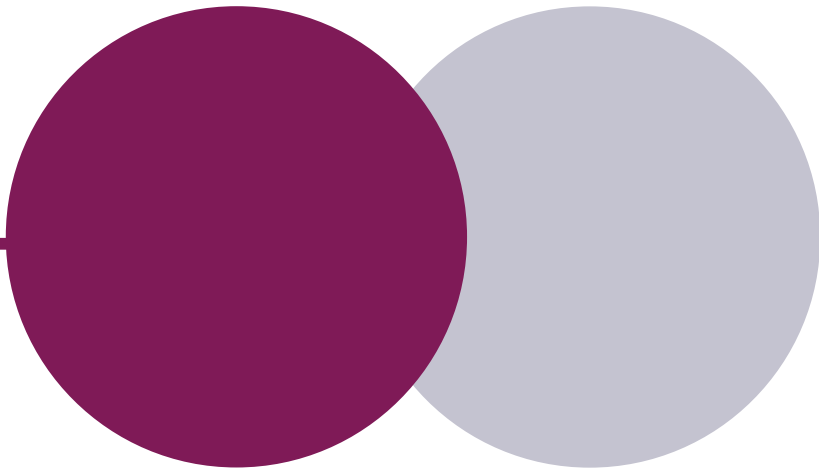




National Audit Office



BRIEFING


Electoral Commission Financial Overview 2023-24

Electoral Commission

BRIEFING

by the
National Audit Office

NOVEMBER 2024



**We are the UK's
independent
public spending
watchdog.**

**We support Parliament
in holding government
to account and we
help improve public
services through our
high-quality audits.**

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion. This represents around £17 for every pound of our net expenditure.



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If you need a version of this report in an alternative format for accessibility reasons, or any of the figures in a different format, contact the NAO at enquiries@nao.org.uk


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What this report is about

1 The Comptroller and Auditor General (C&AG) is required under the Political Parties, Elections and Referendums Act 2000 (PPERA) to produce a report to Senedd's Llywydd's Committee (the Committee) on the use of resources by the Electoral Commission (the Commission) to discharge its functions in relation to devolved Welsh elections and devolved Welsh referendums (or, if the C&AG so determines, any of those functions). The report by the C&AG is due on production of both the Commission's five-year Corporate Plan and its Financial Estimate.

2 We have prepared this report as a summary of key information and insights that can be taken from the Commission's Annual Report and Accounts. The Commission spent £32.7 million in 2023-24 to oversee elections and regulate political finance in the UK.

3 The report includes:

- a description of the role of the Commission;
- where the Commission spends its money;
- a review of the financial management of the Commission;
- the C&AG's audit opinion on the Commission's accounts; and
- key areas of interest in the accounts.

How we have prepared this report

4 The information in this report is drawn from the Commission's Annual Report and Accounts and other publicly available sources, supplemented by information provided by the Commission. We have included notes to help the reader understand our analysis.

Other relevant publications

5 More information about our work on the Electoral Commission and our other recent and upcoming reports can be found on the National Audit Office website.

More information about central government accounting and reporting

6 Our interactive guide *Good practice in annual reporting* (February 2024) provides examples from leading public sector organisations.

About the Commission

7 The Electoral Commission (the Commission) is responsible for the regulation of political finance, supporting parties and campaigners to comply with electoral rules, overseeing elections and referendums, and giving insight into the electoral process. The Commission aims to promote public confidence in the democratic process and ensure its integrity.

8 The Commission was set up under the PPERA as an independent body. It is directly accountable to and receives funding from the UK Parliament, the Scottish Parliament and the Senedd to fulfil its duties.

9 For devolved functions in Wales, the Commission reports to the Llywydd's Committee. These functions include the regulation and monitoring of campaigns, overseeing the performance of registration officers, and public awareness and engagement activities.

10 The Commission's work is guided by the strategic objectives set out by the five-year plan, which must be submitted for the first financial year following a parliamentary general election.

