accounts.*

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**WELSH EUROPEAN FUNDING OFFICE**  
**BALANCE SHEET**  
*as at 31 March 2003*

	Notes	At 31 March 2003 £000	At 31 March 2002 £000
<b>CURRENT ASSETS</b>			
Debtors	7	<b>13,899</b>	39,068
Cash at Bank and in hand	8	<u><b>30,724</b></u>	<u>31,719</u>
		<b>44,623</b>	70,787
<b>CREDITORS:</b>			
Amounts falling due within one year	9	<u><b>(44,810)</b></u>	<u>(70,900)</u>
<b>Net Current Liabilities</b>		<b>(187)</b>	(113)
<b>Total Net Liabilities</b>		<u><u><b>(187)</b></u></u>	<u><u>(113)</u></u>
<b>Taxpayers Equity</b>			
General Fund	10	<b>(187)</b>	(113)
<b>Total Government Funds</b>		<u><u><b>(187)</b></u></u>	<u><u>(113)</u></u>

**Sir Jon Shortridge**  
**Permanent Secretary**

**19 December 2003**

*The notes on pages 12 to 21 form part of these accounts*

**WELSH EUROPEAN FUNDING OFFICE**  
**CASH FLOW STATEMENT**  
*for the year ended 31 March 2003*

	Note	Year ended 31 March 2003	Year ended 31 March 2002
		£000	£000
Net cash (outflow) / inflow from operating activities		(13,488)	(127,136)
Financing from the National Assembly for Wales		12,493	13,699
(Decrease) / increase in cash	8	(995)	(113,437)

**Reconciliation of net cost of operating activities to net cash outflow from operating activities**

		Year ended 31 March 2003	Year ended 31 March 2002
Net cost of operating activities for the year		(11,811)	(12,831)
<b>Notional Charges:</b>			
Central Services provided by the National Assembly for Wales	5	1,287	1,048
Audit Fee	5	63	63
Cost of Capital		(2,106)	(1,974)
<b>Movement in net current assets:</b>			
Increase / Decrease in debtors	7	25,169	(34,595)
(Decrease) / increase in creditors	9	(26,090)	(78,847)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(13,488)</b>	<b>(127,136)</b>

*The notes on pages 12 to 21 form part of these accounts*

# WELSH EUROPEAN FUNDING OFFICE

## NOTES TO THE ACCOUNTS

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### 1. ACCOUNTING POLICIES

#### a. Basis of Accounting

The accounts for the Welsh European Funding Office have been prepared in accordance with the Accounts Direction issued by HM Treasury pursuant to Section 97 of the Government of Wales Act 1998.

The Accounts follow the requirements of the Resource Accounting Manual issued by HM Treasury and are based on the accruals concept of accounting and the historical cost convention.

Subject only to compliance with the requirements set out in the Accounts Direction, the Accounts also:

- i. Comply with the accounting and disclosure requirements of the Companies Act 1985 insofar as they are consistent with the status of an Agency of the National Assembly for Wales;
- ii. Comply with accounting standards issued or adopted by the Accounting Standards Board except to the extent that they are advised inapplicable by the Treasury.

#### b. Tangible Fixed Assets

The Agency does not have any fixed assets.

#### c. Value Added Tax

The Agency is covered by the VAT registration of the National Assembly for Wales which operates on a cash basis. The Agency recovers VAT on certain contracted out services, as agreed by HM Treasury. All supplies to third parties are taxable. Expenditure shown in the Income and Expenditure Account includes VAT except where VAT has been recovered in conjunction with contracted out services.

#### d. Pension Costs

Present and past employees are covered by the provision of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Government bodies covered by the PCSPS meet the cost of pension cover period for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

## **WELSH EUROPEAN FUNDING OFFICE NOTES TO THE ACCOUNTS**

### **e. Income**

Income comprises amounts receivable from the European Union (EU) in respect of the European programmes, funds and initiatives and is brought to account in line with grants payable in respect of these amounts.

### **f. Grants Payable**

Grants administered by the Agency in accordance with its statutory powers and duties are charged to the Income and Expenditure Account in the period in which the recipient carries out the activity which creates an entitlement.

### **g. Notional Costs**

A notional cost has been included to cover certain common services and support functions, such as finance, personnel, information technology, accommodation and other office services, provided to the Agency by the National Assembly for Wales free of charge. A notional interest on capital charge has been calculated at the appropriate government lending rate on the average value of net current assets in the year, excluding those relating to EU funding.

### **h. Foreign Currency transactions**

The total amounts made available from the structural funds programme are denominated in Euros. These are converted to sterling at the rate prevailing at the time of the draw down of funds from the EU. Other than this, WEFO is not exposed to exchange rate risk.

### **i. Financial Instruments**

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Welsh European Funding Office 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 FRS 13 mainly applies.

