



Gwasanaeth Democraidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

10.30am DYDD IAU, 18 GORFFENAF 2013

10.30am THURSDAY, 18 JULY 2013

Lleoliad / Location

SIAMBR ARFON/CHAMBER,
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENRALLT,
CAERNARFON

Pwynt Cyswllt / Contact Point

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Dosbarthwyd/Distributed: 10-07-13

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (9)

Y Cynghorwyr/Councillors

Edward Dogan
Chris Hughes
Dilwyn Morgan

Huw Edwards
Charles W Jones
Michael Sol Owen

Aled Ll. Evans
Dafydd Meurig
Gethin G. Williams

Annibynnol/Independent (4)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Pughe Roberts

Angela Russell

Llais Gwynedd (4)

Y Cynghorwyr/Councillors

Anwen Davies

John Brynmor Hughes Aeron M. Jones

R.J. Wright

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Is-Gadeirydd y Cyngor /Vice-Chairman of the Council

AGENDA

- 1. CHAIRMAN**
To elect a Chairman for 2013/14
- 2. VICE-CHAIRMAN**
To elect a Vice-chairman for 2013/14
- 3. APOLOGIES**
To receive apologies for absence.
- 4. DECLARATION OF PERSONAL INTEREST**
To receive any declaration of personal interest.
- 5. URGENT BUSINESS**
To note any items that are a matter of urgency in the view of the Chairman for consideration.
- 6. MINUTES**
The Chairman shall propose that the minutes of the meeting of this committee, held on 18 April 2013, be signed as a true record.
(copy herewith - **white** paper)
- 7. STATEMENT OF ACCOUNTS 2012/13**
To submit, for approval, the statutory financial declarations (subject to audit) for 2012/13 (copy herewith – **gold** paper)
- 8. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2012/13**
To submit, for approval, the Annual Governance Statement for 2012/13
(copy herewith – **green** paper)
- 9. REGISTER OF EXTERNAL AUDIT REPORTS**
To submit the report of the Head of Strategic and Improvement
(copy herewith – **white** paper)
- 10. ANNUAL IMPROVEMENT REPORT**
To receive a presentation by the external audit

11. GOVERNANCE ARRANGEMENTS – REVIEW OF THE COUNCIL’S ANNUAL SELF-ASSESSMENT

To receive a presentation by the external audit

12. WALES AUDIT OFFICE REVIEW OF GWYNEDD COUNCIL’S INTERNAL AUDIT SERVICE

To submit the report of the external audit (copy herewith – **pink** paper)

13. REPORT FROM THE CONTROL IMPROVEMENT WORKING GROUP

To submit the report of the Chair of the Audit Committee outlining the feedback from the meeting of the Panel on 28 June 2013 (copy herewith – **grey** paper)

14. OUTPUT OF THE INTERNAL AUDIT SECTION

To submit the report of the Senior Audit and Risk Manager outlining the work of the internal Audit Section for the period between 1 April and 30 June 2013 (copy herewith – **yellow** paper)

15. INTERNAL AUDIT PLAN 2013/14

To submit the report of the Senior Audit and Risk Manager (copy herewith – **blue** paper)

16. INTERNAL AUDIT CHARTER

To submit the report of the Senior Audit and Risk Manager (copy herewith – **white** paper)

AUDIT COMMITTEE 18-04-13

Present: Councillor Trevor Edwards (Chairman)
Councillor John Pughe Roberts (Vice-chairman)

Councillors: Anwen Davies, Eddie Dogan, Huw Edwards, Aled Ll. Evans, Chris Hughes, John B. Hughes, Aeron Jones, Charles W. Jones, Sion W. Jones, Dafydd Meurig, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Gethin G. Williams, R.J. Wright

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Manager Audit and Risk), Amanda Hughes (Local Manager – Wales Audit Office), Derwyn Owen (Engagement Leader – Wales Audit Office) and Gwyn Parry Williams (Member Support and Scrutiny Officer).

Apologies: Councillor Tom Ellis

1. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 29 January and 14 February 2013, as a true record.

3. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 31 March 2013

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work for the period between 1 January and 31 March 2013. In submitting the information on the work completed during the period, the officer referred to -

- 31 reports on audits of the operational plan with the relevant opinion category shown.
- three other reports (memoranda etc.)
- six follow-up audits

Details of further work that Internal Audit had in the pipeline was reported upon. This included four draft reports which had been released and 15 audits which were ongoing.

Consideration was given to each report and during the discussion reference was made to the following matters -

Llwyddo'n Lleol

A member asked whether or not the report included how many companies had received funding from the Council and also those who had not been successful.

In response, the Senior Manager Audit and Risk informed the committee that this was not part of this specific audit but the matter could be considered during the year.

Quality of Correspondence

A member asked whether it would be possible for Council officers when responding to correspondences, to note their reference on letters from now on.

In response, the Senior Manager Audit and Risk informed the committee that he would pass the message on to the relevant officers.

Staff DBS Checks and Contract Terms – DBS Checks

The Senior Manager Audit and Risk noted that DBS was the Disclosure and Barring Service which had now replaced the CRB.

A member referred to doubts that had been raised in relation to the legality of some aspects of the procedure of undertaking DBS checks, and that the Council should give due attention to the matter.

In relation to the two audits noted above which had received opinion category C, the Senior Manager Audit and Risk informed the committee that one audit involved staff checks and the other involved checks on the providers contracted by the Council. He noted that Internal Audit had been commissioned to undertake work on the arrangements for safeguarding children, young people and vulnerable adults following the critical review undertaken on Pembrokeshire Council. Both of these audits were part of a much broader work programme that was being implemented within the Council and had made great progress during the previous months.

Discretionary Housing Benefits

In response to a question by a member regarding applications for housing benefit, the Head of Finance Department informed the committee that the Council was administrating the benefits on behalf of the Westminster Government's Department for Work and Pensions. He referred to the change that had come into force on 1 April 2013 and the reduction of 14% or 25% in payable benefit due to the "under occupancy" of the homes of 1,400 families in Gwynedd. Of the 1,400 families, 400 of them had written to the Council applying for a discretionary housing payment by the Council in order to replenish their benefit. He confirmed that the relevant officers were dealing with the applications in accordance with the factors that had been approved by the Council's Cabinet on 9 April 2013, when consideration had been given to a report on welfare reform and it had been decided to add £150,000 to the Discretionary Housing Payments fund to support families in 2013/14. The

Head of Finance Department explained how priority was given to supporting exceptional cases.

Council Tax System – A Review of Key Controls

In response to a question by a member in relation to the taxation of empty houses, the Head of Finance Department informed the committee that the legislation had been changed during the past few years. He noted that a report on empty homes had been submitted to the full Council in December 2012 where it had been decided to charge full council tax on empty homes in order to encourage the owners to get the property back into use as soon as possible.

A member referred to the fact that some let properties paid business tax and asked whether or not it would be possible to obtain a list of these properties.

In response, the Head of Finance Department informed the committee that it was not appropriate to share information on individual accounts, but that the Council Tax/Non-domestic Tax list was available through the Valuation Office. He noted that several letters had been sent to the Welsh Government in relation to this in order to enable the Council to manage domestic homes that were turned into holiday homes and a response to the latest letter sent on 25 February 2013 was awaited.

A member asked whether or not it would be possible for the Communities Scrutiny Committee to discuss empty homes. The member was advised to draw the attention of the Chair and the Vice-chair of the Communities Scrutiny Committee to the matter.

Thin Client

In response to a question by a member in relation to the term “thin client”, the Senior Manager Audit and Risk informed the committee that “Thin Client” was the name given to a computer system without a hard drive on the desktop and where the necessary software was kept on the server.

Change Management for IT Systems

A member expressed concern that this audit had received opinion category C.

In response, the Senior Manager Audit and Risk informed the committee that a procedure had been established by the Senior Managers within the Information Technology Service but that it was not being implemented by staff within the service. Encouragement was needed to seek to improve the situation.

Processing of Energy Supplier Data

A member drew attention to the fact that this audit had received opinion category C.

In response, the Senior Manager Audit and Risk informed the committee that it would be necessary, in due course, to install Automatic Meter Readers in every building. He noted that estimates were used very often at present, and that there was a need to press on site managers to provide energy suppliers

with periodical readings to ensure the accuracy of data and to enable energy conservation officers to identify exemptions sooner. In relation to the procedures, he noted that a lot of time had been spent inputting the data into the system, and consequently there was no time left to undertake adequate exercises and to investigate sufficient exceptions. He referred to the fact that there was a need for the Property Unit to evaluate the costs and benefits of ordering a module for the 'Stark' system that enabled data received from energy suppliers to be inputted automatically into the system.

In response to a further question by the member, the officer noted that there were Energy Officers within the Property Unit who considered contracts and energy costs. It would be possible to consider this as part of the follow-up work.

Equipment of Former Members

A member was of the opinion that items of information technology equipment, such as laptops and mobile phones should be offered to former members rather than incurring costs of trying to collect the items and then destroying them after a period of time.

In response, the Senior Manager Audit and Risk informed the committee that this was an option but that there were risks associated with this that would need to be considered. He noted that no losses/fraud due to these management weaknesses had been identified as the value of the equipment had depreciated. Better recording arrangements needed to be in place in the future.

Members' Salaries and Expenses

A member asked whether or not it would be possible for them to submit their applications for expenses etc. online?

A member noted that clock readings were not included on the travelling expenses form by now.

In response, the Head of Finance Department informed the committee that the procedure for claiming travelling costs etc. for members and officers was a matter that could be updated. Consideration would be given in due course to introducing an online self-service procedure for claiming expenses as part of the new human resources and payroll system.

General

A member suggested that a Working Group should be established to consider the audits that received opinion category C.

RESOLVED

- a) To accept the reports on the Internal Audit Section's work for the period between 1 January and 31 March 2013 and to support the recommendations already submitted to the managers of the relevant services for implementation.**
- b) To establish the following Working Group to consider the audits that received opinion category C -**

The Chair and Vice-chair of the Audit Committee and Councillors Aled Ll. Evans, Sion W. Jones and Angela Russell, but that all committee members are given the opportunity to serve on the Working Group in the future and to be chosen on a rota basis.

4 . THE ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2012/13

Submitted – the annual report of the Senior Audit and Risk Manager for 2012/13. He explained that he was duty bound as the Council's Head of Internal Audit to provide assurance on the whole system of internal controls of the authority. He added that assurance could not be absolute when giving his opinion, and the most that the internal audit service could provide to the Council was a reasonable assurance that there were no major weaknesses in the whole system of internal control. On the basis of the work that had been completed during 2012/13, the officer was satisfied that Gwynedd Council had a **“sound framework of internal control. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory. However, there is a need to further develop the formal processes with regards to recording risks within the Council's business units”**. It was intended to prepare an action plan in order to improve these arrangements for managing risks and to submit it to the Audit Committee on 18 July 2013.

In giving his opinion on the adequacy of the internal control systems, the officer had taken the following into consideration -

- a) Overall, good internal control had been found within each of the Council's individual services.
- b) Where significant internal control weaknesses had been found, these matters were resolved by the Council's officers, or otherwise addressed by the Audit Committee.
- c) No reliance had been placed by Internal Audit on any work by external audit bodies when formulating the opinion in the annual report.

In relation to the audit work, he noted that the final revised audit plan for 2012/13 had included 100 audit tasks. Of these, 95 assignments had been completed, representing 95% of the plan (the corresponding performance in 2011/12 was 99.12%) against a target of 95%. He provided details of the audits from the 2012/13 plan that had not been finalised before 31 March 2013.

The officer drew attention to the way in which internal audit reports were categorised. Of the reports that applied to the 2012/13 plan, 82.9% had received opinion “A” or “B” which was slightly higher than the corresponding figure of 81.5% in 2011/12. No audit had received a ‘CH’ opinion.

The officer noted that a final memorandum had been released for nine follow-up audits during the period from 1 April 2012 to 31 March 2013 and each of these audits had received an opinion of “acceptable” or “excellent” apart from one audit which had received an opinion of “unsatisfactory.” This suggested that there were robust arrangements within the authority to implement audit recommendations in order to strengthen internal controls and manage risk.

The officer referred to the analysis of the use of Internal Audit resources during 2012/13. He noted that a reduction was seen in the total number of days spent on productive work for the Council from 1,821 days between 1 April 2011 and 31 March 2012 to 1,571 days for the same period in 2012/13 but this had been planned for. There had been a significant reduction in the number of days that had to be used to complete special investigations or responsive audits – down from 133 in 2011/12 to 39 in 2012/13. There had been a small reduction in the number of days lost due to illness, from 62 in 2011/12 to 55 in 2012/13.

The results of the 2012/13 performance indicators were submitted and it was noted that all targets had been met.

In considering compliance with the code of practice, the Wales Audit Office had noted in July 2012 that the Council had an effective Internal Audit Service that complied in most respects with the standards of the Code of Practice. The Internal Audit partly met the Independence standards due to other responsibilities of the Senior Manager Audit and Risk in addition to Internal Audit. This had been reported to the Audit Committee for a number of years.

The officer noted that the draft internal audit plan for 2013/14 had been submitted to this committee on 14 February 2013 and it was nearly finalised by now. He drew attention to the fact that the Public Sector Internal Audit Standards had come into force on 1 April 2013, replacing the Code of Practice for Internal Audit in Local Government in the United Kingdom. No significant changes were expected in Internal Audit's working practices as a result of this, but the service would continue to assess its compliance with the new standards during the year and all of the Internal Audit staff had recently participated in a self-assessment day against the new standards. He provided details of Internal Audit's performance indicators for 2012/13.

RESOLVED to accept the report as the formal annual report of the Senior Audit and Risk Manager in accordance with the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom for 2012/13 and to congratulate the Internal Audit Section for their work.

5. ANNUAL FINANCIAL AUDIT OUTLINE 2012/13 OF GWYNEDD COUNCIL

Submitted - the report of the Engagement Leader. The Annual Financial Audit Outline had been prepared to satisfy the requirements of the auditing standards and proper audit practices. He noted that the Appointed Auditor was required to examine and certify the accounts of the Council, satisfying himself that –

- a) The accounts gave a true and fair view of the Council's financial position.
- b) The accounts had been prepared in accordance with the regulations under Section 39 of the Public Audit Act (Wales) 2004 (Accounts and Audit (Wales) Regulations 2005).
- c) The accounts complied with the requirements of all the other statutory provisions that were applicable to them.
- ch) That proper practices had been observed in the compilation of the accounts.
- i) That the Council had made proper arrangements for securing economy, efficiency and effectiveness in terms of its use of resources.

In addition, the Appointed Auditor was required to certify that the audit had been completed in accordance with the Public Audit (Wales) Act 2004.

It was noted that, in planning their work, auditors were required to identify and report significant risks that related to the accuracy and reliability of the financial statements. Details were given of the risks and proposed steps to address those risks.

He drew attention to the financial audit fee of £168,036 plus VAT for 2012/13 noting that this fee was set at the same level as in 2011/12.

The Head of Finance Department thanked the Engagement Leader for the report. He noted that the risks reported upon in the audit of 2011/12 accounts, such as bank reconciliation for income had received due attention during 2012/13. He confirmed that the Finance Department was collaborating with the Wales Audit Office on the Council's accounts and that they would be submitted in draft form to this committee on 18 July 2013.

A member drew attention to the possibility of reducing the audit fee for next year.

A member requested information on the number of hours the Wales Audit Office staff had spent working on the audit.

In response, the Engagement Leader informed the committee that the number of hours spent on the audit would not be revealed but rather the fee had been set for providing opinion on the accounts. He noted that the fee had been set based on risk, and due to the low risk, the fee for this Council was one of the lowest fees in Wales.

RESOLVED to accept the report.

