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The Welsh Consolidated Fund  
Receipts and Payment Account

1 April 2007 to 31 March 2008

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## **FOREWORD**

### **BACKGROUND**

1. The Welsh Consolidated Fund (The Fund) was established on 1 April 2007 under the Government of Wales Act 2006 (the Act). The Act provided a formal legal separation between the National Assembly for Wales and the Welsh Assembly Government and created a new body, called the National Assembly for Wales Commission. The Welsh Consolidated Fund holds the funds for the following:
  - the Welsh Assembly Government;
  - the National Assembly for Wales Commission;
  - the Auditor General for Wales; and
  - the Public Services Ombudsman for Wales
2. The Auditor General for Wales authorises payments out of The Fund. Each of the four bodies listed above are able to draw down funds from the Consolidated Fund, provided they are in accordance with an approved Budget Motion. The total authorised by Budget Motion for drawdown from the Fund for 2007-2008 was £11,940,255,000.

### **SCOPE OF THE ACCOUNT**

3. This Account has been prepared under Section 132(1) of the Government of Wales Act 2006 which requires the Welsh Ministers to prepare an account showing payments into and out of The Fund and in accordance with the Accounts Direction issued by HM Treasury, under that Act.
4. The Fund receives, from the Ministry of Justice (formerly from the Department of Constitutional Affairs), sums which have been voted by Parliament. Receipts not authorised to be used to support expenditure are also, by virtue of Section 120(1) of the Government of Wales Act 2006, payable into The Fund.
5. Payments are made out of the Fund if they have been charged on the Fund by any enactment, or if they are authorised by a Budget resolution of the Assembly. Budget resolutions may be passed in respect of relevant persons, namely those mentioned in paragraph 1 above. Approval to draw funds must be obtained from the Auditor General for Wales in accordance with Sections 124 and 129 of the Act.

### **ACCOUNTING OFFICER**

6. The Permanent Secretary of the Welsh Assembly Government is the Principal Accounting Officer for the Fund. The Principal Accounting Officer is responsible for the propriety and regularity of the public finances for which she is answerable, for the keeping of proper records and for the preparation and submission of appropriate accounts as set out in Section 133 of the Act.

## **WELSH CONSOLIDATED FUND RECEIPTS AND PAYMENTS**

7. These accounts show the transactions for the services set out above. The receipts paid into The Fund during the year totalled £11.908 billion with payments from The Fund of £11.896 billion. The balance of the Fund at 31 March 2008 is £11.687 million.

## **AUDITORS**

8. The accounts of the Welsh Assembly Government are audited by the Auditor General for Wales in accordance with Section 132 of the Government of Wales Act 2006.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**

**11 September 2008**

## **STATEMENT OF PRINCIPAL ACCOUNTING OFFICER'S RESPONSIBILITY**

1. Section 132(1) of the Government of Wales Act requires the Welsh Ministers to prepare an account showing the receipts and payments out of the Welsh Consolidated Fund. The accounts are prepared on a cash basis and must properly present the Welsh Consolidated Fund's transactions for the period 1 April 2007 to 31 March 2008. Section 132(5) of the Act requires the Auditor General to lay before the Assembly a certified copy of the account.
2. The responsibilities of the Principal Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records, are set out in the Welsh Assembly Government's Accounting Officers' Memorandum, issued by the Treasury.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**

**11 September 2008**

## **STATEMENT ON INTERNAL CONTROL**

### **SCOPE OF RESPONSIBILITY**

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the effective operation of the Welsh Consolidated Fund (The Fund), whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my appointment letter.

### **THE PURPOSE OF THE SYSTEM ON INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to 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 effective operation of the Fund, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control has been in place for the year ended 31 March 2008 and up to the date of approval of the annual accounts, and accords with HM Treasury guidance.

### **RISK AND CONTROL ENVIRONMENT**

The operation of the Fund is governed by the provisions of the Government of Wales Act 2006 which sets out the conditions for payments to be made out of the Fund and sums to be paid into the Fund.

Approvals to draw on the Fund by Welsh Ministers must be approved by the Auditor General. Ministers are accountable for the Fund and requests for withdrawals are made on behalf of the Welsh Assembly Government, The Auditor General for Wales, the National Assembly for Wales Commission and the Public Services Ombudsman for Wales under authority of the Budget resolutions passed by the Assembly.

The operation of the Fund is reliant on the core financial management systems of the Welsh Assembly Government to carry out its accounting and payment functions on behalf of the Welsh Ministers. I have received satisfactory assurances from the Finance Director on the reliance of these central systems.

