

**LOCAL GOVERNMENT BOUNDARY COMMISSION FOR
WALES**

Commission's annual report and financial statements

31 March 2013

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REPORT OF THE ACCOUNTING OFFICER

History and Statutory Background

The Local Government Boundary Commission for Wales (the Commission) was established in June 1974 under the terms of Section 53 of the Local Government Act 1972 for the purposes of keeping under review the areas and electoral arrangements of local government in Wales.

From 1 April 1995 the Commission became an advisory Non-Departmental Public Body funded by Grant-in-aid from the former Welsh Office and after 1 July 1999, an Assembly Sponsored Public Body (ASPB). When the Government of Wales Act 2006 came into effect on 25 May 2007 the Commission became an Assembly Government Sponsored Body (AGSB) and is now a Welsh Government Sponsored Body (WGSB).

Commission Members, Secretary and Senior Staff

The Commission Members throughout 2012-13 were:

Owen Watkin OBE	(Interim Member until 14 June 2012 / Chairman from 15 June 2012)
Ceri Stradling	(Deputy Chair)
David Powell	(Member)
Max Caller CBE	(Interim Chairman until 14 June 2012)

Independent Member of the Audit Committee:

Julie James

Senior managers throughout 2012-13 were:

Ian Williams	(Secretary and Accounting Officer from 1 October 2012)
Steve Halsall	(Acting Secretary until 30 September 2012 / Deputy Secretary from 1 October 2012)

Following the departure of the Commission Secretary in 2011-12 the Welsh Government's Director General for Local Government and Communities, June Milligan, took on the Accounting Officer duties in respect of the Commission until 1 October 2012 when this role was designated to the Commission's new Secretary, Ian Williams, who was inwardly seconded from Welsh Government.

The Commission's Deputy Secretary, Mr Steve Halsall, was appointed by the Local Government and Communities Minister as Acting Secretary during 2011-12. Mr Halsall served in this capacity until 30 September 2012 when he reassumed the role of Deputy Secretary following the appointment of the new Secretary, Mr Ian Williams. Mr Williams returned to Welsh Government to take up a new post on 1 June 2013 but retains his designation as the Commission's Accounting Officer until a new Secretary is appointed or his term as Accounting Officer ends on 1 October 2013. Following his return to Welsh Government Mr Williams will continue to be involved in Commission business in a reduced capacity.

The terms of appointment of Commission Members and senior managers can be found in

the Remuneration Report (on page 10).

Accounts Direction

The accounts have been prepared in accordance with the Accounts Direction issued by the Welsh Ministers.

Governance Statement

The Commission is required to produce a Governance Statement with its accounts. This has been included at Appendix 1.

Register of Interests

A register of company directorships and other significant interests is maintained and held at the Commission's offices in Caradog House, Cardiff and is available for inspection by the public on request. Alternatively, the register can be accessed from the Commission's web site at: www.lgbc-wales.gov.uk

Appointment of Auditors

The accounts of the Commission are audited by the Auditor General for Wales under Statutory Instrument 2003 number 749 issued in accordance with the Government for Wales Act 1998. On behalf of the Welsh Government, the Auditor General for Wales also undertakes Additional Assurance work on the Commission's activities. Audit fees are disclosed in Note 3 to these accounts.

Audit Committee

The Audit Committee was chaired by Ceri Stradling. David Powell served as a member of the Audit Committee and Julie James served as the Audit Committee's independent member. The Audit Committee's main duties are to consider the effectiveness of the Commission's overall internal control and risk management systems and to ensure adequate processes and mechanisms are in place for the assessment and management of risk. It considers the scope of audit coverage and adequacy of management responses to the audit recommendations and advises the Secretary on audit and compliance matters. The Audit Committee met on four occasions during the year 2012-13.

Charitable and Political Donations

The Commission did not make any charitable or political donations during 2012-13.

Disclosure of Audit Information

So far as I am aware there is no relevant audit information of which the Commission's auditors are unaware. I have taken all the steps that should be taken to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of any such information.

Financial Instruments

Details of Financial Instruments are given at Note 6 to the accounts on page 26.

Going Concern

These accounts are prepared on a going concern basis. So far as I am aware the net current liabilities will be financed from resources voted by the Welsh Government (Grant-in-Aid) in the future.

Payment Policy

The Commission's payment policy is to pay all invoices within 30 days of receipt. This policy is in accordance with the requirements laid down in the Late Payment of Commercial Debts (Interest) Act 1998 and follows the Better Payment Practice Code issued by the Department of Trade and Industry. In 2012-13, the Commission received 287 invoices and paid 100% of these within 30 days and 80% within 10 days.

Pension Scheme

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

For 2012-13, employers' contributions of £31,434.13 were payable to the PCSPS (2011-12 £37,527) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2012-13 to be paid when a member retires and not the benefits paid during this period to existing pensioners. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No Commission staff have opted for a partnership pension.

Details of pension benefits for the Commission's directly employed senior staff member can be found in the disclosure given in the Remuneration report at page 12.

Events After the Reporting Period

These accounts were authorised for issue on 19 July 2013 by the Accounting Officer. At the date of signing these accounts there were no significant events after the reporting period.

MANAGEMENT COMMENTARY

The Commission's general function, as set out in the Local Government Act 1972, is to "make proposals to the Welsh Government for effecting changes appearing to the Commission desirable in the interests of effective and convenient local government".

The main duties under statute are:

- i) To keep under review all local government areas in Wales for the purpose of considering whether or not to propose to the Welsh Government changes appearing to the Commission desirable in the interests of effective and convenient local government;
- ii) To consider requests for reviews from local authorities as well as recommendations from principal councils arising out of their own community reviews;
- iii) To consider the results of reviews carried out by either the Commission or local authorities and make recommendations to the Welsh Government;
- iv) To conduct a review of Wales as a whole, or of any one or more local government areas or parts of such areas in Wales, as directed by the Welsh Government; and
- v) Under provisions of the new Section 64 inserted in the 1972 Act by Section 6 of the Local Government (Wales) Act 1994 as soon as practicable after the ordinary election of councillors for any of the Welsh principal areas as held in 1995 to:
 - a) Review the electoral arrangement for that area with a view to considering future electoral arrangements; and
 - b) Formulate proposals for these arrangements.

The Commission are required under the Act to carry out reviews of the electoral arrangements of principal councils in Wales at intervals of not less than 10 or more than 15 years from the submission of the last report of the Commission on the previous review.

The Commission conduct their reviews by means of consultation with the principal councils, community councils and other interested parties including the public. The Commission announces and publicises their intention to conduct the review and invites representations from all interested parties for a period of nine weeks. The Commission then take account of representations received when formulating their draft proposals which are published in a report outlining the Commission's decisions in respect of changes (if any) to the existing boundary or electoral arrangements. The Commission announce the publication of their Draft Proposals Report and enter into a further consultation period during which further representations are invited from interested parties. These representations are then taken into account when the Commission formulate their final proposals. The Commission's final proposals are published in a report which is submitted to the Welsh Government, which may if it thinks fit make an order giving effect to any proposals made by the Commission, either as submitted or with modifications. The Commission publicises the publication of their Final Proposals Report and there is a six week period during which interested parties may make representations concerning the Commission's proposals to the Welsh Government.

Review of Activities During 2012-13

The Commission completed a review of Torfaen County Borough Council's review of their community boundaries and published its Proposals Report in January 2013.

The Commission published electoral review Final Proposals Reports for the further review of Anglesey in May 2012 and Gwynedd in June 2012. The Commission published electoral review Draft Proposals Report for Carmarthenshire in January 2013. The Commission commenced electoral reviews for Pembrokeshire in October 2012 and Denbighshire further (Prestatyn) in January 2013.

The electoral review of the County Borough of Torfaen was suspended in October 2012 to await the completion of a community review referred to in the top paragraph above. The electoral review is due to be recommenced following the making of the Order changing the community boundaries.