6. ANNUAL FINANCIAL AUDIT OUTLINE 2012/13 OF THE GWYNEDD PENSIONS FUND

Submitted – the report of the External Auditor outlining her annual financial audit of the Council as the administrating authority of the Pension Fund. She noted that the Appointed Auditor was required to consider and certify the accounts of the Pension Fund, satisfying herself that –

- a) The accounts gave a true and fair view of the Pension Fund's financial position.
 - b) The accounts had been prepared in accordance with the regulations under Section 39 of the Public Audit Act (Wales) 2004 (Accounts and Audit Regulations (Wales) 2005).
 - c) The accounts complied with the requirements of all the other statutory provisions that were relevant to them.
 - ch) Proper practices had been observed in the compilation of the accounts.
- In addition, the Appointed Auditor was required to certify that the audit had been completed in accordance with the Public Audit (Wales) Act 2004.

In order to issue the audit report on the Pension Fund accounts, it was a requirement to ensure that all significant operational and financial risks that could impact on the audit were identified and addressed.

She drew attention to the financial audit fee of £25,095 plus VAT for 2012/13 noting that this fee was set at the same level as in 2011/12.

The Head of Finance Department thanked the External Auditor for the report. He noted that the risks that the Wales Audit Officer had reported on in the audit of the Pension Fund's accounts for 2011/12, such as validating the change in the value of investments had received due attention during 2012/13. In response to an observation by a member in relation to the audit fee, the Head of Finance Department confirmed that the value of the Gwynedd Pension Fund was over £1 billion.

RESOLVED to accept the report.

The meeting commenced at 10.30am and concluded at 12.00pm.

MEETING: **AUDIT COMMITTEE**

DATE: **18 July 2013**

TITLE: **STATEMENT OF ACCOUNTS 2012/13**

PURPOSE / RECOMMENDATION: **To receive the statutory Statement of Accounts (pre-audit draft) for information**

AUTHOR: **Dafydd L Edwards, Head of Finance**

CABINET MEMBER: **Councillor Peredur Jenkins**

1. INTRODUCTION

- 1.1 This report introduces the statutory Statement of Accounts for the 2012/13 financial year, which provides details of the Council's financial activities during the year which ended on 31 March 2013.
- 1.2 The following document is the draft Statement of Accounts in its statutory format, 125 pages long in each language. A link to the Statement was sent to all elected members and chief officers of the Council on 1 July 2013.
- 1.3 The draft accounts presented here have yet to be audited, so it is possible that some changes may be necessary before a final version is submitted for approval at the 26 September 2013 meeting of the Audit Committee.
- 1.4 The basic form and content of these Statements is prescribed under regulation 7 of the Accounts and Audit (Wales) Regulations 2005 and revisions thereto, as well as other national regulations and standards. Several requirements of the IFRS (International Financial Reporting Standards) are based on Code of Practice on Local Authority Accounting and apply to the Council's Statement of Accounts for 2012/13. As the regulations require statements in a standard format, comparisons with other bodies' accounts are facilitated, but the statements have now become technically complex and difficult to understand.
- 1.5 Simple summary reports regarding the 2012/13 accounts were presented to the Cabinet meeting of 11 June 2013. That report was more useful for internal / management purposes, while the Statement of Accounts is more suited for external / governance purposes.

2. ACTION REQUIRED

- 2.1 The Audit Committee are “those charged with governance” on behalf of the Council, and approved the draft (subject to audit) statement of accounts prior to 2009/10. However, revisions in 2010 to the Accounts and Audit Regulations gave the Statutory Finance Officer (the Head of Finance in Gwynedd Council) responsibility for approving and certifying the draft accounts before 30 June.
- 2.2 There is no longer any requirement for elected members to approve the draft version of the Council’s Statement of Accounts, but this is presented to the Audit Committee FOR INFORMATION as good practice.
- 2.3 Doubtless, the committee’s members will wish to consider and understand the content in preparation for approving the final version in September, and to equip themselves with information to consider matters being audited in their context.

3. SUBSEQUENT STEPS

- 3.1 Further to certification by the Head of Finance and consideration by the Audit Committee, the Statement of Accounts for 2012/13, with all other relevant financial statements, will be the subject of the annual audit process by the Wales Audit Office.
- 3.2 In accordance with regulations 13 and 15 of the Accounts and Audit (Wales) Regulations 2005, the Council will also notify the public, via the local press, that the accounts are available for inspection for a 20 working day period. As part of the audit process, during the period from 02/08/13 until 30/08/13, local government electors also have the opportunity to question the external auditor about the Council’s accounts.
- 3.3 As noted in paragraph 1.3 (above), the final (audited) version of the Council’s 2012/13 Statement of Accounts will be submitted to the 26 September 2013 meeting of the Audit Committee FOR APPROVAL, along with the report of the Auditor appointed by the Wales Audit Office (Anthony Barrett).
- 3.4 Subsequently, it is the Finance Department’s intention to provide a link to the final Statement to all elected members and all chief officers of the Council, as well as other interested parties.

4. RECOMMENDATION

- 4.1 The Audit Committee is asked to receive and note the Council’s Statement of Accounts (subject to audit) 2012/13.

**STATEMENT OF
ACCOUNTS
2012/13
(subject to audit)**

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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2012/13 are presented here on pages 9 to 120.

The Accounts consist of:-

- **Movement in Reserves Statement** – This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2013.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2012/13 for revenue and capital purposes.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**

These accounts are supported by this Foreword, the Accounting Policies and various notes to the accounts.

REVENUE EXPENDITURE IN 2012/13

- The Comprehensive Income and Expenditure Statement on page 10 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £349m during 2012/13, with the net position as £212m.
- The financial out-turn position for 2012/13 was reported to the Cabinet at its meeting on 11 June 2013. The members of the Cabinet approved the carry forward of net service underspends of £64k for the year, the net transfer of £178k to earmarked reserves and there was no movement on the General Balances.

TABLE I – Budget and Actual Comparison Summary (Net)

Table I provides a budgetary performance comparison at a summary level, and which is detailed further in Table 2.

	Budget £'000	Actual £'000	Variance £'000
Net Expenditure on Operations	231,493	231,377	(116)
Departmental Carry Forward at year end	0	64	64
	231,493	231,441	(52)
Financed by -			
Council Tax Income	(63,426)	(63,374)	52
Share of National Non-Domestic Rate	(32,801)	(32,801)	0
General Government Grants	(135,266)	(135,266)	0
	0	0	0

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 9 and 10 detail the actual analysis in movements for the year.

TABLE 2 – Transposition movement between ‘Budget and Actual Comparison Summary (Net)’ (Table 1) to the Income and Expenditure format reflecting Departmental Management Structure.

Department	Performance Report £'000	Transposition Adjustment £'000	Income & Expenditure Statement £'000
Human Resources	182	(1)	181
Finance	1,244	(1)	1,243
Democracy and Legal	873	0	873
Customer Care	2,457	(1)	2,456
Strategic and Improvement	666	0	666
Education	87,389	1,328	88,717
Economy and Community	6,150	287	6,437
Highways and Municipal	26,747	(88)	26,659
Regulatory (Planning, Transport and Public Protection)	11,301	(189)	11,112
Gwynedd Consultancy	1,432	(140)	1,292
North Wales Trunk Road Agency	(70)	(22)	(92)
Provider and Leisure	5,778	(105)	5,673
Housing and Social Services	62,607	(55)	62,552
Corporate Management Team	52	0	52
Corporate	4,180	(185)	3,995
Reserves	513	0	513
Cost of Services	211,501	828	212,329
Other (Contains Centralised and Corporate Adjustment)	19,940	(828)	19,112
Total	231,441	0	231,441

* Adjustments in the transposition column relate to the net contribution to and from reserves and the required adjustments relating to insurance.

- Full standard Income and Expenditure format analysis is contained on page 10.
- Full analysis of amounts reported for resource allocation decisions is contained within Note 30, page 67.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expense**

Related items include movements within certain Provisions (Note 24), increases and decreases in specific grants (Note 35) including Revenue Support Grant, 14 – 19 Pathways, 21st Century Schools and Supporting People Grant. The revenue implications of the technical impairment (£2m) relating to capital expenditure that is included within ‘Highways and Transport’ in the Comprehensive Income and Expenditure Statement. As well as, a reduction in the Expected Return on Scheme Assets (Note 12 and 42) due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

- **Exceptional Item (Provision for restoration of landfill sites)**

Every local authority that operates, or has operated, a landfill site has a legal obligation for the restoration, aftercare and monitoring of these sites for at least 30 years after closure and capping. Following the publication of technical guidance that provides clarification of the requirement for authorities to recognise a full provision for this work and to account for this on a consistent basis, the 2011/12 figures in the 2012/13 accounts have been restated to reflect these changes, the figures have been treated as an 'Exceptional Item' in the Comprehensive Income and Expenditure Statement because of the one-off nature of the adjustment to the 2011/12 figures (see Note 3 Prior Period Adjustments for further information).

The exceptional item in the Comprehensive Income and Expenditure Statement (2011/12) recognises the impairment that relates to the above obligation, on the basis that no economic benefits / service potential will accrue to the authority as most of the landfill sites are now closed. However the impact upon of this impairment upon the taxation requirement is neutral.

- **Impact of Current Economic Climate**

Since 2008/09 there have been unprecedented problems in the global financial situation. Due to this general situation, the Authority has amended all its financial plans accordingly, and kept a prudent level of balances and reserves.

CAPITAL EXPENDITURE IN 2012/13

Capital expenditure for 2012/13 amounted to £40m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2011/12		2012/13
£'000		£'000
259	Human Resources	74
8,422	Education	6,275
215	North & Mid Wales Trunk Road Agency	0
0	Finance	16
378	Provider and Leisure	276
3,206	Economy and Community	5,502
0	Democracy and Legal	0
4,345	Customer Care	6,966
2,955	Housing and Social Services	3,802
6,544	Highways and Municipal	6,753
8,284	Regulatory	10,611
80	Strategic and Improvement	4
21	Council Houses	24
392	Gwynedd Consultancy	28
1	Corporate	0
35,102		40,331
	FINANCED BY -	
8,707	Borrowing	10,914
16,108	Grants and Contributions	21,148
2,789	Capital Receipts	2,344
7,498	Revenue and Other Funds	5,925
35,102		40,331

- Revenue Expenditure Funded from Capital Under Statute of £8,429,940 is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Non-current Assets was £31,900,950 as shown in Note 15 and 22 on pages 44 to 46 and 59.
- The Council's Loan Debt on 31 March 2013 was £95.8m – a reduction of £17.2m (from £113.0m) during the year. Repayments of £1.1m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to General Balances of £8.0m, the Council had other provisions (as defined) of £13.1m, earmarked reserves of £49.9m and school balances of £3.8m, totalling £74.8m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10 and 24.

Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has increased by £40,026,000 to £168,179,000 in 2012/13. Refer to Note 42 for further information.

The net pension liability is a position at one point in time. Market prices can move substantially up or down in the short term and it is therefore not possible to quantify the long term effect such movements in market prices will have on the Pension Fund.

Gwynedd Pension Fund

The Gwynedd Pension Fund Accounts (pages 90 to 120) show an increase during the year of £143.9m in the market value of the net assets of the Fund, to £1,193.6m. The book value of the net assets at 31 March 2013 was £940.3m (2012: £890.1m).

Accounting Policies

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note I of the Accounts on page 13.

Changes in Accounting Policies and to the Statement of Accounts

There were no new policies introduced as part of the *Code of Practice on Local Authority Accounting in the United Kingdom* for 2012/13.

FURTHER INFORMATION

The Statement of Accounts is available on Gwynedd Council's website www.gwynedd.gov.uk.

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Ffion Madog Evans
Finance Manager - Resources and Corporate
01286 679133

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

This is part of the Council's policy of providing full information relating to the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press at the appropriate time.

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

Gwynedd Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that officer is the Head of Finance. It is also the Authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources to safeguard its assets, and to approve the Statement of Accounts.

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

The Head of Finance has also kept proper accounting records which were up to date and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31 March 2013 and its income and expenditure for the year then ended.

Dafydd L. Edwards B.A., C.P.F.A., I.R.R.V.
Head of Finance, Gwynedd Council

27 June 2013

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note	General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2011 carried forward	(8,194)	(50,789)	(4,486)	(1,727)	(5,198)	(1,217)	(71,611)	(111,662)	(183,273)
<u>Movement in reserves during 2011/12</u>									
(Surplus)/Deficit on provision of services	(4,567)	0	0	0	0	0	(4,567)	0	(4,567)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,762	46,762
Total Comprehensive Income and Expenditure	(4,567)	0	0	0	0	0	(4,567)	46,762	42,195
Adjustments between accounting basis and funding basis under regulations	9 4,494	0	0	0	1,547	(1,211)	4,830	(4,830)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(73)	0	0	0	1,547	(1,211)	263	41,932	42,195
Transfers to/from Earmarked Reserves	216	(264)	48	0	0	0	0	0	0
(Increase)/Decrease in 2011/12	143	(264)	48	0	1,547	(1,211)	263	41,932	42,195
Balance 31 March 2012 carried forward	(8,051)	(51,053)	(4,438)	(1,727)	(3,651)	(2,428)	(71,348)	(69,730)	(141,078)
<u>Movement in reserves during 2012/13</u>									
(Surplus)/Deficit on provision of services	(8,185)	0	0	0	0	0	(8,185)	0	(8,185)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,412	46,412
Total Comprehensive Income and Expenditure	(8,185)	0	0	0	0	0	(8,185)	46,412	38,227
Adjustments between accounting basis and funding basis under regulations	9 9,969	0	0	0	1,411	538	11,918	(11,918)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,784	0	0	0	1,411	538	3,733	34,494	38,227
Transfers to/from Earmarked Reserves	10 (1,784)	1,159	625	0	0	0	0	0	0
(Increase)/Decrease in 2012/13	0	1,159	625	0	1,411	538	3,733	34,494	38,227
Balance 31 March 2013 carried forward	(8,051)	(49,894)	(3,813)	(1,727)	(2,240)	(1,890)	(67,615)	(35,236)	(102,851)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2012/13

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011-12			2012-13			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
17,342	(7,588)	9,754	Culture and Related Services	16,454	(7,117)	9,337
29,114	(9,954)	19,160	Environmental and Regulatory Services	27,911	(9,668)	18,243
10,011	0	10,011	Environmental and Regulatory Services - Exceptional Item *	0	0	0
10,911	(6,313)	4,598	Planning Services	14,164	(8,908)	5,256
109,916	(20,321)	89,595	Education and Children's Services - Education	116,792	(26,539)	90,253
18,826	(3,225)	15,601	Education and Children's Services - Children's Social Care	18,062	(2,432)	15,630
30,368	(12,960)	17,408	Highways and Transport	32,257	(14,054)	18,203
39,131	(35,031)	4,100	Housing Services (Council Fund)	43,205	(37,537)	5,668
55,481	(14,883)	40,598	Adult Social Care	58,472	(15,348)	43,124
11,841	(10,536)	1,305	Central Services to the Public	12,215	(10,655)	1,560
9,990	(5,158)	4,832	Corporate and Democratic Core	8,974	(4,114)	4,860
228	0	228	Non Distributed Costs	195	0	195
343,159	(125,969)	217,190	Cost of Services	348,701	(136,372)	212,329
18,588	(401)	18,187	Other Operating Expenditure	18,882	(42)	18,840
6,529	(901)	5,628	Financing and Investment Income and Expenditure **	9,857	(682)	9,175
0	(245,572)	(245,572)	Taxation and non-specific grant income	0	(248,529)	(248,529)
368,276	(372,843)	(4,567)	(Surplus) / Deficit on Provision of Services	377,440	(385,625)	(8,185)
		4,862	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets			5,461
		0	(Surplus) / Deficit on revaluation of available for sale financial assets			0
		41,900	Actuarial (Gains) / Losses on pension assets / liabilities			40,951
		46,762	Other Comprehensive Income and Expenditure			46,412
		42,195	Total Comprehensive Income and Expenditure			38,227

* The Authority is required to provide for the restoration of its landfill sites, involving a retrospective adjustment to the 2011/12 accounts and not in 2012/13, in recognition of the impairment relating to this obligation. (See also Prior Period Adjustments Note 3 for further details).