### **CAPACITY TO HANDLE RISK**

As Principal Accounting Officer, I have taken personal responsibility for improving the Welsh Assembly Government's capacity to handle risk. We continue to engage with HM Treasury's Assurance, Control and Risk Team and the dissemination of good practice via the Risk Improvement Manager Network. My Risk Improvement Manager is leading a programme of reviewing and improving risk management practice and supports senior management in ensuring that there is a clear and balanced account of risk judgements and management actions.

The key elements of the Welsh Assembly Government's risk management strategy are set out in its risk management policy and risk management guide, Risk Essentials.

For the financial year 2007-08 the Welsh Assembly Government has:

- established procedures to manage and account for the receipts and payments of the Fund and revised these to take account of recommendations from external and internal auditors;
- monitored the balance on the account and taken appropriate action to maintain the balances at an appropriate level; and
- ensured that during the year staff have received continuous training on any revision to procedures and arrangements for operating the Fund.

The Welsh Assembly Government has an Internal Audit Service, which submits regular reports to the Corporate Governance Committee, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The Corporate Governance Committee reports to the Management Board.

## **REVIEW OF EFFECTIVENESS**

As Principal 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, by the executive managers within the Welsh Assembly Government who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**

**11 September 2008**

**THE WELSH CONSOLIDATED FUND  
RECEIPTS AND PAYMENTS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2008**

|   | Note | £'000      | £'000             |
|---|------|------------|-------------------|
| <b><u>Receipts</u></b>  |      |            |                   |
| Receipts from the Ministry of Justice (formerly from Department of Constitutional Affairs) under Section 118(1) of the Government of Wales Act 2006 |      | 11,826,000 |                   |
| Non Domestic Rating receipts  | 4    | 74,508     |                   |
| Principal and interest repayments of loans formerly from the National Loans Fund  |      | 1,750      |                   |
| Other receipts  | 1    | 5,803      |                   |
| <b>Total Receipts</b>   |      |            | <u>11,908,061</u> |
| <b><u>Payments</u></b>  |      |            |                   |
| Issues authorised under Assembly Budget resolutions   | 2    | 11,863,281 |                   |
| Direct Charges:   |      |            |                   |
| Salaries, related costs and pensions  | 3    | 588        |                   |
| Expenses of returning officers at Assembly elections  | 5    | 7,425      |                   |
| National Loans Fund repayments of Principal and Interest to the Ministry of Justice   |      | 1,750      |                   |
| Non Domestic Rating payments by Welsh Ministers   | 4    | 17,527     |                   |
| Surrender to the Secretary of State receipts designated under Section 120(3) of the 2006 Act  | 1    | 5,803      |                   |
| <b>Total Payments</b>   |      |            | <u>11,896,374</u> |
| <b>Net increase in Fund balance</b>   |      |            | 11,687            |
| Balance at 1 April 2007   |      |            | <u>0</u>          |
| <b>Balance at 31 March 2008</b>   |      |            | <u>11,687</u>     |

The notes on pages 8 to 12 form part of this account

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**

**11 September 2008**

## Note 1

### OTHER RECEIPTS

The Government of Wales Act 2006 (Designation of Receipts) Order 2007 designates certain receipts (designated receipts). Under the Government of Wales Act 2006 the Welsh Ministers must pay to the Secretary of State sums equal to the amount of the designated receipts. Section 120(6) of the Act provides that sums required for the Welsh Ministers to make payments under this Order are charged on the Welsh Consolidated Fund (WCF).

| <b>2007-2008</b>                       | <b>Receipts paid into<br/>Fund<br/>£000</b> | <b>Receipts surrendered<br/>to the Secretary of<br/>State<br/>£000</b> |
|--|---|--|
| Welsh Assembly Government              | 5,770                                       | 5,770  |
| National Assembly for Wales Commission | 33  | 33   |
| Auditor General for Wales              | 0   | 0  |
| Public Services Ombudsman for Wales    | 0   | 0  |
| <b>TOTAL FOR 2007-2008</b>             | <b>5,803</b>                                | <b>5,803</b>   |

## Note 2

### ISSUES AUTHORISED UNDER BUDGET MOTIONS

The Annual Budget Motion is published under Section 125 of the Government of Wales Act 2006. For the period of this account the National Assembly for Wales approved: The Annual Budget Motion 2007-08 (NDM 3388) as amended by the Supplementary Budget Motion 2007-08 (GEN-LD 6858), Supplementary Budget Motion 2007-08 (GEN-LD 6961) and Supplementary Budget Motion 2007-08 (GEN-LD 7095).