The Commission has continued to strengthen its links with stakeholders and reviewed and improved its communications strategy. Between May and July 2012 the Commission undertook a consultation on an appropriate methodology for assessing the number of councillors for each authority. As a result of this exercise further work has been carried out in conjunction with the Data Unit Wales to arrive at a more robust methodology. A further consultation began on 27 March 2013 with a closing date of 19 June 2013. The quality control procedures within the Commission (in respect of electoral and other reviews) had been improved during in the previous year. A further review of the procedures took place during the year and additional measures introduced. In February 2013 a Review Manager post was introduced with the responsibility of ensuring the controls are monitored and applied consistently.

The forthcoming Local Government (Democracy) (Wales) Bill has significant implications for the Commission and how it operates. The Commission has taken a close interest in the contents and progress of the Bill and has contributed to the process by responding to the White Paper in August 2012, responding to the draft Bill in January 2013 and giving evidence to the Communities, Equality and Local Government Committee on 17 January 2013.

The Commission discharged their corporate management obligations in accordance with their Framework Document, the Commissioners' Code of Best Practice, Complaints Procedure, Code of Practice on Public Access to Information and Welsh Language Scheme. The Commission continued to strengthen its links with stakeholders and its communications strategy was reviewed and improved. With the assistances of Welsh Government, a new web site was developed and implemented in April 2012.

The Commission continued to provide a Secretariat to the Boundary Commission for Wales during 2012-13 and undertook the 2013 review of Parliamentary boundaries which commenced on 4 March 2011. During 2012-12 the Commission received funding for the 2013 Review expenditure directly from the Cabinet Office. During 2012-13 the Commission's expenditure relating to the Boundary Commission for Wales was £149,652 (2011-12; £170,397), as disclosed in Notes 2 and 3 to these accounts.

The Commission's annual Operational Plan submitted to the Welsh Government includes a draft timetable giving key milestone dates for the various stages of its review work. However, the nature of the Commission's review work means that this timetable may be subject to change as a result of requirements for additional information and other changes in the circumstances surrounding the reviews.

The Commission's Code of Practice on Public Access to Information requires all requests for information covered by the Freedom of Information (Fol) Act to be met within 15 working days. In 2012-13 there were 13 requests for information covered by the Fol Act, all of which were provided within 15 working days of receipt of the request.

The Commission's offices at Caradog House were leased by the Welsh Government until October 2012 with lease costs being met by the Commission. In early 2012 the Commission, assisted by Welsh Government, began looking for alternative accommodation in preparation for the end of the lease of Caradog House. A business case was drawn up which examined all the alternative accommodation options available to the Commission in Cardiff and the surrounding area. Hastings House in Cardiff was identified as the option which met all the Commission's requirements and provided the best value for money. The Commission was due to move into Hastings House in October 2012, however, concerns were raised by the Deputy Chairman of the Boundary Commission for Wales that to do so would cause significant disruption to the 2013 Review of Parliamentary Constituencies which was entering a critical and busy phase. In view of this the Commission decided to delay their accommodation move and extend their lease of Caradog House until the end of December 2012 with the agreement of the landlord. Further delays caused by difficulties in supplying an IT link to the Welsh Government at Hastings House meant that the Commission agreed to extend the lease of Caradog House for a further month and did not move to Hastings House until 25 January 2013.

Future Developments

Draft proposals in respect of the further electoral review of Denbighshire (Prestatyn) were published by the end of May 2013 and those for the electoral review of Pembrokeshire are due to be published in June 2013.

Final proposals in respect of the electoral review of Carmarthenshire are due to be published in November 2013 and the further electoral review of Denbighshire (Prestatyn) in August 2013 and for Pembrokeshire in March 2014.

The electoral review of Torfaen is due to recommence following Welsh Government's Order implementing the recent community review. Final proposals in respect of the review of Torfaen are due to be published by the end of August 2013.

As previously indicated the Local Government (Democracy) (Wales) Bill will have a significant impact on the work of the Commission. The Commission will assess the impact of the Bill's provisions and make appropriate changes to its operations to be completed by the end of March 2014.

Several local authorities have indicated that they will be undertaking community reviews during 2013-14. The Commission will provide Councils with any advice and guidance they may require.

The consultation on the methodology for determining the size of councils will end on 19 June 2013. Following consideration of the responses to this consultation the Commissioners intends to publish its policy in respect of council size by the end of September 2013.

The Secretary will continue to assess the Commission's processes for producing the Governance Statement throughout the year. As part of the production of the Annual Report and Accounts a Governance Statement will be produced which will be supplemented by the

Annual Report of the Audit Committee. Consideration of corporate risks will continue to be given at each Commission meeting. The Commission's records management system is to be reviewed and an enhanced system implemented by the end of December 2013. A Corporate Plan that replaces the previous document 'Our Strategy 2009-12 is to incorporate changes that arise from the Local Government (Democracy) (Wales) Bill and will be published by the end of December 2013.

The Commission also have an on-going obligation to keep under review the areas of principal councils and to give consideration to any recommendations made by principal councils in respect of community area reviews undertaken by them.

The Commission's Secretariat also provides a Secretariat to the Boundary Commission for Wales. Although the Boundary Commission for Wales completed the 2013 Review of Parliamentary Constituencies in March 2013 there will continue to be a requirement for an ongoing joint secretariat to serve both Commissions.

The Commission's information technology system is largely provided and maintained by the Welsh Government as part of their Atos partnership contract for which the Commission pays a monthly charge in line with the terms and conditions of the contract. The Commission's other assets comprise office furniture and small items of IT and office equipment. The Commission also uses Geographical Information System software to assist it in carrying out its functions.

Risks and uncertainties

Risks faced by the Commission relate largely to operational and information areas and the technical capacity to carry out its programme of review work. The risks relating to capacity to carry out review work are managed by reviewing staff requirements and structure and adopting policies, such as the direct employment of staff, to ensure continuity of knowledge of the review procedures. The Commission also reviews its future budgets to ensure they are adequate for the programme of work to be undertaken. Operational risks are managed by the maintenance of clear desk instructions for staff and the legal vetting of all reports and documents issued. Information requirements are limited to specialised areas including the use of Geographical Information System software. Independent checks and site visits to locations under review are undertaken as necessary to reduce the risk of inaccurate information affecting the Commission's decision making process. There are also elements of risk in the areas of health and safety and fraud/theft. Regular health and safety checks are carried out by senior management and acted upon by the Commission. Integral to the Commission's internal system of control is the engagement of independent accountants whose role in the financial systems and accounts production reduces the risk of fraud and money laundering. The Commission's internal auditors produce an annual report which is considered by the Audit Committee and the recommendations made are acted upon.

Risks are also managed by the maintenance of a risk management policy together with a risk register which is reviewed at every Commission and Audit Committee meeting. In addition to this the Commission maintains a Business Continuity Plan which is updated as necessary.

Environmental, Social and Community Issues

The Local Government Boundary Commission for Wales is actively pursuing policies that will seek to reduce the impact the Commission's operations have on the environment. Whilst the Commission will undertake a number of initiatives to reduce environmental impact, such as ensuring all staff receive sustainable development training, the main

delivery will be achieved via the Green Dragon Environmental Standard and through the Commission's sustainable procurement policies. The Commission has developed a Sustainable Procurement Policy and Strategy and the Commission's work towards reducing the environmental impact of its activities has been recognised with the awarding of level two of the Green Dragon Environmental Standard. The Commission has also achieved Level three of the Sustainable Procurement Assessment Framework in the key areas.

The Welsh Government's strategic agenda is set out in the Programme for Government. It emphasises the outcomes that Welsh Government are working towards: healthy people living productive lives in a more prosperous and innovative economy; safer and more cohesive communities, with lower levels of poverty and greater equality; a resilient environment with more sustainable use of our natural resources and a society with a vital sense of its own culture and heritage. The Commission acknowledges and supports the commitment of the Welsh Government to develop more inclusive and cohesive communities across Wales, and will endeavour to take account of that commitment in making any recommendations.

Employee Policy

The Commission maintains a core of directly employed staff consisting of the Secretary, Deputy Secretary, Finance Manager, Review Manager, three Review Officers and a Team Support Officer. Directly employed staff have salary bands and terms and conditions of service analogous with Welsh Government staff of corresponding grades. Five members of staff were inwardly seconded staff from another government department. Staff seconded from other government departments remain on the salary scales and terms and conditions of their parent department whilst employed by the Commission. This policy allows the Commission to retain a core of staff with knowledge of mission critical systems and procedures whilst meeting increases in review workload efficiently.