11 In 2023 and 2024, the Commission focused on the challenges of supporting the introduction of voter ID requirements, supporting the 2024 General Election, and local elections. It noted successes, with voters largely aware of voter ID requirements and being satisfied with the voting process. The Commission ran programmes and initiatives to engage with young voters and encourage political literacy from a young age in Wales.

12 The Commission faced higher costs than previously anticipated as a result of inflationary pressures, increased IT spend as a result of a cyber-attack, a 4.5% pay award and a £1,500 cost of living payment. This led to a significant supplementary estimate, scrutinised by the UK Parliament Speaker's Committee and the Senedd's Llywydd's Committee.

Where the Commission spends its money

13 In 2023-24, the Commission's total expenditure was £32.7 million. The Commission's gross operating costs were split between the core areas of Regulation (£11.9 million) and Electoral Administration (£9 million), and the project work on the Elections Act 2020 (£6.9 million), Elections and Local Referendums (£4.6 million) and Electoral Registration (£0.2 million).

14 This spending is funded by the UK Parliament (£29.3 million), the Scottish Parliament (£2.0 million), and the Senedd (£1.4 million). The split of funding is based on the costs of elections or activities directly linked to each body and a share of indirect costs to run the Commission, based on the population of each country.¹

15 In 2023-24, for Wales, direct costs cover direct work of the Commission including legal costs, regulation work, and communications, policy and research. This amounted to £1 million in 2023-24. Indirect costs of £0.5 million were made up of a 5% share of UK-wide back-office resource costs and depreciation on capital expenditure.² **Figure 1** shows a breakdown of expenditure for Wales.

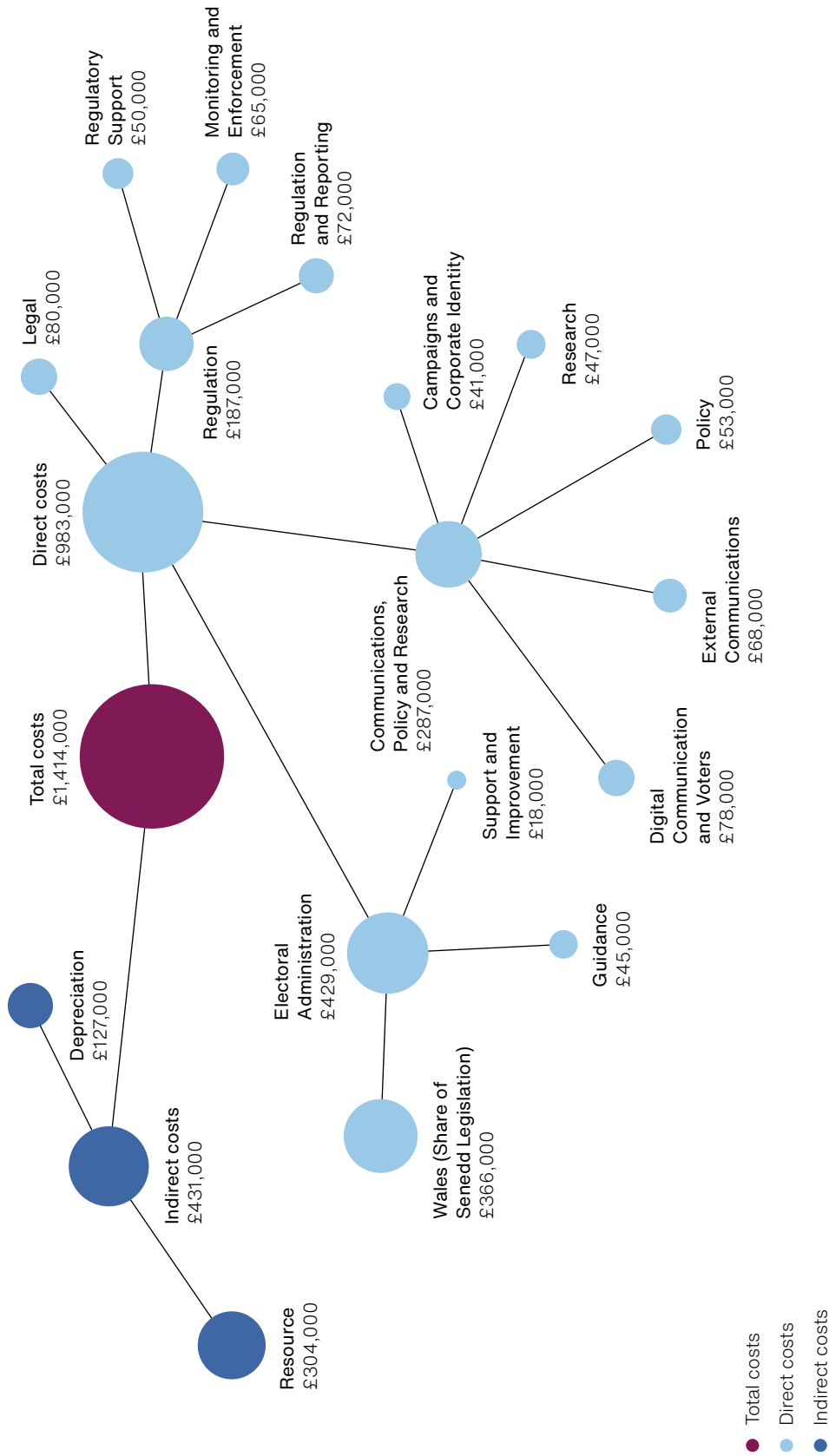
¹ Funding relating to expenditure for the Senedd and the Scottish Parliament is recognised as income in the financial statements. Income received from devolved authorities that is not spent is recorded as deferred income. As a result, the Commission's Net Expenditure for 2023-24 was £29.2 million.