The following amounts were paid out of the Fund under the authority of the Budget Motions. See also Note 6, which details amounts drawn down and unspent at 31 March 2008.

| <b>2007-08</b>                         | <b>£000</b>       |
|--|-------------------|
| Welsh Assembly Government              | 11,820,081        |
| National Assembly for Wales Commission | 36,417            |
| Auditor General for Wales              | 4,200             |
| Public Services Ombudsman for Wales    | 2,583             |
| <b>TOTAL FOR 2007-2008</b>             | <b>11,863,281</b> |



**Note 3**

**SALARIES, RELATED COSTS AND PENSIONS**

|  | <b>2007-08<br/>£000</b> |
|--|-------------------------|
| National Assembly for Wales Commission | 198                     |
| Auditor General for Wales              | 214                     |
| Public Services Ombudsman for Wales    | 176                     |
| <b>TOTAL FOR 2007-2008</b>             | <b>588</b>              |

The breakdown of these figures is as follows:

|                                     | <b>National Assembly<br/>For Wales Commission</b> |  |   |   | <b>Total</b> |
|-------------------------------------|---|--|---|---|--------------|
|                                     | <b>Presiding<br/>Officer<br/>£000</b>             | <b>Deputy<br/>Presiding<br/>Officer<br/>£000</b> | <b>Auditor<br/>General for<br/>Wales<br/>£000</b> | <b>Public<br/>Services<br/>Ombudsman<br/>£000</b> | <b>£000</b>  |
| Salaries                            | 81  | 65   | 166   | 132   | 444          |
| National Insurance<br>Contributions | 9   | 8  | 19  | 15  | 51           |
| Pension Costs                       | 19  | 16   | 29  | 29  | 93           |
| <b>TOTAL</b>                        | <b>109</b>  | <b>89</b>  | <b>214</b>  | <b>176</b>  | <b>588</b>   |

The National Assembly for Wales Commission Resource Accounts 2007-2008 show a total salary and related costs and pensions figure for the Presiding Officer and Deputy Presiding Officer of £111,000 and £92,000 respectively. A request for drawdown of the final monthly instalment of £5000 was not submitted by the National Assembly for Wales Commission until after the financial year end.

Further detail can be found in the Remuneration Reports within each of the bodies' Annual Accounts for 2007-2008, each of which are laid before the National Assembly for Wales.

#### **Note 4**

##### **NON DOMESTIC RATING**

The Welsh Ministers receive non-domestic rates (NDR) by billing authorities or payments by ratepayers on the central rating list. There is a requirement to redistribute the contributions to local authorities and police authorities by head of resident adult population (Local Government Finance Report 2007-2008 Section 4.1). The non-domestic rates are thus pooled and redistributed. The operation of the pool is governed by Schedule 8 to the Local Government Finance Act 1988 and regulations made under Section 141 of that Act.

Under the Government of Wales Act 2006 non-domestic rates income must be paid into the Welsh Consolidated Fund and any related non-domestic expenditure is a direct charge on the Fund.

With the approval of Treasury, in order to avoid unnecessary cash transfers between the Welsh Assembly Government (WAG) and authorities, local authorities are permitted to net off the NDR they collect against the funding they require, with differences from one year to the next being allowed for in determining the amount of Revenue Support Grant necessary in any given year. During the period 1 April 2007 to 31 March 2008 gross anticipated non-domestic rate contributions into the pool totalled £749,215,798. During the same period non-domestic rate cash and non-cash payments totalled £791,000,000, including £711,900,000 to local government.

The payments made through the Consolidated Fund (£17.527 million) represent payments to local authorities and central list ratepayers as a result of the final recalculations of contributions for 2006-2007 and previous years following receipt of local authority audited claims and reductions in rateable values for central list ratepayers. Receipts into the Fund (£74.508 million) represent contributions from central list ratepayers and additional receipts as a result of final recalculations of contributions for 2006-2007 and previous years following receipt of audited claims from local authorities. Central list receipts were paid out to local authorities by WAG on behalf of the Fund (see Note 7).

Further information on NDR is contained within the Welsh Assembly Government Consolidated Annual Report and Accounts 2007-2008 and the Pooling of Non-Domestic Rates and Redistribution to Local Authorities in Wales Account 2007-2008.