The Commission has an extensive range of policies which reflect current legislation, and aim to secure retention and motivation. These policies are reviewed regularly. All policies are equality checked before implementation. The Commission was first accredited with Investors In People standard in 2009. This was retained when reviewed during 2012-13.

Sickness Absence

During 2012-13 two of the Commission's permanent staff were absent on sick leave for a total of 8 days (2011-12 - three of the Commission's permanent staff were absent on sick leave for a total of 6 days).

Information

The Local Government Boundary Commission for Wales has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Personal Data Management

The Local Government Boundary Commission for Wales takes all reasonable measures to protect the personal data obtained from its stakeholders and employees during the course of its business activities. Data management controls include password protection on all databases holding personal and sensitive data, restricting access to data, holding manual data in locked cupboards and ensuring data handling protocols are in place.

There were no personal data related incidents during 2012-13.

Gifts and Hospitality

The Commission has a Gifts and Hospitality Policy and operates a gifts and hospitality register. During 2012-13 Commission Members were offered non-related hospitality on a total of nineteen occasions. Eighteen of these offers with an estimated total value of £344 were accepted.

Whistleblowing

The Commission operates a Whistleblowing Policy which is made available to staff through the Commission's intranet and Commission Members as part of the induction packs issued to them following appointment. There were no instances of whistleblowing during the reporting period.

Welsh Language Scheme

One of the Commissioners is nominated as the Welsh Language Champion for the Commission. They have an open remit to work with the Commission staff to raise and improve our use of the Welsh Language. The Commission has a Welsh Language Scheme (last revised in February 2011) which sets out the Commission's commitment to the principle that in the conduct of public business in Wales, the Commission will treat the Welsh and English languages on a basis of equality. The Commission's Welsh Language Scheme contains detailed measures in support of the principle and a copy of the full report will be supplied on request or may be accessed on the Commission's web site.

Financial Results

The net expenditure for the year amounted to £489,932 (2011-12; £562,659) and this has been transferred to the general reserve. Grant-in-Aid received from the Welsh Government amounted to £519,735 (2011-12; £576,492) and this has been credited direct to the general reserve.

As Grant-in-Aid is provided on a cash basis and cannot be drawn down in advance of need and the accounts are prepared on an accruals basis this can result in a net negative reserves position. This has been the case for the last five years.

IAN WILLIAMS

Accounting Officer
19 July 2013

REMUNERATION REPORT

Powers to make remuneration to Commission Members are set out in Schedule 8 paragraph 2 of the Local Government Act 1972. This function was transferred to the National Assembly for Wales under SI 1999 Transfer of Functions Order No 672. Annual increases to the remuneration of Chairs and Members of WGSBs are authorised by the First Minister.

The appointment of the Commission's Interim Chairman, Mr Max Caller, was extended with the consent of Welsh Government until 31 July 2012 or until a permanent Chair was appointed if sooner. The appointment of the Commission's Interim Member, Mr Owen Watkin, was extended with the consent of Welsh Government until 14 June 2012 following which he took up his appointment as Chair of the Commission following an open appointment exercise undertaken by Welsh Government. The appointment of the Commission's Interim Independent Audit Committee Member, Mrs Julie James, was extended with the consent of Welsh Government until 31 August 2012, she was subsequently re-appointed following an open appointment exercise.

The appointment of the Chairman, Mr Owen Watkin, is for a term of 3 years running from 15 June 2012 until 14 June 2015. The appointment of the Deputy Chair, Mr Ceri Stradling, is for a term of 3 years running from 1 April 2012 until 31 March 2015. The appointment of the Member, Mr David Powell is for a term of 3 years running from 11 April 2012 until 31 March 2015. The appointment of the Independent Audit Committee Member, Mrs Julie James, is for a term of 3 years running from 1 September 2012 until 31 August 2015.

The Commission's Secretary, Mr Ian Williams, is seconded from Welsh Government for an open ended period which began on 1 October 2012. This period ended on 1 June 2013 when Mr Williams returned to Welsh Government to take up a position there whilst retaining his role as the Commission's Accounting Officer until a new Secretary is appointed. No Acting Secretary has been appointed in the interim but Mr Halsall continues to administer the business of the Commission in his role as Deputy Secretary.

The Commission's Deputy Secretary, Mr Steve Halsall, is directly employed by the Commission on a full time basis and took office on 1st April 2006. The Commission's Deputy Secretary is deemed to be the equivalent of the Welsh Government's Management Band 1. Following the departure of the Secretary, the Deputy Secretary, Mr Halsall, was appointed by the Minister as Acting Secretary from 1 September 2011 to 31 March 2012. This was subsequently extended to 30 September 2012, the post of Deputy Secretary was not filled during this period.

For an interim period the Welsh Government's Director General for Local Government and Communities took on the Accounting Officer duties in respect of the Commission until 30 September following the appointment of the Commission's Secretary, Mr Ian Williams, who took on the role of Accounting Officer to the Commission from 1 October 2012.

Annual increases in salary are applied in accordance with those agreed for staff of the Welsh Government and no performance bonuses are applicable.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Commission Members' Remuneration (*)

	2012-13	2011-12
Name	Fees £'000	Fees £'000
Mr O Watkin (Chair)	7	-
Mr C Stradling (Deputy Chair)	5	-
Mr D Powell (Member)	5	-
Mrs J James (Independent Audit Committee Member)	1	1
Mr M Caller (Interim Chairman)	3	16
Mr O Watkin (Interim Member)	1	4

The Commission members' remuneration related entirely to fees for services rendered during the year. Pension contributions are not payable.

Senior Managers' Salary and Pension Entitlements

Salaries (*)

	2012-13	2011-12
Name	Salary £'000	Salary £'000
I Williams (Secretary)	45-50 (75-80 ¹)	-
Mr S R Halsall (Deputy Secretary / Acting Secretary)	45-50	45-50
E H Lewis (Secretary)	-	30-35 (50-55 ¹)

¹ Full Year Equivalent.

'Salary' includes gross salary and overtime, no amounts for allowances were paid. During 2012-13 there were no payments made in respect of performance pay or bonuses. This report is based on accrued payments made by the Commission and thus recorded in these accounts. In line with the Welsh Government's pay policy there was no salary increase for 2012-13.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Commission in the financial year 2012-13 was £75-80,000 (2011-12 £50-55,000). This was 3.1 times (2011-12: 2.1 times) the median remuneration of the workforce, which was £24,658 (2011-12: £24,561).

The increase in the remuneration of the highest paid director for 2012-13 was due to the inwardly seconded Secretary being a higher staff grade than has previously been employed to undertake the role of Secretary.

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Benefits-in-Kind

None of the Commission's Members or staff received any benefits-in-kind during 2012-13.

Bonuses

None of the Commission's Members or staff received any bonuses during 2012-13.

Pension Benefits (*)

* This information is subject to audit.

Name	Accrued pension at pension age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/13	CETV at 31/3/12	Real increase in CETV	Employer contributions to partnership pension accounts
	£'000	£'000	£'000	£'000	£'000	
Mr S R Halsall Acting / Deputy Secretary	20 - 25 plus lump sum of 40 - 45	0 - 2.5 plus lump sum of 0 - -2.5	470	440	2	-

The Commission's Secretary during 2012-13 was an inward secondment from Welsh Government and the Commission was not responsible for his pension arrangements.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year

and the accrued pension is updated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

IAN WILLIAMS
Accounting Officer
19 July 2013

STATEMENT OF THE COMMISSION'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government of Wales Act 2006, Welsh Ministers have directed the Commission to prepare for each financial year a statement of accounts in the form and on the basis determined by the Welsh Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net operating costs, recognised gains and losses, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- i) Observe the accounts direction issued by the Welsh Ministers including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) Make judgements and estimates on a reasonable basis;
- iii) State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- iv) Prepare the financial statements on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding the Commission's assets, are as set out in the Accounting Officers' Memorandum.