² For 2025-26, the Commission has adjusted the funding formula, reducing the Senedd's allocation from 5% to 4.6%.

Figure 1

Forecast expenditure by Electoral Commission business area in Wales 2023-24 as of November 2023

The Electoral Commission expected to spend £1.4 million in Wales in 2023-24, of which almost £1 million was related to the direct costs of operation



Notes

- 1 Numbers may not sum due to rounding.
- 2 These figures are as at November 2023 and therefore may not reflect final year-end figures.
- 3 This is the latest breakdown of costs for Wales in 2023-24 produced by the Electoral Commission. A breakdown of the 2024-25 split was provided to the Llywydd's Committee as part of the 2024-25 Main Estimate process.

Financial management and spending

16 The Commission's expenditure is authorised by the annual Supply and Appropriation Acts of Parliament and its associated Supply Estimates. These Acts include a series of spending limits, known as control totals. Any expenditure in excess of these control totals is considered irregular. To stay within these control totals, the Commission must prepare and manage its annual budget to make sure that there is sufficient funding for all approved services.

17 If necessary, during the financial year, the Commission may seek to increase its funding by submitting a supplementary estimate to Parliament. These would normally cover costs that arise unexpectedly during the year and are outside the Commission's ability to manage within existing budgets.

18 In 2023-24, the Commission received a supplementary estimate, partially for the purpose of covering a staff pay award and the costs of addressing a cyber-security attack. This supplementary estimate increased the Total Voted Expenditure by £1.4 million.

19 During 2023-24, the Commission's gross expenditure increased to £32.7 million compared to £28.7 million in 2022-23.³ This was driven primarily by an increase in staff costs and an increase in the cost of some goods and services, including IT and telephone services. **Figure 2** shows the Commission's expenditure from 2021-22 to 2024-25.