** Reflects required adjustment relating to the Expected Return on Assets as detailed in Note 12.

BALANCE SHEET – 31 MARCH 2013

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012		Note	31 March 2013
£'000			£'000
363,633	Property, Plant and Equipment	15	368,877
93	Heritage Assets	16	93
298	Investment Property	17	824
84	Surplus Assets	15	734
296	Long Term Investments	18	77
3,898	Long Term Debtors	18	4,191
368,302	Long Term Assets		374,796
35,883	Short Term Investments	18	35,629
1,607	Assets Held for Sale	22	2,905
1,380	Stock	19	1,257
28,699	Short Term Debtors	20	44,872
17,687	Cash and Cash Equivalents	21	13,091
85,256	Current Assets		97,754
(6,904)	Bank Overdraft	21	(11,787)
(2,050)	Short Term Borrowing	18	(18,131)
(43,041)	Short Term Creditors	23	(58,777)
(34)	Short Term Provisions	24	(27)
(3,629)	Capital and Revenue Grants Receipts in Advance	35	(2,523)
(55,658)	Current Liabilities		(91,245)
(202)	Long Term Creditors	18	(151)
(15,140)	Long Term Provisions	24	(13,059)
(113,000)	Long Term Borrowing	18	(95,811)
(128,153)	Pension Liability	42	(168,179)
(29)	Finance Leases Liability	38	(15)
(298)	Capital and Revenue Grants Receipts in Advance	35	(1,239)
(256,822)	Long Term Liabilities		(278,454)
141,078	Net Assets		102,851
(71,348)	Usable Reserves	25	(67,615)
(69,730)	Unusable Reserves	26	(35,236)
(141,078)	Total Reserves		(102,851)

CASH FLOW STATEMENT – 2012/13

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2011-12		Note	2012-13
£'000			£'000
(4,567)	Net (Surplus) or Deficit on the Provision of Services		(8,185)
(28,421)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27a	(23,593)
(4,123)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27b	(4,341)
(37,111)	Net cash flows from Operating Activities	27c	(36,119)
19,273	Investing Activities	28	38,479
10,673	Financing Activities	29	7,119
(7,165)	Net increase in cash and cash equivalents		9,479
3,618	Cash and cash equivalents at the beginning of the reporting period	21	10,783
10,783	Cash and cash equivalents at the end of the reporting period	21	1,304

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2005 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

In relation to a policy regarding capitalisation of expenditure, our practice is to operate on the basis of the nature of expenditure rather than a prescribed level of expenditure.

I.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet where such balances are considered material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

I.3 Cash and Cash Equivalents

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

I.4 Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Gwynedd Council have no contingent assets.

1.5 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the accounts.

1.6 Corporate and Democratic Core

The Corporate and Democratic Core heading includes items relating to the Democratic Representation and Management and Corporate Management. The Democratic Representation and Management include corporate policy making and member activities while the Corporate Management includes costs that relate to the general running of the Authority.

1.7 Employee Benefits

1.7.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7.3 Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Capita Teachers' Pensions on behalf of the Westminster Government's Department for Education
- The Local Government Pensions Scheme, administered by the Gwynedd Pension Fund at Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to The Teachers' Pensions Scheme in the year.

1.7.4 The Local Government Pension Scheme

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme:

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc, and projections of earning for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on the discount rate in accordance with the latest version of IAS19 – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact

to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.7.5 Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect (where it is possible to estimate the cost).

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Exceptional Items and Prior Period Adjustments

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Thus the term financial instrument covers both financial assets and financial liabilities.

In accordance with the requirements the Council's financial assets and liabilities have been reviewed in order to categorise them and determine their treatment. The financial instruments identified as a result of this review were:

Financial liabilities

- Trade payables and other payables (creditors).
- Long term borrowings including deferred premiums and discounts on early settlement of such loans.
- Financial guarantees.

Financial assets

- Bank deposits
- Trade receivables (debtors)
- Loans receivable

- Investments

The Council values its financial liabilities at amortised cost using the effective interest rate method. The interest charged to the Comprehensive Income and Expenditure Statement is calculated using the effective interest rate. As the Council's long term borrowing is all at fixed rates the interest charged is the amount accrued in the year.

Gains or losses arising on the repurchase or early settlement of borrowing are treated as extinguishment of the financial liability unless strict conditions are met when the transaction may be treated as a modification of the existing loan terms and any gain or loss adjusts the carrying amount of the loan debt received.

The majority of the Council's financial assets are classified as loans and receivables and as such are valued at amortised cost using the effective interest rate method.

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

Short duration Payables and Receivables with no stated interest rate are measured at original invoice amount. This includes all trade payables and trade receivables.

The Local Authorities (Capital Financing and Accounting) (Wales) (Amendment) Regulations 2007 allow the effect of the restatement of financial instruments to be adjusted through the Movement in Reserves Statement and the resulting adjustments are shown in the Financial Instrument Adjustment Account and the Available for sale Financial Instruments Reserve on the Balance Sheet.

Before these new requirements, where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the Council's policy was to recognise gains or losses over the lesser of the life of the replacement borrowing or a period of 10 years. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

1.11 Foreign Currency Translation

Cash transactions are translated to sterling on the existing rate on that particular day. Any differences in the exchange rate are taken into account in the Comprehensive Income and Expenditure Statement. Any foreign currency balance held is translated as per the rate on 31 March.

1.12 Government Grants and Other Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised immediately in the relevant service line in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income charges due to the capital control regime requirements to finance capital expenditure as part of the Capital Financing Requirement. Therefore, the authority accounts for these amounts as follows:

- Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant is recognised as a Capital Grant Receipt in Advance on the Balance Sheet. Once the condition has been met, the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

1.13 Heritage Assets

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council. Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge or culture. The Council has identified the following categories of heritage assets:

- Pictures and Paintings
- Civic Regalia
- Library Collections/Archives
- Museums and Art Gallery Collections
- Historic Buildings and Scheduled Monuments
- Parks and Local Nature Reserves

The Council employed an external valuer (Bonhams) in March 2012 to provide estimated valuations of its civic regalia and paintings and pictures. Any item over the de-minimus threshold of £10,000 is shown separately in the accounts; all other items are grouped under general civic regalia and paintings and pictures. For consistency, the Council has applied the same de-minimus levels for valuation purposes to Heritage Assets as its other long term assets – see policy 1.19.

There is no specific corporate policy on acquisition, preservation, management and disposal of pictures and paintings beyond the general requirements as contained within the Financial Procedure Rules of the Council's Constitution.

The Council considers that heritage assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment.

Gwynedd's Archives, Libraries and Museums maintain heritage artefacts and archive records in its collections and archives. Gwynedd Museum Service has an acquisition and disposal, and conservation policy in respect of heritage artefacts and archive records.

Conclusive cost or valuation information is not always readily available for the vast majority of items held in the artefacts and archives collection, and even if valuations could be obtained the costs would be onerous compared to the additional benefits derived due to the number of assets held and the lack of comparable market values. Attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic due to, for example –

- their association with a person, event or collection;
- a limited number of buyers;
- no homogeneous population of assets on the market;
- imperfect information about the items for sale.

In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations almost impossible to achieve for many heritage assets. While it may be possible to assign a cost to items purchased within a financial year, historic cost quickly becomes obsolete and meaningless, not only because of general price movement where markets for similar items do not exist, but also because of changing opinions about attribution.

The Council owns numerous listed buildings that are classed as Land and Buildings. As these are operational assets of the Council, the decision was made not to reclassify them as Heritage Assets. The Council is responsible for the maintenance of monuments and structures. Some monuments have been valued but are below the de-minimus threshold for recognition in the accounts, and other monuments and structures were not valued as the Council is of opinion that there is no real market value for the asset. Obtaining this information would involve a disproportionate cost in comparison to the benefits to the users of the Council Statement of Accounts – this exemption is permitted by the current *Code of Practice on Local Authority Accounting in the United Kingdom*.

Some Parks and Local Nature Reserves, as well as Bird Sanctuaries, Forests and Coastlines are already provided for in the accounts as Community Assets. However, most of these assets fall below the de-minimus value for recognition. The decision was made to retain the classification of these assets as

Community Assets. Community Assets are defined as assets that the Council intends to hold in perpetuity and where there are restrictions on their disposals.

1.14 Inventories and Long Term Contracts

Stocks and work in progress should be shown in the balance sheet at the lower of historical cost or net realisable value, in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock systems, the majority of stock is shown in the accounts at average cost. The difference from the basis of valuation is not material.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

1.16 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership of the property, plant or equipment are transferred to the lessee. All other leases are classified as operating leases.

The Authority as Lessee:

Amounts held under finance leases are initially recognised, at the commencement of the lease, at fair value (or, if lower, the present value of the minimum lease payments), with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between a finance charge (charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and a charge applied to write down the lease liability. The related asset is treated in accordance with the policies applied generally to such assets and is subject to depreciation charges as appropriate.

Operating lease payments are charged to the Comprehensive Income and Expenditure Statement as an expense of the relevant service on a straight-line basis over the lease term.

The Authority as Lessor:

The Authority currently has no Finance Leases where the Authority is the lessor.

Rental income from property granted under an operating lease is recognised on a straight-line basis in the Comprehensive Income and Expenditure Statement, and the asset is retained in the Balance Sheet.

1.17 Surplus Assets

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on existing use value.

1.18 Overheads and Support Services

Charges for services provided by the Central Support Departments are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae.

The only unallocated residual costs are those of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Service Reporting Code of Practice (SeRCOP) 2012-13.

1.19 Long Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every 5 years. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last complete revaluation was effective from 1st April 2010.

Land and Buildings are shown at fair value or Depreciated Replacement Cost (DRC) for specialised properties.

Investment Properties are shown at fair value.

Vehicles, Plant, Furniture and Equipment are shown at depreciated historical cost.

Infrastructure and community assets are shown at historical cost.

Assets in the course of construction are included at historical cost until such time as they are completed, when they are valued in accordance with the accounting policies and transferred to the appropriate category of asset.

A de-minimus limit for valuation purposes of £20,000 is used for the Council's operational Land and buildings and £5,000 for single items of Vehicles, Plant, Furniture and Equipment.

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Property (Land and Buildings) where expenditure of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and revalues any one as appropriate.

Impairment and Depreciation

Impairment

An impairment is the consumption of economic benefit that is specific to an asset. In line with International Accounting Standard 36 the Council reviews its assets each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. In addition, the residual values and useful lives of assets are reviewed annually and adjusted where appropriate.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de-minimus threshold, below which assets are disregarded for componentisation purposes needs to be established, which is based on potential material impacts on the financial statements. (For the 2012/13 financial year this has been set at £1.63m which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the de-minimus threshold is:

- a) plant and equipment and engineering services, and
- b) structure

The majority of the Council's buildings (over 75%) are valued using the DRC (Depreciated Replacement Cost) method, which is developed on a component approach, and the identification of the components are reflected in the details of the calculations. However, identified within the above are buildings which include material items of plant and equipment which are deemed to have shorter useful lives e.g. boilers and heating equipment within swimming pools and leisure centres. These components are recognised by adjusting the useful life of the building to take account of the shorter life components.

For the remaining buildings, based on a review of the nature and type of buildings which the Council owns, these are deemed to have no significant items of plant and equipment or engineering services that need to be componentised separately.

Depreciation is generally charged on the balance sheet value of assets to write them off as follows:

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–10 years)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated useful lives (various)
- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

The Local Authorities (Capital Finance and Accounting)(Wales)(Amendment) Regulations 2008 (SI 2008/588 (W.59)) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to “have regard” to such Guidance under section 21(1B) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2012/13: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2012/13 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

The Council will apply Option 1 in respect of supported capital expenditure funded from borrowing, and Option 3 in respect of unsupported capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The Authority will be reviewing this policy annually in light of the Asset Management Plan.

In accordance with the Code of Practice, revenue financing of capital expenditure on Council Fund Services is appropriated to the Capital Adjustment Account.

1.20 Non Distributed Costs

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2012-13. The items that are excluded from this treatment are defined as Non Distributed Costs and the two main areas are:-

- Retirement Benefits Costs (past service costs, settlements and curtailments)
- The costs of unused share of IT Facilities and other assets

1.21 Provisions

The Council sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. Provisions are also made for doubtful debts. Known uncollectable debts are written off against the relevant service. The Council classifies these provisions as long-term or short-term liabilities as appropriate according to the nature of each provision.

1.22 Reserves

Under the provisions of the Local Government Act 1988 the Council has one General Fund which represents the general reserves of the Authority. There are also a number of revenue and capital reserves earmarked for specific purposes.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits and do not represent usable resources for the Authority.

1.23 Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. This type of expenditure is valued at historical cost and written down over a year.

1.24 Value Added Tax

Only in a situation when VAT is irrecoverable, will VAT be included or charged as 'irrecoverable VAT' in capital and revenue expenditure.

1.25 Debtors and Creditors

The Council's Accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. The accounts reflect actual expenditure and income relating to the year in question irrespective of whether the payments or receipts have actually been paid or received in the year.

An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

1.26 Pensions

International Accounting Standard (IAS) 19 governs how the long term liabilities which exist in relation to pension costs should be reported. Local councils in Wales and England are required to produce their financial statements in accordance with IAS19.

1.27 Allocation of Interest Received

The Authority invests surplus funds for periods varying from overnight to two years and the interest is credited to the General Fund, Gwynedd Pension Fund, Welsh Church Fund and other trust funds based on the level of their daily balances and the rate of interest earned.

1.28 Borrowing Costs

The Authority does not capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as permitted by the Code.

Interest payable on external loans is included in the accounts in the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

1.29 Interest in Companies and Other Entities

In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.30 Current Assets Held for Sale

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at the lower of its carrying value (market value) less costs to sell on reclassification.

1.31 Disposals

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure as part of the gain or loss on disposal (i.e netted off against

the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.32 Capital Receipts

When the Authority sells an asset, legislation prescribes the use of the proceeds received.

All capital receipts that belong to the Council's Fund are 100% usable and set aside is no longer necessary. The receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure.

1.33 Accounting for the costs of the Carbon Reduction Commitment Scheme

The authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2012/13.

1.34 Cost Relating to Unequal Pay Claims

A provision is contained within the Authority's Accounts in respect of the cost of Equal Pay Claims and reflects the best estimate of potential cost as at 31 March 2013.

1.35 Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual target figures for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each tonne of biodegradable municipal waste sent to landfill in excess of the target a Local Authority may be liable to a penalty of £200 per tonne. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2012-13.

1.36 PFI Schemes

PFI Schemes are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Prosiect GwyrAD is a PFI scheme and construction commenced in 2012-13 with the plant becoming operational on 1st October 2013. It is a treatment plant for treating source segregated food waste using Anaerobic Digestion (AD) technology. This will assist the Authority to meet its recycling targets and to work within its allowances for landfilling of Biodegradable Municipal Waste (BMW).

1.37 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet, the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Authority and other venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts only for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of interests in the joint venture and income that it earns from the venture.

1.38 Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)".

Taxation Transactions

Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation Transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions

Taxation Revenue is measured at the nominal value of cash, and cash equivalents.

Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

No new policies were introduced in the *Code of Practice on Local Authority Accounting in the United Kingdom* for 2012/13.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

Due to specific circumstances, adjustment and / or restatement of certain figures within our accounts is required for periods prior to 2012/13. Detailed below are two matters that relate to the 2011/12 accounts that require the following adjustments:

(a) **Provision for the aftercare of Landfill Sites**

Following consultation with Wales Audit Office, direction was given to account for the position for Landfill Sites aftercare in the following manner. Local Authorities in Wales need to recognise obligations relating to the restoration, aftercare and monitoring of landfill sites on a consistent basis. The 31 March 2012 Balance Sheet has been restated to reflect this requirement, together with the 2011/12 Movement in Reserves Statement and Comprehensive Income and Expenditure Statement. This authority has three landfill sites, all of which are covered by this requirement – Cilgwyn Site in Carmel, Ffridd Rasmus Site in Harlech and Llwyn Isaf Site in Clynnog.