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 Local Government Boundary Commission for Wales ('the Commission') for the year ended 31 March 2013 under the Local Government Boundary Commission for Wales (Accounts, Audit and reports) Order 2003. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Commission's and the Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Local Government Boundary Commission for Wales (Accounts, Audit and reports) Order 2003 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit 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. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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 addition I read all the financial and non-financial information in the Report of the Accounting Officer, the unaudited part of the Remuneration Report and the Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2013 and of the Comprehensive Net Expenditure, Changes in Taxpayers Equity and cash flows for the year then ended; and

- have been properly prepared in accordance with Local Government Boundary Commission for Wales (Accounts, Audit and reports) Order 2003.

Opinion on Regularity

In my opinion, 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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local government Boundary Commission for Wales (Accounts, Audit and reports) Order 2003; and
- the information which comprises the Report of the Accounting Officer, the unaudited part of the Remuneration Report and the Management Commentary included within the Annual Report is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

8 August 2013

The maintenance and integrity of the Local Government Boundary Commission for Wales' web site is the responsibility of the Local Government Boundary for Wales; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2013

	Notes	2013 £	2012 £
EXPENDITURE			
Staff costs	2	399,825	446,614
Depreciation	5	2,523	3,356
Other expenditure	3	245,177	245,234
Total Expenditure		647,525	695,204
INCOME			
Other income	4	157,596	132,544
Total Income		157,596	132,544
Net Expenditure		(489,929)	(562,660)
Net interest (payable) / receivable		(3)	1
Net Expenditure after interest		(489,932)	(562,659)
OTHER COMPREHENSIVE EXPENDITURE			
Total Comprehensive Expenditure for the year ended 31 March 2013		(489,932)	(562,659)

All activities are classed as continuing

The notes on pages 21 to 29 form part of these accounts.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

STATEMENT OF FINANCIAL POSITION as at 31 March 2013

	Notes	31 March 2013 £	31 March 2012 £
NON-CURRENT ASSETS			
Property, Plant and Equipment	5	<u>4,210</u>	<u>1,793</u>
Total non-current assets		<u>4,210</u>	<u>1,793</u>
CURRENT ASSETS			
Trade and other receivables	7	<u>5,387</u>	<u>3,090</u>
Cash and cash equivalents	8	<u>50,105</u>	<u>8,480</u>
Total current assets		<u>55,492</u>	<u>11,570</u>
Total assets		<u>59,702</u>	<u>13,363</u>
CURRENT LIABILITIES			
Trade and other payables	9	<u>(60,727)</u>	<u>(44,191)</u>
Total current liabilities		<u>(60,727)</u>	<u>(44,191)</u>
Total assets less current liabilities		<u>(1,025)</u>	<u>(30,828)</u>
FINANCED BY:			
General reserves	11	<u>(1,025)</u>	<u>(30,828)</u>
		<u>(1,025)</u>	<u>(30,828)</u>

The notes on pages 21 to 29 form part of these accounts.

IAN WILLIAMS
Accounting Officer
19 July 2013

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

STATEMENT OF CASH FLOWS for the year ended 31 March 2013

	Notes	2013	2012
		£	£
Cash flows from operating activities			
Net expenditure after interest		(489,932)	(562,659)
Adjustments for:			
Decrease / (Increase) in trade and other receivables		(2,297)	(1,420)
Depreciation		2,523	3,356
Increase / (Decrease) in trade payables		16,536	(12,164)
Net cash outflow from operating activities		(473,170)	(572,887)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4,940)	-
Net cash outflow from investing activities		(4,940)	-
Cash flows from financing activities			
Grants from parent departments		519,735	576,492
Net financing			
Net (decrease) in cash and cash equivalents at the start of the period		41,625	3,605
Cash and cash equivalents at the beginning of the period	8	8,480	4,875
Cash and cash equivalents at the end of the period	8	50,105	8,480

The notes on pages 21 to 29 form part of these accounts.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

STATEMENT OF CHANGES IN TAX PAYERS' EQUITY for the year ended 31 March 2013

	Notes	General Reserve* £
Balance at 31 March 2011		(44,661)
Changes in accounting policy		-
Restated balance at 1 April 2011		<u>(44,661)</u>
Changes in tax payers' equity 2011-12		
Grant in Aid from Welsh Government	11	576,492
Comprehensive Expenditure for the year		(562,659)
Balance at 31 March 2012		<u>(30,828)</u>
Changes in taxpayers' equity for 2012-13		
Grant in Aid from Welsh Government	11	519,735
Comprehensive Expenditure for the year		(489,932)
Balance at 31 March 2013		<u>(1,025)</u>

The notes on pages 21 to 29 form part of these accounts.

* no total column is given as this is the only reserve the Commission has.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (IFRS based FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Local Government Boundary Commission for Wales for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Local Government Boundary Commission for Wales are described below. These have been applied consistently in dealing with items that are consider material to the accounts.

1.1 Accounting Convention

The accounts are prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Valuation of Non-Current Assets

Non-current assets are stated at their value to the Commission by reference to historic cost less depreciation. Non-current assets are capitalised at the cost of acquisition and installation where that cost exceeds £500. In the opinion of the Commission, there is no material difference between the historic and current replacement cost of office furniture and equipment. Computer software costs are written off as incurred.

1.3 Depreciation

Depreciation of non-current assets is calculated to write off their cost or valuation over their estimated useful lives. All non-current assets are depreciated over five years. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

1.4 Employee benefits

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees. Annual leave is provided for over the period that the leave accrues. This accounting policy was introduced in 2009-10 in line with the requirement of IAS19, Employee Benefits.

1.5 Funding

The Local Government Boundary Commission for Wales receives Grant-in-Aid from the Welsh Government to fund its general revenue and capital activities. In

accordance with the FReM this Grant-in-Aid is regarded as financing and is credited to the General Reserve on receipt.

Government grants receivable for specific capital expenditure are credited to the Government Grant Reserve and released to the operating cost statement account over the expected useful lives of the relevant assets by equal amounts.

1.6 Inventories

The Local Government Boundary Commission for Wales does not hold any stock of material value.

1.7 Value Added Tax (VAT)

The Commission is not registered for VAT. All expenditure and fixed asset purchases are inclusive of relevant VAT.

1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payments of future benefits is a charge on the PCSPS.

1.9 Management of Financial Risk

The Commission has no borrowings and relies primarily on Welsh Government grants for its cash requirements. It also has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

1.10 Financial Instruments

The Commission does not have any significant financial instruments. Short term instruments can include cash, trade debtors and trade creditors. Where applicable, the current value is the same as the fair value at the year end.

1.10.1 Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.10.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short term deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.10.3 Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

1.10.4 Borrowings

There are no interest bearing loans or overdrafts.

1.10.5 Impairment

The carrying value of the Local Government Boundary Commission for Wales' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use.

1.10.6 Financial Assets and Financial liabilities which arise from contracts for the purchase or sale of non financial items are recognised when performance occurs, i.e. when receipt or delivery of the goods or services is made.

1.11 Operating Leases

The Commission's offices at Caradog House were leased by Welsh Government until the end of January 2013 with lease costs being met by the Commission. From 5 December 2012 the Commission also had offices at Hastings House leased by Welsh Government with lease costs being met by the Commission. This overlap in office accommodation leases was due to the requirement to undertake a very busy period of parliamentary boundary review work without interruption which necessitated remaining at Caradog House, whilst retaining the new office accommodation at Hastings House. It is considered that the lease on the Commission's accommodation at Hastings House is an operating lease rather than a finance lease because:

- ownership of the accommodation does not transfer to the Commission at the end of the lease term;
- there is no option to purchase at the end of the lease term;
- the lease term is not for the major part of the economic life of the building; and
- the present value of the minimum lease payments do not amount to at least substantially all of the fair value of the building.

An operating lease was also in place for the photocopier although this expired and was not renewed as the Commission now uses a Multi-Function Device supplied through the Welsh Government's Atos partnership for its photocopying requirements. These lease costs are charged to the operating cost statement in the year during which the costs are incurred. The Commission is included under the Welsh Government's Atos partnership contract for the provision of all IT services including hardware and software. As part of this agreement the Commission pays a monthly charge to the Welsh Government based on the number of Commission staff with access to the Atos system proportionate to the total number of overall users throughout the Welsh Government. Costs for the provision of hardware and software through the Atos contract are met by the Commission but these remain assets of the Welsh Government.