20 In 2023-24, the Commission's internal auditors gave a limited opinion due to weaknesses in the Commission's governance framework and risk management and control. As a result, the Commission is making changes to its procurement, contract management and financial processes and controls. It has hired additional finance staff and is working to improve its performance monitoring and methodology. This is in addition to work to address findings from the National Audit Office (NAO) 2022-23 management letter.

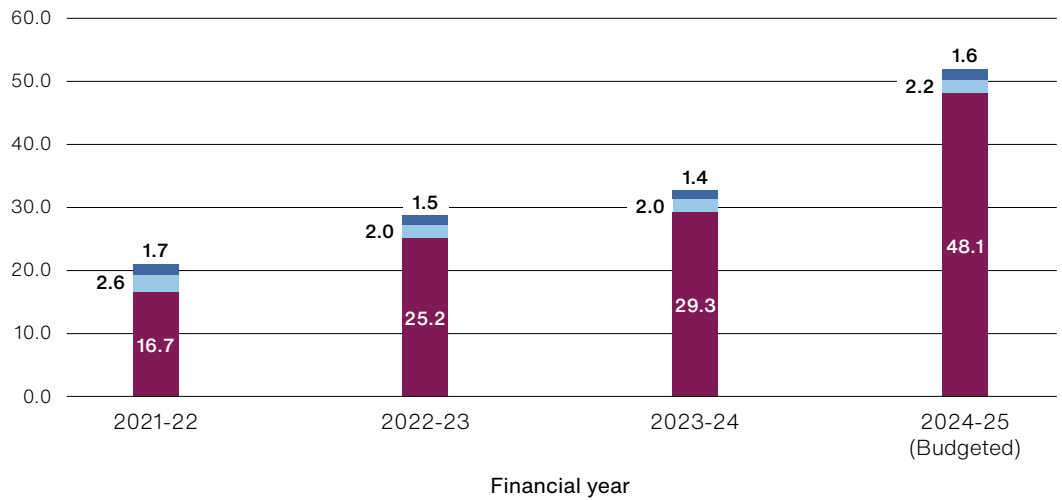
³ The 2022-23 figure contained an impairment of £1.8 million relating to Political Finance Online.

Figure 2

Electoral Commission Expenditure, 2021-22 to 2024-25

Expenditure by the Electoral Commission has increased, with the majority of costs met by the UK Parliament

Total expenditure (£mn)



- UK Parliament
- Scottish Parliament
- Senedd

Notes

- 1 Numbers may not sum due to rounding.
- 2 Data for 2021-22 to 2023-24 are from the published Annual Report and Accounts.
- 3 Data for 2024-25 are forecast expenditure from the Commission's Main Estimate memorandum for 2024-25.
- 4 The 2024-25 forecast includes costs for the 2024 General Election.

Source: The Electoral Commission *Annual Reports and Accounts 2022-23 and 2023-24*, and *Main Estimates Memorandum 2024/25: Electoral Commission*, May 2024

The C&AG's audit opinion

21 The Comptroller and Auditor General (the C&AG) provides an independent audit opinion on over 400 individual accounts across the public sector, in line with the applicable standards set out in the C&AG's audit certificate. The C&AG's opinion on the Commission's accounts comprises two main parts.

- A true and fair audit opinion: This involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.
- An audit opinion on regularity: This involves obtaining evidence that resources have been used in the way that Parliament intended and authorised, that the Statement of Outturn against Parliamentary Supply properly presents the outturn against control totals, and that these have not been exceeded.

The true and fair audit opinion

22 The C&AG gave an unqualified true and fair opinion without modification on the Commission's 2023-24 accounts. He obtained reasonable assurance that the financial statements give a true and fair view of the state of the Commission's affairs and have been properly prepared in accordance with the PPERA and HM Treasury directions thereunder.