The tables below reflect the prior period adjustments that have been made to the 2011/12 main Statements of Accounts and the relevant Notes to the Accounts.

Effect of the landfill sites' adjustments on the Movement in Reserves Statement 2011/12

As previously stated 2011-12					As restated 2011-12			
General Fund Balance	Total Useable reserves	Unusable reserves	Total Authority Reserves		General Fund Balance	Total Useable reserves	Unusable reserves	Total Authority Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(8,194)	(71,611)	(111,662)	(183,273)	Balance 31 March 2011 carried forward	(8,194)	(71,611)	(111,662)	(183,273)
(14,409)	(14,409)	0	(14,409)	(Surplus)/Deficit on provision of services	(4,567)	(4,567)	0	(4,567)
(14,409)	(14,409)	46,762	32,353	Total Comprehensive Income and Expenditure	(4,567)	(4,567)	46,762	42,195
14,336	14,672	(14,672)	0	Adjustments between accounting basis and funding basis under regulation	4,494	4,830	(4,830)	0
(73)	263	32,090	32,353	Net (Increase)/Decrease before Transfer to Earmarked Reserves	(73)	263	41,932	42,195
143	263	32,090	32,353	(Increase)/Decrease in 2011/12	143	263	41,932	42,195
(8,051)	(71,348)	(79,572)	(150,920)	Balance 31 March 2012 carried forward	(8,051)	(71,348)	(69,730)	(141,078)

Effect of the landfill sites' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

	Restatement Adjustment 2011-12		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Environmental and Regulatory Services	(169)	0	(169)
Environmental and Regulatory Services – Exceptional Item	10,011		10,011
Cost of Services	9,842	0	9,842
(Surplus)/Deficit on Provision of Services	9,842	0	9,842
Total Comprehensive Income and Expenditure			9,842

Effect of the landfill sites' adjustments on the Balance Sheet 31 March 2012

	As previously stated 31 March 2012	Restatement 2012			As restated 31 March 2012
		a	b	c	
	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	362,284	11,840	(10,011)	(480)	363,633
Long Term Assets	366,953				368,302
Long Term Provisions	(3,949)	(11,840)	0	649	(15,140)
Long Term Liabilities	(245,631)				(256,822)
Net Assets	150,920	0	(10,011)	169	141,078
Unusable Reserves	(79,572)	0	10,011	(169)	(69,730)
Total Reserves	(150,920)	0	10,011	(169)	(141,078)

- a** The £11.84million above represents the additional capitalisation of the obligation relating to the restoration and monitoring costs of landfill sites for the next 30 years.
- b** The £10.01million represents the impairment of the majority of the capitalised costs in (a) above on the basis that no economic benefits/service potential will accrue to the authority as most of the landfill sites are now closed. However the impact of this impairment upon taxation requirements of this impairment is neutral.
- c** The £169k relates to the reversal and restatement of the in-year 2011/12 transactions relating to actual capital and revenue expenditure on restoration and monitoring costs.

Effect of the landfill sites' adjustments on the Cash Flow Statement 31 March 2012

	As previously stated 31 March 2012	Restatement 2012	As restated 31 March 2012
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(14,409)	9,842	(4,567)
Impairment and downward revaluations (Note 27a)	(5,937)	(9,882)	(15,819)
Other non-cash items charged to net surplus/ deficit on the provision of services (Note 27a)	(5,667)	40	(5,627)
Adjustments for items included in the net surplus or deficit on the provision of services for non-cash movements	(18,579)	(9,842)	(28,421)

Effect of the landfill sites' adjustments on Note 9 – adjustments between Accounting Basis and Funding Basis Under Regulations

General Fund Balance	Movement in Unusable Reserves		General Fund Balance	Movement in Unusable Reserves
£'000	£'000		£'000	£'000
(17,133)	17,133	Charges for depreciation and impairment of non current assets	(27,016)	27,016
631	(631)	Revenue provision for the financing of unsupported capital investment	1,347	(1,347)
8,172	(8,172)	Capital expenditure charged against the General Fund	7,497	(7,497)
14,336	(14,672)	Total Adjustments	4,494	(4,830)

Effect of the landfill sites' adjustments on Note 15 – Property, Plant and Equipment

2011/12			2011/12		
As previously stated			As restated		
£'000	£'000		£'000	£'000	
Land and Buildings	Assets Under Construction		Land and Buildings	Assets Under Construction	
0	0	Value: Adjustment to Opening Balance	11,840	0	
6,220	10,015	Value: Additions	5,835	9,535	
13,521	(13,603)	Value: Transfers	11,692	(11,774)	
202	283	Value: Revaluation	459	283	
234,399	8,455	Value: Balance at 31.03.12	244,282	9,804	
0	0	Impairment: Adjustment to Opening Balance	10,011	0	
5,799	0	Impairment in year – to Services	5,414	0	
(119)	0	Impairment: Revaluation	138	0	
23,342	0	Impairment: Balance at 31.03.12	33,225	0	
203,145	8,453	Net Book Value 31 March 2012	203,145	9,802	

Effect of the landfill sites' adjustments on Note 24 – Provisions

2011/12 As previously stated £'000	Long Term Provisions	2011/12 As restated £'000
(800)	Waste Site Provision	(11,991)
(3,983)	Total	(15,174)

Effect of the landfill sites' adjustments on Note 26 – Unusable Reserves

2011/12 As previously stated £'000	Capital Adjustment Account	2011/12 As restated £'000
149,676	Balance 1 April	149,676
(17,133)	Charges for depreciation and impairment of non-current assets	(27,016)
8,172	Capital expenditure charged in year against the General fund	7,497
631	Capital receipts set aside/Revenue provision for the financing of unsupported capital investment	1,347
161,996	Balance 31 March	152,154

Effect of the landfill sites' adjustments on Note 37 – Capital Expenditure and Capital Financing

2011/12 As previously stated £'000		2011/12 As restated £'000
364,366	Non-current Assets	365,715
(161,996)	Capital Adjustment Account	(152,154)
152,241	Capital Financing Requirement 31 March	163,432
150,473	Capital Financing Requirement 1 April	150,473
0	Adjustment to Opening Balance: Capitalisation of contribution to landfill aftercare provision	11,840
6,220	In year Capital Investment – Land and Buildings	5,835
10,015	In year Capital Investment – Assets Under Construction	9,535
0	Capitalisation of contribution to aftercare provision of landfill in year	257
(8,172)	Capital Expenditure charged to revenue	(7,498)
(631)	Revenue provision for the financing of unsupported capital investment	(1,346)
152,241	Capital Financing Requirement 31 March	163,432

(b) Trading Operations

Following the review and reconsideration of 'Trading Operations', as defined within the related requirements of the accounts, consequently 'Trading Operations' as defined, are not considered to exist within our services, resulting in the need for a prior year adjustment.

Originally in 2011/12 'Trading Operations' appeared in Note 12 (Financing and Investment Income and Expenditure) under '(Gains)/Losses of Trading Units', but now appear against the related service in the Comprehensive Income and Expenditure Statement, as they are not regarded as real trading operations. Consequently, a note for Trading Operations is no longer required within our accounts.

Effect of the trading operations' adjustments on Note 12 – Financing and Investment Income and Expenditure

2011-12 As previously stated £'000		2011-12 As restated £'000
(14)	(Gains)/Losses of Trading Units	0
5,614	Total	5,628

Effect of the trading operations' adjustments on the Trading Operations' Note

2011/12 (Gains) / Losses as previously stated £'000		2011/12 (Gains) / Losses as restated £'000
	Provider Services	
21	<i>Catering – External</i>	0
42	<i>Building Cleaning - External</i>	0
(5)	<i>Home Care – External</i>	0
15	Gwynedd Training	0
48	Print Unit	0
(135)	Industrial Estates	0
(14)		0

Effect of the trading operations' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

The adjustment to the Comprehensive Income and Expenditure Statement is as follows:

	Restatement Adjustment 2011-12		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Cultural and Related Services	72	(52)	20
Environmental and Regulatory Services	275	(225)	50
Planning Services	312	(438)	(126)
Education and Children's Services - Education	154	(128)	26
Education and Children's Services - Children's Social Care	22	(20)	2
Highways and Transport	62	(55)	7
Housing Services (Council Fund)	132	(138)	(6)
Adult Social Care	295	(292)	3
Central Services to the Public	20	(19)	1
Corporate and Democratic Core	93	(84)	9
Cost of Services	1,437	(1,451)	(14)
Financing and Investment Income and Expenditure	(2,289)	2,303	14
(Surplus)/Deficit on Provision of Service	(852)	852	0

Effect of the trading operations' adjustments on Note 30 – Amounts Reported for Resource Allocation Decisions 2011/12

The Amounts Reported for Resource Allocation Decisions Note agree to the Comprehensive Income and Expenditure Statement above, stating the information on income and expenditure in a format that reflects the Departmental Management Structure. The following table includes an adjustment for the provision for the aftercare of Landfill Sites and the restatement of Trading Operations as follows:

As previously stated 2011-12								As restated 2011-12							
Expenditure			Total	Income		Total	Net	Expenditure			Total	Income		Total	Net
Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure	Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,265	917	2	4,184	(853)	(99)	(952)	3,232	3,426	1,156	2	4,584	(1,260)	(99)	(1,359)	3,225
4,881	5,917	15	10,813	(3,715)	(3,061)	(6,776)	4,037	4,981	5,877	15	10,873	(4,079)	(3,061)	(7,140)	3,733
16,382	19,689	51	36,122	(8,947)	(4,756)	(13,703)	22,419	16,377	19,398	51	35,826	(8,947)	(4,756)	(13,703)	22,123
25,075	(6,332)	1	18,744	(2,600)	(817)	(3,417)	15,327	26,507	(7,052)	1	19,456	(3,280)	(817)	(4,097)	15,359
160,123	112,714	(418)	272,419	(49,573)	(35,384)	(84,957)	187,462	161,811	111,902	(418)	273,295	(51,024)	(35,384)	(86,408)	186,887
1,686	(19,785)	59,747	41,648	(3,300)	(37,926)	(41,226)	422	1,684	(19,770)	59,911	41,825	(3,300)	(37,926)	(41,226)	599
162,454	93,168	59,329	314,951	(52,905)	(73,345)	(126,250)	188,701	164,140	92,371	59,493	316,004	(54,356)	(73,345)	(127,701)	188,303
Total items within Departmental Control and Central Support Services								Total items within Departmental Control and Central Support Services							
Items within net cost of services, not under departmental control:								Items within net cost of services, not under departmental control:							
0	19,804	0	19,804	0	0	0	19,804	0	30,034	0	30,034	0	0	0	30,034
Items under departmental control, not included in net cost of services:								Items under departmental control, not included in net cost of services:							
(325)	(2,550)	0	(2,875)	0	0	0	(2,875)	(329)	(2,550)	0	(2,879)	0	0	0	(2,879)
162,129	110,422	59,329	331,880	(51,173)	(73,345)	(124,518)	207,362	163,811	119,855	59,493	343,159	(52,624)	(73,345)	(125,969)	217,190
Net Cost of Services								Net Cost of Services							
Financing and Investment Income and Expenditure								Financing and Investment Income and Expenditure							
0	0	0	0	(901)	0	(901)	(901)	0	0	(218)	(218)	0	0	0	(218)
0	0	(218)	(218)	0	0	0	(218)	0	0	0	0	(901)	0	(901)	(901)
1,688	437	164	2,289	(2,303)	0	(2,303)	(14)	0	0	0	0	0	0	0	0
Taxation and non-specific grant income								Taxation and non-specific grant income							
0	0	0	0	0	(28,327)	(28,327)	(28,327)	0	0	0	0	(28,327)	0	(28,327)	(28,327)
163,817	136,194	59,275	359,286	(116,923)	(256,772)	(373,695)	(14,409)	163,811	145,190	59,275	368,276	(144,398)	(228,445)	(372,843)	(4,567)
(Surplus)/Deficit on the Provision of Services								(Surplus)/Deficit on the Provision of Services							

Effect of the landfill sites' adjustments and the trading operations' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

The revised Comprehensive Income and Expenditure Statement for 2011/12 following the adjustments related to the provision for the aftercare of Landfill Sites and the restatement of Trading Operations is as follows:

As previously stated 2011-12				As restated 2011-12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
17,270	(7,536)	9,734	Cultural and Related Services	17,342	(7,588)	9,754
29,008	(9,729)	19,279	Environmental and Regulatory Services	29,114	(9,954)	19,160
0	0	0	Exceptional Item – Environmental and Regulatory Services	10,011	0	10,011
10,599	(5,875)	4,724	Planning Services	10,911	(6,313)	4,598
109,762	(20,193)	89,569	Education and Children's Services - Education	109,916	(20,321)	89,595
18,804	(3,205)	15,599	Education and Children's Services - Children's Social Care	18,826	(3,225)	15,601
30,306	(12,905)	17,401	Highways and Transport	30,368	(12,960)	17,408
38,999	(34,893)	4,106	Housing Services (Council Fund)	39,131	(35,031)	4,100
55,186	(14,591)	40,595	Adult Social Care	55,481	(14,883)	40,598
11,821	(10,517)	1,304	Central Services to the Public	11,841	(10,536)	1,305
9,897	(5,074)	4,823	Corporate and Democratic Core	9,990	(5,158)	4,832
331,880	(124,518)	207,362	Cost of Services	343,159	(125,969)	217,190
8,818	(3,204)	5,614	Financing and Investment Income and Expenditure	6,529	(901)	5,628
359,286	(373,695)	(14,409)	(Surplus)/Deficit on Provision of Services	368,276	(372,843)	(4,567)
		32,353	Total Comprehensive Income and Expenditure			42,195

NOTE 4 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013. The changes are as follows:

IAS 1 – Presentation of Financial Statements - Other Comprehensive Income

The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. This is a presentational issue only which will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

IAS 12 – Deferred Tax: Recovery of Underlying Assets

This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.

IAS 19 – Employee Benefits

The change in accounting policy introduces new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and new definitions or recognition criteria for service costs, and new recognition criteria for termination benefits. For 2012/13 effect of the change would lead to £2.9m increased expenditure in the ‘Surplus or Deficit on provision of service’, in the Comprehensive Income and Expenditure Statement.

IFRS 7 – Financial Instruments Disclosures - Offsetting Financial Assets and Liabilities

The change in accounting policy is in relation to the offsetting of financial assets and liabilities. It is not likely that this change will have a material affect the Statement of Accounts.

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgements, estimates and associated assumptions applied are based on historical experience and other factors, other factors being historical and actual future projections and assumptions that are considered to be relevant.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as earmarked reserves, provisions and contingent liability. Actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.

NOTE 6 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because certain balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Authority’s Balance Sheet at 31 March 2013 may be considered to be a significant risk, with the possibility of material adjustment in the forthcoming financial year.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed, are contained within these accounts as detailed in Note 24 and include Equal Pay, Landfill Sites and our insurance liability exposure.
- **Pensions Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments as provided by Actuaries engaged by the Council. Further details are contained in Note 41 and 42.
- **Doubtful Debts Impairment** – A certain impairment level of doubtful debts is contained within the accounts and is based on a specific policy. Any departure between the impairment level applied and the actual arrears position will be naturally reflected in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 20.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

(Not disclosed on the face of the Comprehensive Income and Expenditure Statement)

Related items include movements within certain Provisions (Note 24), increases and decreases in specific grants (Note 35) including Revenue Support Grant, 14 – 19 Pathways, 21st Century Schools and Supporting People Grant. The revenue implications of the technical impairment (£2m) relating to capital expenditure that is included within 'Highways and Transport' in the Comprehensive Income and Expenditure Statement. As well as, a reduction in the Expected Return on Scheme Assets (Note 12 and 42) due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

NOTE 8 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post balance sheet events.