2. STAFF NUMBERS AND RELATED COSTS

	2013 Permanently employed staff £	2013 Inward Secondments £	2013 Contract Staff £	2013 Commission Members £	2013 Total £
Wages and salaries	164,208	127,536	7,037	22,167	320,948
Social security costs	12,464	9,498	-	829	22,791
Pension costs	31,434	24,321	-	-	55,755
Holiday pay accrual	199	132	-	-	331
Total Net Costs	208,305	161,487	7,037	22,996	399,825

Average number of persons employed

The average number of whole-time equivalent persons employed during the year by these categories was as follows:

No.	No.	No.	No.	No.
6	4	1	4	15

Comparatives:

	2012 Permanently employed staff £	2012 Inward Secondments £	2012 Contract Staff £	2012 Commission Members £	2012 Total £
Wages and salaries	211,764	120,704	2,765	32,074	367,307
Social security costs	14,988	8,317	-	2,042	25,347
Pension costs	37,527	19,426	-	-	56,953
Holiday pay accrual	(1,633)	(1,360)	-	-	(2,993)
Total Net Costs	262,646	147,087	2,765	34,116	446,614

Average number of persons employed

The average number of whole-time equivalent persons employed during the year by these categories was as follows:

No.	No.	No.	No.	No.
6	5	1	3	15

The emolument of the Chair of the Commission was £6,962 (2011-12: £2,689). The emolument of the Interim Chairman of the Commission was £2,678 (2011-12: £15,748). The emolument of the Deputy Chair and Member was £5,090 and £5,445 respectively. The emolument of the Independent Audit Committee Member and Interim Member were less than £5,000 each. Further details of remuneration can be found in the Remuneration Report, at pages 10 to 13.

The above costs include £81,381 (2011-12; £118,143) in respect of staff resources expended on behalf of the Boundary Commission for Wales. The decrease in Boundary Commission for Wales costs for 2012-13 is due to the decrease in work for the 2013 Review of Parliamentary Constituencies which came to an end following the Electoral Registration and Administration Act 2013 (Commencement No. 3) Order 2013.

2.1 REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

No redundancy or other departure costs were paid during 2012-13 (2011-12: 1 staff

departure, £20,000).

3. OTHER EXPENDITURE

	2013	2012
	£	£
Running Costs		
Travel and Subsistence Staff	3,441	10,229
Travel and Subsistence Commission Members	11,022	11,563
Course Fees and Staff Training	1,953	1,992
Auditor General for Wales – annual audit fee	7,801	7,801
– other audit fees	3,162	762
Internal Audit Fees	5,328	5,160
Advertising	-	7,273
Translation	11,791	21,882
Printing, postage and stationery	19,547	25,694
Telephone and contracts	2,260	1,541
Accommodation costs	24,756	1,288
Legal and professional	7,116	33,123
Non-capital computer costs	49,576	28,569
Other	1,515	1,554
Rentals under operating leases	95,909	86,803
Total	<u>245,177</u>	<u>245,234</u>

Accommodation and operating lease expenditure rose significantly during 2012-13 due to costs associated with the office move from Caradog House to Hastings House including the cost of furniture removals and fittings and extending the lease on Caradog House for December 2012 and January 2013 whilst commencing the lease on Hastings House from December 2012.

The above costs include £68,271 (2011-12; £52,253) in respect of travel and subsistence, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales. Costs for the Boundary Commission for Wales are calculated as the percentage of staff time spent on parliamentary issues, with the exception of accommodation costs which are set at a fixed rate of 36%. The increase in Boundary Commission for Wales costs for 2012-13 is due to the additional costs associated with the accommodation move.

4. INCOME

Grant-in-Aid is financing income and is credited directly to reserves. During 2012-13 the Commission received £157,572 in respect of funding from the Cabinet Office for work undertaken to conduct the 2013 Review of Parliamentary Constituencies. In addition to this the Commission received a rebate of £24 relating to the usage of Welsh Procurement Cards.

5. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £	Furniture & Fittings £	Total £
Cost or Valuation			
At 1 April 2012	55,372	36,008	91,380
Additions	746	4,194	4,940
Disposals	(31,560)	(4,729)	(36,289)
At 31 March 2013	<u>24,558</u>	<u>35,473</u>	<u>60,031</u>
Depreciation			
At 1 April 2012	54,746	34,841	89,587
Provided during the year	775	1,748	2,523
Eliminated on disposal	(31,560)	(4,729)	(36,289)
At 31 March 2013	<u>23,961</u>	<u>31,860</u>	<u>55,821</u>
Net Book Value at 31 March 2013	597	3,613	4,210
Net Book Value at 31 March 2012	626	1,167	1,793
Asset financing			
Assets owned	597	3,613	4,210
Net Book Value at 31 March 2013	<u>597</u>	<u>3,613</u>	<u>4,210</u>

6. FINANCIAL INSTRUMENTS

As the cash requirements of the Commission are met through Grant-in-Aid provided by the Welsh Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2013 £	2012 £
Amounts falling due within one year:		
Prepayments and accrued income	5,387	3,090
Total	<u>5,387</u>	<u>3,090</u>

8. CASH AND CASH EQUIVALENTS

	2013 £	2012 £
Balance at 1 April	8,480	4,875
Net change in cash and cash equivalent balances	41,625	3,605
Commercial banks and cash in hand	<u>50,105</u>	<u>8,480</u>
Balance at 31 March	<u>50,105</u>	<u>8,480</u>

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2013 £	2012 £
Amounts falling due within one year:		
Taxation and social security	4,011	5,006
Trade payables	36,616	12,479
Accruals and deferred income	9,647	16,584
Holiday pay accrual	10,453	10,122
	<u>60,727</u>	<u>44,191</u>

9.1 INTRA - GOVERNMENT BALANCES

	31 March 2013 £	31 March 2012 £
Amounts falling due within 1 year:		
Welsh Government	33,768	2,305
Department for Work and Pensions	-	7,454
HM Revenue and Customs	4,011	11,460
Balances with other central government bodies	<u>37,779</u>	<u>21,219</u>
Balances with bodies external to government	12,495	12,850
Total	<u>50,274</u>	<u>34,069</u>

10. OPERATING LEASES

	2013 £	2012 £
Total future minimum lease payments under Non-cancellable operating leases comprise:		
Buildings		
Not later than 1 year	49,648	42,000
Later than 1 and not later than 5 years	182,578	-
Later than 5 years	-	-
Total	<u>232,226</u>	<u>42,000</u>
Information Technology		
Not later than 1 year	28,000	28,000
Later than 1 and not later than 5 years	90,000	90,000
Later than 5 years	-	-
Total	<u>118,000</u>	<u>118,000</u>
Other		
Not later than 1 year	-	2,100
Later than 1 and not later than 5 years	-	-
Later than 5 years	-	-
Total	<u>-</u>	<u>2,100</u>
Total	<u>350,226</u>	<u>162,100</u>

The figures for Buildings reflect the Commission's new 5 year lease of offices at

Hastings House, Cardiff.

The figures for the Information Technology operating lease payments relate to the Commission's inclusion on the Welsh Government's Atos IT partnership contract. It is assumed that the Atos IT partnership contract is continuous and therefore it is not possible to calculate minimum payments later than 5 years. Cost calculations are based on the overall number of users in Welsh Government and other bodies included on the contract and can fluctuate.

Other lease costs refers to the 5 year lease of a photocopier which ended March 2012. The Commission uses alternative in-house copying facilities provided by Welsh Government and therefore does not require a future photocopier lease.

11. GENERAL RESERVE

	2013 £	2012 £
Net expenditure	<u>(489,932)</u> (489,932)	<u>(562,659)</u> (562,659)
Welsh Government Grant-in-Aid	<u>519,735</u> 29,803	<u>576,492</u> 13,833
General reserve at 1 April	<u>(30,828)</u>	<u>(44,661)</u>
General reserve at 31 March	<u><u>(1,025)</u></u>	<u><u>(30,828)</u></u>

12. SPECIAL PAYMENTS AND LOSSES

The Commission recorded a loss amounting to £839 in 2012-13 resulting from a fruitless payment in respect of printing reports which were subsequently found to be incorrect.