#### **Note 5**

##### **EXPENSES OF RETURNING OFFICERS AT ASSEMBLY ELECTIONS**

The expenses of the Returning Officers for the Welsh Assembly Government election on 3 May 2007 were £8.017 million. During 2007-2008 £7.425 million was paid from the Fund. At 31 March 2008 the Welsh Assembly Government had yet to draw down a further £0.592 million, which is detailed in Note 7.

## **Note 6**

### **AMOUNTS DRAWN AND UNSPENT AND EXCESS OF INCOME OVER AMOUNTS AUTHORISED**

The amounts drawn down and received by bodies covered by the Fund but unspent as at 31 March 2008, and receipts in excess of income authorised repayable to the Fund, are detailed below:

#### **Welsh Assembly Government**

Welsh Assembly Government Consolidated Annual Report and Accounts 2007-2008 for the year end 31 March 2008 reported the following amounts due to the Fund:

Excess of funding drawn not spent - £55,439,000  
Receipts in excess of income authorised - £32,939,000

See also Note 7.

#### **National Assembly for Wales Commission**

The National Assembly for Wales Commission Resource Account for the year end 31 March 2008 reported the following amounts due to the Fund:

Excess of funding drawn not spent - £2,915,000  
Receipts in excess of income authorised - £2,000

#### **Auditor General for Wales**

The Auditor General for Wales annual accounts for the year end 31 March 2008 did not report any unspent excess of funding drawn from the Fund or any unsurrendered receipts due to the Fund.

#### **Public Services Ombudsman for Wales**

The Public Services Ombudsman for Wales annual account for the year end 31 March 2008 reported the following amount due to the Fund:

Excess of funding drawn not spent - £14,000

There were no receipts in excess of the income authorised

**Note 7**

**WELSH ASSEMBLY GOVERNMENT BALANCE**

The accounts for the Fund are prepared on a cash basis under Section 132(1) of the Act. If this WCF account were to be prepared on a resource basis, the balance sheet would include a net debtor for WAG made up as below, reflecting transfers arising from 2007-2008 activity still to be made as at 31 March 2008.

|   | <b>2007-08</b><br><b>£000</b> |
|---|-------------------------------|
| NDR paid by WAG on behalf of the Fund                           | (74,414)                      |
| Excess receipts due to the Fund (income over amount authorised) | 32,939                        |
| Funding drawn not spent   | 55,439                        |
| Designated Receipts   | 464                           |
| Returning officers expenses not drawn down                      | (592)                         |
| <b>TOTAL FOR 2007-2008</b>                                      | <b><u>13,836</u></b>          |

## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of the Welsh Consolidated Fund for the year ended 31 March 2008 under section 132 of the Government of Wales Act 2006. These statements comprise the Receipts and Payments Account and related notes.

### **Respective responsibilities of the Principal Accounting Officer and auditor**

The Principal Accounting Officer is responsible for preparing the financial statements in accordance with the Government of Wales Act 2006 and in the form prescribed by Treasury. The Principal Accounting Officer is also responsible for ensuring the regularity of financial transactions and preparation of the Foreword and Statement on Internal Control. 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 of the Welsh Consolidated Fund and the balance held, and have been properly prepared in accordance with Treasury directions issued under the Government of Wales Act 2006. I also report whether in all material respects, the sums paid out of the Welsh Consolidated Fund were in accordance with sections 124 or 130 of the Government of Wales Act 2006 and that money which is required to be paid into the Welsh Consolidated Fund has been paid into that Fund. I also report to you whether, in my opinion, the Foreword is consistent with the financial statements.

I review whether the Statement on Internal Control reflects the Welsh Minister'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 Welsh Ministers' corporate governance procedures or of their risk and control procedures.

### **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 receipts and payments included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Principal 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 financial transactions conform to the authorities which govern them.

### **Opinion**

In my opinion the financial statements properly present the receipts and payments of the Welsh Consolidated Fund and have been properly prepared, in accordance with the Government of Wales Act 2006 and directions made there under by the Treasury.

## **Opinion on Regularity**

In my opinion, in all material respects:

- The sums paid out of the Welsh Consolidated Fund were in accordance with sections 124 or 130 of the Government of Wales Act 2006 Act;
- Money which is required to be paid into the Welsh Consolidated Fund has been paid into that Fund; and
- The financial transactions conform to the authorities which govern them.

## **Report**

**I have no observations to make on these financial statements.**

**Jeremy Colman  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

**18 September 2008**