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2012-13	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(18,167)	0	0	0	18,167
Capital grants and contributions applied	20,610	0	0	538	(21,148)
Revenue expenditure funded from capital under statute	(8,430)	0	0	0	8,430
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	42	0	0	0	(42)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Statutory provision for the financing of capital investment	5,692	0	0	0	(5,692)
Voluntary provision for the financing of capital investment	730	0	0	0	(730)
Capital expenditure charged against the General Fund and HRA balances	7,574	0	0	0	(7,574)
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	78	0	(932)	0	854
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,345	0	(2,345)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
Principal repayment of debt	0	0	(2)	0	2
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	56	0	0	0	(56)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(17,214)	0	0	0	17,214
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	0	0	(18,139)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	859	0	0	0	(859)
Total Adjustments	9,969	0	1,411	538	(11,918)

2011-12	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(27,016)	0	0	0	27,016
Capital grants and contributions applied	17,319	0	0	(1,211)	(16,108)
Revenue expenditure funded from capital under statute	(4,680)	0	0	0	4,680
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	401	0	0	0	(401)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Revenue provision for the financing of supported capital investment	5,797	0	0	0	(5,797)
Revenue provision for the financing of unsupported capital investment	1,347	0	0	0	(1,347)
Capital expenditure charged against the General Fund	7,497	0	0	0	(7,497)
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	63	0	(1,330)	0	1,267
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	3,489	0	(3,489)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
Principal repayment of debt	0	0	(612)	0	612
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(21)	0	0	0	21
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(13,445)	0	0	0	13,445
Employer's pensions contributions and direct payments to pensioners payable in the year	17,613	0	0	0	(17,613)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(381)	0	0	0	381
Total Adjustments	4,494	0	1,547	(1,211)	(4,830)

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES

School Balances

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year:

2012-13	Balance		Transfers		Balance
	31 March 2012 £'000	between reserves £'000	in £'000	out £'000	31 March 2013 £'000
School Balances	4,438	(112)	637	(1,150)	3,813
Total	4,438	(112)	637	(1,150)	3,813

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Earmarked Reserves

2012-13	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2012				2013
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	1,564	0	2,508	(2,356)	1,716
Capital Reserves	15,148	(155)	2,717	(3,424)	14,286
Insurance Reserves	3,497	0	508	(561)	3,444
Services Fund	6,627	(585)	918	(1,873)	5,087
Objective I Fund	273	(273)	0	0	0
Convergence Programme Fund	1,515	273	0	(186)	1,602
Development Reserve	312	(100)	0	0	212
Redundancy Costs to Realise Savings Reserve	2,107	0	0	(172)	1,935
Central Training	493	0	0	(157)	336
Communication Centre Reserve	524	0	0	(246)	278
Schools Service Reserves	944	517	353	(610)	1,204
Economy and Community Reserves	285	0	27	(199)	113
Highways and Municipal Reserves	2,239	0	0	(453)	1,786
Waste Developments Reserve	566	0	0	(140)	426
Gwynedd Consultancy Reserves	185	0	105	0	290
Regulatory Reserves	804	0	22	(35)	791
Major Maintenance Work on County Roads Fund	261	0	0	(261)	0
Care - Other Reserves	103	0	27	(3)	127
Business Process Transformation Fund	244	0	0	0	244
Invest to Save Fund	1,485	14	130	(132)	1,497
Invest to Save Fund - Carbon Reduction Plan	2,098	0	0	(577)	1,521
Transforming Fund	4,992	(96)	3,285	(1,076)	7,105
Committed Revenue Grants Fund	214	0	4	(50)	168
Capital Reserve to Realise Savings	209	0	0	0	209
Contracts Tendering Fund	295	0	141	(33)	403
Housing Water and Sewerage Services Fund	1,458	0	0	(121)	1,337
Housing Environmental Warranty	480	0	0	0	480
Savings Programme Reserve	918	0	14	0	932
Information Technology Reserve	374	0	0	(1)	373
Restoration Fund	0	367	133	0	500
Preparatory Work for European Grant Funding Schemes	0	150	0	0	150
Various Other Reserves	839	0	516	(13)	1,342
Total	51,053	112	11,408	(12,679)	49,894

Details are given below of the Council's main specific reserves.

- (i) The Renewals Reserve is used by the Provider and Leisure Services, Highways and Municipal, Economy and Community and the Print Room to replace vehicles and equipment as required.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996).

- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Objective I - Fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective I.
- (vi) Convergence Programme Fund – amounts reserved for the Councils’ proportional contribution in relation to capital and revenue plans under the Convergence Programme.
- (vii) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (viii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (ix) Central Training – relates to the management training development programme.
- (x) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (xi) Schools Service Reserves – includes sums set aside to respond to related financial problems with ‘Integration’ requirements, changeable demands in ‘Out of County – Special Educational Needs’, ‘Supporting Schools’ and the ‘Schools Loans Scheme’.
- (xii) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xiii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – ‘equalisation accounts’ – and likely requirements from contracts.
- (xiv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xv) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the Consultancy Service’s work programme.
- (xvi) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan.
- (xvii) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xviii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xix) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xx) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings, and further includes the requirements and resources of the Improving the Council Fund.
- (xxi) Invest to Save Fund – Carbon Reduction Plan – Partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings.

- (xxii) Transforming Fund – Provision for the change in the Council’s internal procedures to be more effective and more efficient.
- (xxiii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiv) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.
- (xxv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxvi) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old Council Housing Estates, which were not adopted by Welsh Water.
- (xxvii) Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old Council Housing Estates.
- (xxviii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.
- (xxix) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxx) Restoration Fund – provision towards the cost of the restoration work following the flood damage in November 2012, to roads, bridges, etc.
- (xxxi) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxii) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

NOTE 11 – OTHER OPERATING EXPENDITURE

2011-12 £'000		2012-13 £'000
1,441	Community Councils Precepts Levies	1,479
10,380	North Wales Police Authority	10,652
5,589	North Wales Fire Authority	5,526
1,110	Snowdonia National Park Authority	1,157
68	Local Drainage Boards	68
17,147		17,403
(401)	Gains/losses on the disposal of non-current assets	(42)
18,187	Total	18,840

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011-12		2012-13
£'000		£'000
6,747	Interest payable and similar charges	6,746
	Pensions Interest Cost and Expected Return on Pensions	
(218)	Assets *	3,111
(901)	Interest receivable and similar income	(682)
5,628	Total	9,175

* reduction in the Expected Return on Scheme Assets due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2011-12		Note	2012-13
£'000			£'000
(61,353)	Council Tax Income	13a	(63,374)
(28,327)	Non Domestic Rates	13b	(32,801)
(141,003)	Non-ringfenced government grants		(136,566)
(14,889)	Capital Grants and Contributions		(15,788)
(245,572)	Total		(248,529)

NOTE 13a - COUNCIL TAX

The Council determines its expenditure requirement for the year and converts it to a Band D Council Tax by dividing this sum by a calculation of the number of properties in each Council Tax band converted into the equivalent number of properties in Band D (The Council Tax Base). The Police Authority's requirement is then added to this amount to establish the County's Council Tax.

The Council Tax Base for 2012/13 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2012/13			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D properties
A*	11	5/9	6.11
A	7,274	6/9	4,849.49
B	13,280	7/9	10,329.15
C	10,582	8/9	9,405.81
D	9,236	1	9,235.82
E	7,251	11/9	8,861.84
F	3,540	13/9	5,112.61
G	1,136	15/9	1,892.50
H	164	18/9	328.50
I	53	21/9	123.08
Total			50,144.91
Council Tax base after allowing for losses on collection			49,643.46

An analysis of the net income accruing to the Council is given below:-

2011/12		2012/13
£'000		£'000
61,756	Council Tax raised	63,706
(404)	Less Provision for bad debts	(332)
1	Transitional Relief	0
61,353		63,374

NOTE 13b - NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates ("Business Rates") are managed by the Government but local authorities are responsible for their collection and for paying them to a central pool run by the National Assembly for Wales. They subsequently allocate amounts from the pool to Local Authorities, on a population basis.

The Government sets the National Non-Domestic rate for the year (45.2p in 2012/13) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

At the end of the 2012/13 financial year there were 7,068 properties on the local valuation list in Gwynedd, representing a rateable value of £98,779,891.

An analysis of the net income accruing to the Council from National Non-Domestic Rates is as follows:-

2011/12		2012/13
£'000		£'000
(32,314)	National Non-domestic Rate raised	(33,982)
363	Cost of Collection allowance	361
225	Provision for Bad Debts	551
31,726	Sum paid to the National Pool	33,070
0		0
(28,327)	Receipts from the National Pool	(32,801)
(28,327)	Net Income from Non Domestic Rates	(32,801)

NOTE 14 – THE BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

This account shows the expenditure and income which relate to the building regulations checking and supervision function, including consideration of any enforcement action but not the service of notices under the provisions of the Building Act 1984.

The account is expected to break-even over a three year rolling period, and this requirement is reviewed annually. The Service has made a profit in 2012/13, which has reduced the accumulated deficit over the 3 year period.

2012/13	£'000
Total charges income received (excluding VAT)	(467)
Total charges expenditure incurred	456
(Surplus) / Deficit for 2012/13	(11)
(Surplus) / Deficit for 2011/12	4
(Surplus) / Deficit for 2010/11	25
(Surplus) / Deficit for the last three years	18

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2012/13:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value							
Balance at 1.04.12	244,282	152,443	31,223	971	150	9,804	438,873
Adjustment to the opening balance	763	0	0	0	0	(763)	0
Additions	9,817	13,737	3,402	20	0	4,923	31,899
Additions - landfill aftercare	257	0	0	0	0	0	257
Sales	(616)	0	(542)	0	0	0	(1,158)
Transfers	(1,056)	87	0	0	669	(1,807)	(2,107)
Revaluation	753	0	(6)	0	0	0	747
Balance at 31.03.13	254,200	166,267	34,077	991	819	12,157	468,511
Depreciation							
Balance at 1.04.12	7,912	16,108	17,477	5	3	2	41,507
Depreciation in year	4,005	4,225	3,198	1	1	0	11,430
Sales	(40)	0	(541)	0	0	0	(581)
Transfers	(54)	0	0	0	23	0	(31)
Revaluation	(166)	0	(6)	0	0	0	(172)
Balance at 31.03.13	11,657	20,333	20,128	6	27	2	52,153
Impairment							
Balance at 1.04.12	33,225	63	68	230	63	0	33,649
Impairment in year - to Revaluation Reserve	6,443	0	0	0	0	0	6,443
Impairment in year - to Services	6,603	0	132	0	0	0	6,735
Sales	(10)	0	0	0	0	0	(10)
Transfers	(3)	0	0	0	(5)	0	(8)
Revaluation	(62)	0	0	0	0	0	(62)
Balance at 31.03.13	46,196	63	200	230	58	0	46,747
Net Book Value 31 March 2013	196,347	145,871	13,749	755	734	12,155	369,611
Net Book Value 31 March 2012	203,145	136,272	13,678	736	84	9,802	363,717

Comparative Movements in 2011/12:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value							
Balance at 1.04.11	214,874	142,658	26,131	892	150	11,760	396,465
Adjustment to the opening balance	11,840	0	0	0	0	0	11,840
Additions	5,835	9,767	5,246	15	0	9,535	30,398
Sales	(418)	0	(154)	0	0	0	(572)
Transfers	11,692	18	0	64	0	(11,774)	0
Revaluation	459	0	0	0	0	283	742
Balance at 31.03.12	244,282	152,443	31,223	971	150	9,804	438,873
Depreciation							
Balance at 1.04.11	4,062	12,130	14,277	0	2	69	30,540
Depreciation in year	3,896	3,978	3,320	0	1	0	11,195
Sales	(23)	0	(120)	0	0	0	(143)
Transfers	62	0	0	5	0	(67)	0
Revaluation	(85)	0	0	0	0	0	(85)
Balance at 31.03.12	7,912	16,108	17,477	5	3	2	41,507
Impairment							
Balance at 1.04.11	12,141	11	5	229	41	0	12,427
Adjustment to the opening balance	10,011	0	0	0	0	0	10,011
Impairment in year - to Revaluation Reserve	5,529	0	0	0	22	0	5,551
Impairment in year - to Services	5,414	52	63	0	0	0	5,529
Sales	(7)	0	0	0	0	0	(7)
Transfers	(1)	0	0	1	0	0	0
Revaluation	138	0	0	0	0	0	138
Balance at 31.03.12	33,225	63	68	230	63	0	33,649
Net Book Value	203,145	136,272	13,678	736	84	9,802	363,717
31 March 2012							
Net Book Value	198,671	130,517	11,849	663	107	11,691	353,498
31 March 2011							

The Council's operational Land and Buildings were revalued on 1 April 2010 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.19 of Note 1 of the Accounting Policies. Refer to this note also for the basis of depreciation on various categories of assets.

14 Church Schools are used in the education service and are not shown in the table above as they are not owned by the Council. The Council is responsible for their repair and maintenance but the amounts are not significant. For information purposes, Cae Top School in Bangor is currently subject to a review regarding the legal status of this asset which may affect its treatment in future accounts.

The sources of finance for the assets acquired during the year are shown with the information on capital expenditure in the explanatory foreword.

Capital Commitments

Significant commitments under capital contracts at 31 March 2013 were as follows:

	Contract Sum £'000	Payments to date £'000	Amount Outstanding £'000
Briwet Bridge	13,357	1,503	11,854
Bro Dysynni Area School	4,000	2,223	1,777
Welsh National Sailing Academy – Marine works	2,238	584	1,653
New Extension and upgrading Penbryn School	1,601	75	1,526
Upgrading O. M. Edwards School Llanuwchllyn	1,014	261	752
Leachate Treatment Plant, Faengoch	965	343	621
Refurbishment of the Council Chambers and Training Rooms	899	459	440
Extension to Lôn Las Ogwen (Tregarth to Bethesda)	560	200	360
A496 Tŷ Gwyn Gamlas Bridge	412	211	200

The Authority also has one significant commitment under a capital framework contract at 31 March 2013, but due to the nature of this type of contract, the total cost is not defined in advance.

NOTE 16 – HERITAGE ASSETS

	Specific Paintings	General Art Collections	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Value				
Balance at 1.04.11	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	0	0	0	0
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.12	62	14	17	93
Balance at 1.04.12	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	0	0	0	0
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.13	62	14	17	93

The Council employed an external valuer (Bonhams) in March 2012 to provide estimates of its civic regalia and paintings & pictures, the market value of which is £93,065. The Council owns two paintings above the de-minimus threshold of £10,000. The majority of the pictures and paintings are kept in the Council's galleries, with the remainder at various Council establishments.

The Council has three museums - Gwynedd Museum in Bangor, Lloyd George Museum in Llanystumdwy and Quakers Heritage Centre in Dolgellau. The Council owns two archives, Caernarfon Record Office and Meirionnydd Record Office in Dolgellau as well as 17 libraries. The last significant artefacts bought by the Council were the 'Newborough Archive 12th to 20th Centuries' collection in 2002 and a wallet belonging to David Lloyd George in 1999.

It is not practical to provide valuations prior to 1 April 2010, as the value of the assets is not considered worthy of the additional cost. The valuations are based on the current market value, which will be subject to an annual review. The Council considers that these heritage assets have an indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. An annual assessment was performed (February 2013) by the external valuers to confirm that there is no impairment and no significant change in the market.

For further information, see also policy I.13 which notes our treatment of other heritage assets which have not been recognised on the Balance Sheet, i.e. library collections and archives, and scheduled monuments. Our policy also states that we do have some assets that could be categorised as Heritage Assets, such as Historic Buildings or Parks and Local Nature Reserves, but we have decided to keep these under their original categories (Land and Buildings or Community Assets).