13. RELATED PARTY TRANSACTIONS

The Welsh Government is regarded as a related party. During the year, the Commission has had various material transactions with the Welsh Government. Grant-in-Aid received during the year amounted to £519,735 (2011-12: £576,492).

The Secretariat of the Commission also acts as Secretariat to the Parliamentary Boundary Commission for Wales (BCW). The BCW is a Non-Departmental Public Body sponsored by the Cabinet Office. The Cabinet Office is regarded as a related party.

The Commission has no other related party transactions. None of the Commission members, key managerial staff or other related parties has undertaken any material transactions with the Commission during the year.

14. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The Net Expenditure Account reflects the segments that the operating results of the Local Government Boundary Commission for Wales are reported to the Commission. Consequently no further analysis of net expenditure by segment is provided.

15. CONTINGENT LIABILITIES AND ASSETS

There were no contingent liabilities or assets at the end of 2012-13.

16. EVENTS AFTER THE REPORTING PERIOD

These accounts were authorised for issue on 19 July 2013 by the Accounting Officer. At the date of signing these accounts there were no events after the reporting period to disclose.

ANNUAL GOVERNANCE STATEMENT

2012/13

1. Introduction

The Local Government Boundary Commission for Wales (“the Commission”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Commission is a statutory body that is sponsored by the Welsh Government and as such the Commission is required to operate a robust system of corporate governance. The relationship between the Commission and Welsh Government is defined in a Framework Document.

In a letter of 17 February 2012, H M Treasury advised Accounting Officers about the requirement to include a governance statement in future annual reports and accounts. The governance statement is to provide evidence of how the Accounting Officer has managed and controlled the resources used in his or her organisation through the course of the year in line with the principles set out in H M Treasury’s Corporate Governance Code¹.

In 2011/12 the Commission approved a first edition of a Corporate Governance Manual which provides an overview of the Commission’s governance framework. The Corporate Governance Manual has been subject to review during the reporting period.

2. The purpose of the Governance Framework

The governance framework comprises the committees, systems and processes, cultures and values, by which the Commission operates and its activities through which it accounts to, engages with and leads the community. It enables the Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 the Commission’s 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 Commission’s overall conclusion for 2012-13 is that the level of governance throughout the year has been satisfactory. There remains, however, some issues identified by the Audit Committee’s annual self-assessment exercise, which are still

¹ http://www.hm-treasury.gov.uk/psr_governance_corporate.htm

to be addressed. These are considered in detail at the end of this Governance Statement.

3. Governance Framework

3.1 Welsh Government Framework Document, Operational Plan and Remit Letter

The respective roles of the Welsh Government as Sponsor Department and the Commission are set out in a Framework Document. The Framework Document sets out the broad framework within which the Commission operates and details the terms and conditions under which the Welsh Ministers provide grant-in-aid to the Commission. This includes the requirement for the Commission to produce an annual Operational Plan.

The Commission's annual Operational Plan is agreed between the Commission and the Welsh Government and sets out the main work of the Commission for the coming financial year and how this work will be financed. The Operational Plan is produced following the receipt of a Remit Letter from the Welsh Government Minister which sets out its policy aims, the notification of the allocated grant-in-aid to the Commission with related budgetary control and guidance on specific requirements in relation to business planning for the coming year.

3.2 Accounting Officer

The Commission's Secretary (Chief Executive) is usually appointed Accounting Officer by the Welsh Government Minister. However, for an interim period which commenced on 12 August 2011 until 30 September 2012 the Welsh Government's Director General for Local Government and Communities took on the Accounting Officer duties in respect of the Commission. From 1 October 2012 the Commission's new Chief Executive was appointed Accounting Officer by the Welsh Government. The Accounting Officer's responsibilities are set out in the Welsh Government's publication Managing Welsh Public Money.

3.3 The Corporate Management Team

The Corporate Management Team meets monthly and comprises the Chief Executive, Deputy Chief Executive, Finance Manager and the Review Manager. Other officers are called on for their professional expertise as required.

3.4 Committee Structure

The legislation requires that the Commission board shall consist of a Chairman, a Deputy Chairman and not more than three other members. In practice however the Commission has operated with just three members. In general the Commission meets once per month but may meet more or less frequently depending on the flow of work.

In order to support the Commission in respect of issues of risk, financial propriety, internal control and governance, and associated assurance an Audit Committee has been appointed. The Audit Committee comprises two members of the Commission (not the Chair) and an appointed independent member. The Audit Committee is scheduled to meet at least three times a year. The Chair of the Audit Committee may convene additional meetings as they deem necessary.

The Corporate Management Team which comprises the Chief Executive, Deputy Chief Executive, the Finance Manager and the Review Manager attend both Commission and Audit Committee meetings. Other officers are called on for their professional expertise as required. Representatives of both Internal and External Audit attend the Audit Committee.

3.5 Attendance Records

Commission Meetings 2012 – 13		
	Meetings held	Meetings attended
O Watkin (Chair) ¹	11	10
C Stradling (Deputy Chair)	11	11
D Powell (Member)	11	11
M Caller (Interim Chairman) ²	11	2

¹ Mr Watkin was unable to attend the meeting held on 17 May 2012.

² Mr Watkin took over as Chair from the Commission's Interim Chairman, Mr Caller on 15 June 2012.

Audit Committee Meetings 2012 – 13		
	Meetings held	Meetings attended
C Stradling (Chair)	4	4
D Powell (Member)	4	4
J James (Independent Member)	4	4
O Watkin (Member) ³	4	1

³ Mr Watkin was appointed Chair of the Commission on 15 June 2012 and stood down from the Audit Committee.

3.6 Coverage of Work

The role of the Commissioners is to:

- provide effective leadership; defining and developing strategic direction and setting challenging objectives;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure that the Commission's activities are conducted efficiently and effectively;
- monitor performance to ensure that the Commission fully meets its aims, objectives and performance targets;
- represent the views of the Commission to the public and its stakeholders;
- oversee the progress on reviews to which they are appointed as 'lead commissioner'; and
- ensure that the reputation of the Commission is enhanced and maintained through the actions and decisions of the Commission and the way these are communicated to stakeholders.

The Audit Committee advises the Accounting Officer and Commission on:

- the strategic processes for risk, control and governance and the Governance Statement;

- the accounting policies, the accounts and the annual report of the Commission, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- the soundness of budget monitoring arrangements;
- proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services; and
- proposals for contentious accounting issues such as compliance exceptions and exemptions.

4. Board Effectiveness

4.1 Induction, Development, Training and Performance Appraisal

New Commissioners are provided with an induction pack which includes information about the review work as well as all the corporate governance policies and procedures. The induction pack is provided on CD and individual documents are printed on request. As part of the Commissioners induction training is provided in respect of the process of carrying out an electoral review.

Commissioners are encouraged to build links with members of other bodies that have interests in common with the Commission. There is a well-established arrangement of annual meetings between the various UK Boundary Commissions and there are also periodic meetings between the Commission Members and the Welsh Local Government Association, One Voice Wales, SOLACE and other stakeholder bodies.

The Commission will also consider providing training opportunities for specific areas of expertise that have been identified to be of benefit to the Commission.

The Commission Chair's performance is appraised annually by the Deputy Director of the Commission's Welsh Government Sponsor Division. Commission Members' performance is appraised annually by the Commission Chair. The Independent Audit Committee Member's performance is appraised annually by the Chair of the Audit Committee.

4.2 Board Information

- Terms of Reference for Board meetings have been adopted;
- A standard format of reports has been adopted. This ensures consistency and requires consideration of issues such as risks and legal implications;
- Authors of reports are encouraged to draw on available and reliable sources of information such as Welsh Government, local authorities, other Boundary Commissions, government departments etc.;
- A standard format of agendas and minutes has been adopted. Standard agenda items to include, declarations of interest, issues arising, risk management, budget

report and a calendar of events. The minutes of the Board are published and available on the Commission's website.

4.3 Performance Evaluation

The Minister for Local Government and Communities instigated an independent review of the Commission, headed by Mr Glyn Mathias, which reported in June 2011. The report concluded that the Commission 'was not fit for purpose' and made a number of recommendations. These recommendations were accepted by the Minister who then appointed Interim Commissioners to take forward the recommendations. A new Commission comprising a Chair, Deputy Chair and Member was appointed in April 2012.