**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 2. European Programmes, Funds and Initiatives**

*Income and Expenditure*

	<b>European Regional Development Fund</b>	<b>European Social Fund</b>	<b>European Agriculture Guidance and Guarantee Fund</b>	<b>Financial Instrument for Fisheries Guidance</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2000-2006 Programmes</b>					
Objective 1 - West Wales and the Valleys	47,144	51,422	9,674	1,294	109,534
Objective 2 - East Wales	1,870	-	-	-	1,870
Objective 2 - East Wales (Transitional)	615	-	-	-	615
Objective 3 – East Wales	-	13,301	-	-	13,301
Leader +	-	-	650	-	650
Urban II	424	-	-	-	424
Innovative Action Programme	319	-	-	-	319
<b>Residual Programmes</b>	925	-	(107)	-	818
<b>Residual Community Initiatives</b>	1,150	(4)	(197)	-	949
<b>2002-03 Total for all Funds</b>	52,447	64,719	10,020	1,294	128,480
2001-02 Total for all Funds	154,100	35,947	7,239	55	197,341

**The Interreg III scheme is detailed separately at Note 16.**

**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 3. Local Regeneration Fund – Match Funded Programmes**

	<b>Year ended 31 March 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Capital Payments – South East Wales	7,258	9,360
Revenue Payments – South East Wales	295	224
	<b>7,553</b>	<b>9,584</b>

**Note 4. Other Expenditure**

	<b>Year ended 31 March 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Project Support Costs	469	73
Gap Guarantee Fund	15	217
	<b>484</b>	<b>290</b>

**Note 5. Administration Expenditure**

	<b>Year ended 31 March 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Travel and Subsistence	224	191
Hospitality	7	7
Training	50	52
Office Services	109	281
<b>Notional Costs:</b>		
Central services provided by the National Assembly	1,287	1,048
Audit Fee	63	63
	<b>1740</b>	<b>1,642</b>

**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 6. Staff Costs**

	<b>Year ended 31 March 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Wages and Salaries	<b>3,136</b>	2,767
Social Security Costs	<b>195</b>	175
Other Pension Costs	<b>421</b>	347
<b>Sub Total</b>	<b>3,752</b>	3289
Plus:		
Secondments	<b>87</b>	-
Agency Staff	<b>301</b>	-
<b>Total</b>	<b>4,140</b>	3,289

The average number of full time equivalents of staff employed by the Agency during the year was 164 (2001-02 – 143).

**SENIOR STAFF EMOLUMENTS**

Name and Title	Salary Range At 31 March 2003 £000	Real increase in pension at age 60 £000	Total accrued pension at age 60 at 31 March 2003 £000
John Clarke Chief Executive	80-85	0-2.5	0-5
Phil Gray* Head of Corporate Planning	60-65	-	-
Katherine Himsworth Head of Local Action Plans	45-50	0-2.5	15-20
David Howarth Head of ESF/EAGGF/FIFG	45-50	0-2.5	15-20
Sheila Maxwell Head of ERDF	50-55	0-2.5	0-5
Caroline Turner Head of Policy and Strategy	50-55	0-2.5	5-10

\* Has opted not to join the Principal Civil Service Pension Scheme.

Note: The Resource Accounting Manual normally requires the ages of senior staff to be disclosed. However, the individuals concerned refused their consent to disclose this information as, in their view, it is not essential to an understanding of the details of the senior staff emoluments shown above.



## **WELSH EUROPEAN FUNDING OFFICE NOTES TO THE ACCOUNTS**

### **Notes**

- a) Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances.
- b) The PCSPS is an unfunded multi-employer defined benefit scheme but The National Assembly for Wales is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).
- c) For 2002-03, employers' contributions of £417,000 were payable to the PCSPS (2001-02 - £377,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.
- d) None of the Agency's employees have opened partnership pension accounts.
- e) Salaries include gross salaries plus performance bonus and allowances where payable.
- f) None of the above received benefits in kind.
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**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 7. Debtors: Amounts falling due within one year**

	<b>At 31 March 2003 £000</b>	<b>At 31 March 2002 £000</b>
European Union Debtors	<b>2,392</b>	11,478
Grant Debtors	<b>11,421</b>	16,681
Other Debtors	<b>86</b>	10,908
Prepayments	<b>-</b>	1
	<b>13,899</b>	39,068

**Note 8. Bank and Cash**

	<b>At 31 March 2003 £000</b>	<b>At 31 March 2002 £000</b>
Balance at 1 April	<b>31,719</b>	145,156
Net cash (outflow) / inflow	<b>(995)</b>	(113,437)
Balance at 31 March	<b>30,724</b>	31,719
The Office of HM Paymaster General (OPG) Provides a current account banking services. The following were held at 31 March:		
Balance at OPG	<b>30,353</b>	28,842
Balance at Commercial Banks and cash in hand	<b>371</b>	2,877
Balance at 31 March	<b>30,724</b>	31,719

The bank balances at year-end largely relate to advance funding from the EU for projects where grant payment is not yet due.