NOTE 17 – INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011/12	2012/13
	£'000	£'000
Rental income from investment property	8	44
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	8	44

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2011/12	2012/13
	£'000	£'000
Balance 1 April	298	298
<u>Additions:</u>		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net gains / losses from fair value adjustments	0	0
<u>Transfers:</u>		
to/from Assets held for sale	0	20
to/from Property, Plant and Equipment	0	506
Other changes	0	0
Balance 31 March	298	824

NOTE 18 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- overdraft with Barclays bank plc
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following four classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash
- bank accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- impaired investments in Icelandic banks
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- treasury bills and gilts issued by the UK Government

Assets held at fair value through profit and loss comprising:

- treasury bills and gilts issued by the UK Government
- equity investment in a local waste company

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Loans at amortised cost:				
Principal sum borrowed*	113,000	95,811	1,341	17,437
Accrued interest	0	0	709	694
Financial guarantees at amortised cost				
Total borrowing	113,000	95,811	2,050	18,131
Loans at amortised cost:				
Bank overdraft	0	0	6,904	11,787
Total Cash Overdrawn	0	0	6,904	11,787
Liabilities at amortised cost:				
Trade Payables	202	151	0	0
Finance leases	29	15	0	0
Total other Long term liabilities	231	166	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	40,394	56,913
Finance Leases	0	0	20	14
Included in Creditors**	0	0	40,414	56,927
Total Financial Liabilities	113,231	95,977	49,368	86,845

* The short term borrowing at 31 March 2013 includes a loan of £16,200,000 which could be called for repayment in July 2013. However, due to current low interest rates this is unlikely to happen.

** The short term creditors line on the Balance Sheet includes £1,850,000 (£2,627,000 at 31 March 2012) creditors that do not meet the definition of a financial liability. See note 23 for further information.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Loans and receivables:				
Principal at amortised cost	17	17	35,000	35,000
Accrued interest	0	0	324	214
Impaired investments	219	0	559	415
Available for sale investments:				
Principal at amortised cost	60	60	0	0
Total Investments	296	77	35,883	35,629
Loans and receivables:				
Cash	0	0	57	61
Cash equivalents at amortised cost	0	0	17,630	13,030
Total Cash and Cash Equivalents	0	0	17,687	13,091
Loans and receivables:				
Trade receivables	3,898	4,191	10,814	12,520
Included in Debtors*	3,898	4,191	10,814	12,520
Total Financial Assets	4,194	4,268	64,384	61,240

* The short term debtors line on the Balance Sheet includes £32,352,000 (£17,885,000 at 31 March 2012) debtors that do not meet the definition of a financial asset. See note 20 for further information.

Soft Loans – Balances

Local authorities are allowed to make loans for policy reasons rather than as financial instruments and these loans may be interest-free or at rates below prevailing market rates. Where loans are advanced at below market rates, they are classed as ‘Soft Loans’.

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Account. The 2012/13 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2012/13 Gwynedd Council identified the following ‘soft loans’:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.13 = £2,533,622)
- Car and Bike Loans to employees (amount outstanding at 31.03.13 = £905,408)

It has been determined that the few “soft” loans that the Council has require no separate disclosure, as they are de-minimus.

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	2012/13
			£'000
Interest expense	6,746	0	6,746
Impairment losses	0	16	16
Interest payable and similar charges	6,746	16	6,762
Interest income	0	(682)	(682)
Interest and investment income	0	(682)	(682)
Net (gain) / loss for the year	6,746	(666)	6,080

(d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2013, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new certainty rate loans arranged on 31st March.
- other long-term loans and investments have been discounted at the market rates for similar instruments on 31st March.
- no early repayment or impairment is recognised
- the fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

- In the case of deferred liabilities (such as finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

	Carrying Amount 31 March 2012 £'000	Fair Value 31 March 2012 £'000	Carrying Amount 31 March 2013 £'000	Fair Value 31 March 2013 £'000
Financial Liabilities:				
Loans borrowed	(115,050)	(165,565)	(113,942)	(170,997)
Finance leases	(49)	(49)	(29)	(29)
Trade Payables	(40,596)	(40,596)	(57,064)	(57,064)
Total Financial Liabilities	(155,695)	(206,210)	(171,035)	(228,090)
Financial Assets:				
Long term investments	296	296	77	77
Short term investments	35,559	35,883	35,415	35,629
Trade Receivables	14,712	14,712	16,711	16,711
Total Financial Assets	50,567	50,891	52,203	52,417

The fair value of long-term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, Local Authorities and call/notice account deposits. The maturity dates of these investments were all within 12 months of the Balance Sheet date. One of these investments has been impaired.

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2013, with the first dividend payment of 15p in the £ due in the summer of 2009. This was the basis for closing the 2008/09 accounts. So far the Council has received a return of £3,105,729 from the administrators up to 31 March 2013 and the administrators expect a return of 88p per £ by early 2014. The impairment in the accounts is based on recovering 88p in the £.

The percentages received to date are as follows:

Date	%
July 2009	16.13
December 2009	12.66
March 2010	6.19
July 2010	6.27
October 2010	4.14
January 2011	4.71
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
April 2012	3.79
August 2012	2.85
January 2013	2.71
Total at 31 March 2013	77.25

It is anticipated that there will be further repayments and that the final sale of assets will take place after the position has been finalised by early 2014. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

Date	%
July 2013	2.00
January 2014	8.80
Total	10.80

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The appropriate part of the fair value of this deposit according to the expected date of receipt is included under short term investments and long term investments in the tables above. The calculation of fair value resulted in an increase of £19,272 to the impairment of £1,135,535 that was calculated by 31 March 2012. An associated increase in the notional interest of £35,535 was calculated. A relevant proportion of the increase in impairment £2,723 and notional interest (£4,597) has been allocated to the Pension Fund. Both adjustments are included within Investment Income in the Comprehensive Income and Expenditure Statement.

Of course, the actual loss by early 2014 could be more or less than the potential loss estimated above and possibly significantly less, as the official estimates of administrators of companies in difficulty are notably conservative. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2013.

(e) Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government’s Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council’s Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk:* The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £20m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £40m in total can be invested for a period longer than one year.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £35.4m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The Council does not hold collateral against any investments.

The table below summarises the credit risk exposures of the Council’s investment portfolio by credit rating:

Credit Rating	Short term	
	31 March 2012 £'000	31 March 2013 £'000
AAA	5,000	5,000
AA+	0	0
AA	0	0
AA-	47,630	10,000
A+	0	5,000
A	0	28,030
A-	0	0
Total Investments	52,630	48,030

The above analysis excludes the carrying value (after impairment) of the Council’s Heritable Bank investment (estimated at £415,528 and which is dealt with in part (d) above).

Trade Receivables

The Council also has a number of longer term debtors including car and bike loans to employees and mortgages to members of the public. The car loans are considered to be low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, specific arrangements for unpaid loans and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

A small number and value of long term loans to local companies and organisations were inherited by the Council from former councils. Only one of these loans is now outstanding and the payment record is excellent.

The Council has launched a Business Loan Fund for small and medium sized businesses within Gwynedd. The interest rates charged on such loans being commensurate with the higher credit risk involved in these types of loans.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

Time to maturity (years)	31 March 2012	31 March 2013
Less than 1 year	1,341	1,237
Over 1 but not over 2	1,203	1,123
Over 2 but not over 5	3,020	4,490
Over 5 but not over 10	6,970	5,904
Over 10 but not over 20	23,661	25,572
Over 20 but not over 30	34,594	31,369
Over 30 but not over 40	0	0
Over 40	27,352	27,353
Uncertain date*	16,200	16,200
Total	114,341	113,248

* The Council has £16.2m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited will rise.
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2013, 100% of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and 0% to variable rates.

If all interest rates had been 1% higher or lower (with all other variables held constant) the financial effect would be:

	1% Higher £'000	1% Lower £'000
Change in interest payable on variable rate borrowings	0	0
Change in interest receivable on variable rate investments	257	(144)
Impact on Surplus or Deficit on the Provision of Services	257	(144)
Change in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Change in fair value of fixed rate borrowings / liabilities*	(22,090)	22,090

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure

Market Risks: Price Risk

The market prices of the Council’s fixed rate bond investments and its units in collective investment schemes are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in equity shares and therefore is not subject to any price risk. The Council has shares in a Local Authority Waste Disposal Company (LAWDC). The relevant activities have been internalised and the company is being wound up and has, therefore, been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet. A partial settlement payment for the fair value of the shares was received in 2008/09 and 2009/10 and the balance remains. This process cannot be fully completed until specific and related tax invoices are resolved with Her Majesty’s Revenue & Customs.

Market Risks: Foreign Exchange Risk

The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

NOTE 19 – INVENTORIES

2011-12 £'000	2012-13 £'000
1,380	1,257
1,380	1,257

NOTE 20 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March	31 March
	2012	2013
	£'000	£'000
Welsh Government	10,186	22,584
Other Central Government Bodies	4,534	6,276
Other Local Authorities	2,530	3,875
National Health Service	2,190	2,315
Public Corporations and Trading	15	32
Council Tax	1,892	1,773
Other Entities and Individuals	7,352	8,017
Total	28,699	44,872

NOTE 21 – CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	31 March	31 March
	2012	2013
	£'000	£'000
Cash in hand	15	14
Bank Current Accounts	42	47
Call Accounts	17,630	13,030
	17,687	13,091
Bank Overdraft	(6,904)	(11,787)
	10,783	1,304

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments (Note 18) and the Call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the balance sheet date. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits was £7.4m (£3.4m at 31 March 2012).

NOTE 22 – ASSETS HELD FOR SALE

	Current 2011/12 £'000	Current 2012/13 £'000
Balance 1 April	2,052	1,607
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	0	1,602
Expenditure in year	23	2
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(23)	(2)
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	0	(60)
Assets sold	(445)	(244)
Transfers from non-current to current	0	0
Balance 31 March	1,607	2,905

NOTE 23 – SHORT-TERM CREDITORS

	31 March 2012 £'000	31 March 2013 £'000
Welsh Government	1,992	560
Other Central Government Bodies	6,865	4,757
Other Local Authorities	6,956	19,787
National Health Service	646	847
Public Corporations and Trading	212	192
Council Tax	1,031	905
Other Entities and Individuals	25,339	31,729
Total	43,041	58,777

NOTE 24 – PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not permitted, under accounting conventions, to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed in Note 10.

The details below are analysed into short term provisions (within 12 months) and long term provisions (over 12 months). However, the provision level on all related items is reviewed periodically.

	Balance at 31 March 2012 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2013 £'000
<u>Short Term Provisions</u>				
Other	(34)	(20)	27	(27)
	(34)	(20)	27	(27)
<u>Long Term Provisions</u>				
Council Tax Property Transfers	(250)	0	0	(250)
Equal Pay	(2,188)	0	0	(2,188)
Waste Site Provision	(11,991)	(257)	2,383	(9,865)
Third Party Provisions	(535)	0	90	(445)
MMI Insurance Provision	0	(198)	0	(198)
Other	(176)	0	63	(113)
	(15,140)	(455)	2,536	(13,059)
Total	(15,174)	(475)	2,563	(13,086)

Council Tax Property Transfers Provision - Provision relating to the implications of properties transferring from Council Tax to National Non-Domestic Rates.

Equal Pay Provision – provision relating to the equal pay claims against the Council.

Landfill Sites Provision – relates to the capping and aftercare requirements of all of the Council's waste disposal sites.

Third Party Claims Provision – relating to cases of third party claims against the Council.

Municipal Mutual Insurance (M.M.I) Provision – a provision in respect of the insurance liability this Authority is exposed to in relation to the insurance arrangements of its predecessor Authorities and Municipal Mutual Insurance.

Other Provisions – All the other provisions relate to other minor issues.

NOTE 25 – USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement .

NOTE 26 – UNUSABLE RESERVES

1 April 2011 £'000	31 March 2012 £'000		31 March 2013 £'000
56,977	50,736	Revaluation Reserve	44,043
60	60	Available For Sale Financial Instruments Reserve	60
149,676	152,154	Capital Adjustment Account	163,466
(993)	(1,015)	Financial Instruments Adjustment Account	(959)
42	8	Deferred Capital Receipts Reserve	6
(90,421)	(128,153)	Pensions Reserve	(168,179)
(3,679)	(4,060)	Accumulated Absences Account	(3,201)
111,662	69,730	Total Unusable Reserves	35,236

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011/12 £'000		2012/13 £'000
56,977	Balance 1 April	50,736
689	Upward revaluation of assets	1,057
(5,551)	Downward revaluation of assets and impairment losses	(6,518)
(4,862)	Surplus or deficit on revaluation of assets	(5,461)
(1,062)	Difference between fair value depreciation and historical cost depreciation	(911)
(317)	Accumulated gains on assets sold	(321)
(1,379)	Amount written off to the Capital Adjustment Account	(1,232)
50,736	Balance 31 March	44,043

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2011/12 £000		2012/13 £000
60	Balance 1 April	60
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
60	Balance 31 March	60

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £'000		2012/13 £'000
149,676	Balance 1 April	152,154
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(27,016)	Charges for depreciation and impairment of non-current assets	(18,167)
(4,679)	Revenue Expenditure funded from Capital under Statute	(8,430)
(549)	Adjustment to non-current assets balances when selling	(490)
1,062	Transfer from Capital Revaluation Reserve	911
	<u>Capital financing applied in the year:</u>	
3,489	Capital Receipts	2,345
0	Amortisation of Government Grants Deferred	0
16,108	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,148
5,797	Revenue provision for the financing of supported capital investment	5,692
7,497	Capital expenditure charged in year against the General Fund	7,574
1,347	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	729
(578)	Other - repayment of loans to third parties	0
152,154	Balance 31 March	163,466

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These were written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Movement in Reserves Statement and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period.

Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

The transactions reflected in the FIAA for 2012/13 are as follows:

2011/12 £000		2012/13 £000
(993)	Balance 1 April	(1,015)
45	Proportion of premiums incurred in previous years charged to General Fund and Housing Revenue Account balances in accordance with statute	10
(67)	Deferred credit for receipt of charges due from people under care	46
(1,015)	Balance 31 March	(959)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £000		2012/13 £000
42	Balance 1 April	8
(26)	Adjust Opening Balance	0
(8)	Principal repayment of Right To Buy Mortgages	(2)
8	Balance 31 March	6

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12 £000		2012/13 £000
(90,421)	Balance 1 April	(128,153)
(41,900)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(40,951)
(13,445)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(17,214)
17,613	Employer's pensions contributions and direct payments to pensioners payable in the year	18,139
(128,153)	Balance 31 March	(168,179)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000		2012/13 £000
(3,679)	Balance 1 April	(4,060)
(381)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	859
(4,060)	Balance 31 March	(3,201)

NOTE 27a – CASH FLOW STATEMENT : ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2011-12 £'000		2012-13 £'000
(11,195)	Depreciation	(11,430)
(15,819)	Impairment and downward valuations	(6,735)
(1,700)	(Increase)/Decrease in Creditors	(15,958)
2,490	Increase/(Decrease) in Debtors	16,063
129	Increase/(Decrease) in Stock	(123)
4,168	Pension Liability	925
(867)	Carrying amount of non-current assets sold	(813)
(5,627)	Other non-cash items charged to net surplus/deficit on the provision of services	(5,522)
(28,421)		(23,593)

NOTE 27b – CASH FLOW STATEMENT : ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITES

2011-12 £'000		2012-13 £'000
1,267	Proceeds from sale of property, plant, equipment, investment property and intangible assets	856
(5,390)	Interest received and paid	(5,197)
(4,123)		(4,341)

NOTE 27c – CASH FLOW STATEMENT : OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011-12 £'000		2012-13 £'000
(859)	Interest received	(792)
6,249	Interest paid	5,989

NOTE 28 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011-12 £'000		2012-13 £'000
31,838	Purchase of property, plant and equipment, investment property and intangible assets	31,733
4,774	Other payments for investing activities	8,616
(1,917)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(934)
(14,563)	Proceeds from short-term and long-term investments	(144)
(859)	Other receipts for investing activities	(792)
19,273	Net cash flows from investing activities	38,479

NOTE 29 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011-12 £'000		2012-13 £'000
88	Cash payments for the reduction of the outstanding liability relating to Finance Leases	20
4,336	Repayments of short term and long term borrowing	1,110
6,249	Other payments for financing activities	5,989
10,673	Net cash flows from financing activities	7,119

NOTE 30 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Board on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Departments.