Following on from the Mathias report the Welsh Government, through their Internal Audit service, instigated an audit of the Commission's procedures for evidencing the Statement on Internal Control. The report of this audit made 22 recommendations in respect of the Commission's governance arrangements. A follow-up audit took place in May 2012. The follow-up report concluded that the Commission had implemented the majority of the recommendations and satisfactory progress on the few recommendations which had not been fully implemented. Arrangements have been put in place for 2012-13 for the Chair of the Commission to facilitate the evaluation of the effectiveness of Commission members.

A Stakeholder Feedback Policy and Questionnaire are being developed and will be implemented during 2013.

4.4 Audit Committee

The Commission's Audit Committee produce an Annual Report which provided positive feedback to the Accounting Officer on the completeness and reliability of the assurances obtained by the Commission on its risk management and internal controls. The main points of the Committee's 2012-13 Annual Report were:

- During 2012-13 the Committee commenced the practice of having Members complete an annual self-assessment questionnaire;
- During 2012-13 the Committee commenced the practice of holding an annual confidential meetings between Members and External and Internal Audit;
- The effectiveness of Internal Audit was confirmed during the year by the Commission's External Auditors who reported in their 2011-12 Management Letter that the Commission has operated an effective system of control including Internal Audit arrangements that comply with the Government Internal Audit Standards. This finding was confirmed at the confidential meeting between Committee Members and Internal and External Auditors;
- The Audit Committee receives progress reports on implementation of the audit recommendations at every meeting. During 2012-13 it was noted that the overwhelming majority of the recommendations had been implemented within the agreed time;
- The Committee noted that the Commission had maintained satisfactory systems for budget monitoring, risk management review and gifts and hospitality;
- The Committee was satisfied that the Commission's Accounting Officer can be substantially assured that Commission's control, risk and governance position in 2012/13 provided a sound and reasonable basis for his completion of the Governance Statement.

The Committee adopted the NAO Audit Committee Self Assessment Questionnaire which was slightly modified to make it more appropriate for the Commission. Following completion of the questionnaire the following areas of non-compliance with best practice were identified:

Non-compliance with best practice	Action to be implemented
New Members of the Audit Committee had not been given the opportunity to attend an induction training course for Audit Committee members run by the National School of Government, or other sector-related organisation. In addition, the Audit Committee and the Chair did not make recommendations to the Board on the Committee's and individual Members training needs.	Audit Committee Members will be formally requested to identify any training requirements they consider necessary to undertake their roles more effectively. Committee Members' training requirements to be kept under review.
The Annual Report of the Audit Committee for 2011-12 did not present the Committee's opinion about its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.	The 2012-13 Annual Report will assess the Committee's effectiveness based on self assessment and feedback from External Audit. It will also set out the actions needed to improve further.
The Audit Committee did not review the first draft of the annual accounts before the External Auditors started work on them.	Future draft annual accounts will be circulated to Committee Members by email as soon as they are available.
Inputs on Any Other Business were not formally requested in advance from Committee members and attendees.	Formal requests for AOB items will now be made following agreement of the meeting agendas with the Committee Chair.
There was no appropriate appraisal of Committee Members' performance provided by the Chair.	The performance of the Audit Committee Member is assessed by the Chair of the Board as part of his assessment of their performance as a board member. The performance of the Independent Audit Committee Member will be appraised by the Audit Committee Chair (this is already underway for 2012-13).
The Audit Committee Chair did not receive appraisal of their personal performance from the Accounting Officer or Chair of the Board.	The performance of the Audit Committee Chair is assessed by the Chair of the Board, taking advice from the Accounting Officer, as part of his assessment of their performance as a board member.
There were no arrangements in place for: 1. The Chair to hold bilateral meetings with the Accounting Officer, the Head of Internal Audit, Director of the External Auditors; 2. The Audit Committee to periodically obtain the views of the External Auditor on the work and effectiveness of the Audit Committee; 3. the Audit Committee to seek confirmation from Internal Auditors and the External Auditors on the effectiveness of their relationship.	These issues will be covered by the annual confidential meetings with External and Internal Audit representatives.
The Audit Committee did not follow up recommendations regarding its effectiveness.	Progress on follow up of Issues regarding the Committee's effectiveness identified by the annual self-assessment exercise will be reported to Committee meetings and will be included in the subsequent Annual Report.
There was no induction checklist for new Audit Committee members that detailed key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors.	The LGBCW's induction pack for new Members will be sent to Independent Audit Committee Members in future.
The Audit Committee did not consider whether management arrangements for whistle-blowing was satisfactory.	The Audit Committee will consider the LGBCW's Whistleblowing Policy annually. This will be included amongst the standing items on the Committee's Terms of Reference.

The Committee will implement the identified actions during 2013-14 with progress reports being presented to every Committee Meeting. The minutes of the Commission's Audit Committee are published on the Commission's website.

4.5 Internal Audit

The review of the effectiveness of the system of internal control and governance arrangements is informed by the work of the Internal Auditors and their reporting to the Commission. This work is undertaken by appointed auditors who structure their work based on an annual audit programme. The terms of reference for internal audit require that work is conducted in accordance the Government Internal Audit Standards.

As part of the Commission's corporate business cycle the Commission's Internal Auditors, Deloitte, draws up an internal audit programme which is approved by the Audit Committee. The audit process uses the standard CIPFA auditing guidelines and other best practices with the aim of identifying potential weaknesses in controls. Each of these potential weaknesses is then assessed jointly with the auditors to consider the likely risk and scale of impact, and the alternative controls and potential improvements within the resources of the Commission.

The Internal Audit Opinion on Internal Control 2012/13 has been produced by Deloitte with the objective of supporting the Annual Governance Statement by giving an opinion on the level of internal control based on the internal work outlined below.

Mid-Year Audit Report 2012-13

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Corporate Governance and Risk Management	November 2012	0	1	3	Substantial
IT General Controls	November 2012	0	1	0	Substantial

Annual Audit Report 2012-13

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Electoral and Community Reviews Quality Assurance	April 2013	1	1	2	Limited
Welsh Government Internal Control Recommendations and IT General Controls	April 2013	0	2	2	Substantial

4.6 External Audit

The Auditor General for Wales is the Commission's statutory auditor but the actual function has been contracted out by him to Grant Thornton. They report to the

Commission following their financial accounts and performance work and in the annual audit letter. They also express an opinion on the adequacy of internal audit work. The Audit conclusions for the 2011/12 financial year were reviewed at the November 2012 meeting of the Audit Committee. An unqualified opinion was given on the 2011/12 Accounts and no audit recommendations were raised.

5. Highlights of Commission Business

- A new Chair, Deputy Chair and Member were appointed.
- The Independent Audit Committee Member was appointed.
- A new Secretary and Accounting Officer was appointed.
- The Commission formulated a new policy and methodology for the determination of council size to assist in efficient review of local authority electoral arrangements. The Council Size policy and methodology was subject to a consultation exercise with interested parties and assistance from the Data Unit Wales.
- The Commission formulated a Communications Strategy.
- The Commission considered the business case and progress reports for its office accommodation relocation.
- The Commission considered the business case and progress reports for the provision of accountancy and payroll services.
- The Commission responded to the Welsh Government's White Paper 'Promoting Local Democracy'.
- The Commission gave evidence to the National Assembly Committee on the Local Government (Democracy) (Wales) Bill.
- The Welsh Government undertook a follow-up audit of the Commission's procedures for evidencing the Governance Statement.
- The Commission adopted a Board Assurance Framework which was incorporated into the risk register.
- Terms of Reference for Commission Board meetings were adopted.
- Revised Terms of Reference for the Audit Committee were agreed.
- The allocation of the 2013-14 and 2014-15 budgets were reviewed taking account of the changing circumstances regarding the possible outcomes of Local Government (Democracy) (Wales) Bill.
- Draft Proposals were published for the review of electoral arrangements for the County of Carmarthenshire.
- The Commission put on hold its review of electoral arrangements for the County Borough of Torfaen to complete a community review of the County Borough.
- The Commission commenced a review of electoral arrangements for the County of Pembrokeshire.
- The Commission commenced a review of the electoral arrangements for Denbighshire (Prestatyn) under direction from the Minister for Local Government and Communities.
- A draft Operational Plan for 2012-13 was agreed and submitted to Welsh Government.