**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 9. Creditors: Amounts falling due within one year**

	<b>At 31 March 2003 £000</b>	<b>At 31 March 2002 £000</b>
European Union Creditors	<b>3,504</b>	790
Grant Creditors	<b>35,225</b>	69,693
Other Creditors	<b>6,081</b>	404
Accruals	-	13
	<b>44,810</b>	70,900

**Note 10. General Fund & Taxpayers Equity**

	<b>At 31 March 2003 £000</b>	<b>At 31 March 2002 £000</b>
Funding from the National Assembly for Wales	<b>12,493</b>	13,699
Net Expenditure for the year	<b>(11,811)</b>	(12,831)
<b>Notional Charges:</b>		
Central Services provided by the National Assembly	<b>1,287</b>	1,048
Audit Fee	<b>63</b>	63
Cost of Capital	<b>(2,106)</b>	(1,974)
Movement On General Fund for the Year	<b>(74)</b>	5
Balance as at 1 April	<b>(113)</b>	(118)
<b>Balance as at 31 March</b>	<b>(187)</b>	(113)

**Note 11. Operating Leases**

There were no operating leases as at 31 March 2003 (as at 31 March 2002 – Nil).

## WELSH EUROPEAN FUNDING OFFICE NOTES TO THE ACCOUNTS

### Note 12. Capital Commitments

There were no contracted capital commitments at 31 March 2003. (At 31 March 2002 – Nil).

### Note 13. Analysis of Expenditure by Main Category

	Year ending 31 March 2003 £000	Year ending 31 March 2002 £000
Administration costs	4,258	3,247
<i>less: operating income</i>	-	-
<b>Net Administration costs</b>	<b>4,258</b>	3,247
Programme costs	136,033	206,925
<i>less: income</i>	(128,480)	(197,341)
<b>Net Programme costs</b>	<b>7,553</b>	9,584
<b>Total Net Expenditure for the year</b>	<b>11,811</b>	12,831

### Note 14. Related Party Transactions

The Welsh European Funding Office was created on 1 April 2000 as an Executive Agency of the National Assembly for Wales.

The National Assembly for Wales is regarded as a related party. During the year WEFO had various material transactions with the National Assembly. There were also transactions with the following sponsored bodies and other government departments:

- Welsh Development Agency
- Wales Tourist Board
- Countryside Council for Wales
- Forestry Commission
- National Museums & Galleries of Wales
- National Council for Education & Training for Wales
- Department for Trade and Industry
- Department for Education and Employment
- Environment Agency
- Higher Education Funding Council for Wales

### Note 15. Contingent Liabilities

There were no contingent liabilities at 31 March 2003. (At 31 March 2002 – Nil).

**WELSH EUROPEAN FUNDING OFFICE  
NOTES TO THE ACCOUNTS**

**Note 16. Interreg III**

Interreg III is a community initiative, which promotes inter-regional co-operation in the EU. The Ireland/Wales Interreg IIIA programme is monitored by a committee made up of partnership interests in Ireland and Wales. The scheme is administered by WEFO who hold a separate Euro bank account for this purpose.

The grant payments and account balances for the initiative are detailed in the memorandum accounts below.

Income and Expenditure for the year ended 31 March 2003

		€000	€000
Income	EU Funding		3,331
	Bank Interest		9
			<hr/> 3,340
Grant Expenditure	Ireland	(563)	
	Wales	(793)	
		<hr/> (1,356)	
Other Expenditure	Bank Charges	(2)	
Total Expenditure			<hr/> (1,358)
Net Income			<hr/> 1,982

Balance Sheet as at 31 March 2003

		€000	€000
Bank			2,927
Creditors			(945)
Net Assets			<hr/> 1,982
General Fund			<hr/> 1,982

**Note 17. Closure of Structural Funds Programmes, 1994-1999**

The Wales European Funding Office has submitted final claims in respect of Structural Fund Programmes for 1994-99. There is a possibility that the EC will not refund the full claim and that the Assembly would bear the cost. At this time both the probability of that happening and the amounts involved are unquantifiable.

## **WELSH EUROPEAN FUNDING OFFICE**

### **ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 97 OF THE GOVERNMENT OF WALES ACT 1998**

The Welsh European Funding Office shall prepare resource accounts for the year ended 31 March 2001 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the HM Treasury Resource Accounting Manual (“the Resource Accounting Manual”) which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the state of affairs of the agency at 31 March 2001 and the income and expenditure, recognised gains and losses and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual 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 Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual 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 both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

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Head of the Central Accountancy Team  
HM Treasury  
19 July 2001