This reconciliation shows how the figures in the analysis of Departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement and shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Expenditure			Total	Income		Total	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Employees	Other	Support Services	Expenditure	Fees and other	Employees	Other	Support Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	2,938	390	1	3,329	(71)	(40)	(111)	3,218
Finance	5,191	1,103	1	6,295	(1,638)	(1,066)	(2,704)	3,591
Democracy and Legal	2,180	930	6	3,116	(631)	(316)	(947)	2,169
Customer Care	5,000	3,031	8	8,039	(1,096)	(63)	(1,159)	6,880
Strategic and Improvement	3,434	3,118	7	6,559	(22)	(2,391)	(2,413)	4,146
Education	73,114	34,891	189	108,194	(7,103)	(21,299)	(28,402)	79,792
Economy and Community	4,748	8,092	15	12,855	(4,024)	(5,600)	(9,624)	3,231
Highways and Municipal	16,365	18,982	5	35,352	(8,966)	(4,311)	(13,277)	22,075
Regulatory	5,923	8,610	0	14,533	(3,901)	(4,077)	(7,978)	6,555
Consultancy	2,875	826	(433)	3,268	(2,491)	(204)	(2,695)	573
North & Mid Wales Trunk Road Agency	0	0	(85)	(85)	(145)	0	(145)	(230)
Provider and Leisure	25,392	(5,945)	1	19,448	(3,706)	(774)	(4,480)	14,968
Housing and Social Services	14,508	48,787	5	63,300	(11,015)	(10,816)	(21,831)	41,469
Total items within Departmental Control	161,668	122,815	(280)	284,203	(44,809)	(50,957)	(95,766)	188,437
Corporate	482	15,858	24,591	40,931	(354)	(43,038)	(43,392)	(2,461)
Corporate Management Team	607	190	0	797	0	(38)	(38)	759
Total items within Departmental Control and Central Support Services	162,757	138,863	24,311	325,931	(45,163)	(94,033)	(139,196)	186,735
Items within net cost of services, not under departmental control:								
Capital Charges	0	24,766	0	24,766	0	0	0	24,766
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(1,667)	0	(1,996)	0	0	0	(1,996)
Use of Reserves	0	0	0	0	2,824	0	2,824	2,824
Net Cost of Services	162,428	161,962	24,311	348,701	(42,339)	(94,033)	(136,372)	212,329
Other Operating Expenditure								
Precepts and Levies	0	18,882	0	18,882	0	0	0	18,882
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(42)	0	(42)	(42)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,746	0	6,746	0	0	0	6,746
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	3,111	3,111	0	0	0	3,111
Interest and Income from Investments	0	0	0	0	(682)	0	(682)	(682)
Taxation and non-specific grant income								
Council Tax	0	0	0	0	(63,374)	0	(63,374)	(63,374)
Net income Non-domestic rates	0	0	0	0	(32,801)	0	(32,801)	(32,801)
Government Grants - Revenue	0	0	0	0	0	(136,566)	(136,566)	(136,566)
Grants and Contributions - Capital	0	0	0	0	(504)	(15,284)	(15,788)	(15,788)
(Surplus)/ Deficit on the Provision of Services	162,428	187,590	27,422	377,440	(139,742)	(245,883)	(385,625)	(8,185)

2011/12	Expenditure			Total	Income		Total	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	3,187	315	1	3,503	(101)	0	(101)	3,402
Finance	5,162	1,151	1	6,314	(1,703)	(988)	(2,691)	3,623
Democracy and Legal	3,426	1,156	2	4,584	(1,260)	(99)	(1,359)	3,225
Customer Care	4,783	3,054	1	7,838	(1,358)	(8)	(1,366)	6,472
Strategic and Improvement	2,666	3,768	2	6,436	(909)	(2,952)	(3,861)	2,575
Education	71,818	28,375	89	100,282	(7,567)	(13,386)	(20,953)	79,329
Economy and Community	4,981	5,877	15	10,873	(4,079)	(3,061)	(7,140)	3,733
Highways and Municipal	16,377	19,398	51	35,826	(8,947)	(4,756)	(13,703)	22,123
Regulatory	6,365	8,483	217	15,065	(4,532)	(3,484)	(8,016)	7,049
Consultancy	2,842	1,072	(379)	3,535	(3,258)	0	(3,258)	277
North & Mid Wales Trunk Road Agency	0	0	(424)	(424)	0	0	0	(424)
Provider and Leisure	26,507	(7,052)	1	19,456	(3,280)	(817)	(4,097)	15,359
Housing and Social Services	13,697	46,305	5	60,007	(14,030)	(5,833)	(19,863)	40,144
Total items within Departmental Control	161,811	111,902	(418)	273,295	(51,024)	(35,384)	(86,408)	186,887
Corporate	1,684	(19,770)	59,911	41,825	(3,300)	(37,926)	(41,226)	599
Corporate Management Team	645	239	0	884	(32)	(35)	(67)	817
Total items within Departmental Control and Central Support Services	164,140	92,371	59,493	316,004	(54,356)	(73,345)	(127,701)	188,303
Items within net cost of services, not under departmental control:								
Capital Charges	0	30,034	0	30,034	0	0	0	30,034
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(2,550)	0	(2,879)	0	0	0	(2,879)
Use of Reserves	0	0	0	0	1,732	0	1,732	1,732
Net Cost of Services	163,811	119,855	59,493	343,159	(52,624)	(73,345)	(125,969)	217,190
Other Operating Expenditure								
Precepts and Levies	0	18,588	0	18,588	0	0	0	18,588
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(401)	0	(401)	(401)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,747	0	6,747	0	0	0	6,747
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	(218)	(218)	0	0	0	(218)
Interest and Income from Investments	0	0	0	0	(901)	0	(901)	(901)
Taxation and non-specific grant income								
Council Tax	0	0	0	0	(61,353)	0	(61,353)	(61,353)
Net income Non-domestic rates	0	0	0	0	(28,327)	0	(28,327)	(28,327)
Government Grants - Revenue	0	0	0	0	0	(141,003)	(141,003)	(141,003)
Grants and Contributions - Capital	0	0	0	0	(792)	(14,097)	(14,889)	(14,889)
(Surplus)/ Deficit on the Provision of Services	163,811	145,190	59,275	368,276	(144,398)	(228,445)	(372,843)	(4,567)

NOTE 31 – AGENCY SERVICES

The Council carries out certain work on an agency basis, and also administers the North and Mid Wales Trunk Road Agency.

In terms of the North and Mid Wales Trunk Road Agency, the principal areas of work are managing and maintaining the trunk road network that extends to 1,174 kilometres in the region of the Council’s North and Mid Wales Partnership on behalf of the Welsh Government. There was an increase in the income transactions recovered during the year to £51.26m in 2012/13 (£36.37m in 2011/12), as a result of the North and Mid Wales Agencies amalgamating.

During 2012/13 Gwynedd Council acted as an agent as part of Welsh Government’s new ‘Houses into Homes’ scheme, providing interest free loans to owners of empty dwellings in order to bring the properties back into use, for sale or rent. During 2012/13 loans amounting to £50,000 were given for houses in Gwynedd.

NOTE 32 – MEMBERS’ ALLOWANCES

The Authority paid the following allowances and expenses to members of the Council during the year:

2011-12		2012-13
£'000		£'000
1,131	Allowances	1,215
58	Expenses	64
1,189		1,279

NOTE 33 – OFFICERS’ REMUNERATION

7A (1) (b) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay and the employer’s pension contributions are included below, but the employer’s national insurance contributions are excluded. The remuneration paid to the Authority’s senior employees is as follows:

2011-12				Chief Officers	2012-13			
Payments		Employer's			Payments		Employer's	
Salary	Other	Pension Contribution	Total		Salary	Other	Pension Contribution	Total
108,264	173	23,169	131,606	Chief Executive	108,264	0	23,710	131,974
83,121	658	17,788	101,567	Corporate Director	86,040	0	18,843	104,883
83,121	311	17,788	101,220	Corporate Director	86,040	0	18,843	104,883
83,121	0	17,788	100,909	Corporate Director	86,040	0	18,843	104,883
72,200	13	15,451	87,664	Head of Education	73,856	0	16,174	90,030
65,169	21	13,946	79,136	Stat Director/Head Soc Serv,Housing & Leisure	71,002	0	15,549	86,551
68,452	76	14,649	83,177	Head of Highways and Municipal	70,970	0	15,542	86,513
65,169	99	13,946	79,214	Head of Human Resources	67,716	0	14,830	82,546
65,169	153	13,946	79,268	Head of Finance	67,716	0	14,830	82,546
65,169	88	13,946	79,203	Head of Economy & Community	67,716	0	14,830	82,546
65,169	122	13,946	79,237	Head of Customer Care	67,716	0	14,830	82,546
64,919	48	13,893	78,860	Head of Regulatory	67,716	0	14,830	82,546
65,169	120	13,946	79,235	Head of Strategic & Improvement	67,716	0	14,830	82,546
60,111	252	12,864	73,227	Head of Gwynedd Consultancy	60,332	0	13,213	73,545
52,135	32	11,157	63,324	Head of Democracy and Legal *	54,173	0	11,864	66,037
71,923	66	15,392	87,381	Head of Social Services **	29,307	0	2,110	31,417

* The remuneration disclosed above in respect of the Head of Democracy and Legal does not include £7,043 paid in respect of their role as Returning Officer for the authority.

** Reflects position to 31 August 2012.

Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 2 cases in 2012/13 and 4 cases in 2011/12. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000 including remuneration and termination benefits:						
Number in 2011-12				Number in 2012-13		
Schools	Other	Total		Schools	Other	Total
6	1	7	£60,000 - 64,999	8	2	10
5	0	5	£65,000 - 69,999	5	0	5
0	0	0	£70,000 - 74,999	1	1	2
2	2	4	£75,000 - 79,999	2	0	2
0	0	0	£80,000 - 84,999	0	0	0
0	1	1	£85,000 - 89,999	0	0	0
1	1	2	£90,000 - 94,999	1	0	1

Includes 2 North & Mid Wales Trunk Road Agency officers.

NOTE 34 – EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit.

2011-12		2012-13
£'000		£'000
314	Fees for External Audit Services	310
111	Fees for grant claims and returns	115
425		425

NOTE 35 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	Note	2011/12 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income			
Outcome Agreement Grant (Non-ringfenced Government Grants)	13	1,303	1,300
Revenue Support Grant (Non-ringfenced Government Grants)	13	139,700	135,266
Government Capital Grants and Contributions -			
General Capital Grant		2,447	2,461
Physical Regeneration in North Wales		2,224	2,998
21st Century Schools		0	3,213
ERDF - Convergence		1,113	2,393
Other		8,313	4,219
	13	<u>14,097</u>	<u>15,284</u>
Other Capital Grants and Contributions	13	792	504
Total		<u>155,892</u>	<u>152,354</u>
Grants and Contributions Credited to Services			
Welsh Government -			
Sustainable Waste Management Grant		4,020	3,920
Supporting People Grant (SPG & SPRG)*		3,344	5,334
Post 16 Grant (Education)		4,075	4,295
14-19 Pathways (Education)**		986	4,212
Foundation Phase Grant (Education)		3,693	3,881
Concessionary Fare Grant		2,187	2,040
Other		15,499	20,739
		<u>33,804</u>	<u>44,421</u>
Other Government Grants and Contributions -			
Department for Work and Pensions		37,075	38,363
Other		8,707	11,249
		<u>45,782</u>	<u>49,612</u>
Other Grants and Contributions		2,125	2,147
		<u>81,711</u>	<u>96,180</u>

* Supporting People Grant – responsibilities transferred from Welsh Government to Gwynedd Council in relation to this grant from 1 August 2012.

** Grant schemes to facilitate 14-19 partnerships to give attention curriculum / skills adaptability. Gwynedd administers the 14-19 Pathways Grant for the 6 North Wales Authorities.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year end are as follows:

	31 March 2012 £'000	31 March 2013 £'000
Grants Received in Advance		
<u>Long Term</u>		-
Revenue Grants		-
Regulatory (Planning, Transport & Public Protection) Grants	0	499
Housing Grants	0	495
Capital Grants : -		
Regulatory (Planning, Transport & Public Protection) Grants	298	245
Total Long Term	298	1,239
<u>Short Term</u>		
Revenue Grants : -		
Education Grants	1,577	1,248
Economy and Community Grants	978	503
Housing Grants	738	263
Social Services Grants	41	183
Regulatory (Planning, Transport & Public Protection) Grants	36	13
Strategic and Improvement Grants	31	1
Provider and Leisure Grants	31	49
Customer Care Grants	2	0
Consultancy Grants	59	42
Highways and Municipal Grants	0	3
	3,493	2,305
Capital Grants : -		
Economy and Community Grants	47	79
Housing Grants	86	139
Provider and Leisure Grants	3	0
	136	218
Total Short Term	3,629	2,523
Total	3,927	3,762

NOTE 36 – RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Welsh & Central Government

Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has within other parties (e.g. council tax bills, housing benefits). Grants received from Welsh and other Government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 35.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 32.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments and balances at 31 March 2013 made to these bodies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£9,299,205	£1,007,101	(£3,148,100)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Authority. A breakdown of the payments and balances at 31 March 2013 made to these companies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£1,066,422	£113,668	(£5,915)

Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A breakdown of the payments and balances at 31 March 2013 made to these bodies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£3,746,843	£115,178	(£154,431)

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 42 on pages 81 to 86 and the Pension Fund Accounts on pages 90 to 120.

Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£583,849	£1,785	-

Entities Controlled or Significantly Influenced by the Authority

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH. Payments and balances at 31 March 2013 to Cwmni Cynnal during 2012/13 for services to schools are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,856,546	£22,342	(£29,319)

Cwmni Gwastraff Môn-Arfon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. A significant element of the Company's activities related to contracts with the two Local Authorities. Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008. The remaining assets and liabilities will be divided between the two Councils when the Company is wound up. The Company's final accounts have not yet been completed but the investment on the Balance Sheet has been re-valued to reflect its true value when the final distribution of assets takes place. During 2008/09 £1,183,580 was received as part of the settlement, £800,000 was received during 2009/10 and the final payment of £60,000 remains outstanding.

NOTE 37 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2011/12		2012/13
£'000		£'000
365,715	Non-current Assets	373,433
(50,736)	Revaluation Reserve	(44,043)
(152,154)	Capital Adjustment Account	(163,466)
162,825	Capital Financing Requirement 31 March	165,924

The movement in the year is explained as follows:

2011/12		2012/13
£'000		£'000
150,473	Capital Financing Requirement 1 April	162,825
	Adjustment to the opening figure -	
11,840	Capitalisation of contribution to landfill aftercare provision	0
(607)	Derecognition of capitalised expenditure regarding investments and debentures relating to previous district councils	0
	In year Capital Investment -	
5,835	Land and Buildings	9,817
9,767	Infrastructure	13,737
5,246	Vehicles, Plant and Equipment	3,402
15	Community Assets	20
9,535	Assets under construction	4,923
23	Assets held for sale	2
4,679	Funded from capital under statute	8,430
257	Capitalisation of contribution to landfill aftercare provision	256
(3,489)	Capital Receipts used	(2,344)
(16,108)	Government Grants and other contributions	(21,148)
(7,498)	Capital expenditure charged to revenue	(7,574)
(5,797)	Revenue provision for the financing of supported capital investment	(5,692)
	Additional voluntary set aside :	
(1,346)	Revenue provision for the financing of unsupported capital investment	(730)
162,825	Capital Financing Requirement 31 March	165,924

NOTE 38 – LEASES

Authority as Lessee

Finance Leases

The Council has a number of vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March		31 March
2012		2013
£'000		£'000
234	Property, Plant and Equipment	71
234		71

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2012 £'000		31 March 2013 £'000
	Finance Lease Liabilities (net present value of minimum lease payments):	
20	current	14
29	non-current	15
2	Finance costs payable in future years	1
51	Minimum lease payments	30

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
	No later than one year	22	15	20
Later than one year and not later than five years	29	15	29	15
	51	30	49	29

In 2012/13, minimum lease payments were made by the Authority of £23,528 (2011/12 - £90,240) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2012 £'000	31 March 2013 £'000
No later than one year	240	250
Later than one year and not later than five years	52	44
Later than five years	0	0
	292	294

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011-12 £'000	2012-13 £'000
Minimum lease payments	492	613
Contingent rents	0	0
	492	613

Authority as Lessor

Finance Leases

Gwynedd Council has no Finance Leases where the Authority is the Lessor.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2012 £'000	31 March 2013 £'000
No later than one year	459	428
Later than one year and not later than five years	885	847
Later than five years	2,251	2,221
	3,595	3,496

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £930,137 minimum lease payments were receivable by the Authority (£892,890 in 2011/12).