The regularity opinion

23 The C&AG qualified his regularity opinion as a result of the Commission exceeding its authorised Capital Departmental Expenditure Limit (CDEL). As CDEL costs are covered by Westminster, this had no impact on the Commission's resources available for the Commission's activities in Wales. Except for this excess, the Statement of Outturn against Parliamentary Supply has not been exceeded, and the Commission's income and expenditure have been applied to the purposes intended by Parliament.

24 The authorised Capital Departmental Expenditure limit⁴ for the Commission for 2023-24 was £1.5 million. The Commission incurred an outturn of £1.9 million, breaching this limit by £0.4 million. The Commission entered into two new lease agreements for office space in Belfast and Cardiff, leading to the recognition of right of use assets totalling £0.7 million.⁵ Per the Consolidated Budgeting Guidance issued by HM Treasury, the initial recognition of a right of use asset is classified as CDEL and therefore led to the breach.

25 The Commission failed to account for the budgetary impact of new leases appropriately in either its main or supplementary estimates. The Commission acknowledged in its annual report that this is a budgeting error and stated that measures have been implemented to prevent it happening again.

26 The 2023-24 Supplementary Estimate saw a £0.6 million decrease in CDEL, due to the reprofiling of capital spend on the Political Finance Online project. This project was unrelated to the leases, but the combination of the budgeting error and release of budget in the Supplementary Estimate led to the breach of spending limits and consequent accounts qualification.

27 As a result of this breach, the Commission must obtain an excess vote in early 2025. Before this, the Committee of Public Accounts (PAC) will scrutinise, on behalf of Parliament, the reasons why the Commission exceeded its allocated resources, and report to the House of Commons on whether it has any objection to the amounts needed to rectify the reported excesses. If PAC reports that it sees no objection to the excess, the excess vote will be put to the House for approval without debate.

⁴ CDEL is budget allocated to bodies that is spent on investment and things that will create growth in the future.

⁵ The cost of the Cardiff lease is not borne by the Senedd.

Staffing

28 The Commission's Annual Report and Accounts includes a Remuneration and Staff report which includes details of the Chair and the Commissioners, the Chief Executive and the executive team, and staff employed by the Commission.

29 The total staff costs for the Commission in 2023-24 were £15 million, 46% of all operating expenditure for the year. The Commission employed 197 full-time equivalent (FTE) staff, an increase of 17 from 2022-23. In 2023-24, staff turnover was 13.8%, down from 21% in 2022-23.

30 The Commission's spending in Wales is primarily made up of staff costs, with 60% (£0.9 million) of the Senedd contribution allocated to staff costs. As of October 2024, there were 10 staff employed in Wales.

31 In 2023-24, the Commission provided a pay award of 4.5%, alongside a one-time non-consolidated payment of £1,500. This was in line with the wider Civil service.⁶ This was higher than the original estimate of 4%. This led to a request in the supplementary estimate for an additional £0.5 million. The Speaker's Committee and Llywydd's Committee raised concerns as the Commission made this payment prior to any agreement with the Committees. In addition, HM Treasury indicated its general expectation that pay awards should be managed through existing budgets.

32 Following NAO recommendations, the Commission committed to address concerns around the capacity and expertise of the finance team by hiring additional accounting professionals. This led to a request of £0.2 million within the Supplementary Estimate.

33 In 2023-24, there was significant director turnover, with three chief executives and the addition of three new directors.⁷ This included an interim finance director who temporarily held the position of Accounting Officer and has subsequently left the Commission. As of March 2024, two out of six of the executive team were employed on an interim basis.

⁶ The Political Parties, Elections and Referendums Act 2000 requires the Commission to consider broad alignment of staff pay and conditions with those in the Civil Service.

⁷ Prior to appointment, one director held the position of General Counsel and attended board meetings in that role.

The cyber-attack

34 On 8 August 2023, the Commission announced that it had been subject to a cyber-attack, in which personal data held as part of the Electoral Register may have been accessed. The attack began in August 2021 and was detected in October 2022.