6. Account of Corporate Governance

Following what has amounted to a complete revision of the Commission's Corporate Governance arrangements in 2011-12, we consider that our arrangements now

comply with the principles of the Corporate Governance Code in all material respects.

7. Quality of Data Used by the Board

Following the standardisation of the format of reports and a system of checking the information contained in the reports, the Commission is now finds the quality of data acceptable.

8. Risk Management

The Commission is committed to the regular identification and assessment of risk and has a Risk Management programme which is aimed at identifying, managing and monitoring all risks, Corporate, Operational and those risks specific to undertaking review work. The Commission aims to ensure that, in discharging its responsibilities to the Welsh Government, the likelihood of failing to deliver its Operational Plan and Strategic Objectives is minimised by means of anticipating and controlling known risks. The Chief Executive and senior management will establish and deliver the Risk Management Programme securing the recognition, assessment, regular review and amelioration of all risks. The Corporate Risks are presented to members in the form of a Corporate Risk Register, supported by a Risk Radar. The Audit Committee considers all Risk Registers together with the Risk management policy at every meeting.

During 2012/13 the main risks to the Commission identified were:

Risk Identified	Mitigating Action
1. Accountancy and Payroll Services arrangements not in place by 1 April 2013 when current 1 year extension to accountancy contract ends.	Business case in place and considered by the Commission. Tender exercise and Tender Board held – 5 year contract awarded.
2. Change to accommodation arrangements and inability to meet the timeline deadline for move due to delays.	Business case outlining requirements and preferred options Timeline for accommodation move in place and reviewed following liaison with Welsh Government. Agreement in place with existing landlord to extend MOTO on a flexible basis – month to month or 3 monthly. Alternative accommodation identified and secured. Timeline for accommodation move in place and reviewed following liaison with Welsh Government and contractors. Lease with new landlord agreed by Welsh Government and will be forwarded to Commission as soon as possible. Additional month at existing accommodation for January to allow for IT transfer completion. Hot desking IT available with WG at Brunel House. Commission laptops accessible by CEO, Deputy CEO, BCW Secretary and a Review Officer. Royal Mail post redirection.
3. Insufficient future funding and resources resulting from poor budget estimates and wider national economic situation. Actual Budget for future years are less than estimates due to cost saving programmes undertaken by Welsh Government.	Test annual estimates against current knowledge of future programme of work in August before Welsh Government budget closedown in October with sound case for budgets linked to agreed targets. Request for change to legislation to allow for rolling review programme to make future work programme more predictable. Scenario planning - budget models prepared for various percentage budget reduction scenarios to identify potential shortfalls.
4. Failure to secure the legislation changes deemed necessary for the efficient conduct of review work. Changes brought about by the Welsh Government's Democracy and Local Government Bill will affect the Commission's requirement for resources and its ability to operate effectively and meet future work programme.	Liaison with Welsh Government Minister. Legislation 'Wish List'. Response to Welsh Government White Paper. Engagement with Welsh Government and future scrutiny of the Measure. Liaison meetings with WG Sponsor division. Evidence given to Communities, Equality and Local Government Committee on 17 January 2013. Continued liaison with WG regarding the progress of the Bill and resolution of the Commission's outstanding requirements for inclusion in the Bill.

	<p>WG made aware of Commission's views regarding timing of the start of the review work programme and the length of the proposed purdah periods.</p> <p>Management of the Commission's workload to ensure Staff structures and budgets reviewed and adapted to take account of changes and match requirements.</p> <p>Proposed staff structure agreed by Members.</p> <p>Budget requirements to be reviewed further in light of possible earlier commencement of review programme</p>
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The risk in respect of the uncertainty surrounding the LGBCW's future accountancy and payroll services has now been resolved. This follows the Board's decision to undertake a tender exercise for a contract to supply both accountancy and payroll services rather than continue efforts in light of the Mathias Report recommendation to establish alternative shared service arrangements which would have resulted in uncoupling the payroll service provision from the accountancy service provision and be more costly. The risks in respect of the impact of the Commission's accommodation relocation have been resolved due to the mitigating actions listed and the efforts of the Commission's accommodation officer and Chief Executive. Mitigating action in respect of the other main risks identified is still ongoing.

9. Meetings with Sponsor Department

The Commission Chair and Secretary hold regular meetings with the Commission's Welsh Government Sponsor Division. In addition, the Commission's Secretariat hold quarterly liaison meetings with representatives of the Commission's Welsh Government Sponsor Division to discuss progress on review work, corporate governance issues and any other issues arising regarding the operation of the Commission.

10. Declarations of Interest/Gifts and Hospitality

A Register of Members' interests is maintained and made available on the Commission's web site. An annual reminder is sent regarding the need to update this information. Arrangements are also in place for both members and officers to declare interests in respect of decision making at the start of each Commission and Audit Committee meeting.

A register of Gifts and Hospitality is maintained for members and staff. The Commission's Gifts and Hospitality Policy requires members and staff to declare all offers of hospitality and gifts whether accepted or declined and whether directly related to Commission business or not. The Gifts and Hospitality Register and declarations are considered at every Audit Committee meeting.

11. Complaints Scheme

During 2012-13 the Commission reviewed it's Complaints Scheme and agreed to request that the Welsh Government make an order to bring the Commission within the remit of the Public Services Ombudsman Wales. Provision has subsequently been made in the Local Government (Democracy)(Wales) Bill for the Commission to be added to the listed authorities in Schedule 3 to the Public Services Ombudsman (Wales) Act 2005. Once the Local Government (Democracy)(Wales) Bill comes into effect the Commission will complete the review and revision of its Complaints Policy.

The Commission did not receive any complaints during 2012-13.

12. Performance Management

A performance management system is in place to ensure that staff understand what they are doing and why, and how their work links with what the Commission is trying to achieve. It is mandatory for all staff to have a completed Performance Management Plan (PMP) and all managers are required to set objectives for their staff and carry out Mid Year and End Year reviews of their performance.

13. Whistleblowing

The Commission operates a Whistleblowing Policy which is made available to staff through the Commission's intranet and Commission Members as part of the induction packs issued to them following appointment. The Commission's Whistleblowing arrangements, together with a report of any instances of whistleblowing, are to be considered annually by the Audit Committee.

14. Data Handling and Data Security

Although personal data handled by the Commission is largely limited to that relating to the Commission's employees, information security obligations are treated seriously. 'Protecting Information' training has been undertaken by all staff and all personal data files are kept in locked cabinets. The Commission are included on the Welsh Government's IT system and Commission staff are required to comply fully with Welsh Government IT data security rules and procedures. During 2012-13 there were no data security incidents.

15. Audit Committee Issues to be Addressed

Following the Commission's Audit Committee's self assessment of effectiveness several issues have been identified which require future action during 2013-14:

- Training requirements for Audit Committee Members will be kept under review and a formal request made annually that Members identify any training requirements they consider necessary to undertake their roles more effectively;
- Draft Financial Statements and annual accounts will be circulated to Commission and Audit Committee Members before being audited;
- Audit Committee Members and attendees will be formally asked for any items they wish included on Audit Committee agendas in advance of each meeting;
- The Audit Committee Chair will undertake an annual appraisal of the performance of the Independent Audit committee Member;
- The Audit Committee's Annual Report will include an assessment of the Committee's effectiveness based on self assessment and feedback from External Audit;
- Annual confidential meetings will be held between the Audit committee Chair and representatives of external and internal Audit;
- Progress on follow up of issues regarding the Committee's effectiveness identified by the annual self-assessment exercise will be reported to Audit Committee meetings and will be included in the subsequent Audit Committee Annual Reports;
- The Commission's induction pack for board members will be extended to include Independent Audit Committee Members; and

- The Audit Committee will consider the LGBCW's Whistleblowing Policy annually. This will be included amongst the standing items on the Committee's Terms of Reference.

SIGNED _____ DATE _____
Owen Watkin
Chairman

SIGNED _____ DATE _____
Ian Williams
Accounting Officer

SIGNED _____ DATE _____
Steve Halsall
Deputy Chief Executive