35 In July 2024, the Information Commissioner's Office (ICO) issued a reprimand to the Commission for failing to protect the personal information it held. It found that the Commission had failed in taking basic steps to protect its systems, which, if in place, would have made the breach highly unlikely. The ICO confirmed that the Commission had taken the necessary subsequent steps to improve its security, and that there was no reason to believe that the breach had caused any direct harm or resulted in data being misused. The Commission worked with security experts and the National Cyber Security Centre to make these improvements.

36 This work led to additional spend on IT infrastructure and cyber defences. In 2023-24, this resulted in an initial request for £0.3 million from Westminster in the Main Estimate, followed by a request for an additional £0.3 million in the Supplementary Estimate.

37 For 2024-25, work to maintain compliance with cyber security standards increased the Commission's Main Estimate by £1.3 million, with £1.2 million being met by Westminster. The Commission anticipates that ongoing costs will be £0.4 million per annum for IT security and related costs. These costs will be shared by the UK Parliament, the Scottish Parliament, and the Senedd.

Appendix One

Content of the Annual Report and Accounts

Figure 3

Content of the Annual Report and Accounts

The Commission's Annual Report and Accounts are prepared in line with the Government Financial Reporting Manual (FRoM)

Section	Performance report	Accountability report			
		Corporate governance report			
Content	Provides information on the body, its main objectives and the principal risks that it faces. It must provide a fair, balanced and understandable analysis of the body's performance.	Used to meet key accountability requirements to Parliament. It must include a corporate governance report; remuneration and staff report; and Parliamentary accountability and audit report.	Sets out the composition and organisation of the body's governance structures, and how they support the achievement of the body's objectives. As a minimum, it must include the following:	Directors' report – includes the titles and names of all Commissioners who had responsibility for the Commission during the year, the person occupying the position of the Chief Executive, composition of the management board, and potential conflicts of interest.	Statement of accounting officer's responsibilities – required to explain the responsibilities of the accounting officer or chief executive of the body. In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual (the FRoM).
To what extent is it audited	Reviewed for consistency with information in the financial statements.	Reviewed and tested for consistency with information in the financial statements; opinion provided.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed by: <ul style="list-style-type: none"> comparing with the requirements of the FRoM; and confirming that the disclosures match the auditors' understanding of the business.

Source: HM Treasury, *The Government Financial Reporting Manual: 2023-24*, June 2024

			Financial statements
	Remuneration and staff report	Parliamentary accountability and audit report	
Governance statement – brings together the judgements made by the accounting officer in using resources to allow them to make informed decisions about the body’s progress, in light of the risks and opportunities the body is facing. It should provide a clear picture of the control structure of the body, and a sense of its vulnerabilities and resilience to challenges.	Sets out the body’s remuneration policy for directors; reports on how that policy has been implemented; and discloses the amounts awarded to directors. Also includes staff numbers, cost and composition; sickness absence data; consultancy expenditure; off-payroll engagements; and exit packages.	Includes: <ul style="list-style-type: none"> • Statement of Parliamentary Supply, showing expenditure against the amounts authorised by Parliament; • other Parliamentary accountability disclosures; and • Certificate and Report of the Comptroller and Auditor General to the House of Commons. 	Includes: <ul style="list-style-type: none"> • Statement of Parliamentary Supply, showing expenditure against the amounts authorised by Parliament; • other Parliamentary accountability disclosures; and • Certificate and Report of the Comptroller and Auditor General to the House of Commons.
Reviewed for: <ul style="list-style-type: none"> • compliance with the requirements set out in <i>Managing Public Money</i>; • quality of the content in the context of risks identified during the audit process and the auditors’ wider knowledge of the business; and • consistency with the findings of any relevant NAO value for money reports or other work. 	Reviewed for consistency with information in the financial statements. Key tables in the remuneration report, staff numbers and costs, and exit packages are fully tested.	Audited and subject to an audit opinion.	Audited and subject to an audit opinion.



National Audit Office