NOTE 39 – IMPAIRMENT LOSSES

Notes 15 and 22 show the movement by class of assets for impairment losses and reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

NOTE 40 – EXIT PACKAGES

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related cost to the employer rather than the actual cost of the payments to the individuals.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	Number	Number	Number	Number	Number	Number	£'000	£'000
0 - 20,000	47	45	0	0	47	45	258	224
20,001 - 40,000	10	8	0	0	10	8	295	207
40,001 - 60,000	7	2	0	0	7	2	347	95
60,001 - 80,000	2	1	0	0	2	1	137	70
80,001 - 100,000	1	1	0	0	1	1	82	87
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	67	57	0	0	67	57	1,119	683

NOTE 41 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Capita Teachers' Pensions on behalf of the Westminster Government's Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 the Council paid £5.98m (£5.90m in 2011/12) in respect of teachers' pension costs, which represented 13.75% (13.69% in 2011/12) of teachers' pensionable pay. In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. In 2012/13 these amounted to £1m (£0.96m in 2011/12) representing 2.29% (2.30% in 2011/12) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 42.

NOTE 42 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement.

Gwynedd Council participates in two post employment schemes:

- a) **The Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- b) **Arrangements for the award of post retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services						
Current Service Cost	13,434	13,907	0	0	13,434	13,907
Past Service Costs	68	67	0	0	68	67
Settlements and Curtailments	161	129	0	0	161	129
Financing and Investment Income and Expenditure						
Interest Cost	22,500	21,628	2,349	2,097	24,849	23,725
Expected Return on Scheme Assets	(23,578)	(19,580)	(1,489)	(1,034)	(25,067)	(20,614)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	12,585	16,151	860	1,063	13,445	17,214
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account						
Actuarial (Gains) and Losses	37,883	40,177	4,017	774	41,900	40,951
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	50,468	56,328	4,877	1,837	55,345	58,165
Reversal of net charges made to the Surplus or Deficit for the Provision of Post Employment Benefits in accordance with the Code	(32,855)	(38,189)	(4,877)	(1,837)	(37,732)	(40,026)
Actual amount charged against council tax for pensions in the year						
Employers' Contributions to the Scheme	17,613	18,139	0	0	17,613	18,139

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £115,209,396 (£114,175,060 to 31 March 2012).

Assets and liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	(407,128)	(447,643)	(44,618)	(45,606)	(451,746)	(493,249)
Current Service Cost	(13,434)	(13,907)	0	0	(13,434)	(13,907)
Interest Cost	(22,500)	(21,628)	(2,350)	(2,097)	(24,850)	(23,725)
Contributions by scheme participants	(4,602)	(4,654)	0	0	(4,602)	(4,654)
Actuarial (Losses)/Gains	(14,047)	(65,076)	(2,516)	(2,093)	(16,563)	(67,169)
Past Service Costs	(68)	(67)	0	0	(68)	(67)
Losses on Curtailments	(161)	(129)	0	0	(161)	(129)
Liabilities extinguished on Settlements	0	0	0	0	0	0
Estimated Unfunded Benefits Paid	983	977	798	762	1,781	1,739
Estimated Benefits Paid	13,314	11,837	3,080	3,112	16,394	14,949
31 March	(447,643)	(540,290)	(45,606)	(45,922)	(493,249)	(586,212)

Reconciliation of fair value of the scheme assets:

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	338,234	345,096	23,093	20,000	361,327	365,096
Expected Return on Assets	23,577	19,580	1,488	1,034	25,065	20,614
Contributions by Members	4,602	4,654	0	0	4,602	4,654
Contributions by the Employer	15,815	16,484	0	0	15,815	16,484
Contributions in respect of Unfunded Benefits	983	977	798	762	1,781	1,739
Actuarial Gains and (Losses)	(23,818)	24,815	(1,501)	1,319	(25,319)	26,134
Assets distributed on Settlements	0	0	0	0	0	0
Unfunded Benefits Paid	(983)	(977)	(798)	(762)	(1,781)	(1,739)
Benefits Paid	(13,314)	(11,837)	(3,080)	(3,112)	(16,394)	(14,949)
31 March	345,096	398,792	20,000	19,241	365,096	418,033

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £46,846,670 (2011/12: gain of £215,654).

Scheme History

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	345,096	398,792	20,000	19,241	365,096	418,033
Present Value of Liabilities	(447,643)	(540,290)	(45,606)	(45,922)	(493,249)	(586,212)
Deficit in the Scheme	(102,547)	(141,498)	(25,606)	(26,681)	(128,153)	(168,179)

	Gwynedd Council Pension Scheme			Gwynedd Closed Fund Pension Scheme		
	31 March			31 March		
	2009	2010	2011	2009	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	251,001	364,463	338,233	20,729	25,046	23,093
Present Value of Liabilities	(359,854)	(617,490)	(407,128)	(45,757)	(55,407)	(44,619)
Deficit in the Scheme	(108,853)	(253,027)	(68,895)	(25,028)	(30,361)	(21,526)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £168.18m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments become due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £17.7m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Gwynedd Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary are as follows:-

	31 March 2012	31 March 2013
	%	%
Rate of Inflation	2.5	2.8
Rate of increase in Salaries	4.8	5.1
Rate of increase in Pensions	2.5	2.8
Expected return on assets	5.6	4.5
Discount rate	4.8	4.5
Take-up option to convert annual pension into retirement lump sum - for pre-April 2008 service	50	50
for post-April 2008 service	75	75
Long-term expected rate of return on assets in the scheme:		
Equity	6.2	4.5
Bonds	3.3	4.5
Property	4.4	4.5
Cash	3.5	4.5
Mortality assumptions	Years	Years
Longevity at 65 for current pensioners - Men	20.5	20.5
Women	23.0	23.0
Longevity at 65 for future pensioners - Men	23.3	23.3
Women	25.6	25.6

The fund's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2013
	%	%
Equities	78	77
Bonds	13	13
Property	8	8
Cash	1	2
Total	100	100

History of Experienced Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March each year:

	Gwynedd Council Pension Scheme					Gwynedd Closed Fund Pension Scheme				
	31 March					31 March				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	-34.7	23.0	-14.2	-6.9	6.2	-38.2	25.1	-2.0	-7.5	6.9
Experience gains and losses on liabilities	0.2	0.1	-30.3	1.0	0.0	0.4	-0.7	-6.8	2.7	0.0

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £84,000 in 2012/13 between the deficit in the Scheme based on the Actuarial figures in comparison with the Liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

NOTE 43 – CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

The position below relates to circumstances involving three specific contingent liabilities:

- Position in respect of Equal Pay Claims – a provision is contained within the Authority's Accounts and reflects the best estimate of potential cost as at 31 March 2013. The actual final position and liability will depend on the outcome of the outstanding claims.
- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.

- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being, Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (M.M.I) Fund on 30 September 1992.

M.M.I. made a scheme of arrangement with its creditors, by which, if M.M.I had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992-93, less £50,000 per creditor authority. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable.

The Administrators have confirmed in April 2013 that an initial levy of 15% of the payments made since 30 September 1992 are payable by the authorities and this levy is expected to be paid during 2013/14. However, in accordance with the scheme a further levy may be raised should the original levy be insufficient to meet M.M.I's liabilities in the longer term. This potential additional liability is acknowledged and is also reflected in the level of our provision. The current related estimated maximum potential liability to this authority is in the order of, up to almost £1million.

NOTE 44 – TRUSTS

The Council acts as sole trustee for 172 bequests such as school prize funds and comforts and improvements to numerous Council Establishments.

As a sole trustee the authority holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

2012/13	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	74	11	403	42
Educational Trust Funds	49	20	854	672
FMG Morgan Trust Fund	6	2	146	25
Welsh Church Fund	17	12	561	42
	<u>146</u>	<u>45</u>	<u>1,964</u>	<u>781</u>

2011/12	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	6	32	340	42
Educational Trust Funds	48	21	834	681
FMG Morgan Trust Fund	7	1	141	25
Welsh Church Fund	17	13	562	50
	<u>78</u>	<u>67</u>	<u>1,877</u>	<u>798</u>

Further details on the FMG Morgan Trust Fund and Welsh Church Fund are included in Appendices B and C of these accounts.

NOTE 45 – HOUSING REVENUE ACCOUNT

It was decided by the Welsh Government that all council housing stock in Wales should meet the Welsh Housing Quality Standard (WHQS). Gwynedd Council did not have the resources to achieve the WHQS within the necessary timescale, therefore Gwynedd Council’s housing stock was transferred to a Registered Social Landlord which was established specifically for this purpose. The housing stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010. There was no income or expenditure relating to the Housing Revenue Account in 2012-13 nor in 2011-12. However, the balance of the the Housing Revenue Account remains on the Balance Sheet, in compliance with statutory requirements, to be transferred to Gwynedd Council during 2013-14 subject to consent from Welsh Government.

2011-12		2012-13
£'000		£'000
1,727	Balance on the Housing Revenue Account on 1 April	1,727
1,727	Balance on the Housing Revenue Account on 31 March	1,727

NOTE 46 – EXCEPTIONAL ITEM (PROVISION FOR RESTORATION OF LANDFILL SITES)

Every local authority that operates, or has operated, a landfill site has a legal obligation for the restoration, aftercare and monitoring of these sites for at least 30 years after closure and capping. Following the publication of technical guidance that provides clarification of the requirement for authorities to recognise a full provision for this work and to account for this on a consistent basis, the 2011/12 figures in the 2012/13 accounts have been restated to reflect these changes (see Note 3 Prior Period Adjustments for further information).

The exceptional item in the Comprehensive Income and Expenditure Statement (2011/12) recognises the impairment that relates to the above obligation, on the basis that no economic benefits / service potential will accrue to the authority as most of the landfill sites are now closed. However the impact of the impairment upon the taxation requirement is neutral.

NOTE 47 – PRIVATE FINANCE INITIATIVE SCHEMES (PFI)

Prosiect GwryiAD is a Private Finance Initiative (PFI) scheme, and construction commenced in 2012-13 with the plant becoming operational on 1st October 2013. It is a treatment plant for treating source segregated food waste using Anaerobic Digestion (AD) technology. This will assist the Authority to meet its recycling targets and to work within its allowances for landfilling of Biodegradable Municipal Waste.

NOTE 48 – JOINT COMMITTEES

During 2012/13, Gwynedd Council participated in five joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The five joint-committees relating to Gwynedd are:

- Special Educational Needs Joint Committee (SEN)
- Joint Planning Policy Committee
- Integrated Transport in North Wales (TAITH)
- Mid Wales Transportation (TRaCC)
- North Wales Residual Waste Treatment Project (NWRWTP)

Each related Council agreed to report the financial element relating to their respective Council within a note to their accounts. For Gwynedd Council, the information is as follows:

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd's Share %	Value of Gwynedd's Share (Income and Expenditure Account) £'000
Special Educational Needs Joint Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	61.4%	722
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50.0%	359
TAITH	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	16.6%	31
TRaCC	Ceredigion County Council	Ceredigion County Council Gwynedd Council Powys County Council	33.3%	42
NWRWTP	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20.0%	169

The individual joint-committees accounts are available on the website of the leading council in respect of the finance and accountancy service.

GWYNEDD PENSION FUND ACCOUNTS 2012-13

31 March 2012 £'000		Notes	31 March 2013 £'000
	Dealings with members, employers and others directly involved in the fund		
61,525	Contributions Receivable	7	63,451
48	Interest on Deferred Contributions		18
1	Income from Divorce Calculations		1
0	Interest on Late Payment of Contributions		0
3,099	Transfers in from other pension schemes	8	3,126
64,673	Total contributions received		66,596
(40,541)	Benefits Payable	9	(41,004)
(1,035)	Payments to and on account of leavers	10	(2,592)
(1,011)	Administrative Expenses	11	(1,068)
(42,587)	Total benefits paid		(44,664)
22,086	Net additions from dealings with members		21,932
	Returns on Investments		
10,228	Investment income	12	11,919
(291)	Taxes on income	13	(335)
(1,474)	Profit and (losses) on disposal of investments and changes in the market value of investments		116,112
(4,656)	Investment management expenses	14	(5,720)
3,807	Net returns on investments		121,976
	Net assets of the Fund		
1,023,778	At 1 st April		1,049,671
22,086	Net additions from dealings with members		21,932
3,807	Net returns on investments		121,976
1,049,671	At 31st March		1,193,579

NET ASSETS STATEMENT AS AT 31 MARCH

31 March 2012		Notes	31 March 2013
£'000			£'000
1,036,066	Investment assets	15	1,170,051
17,624	Cash deposits	15	17,316
1,053,690			1,187,367
(10,274)	Investment liabilities	15	(4,297)
9,496	Current assets	20	13,682
(3,241)	Current liabilities	21	(3,173)
1,049,671			1,193,579

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summarise the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (the most recent as at 31 March 2010) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. Work is currently underway on the 31 March 2013 valuation and the results are expected mid November 2013. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the fund”) is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2012/13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other scheduled, resolution and admission bodies within the old Gwynedd County Council area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Resolution bodies, which are city, town and parish councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 59 employer organisations within Gwynedd Pension Fund including the council itself, as detailed below:

Gwynedd Pension Fund	31 March 2012	31 March 2013
Number of employers with active members	40	40
Number of employees in scheme		
Gwynedd Council	5,020	5,391
Other employers	9,281	9,408
Total	14,301	14,799
Number of pensioners		
Gwynedd Council	1,534	2,153
Other employers	5,393	5,078
Total	6,927	7,231
Deferred pensioners		
Gwynedd Council	3,089	3,601
Other employers	4,660	4,768
Total	7,749	8,369

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales (former North Wales Police Authority)	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	
Admission Bodies	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transferee Admission Body	
Eden Foods	Jewsons

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010. Currently, employer contribution rates range from 5.1% to 29.1% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer price index. This change took effect from 1 April 2011.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in and out are accounted for on a receipts and payments basis, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

- iv) Movement in the net market value of investments.
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related:

Capital International – Global Equity (terminated in July 2012)
Fidelity – Global Equity

No performance-related fees were paid to the managers in 2012/13 or in 2011/12.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the fund.

Net assets statement

h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.
- iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investments vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement. (Note 19).

n) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2013 was £62 million (£59 million at 31 March 2012).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liabilities and an increase in assumed life expectancy would increase the liability.
Debtors	At 31 March 2013, the fund had a balance of sundry debtors of £6.2m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts.	If collection rates were to deteriorate, it would be necessary to reconsider this decision.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with IFRS accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £62 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2011/12 £'000		2012/13 £'000
47,301	Employers	49,126
14,224	Employees/Members	14,325
61,525		63,451

By authority

2011/12 £'000		2012/13 £'000
20,700	Gwynedd Council	21,333
36,573	Other Scheduled bodies	36,999
2,209	Admission bodies	2,827
1,778	Community admission body	2,033
64	Transferee admission body	63
147	Resolution Body	142
54	Closed fund*	54
61,525		63,451

* Closed fund – These are contributions received from Theatr Harlech, Theatr Gwynedd and North Wales Magistrates Court Committee. They were admitted bodies but they are now closed funds.

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2011/12 £'000		2012/13 £'000
3,099	Individual transfers	3,126
3,099		3,126

NOTE 9 - BENEFITS PAYABLE

By category

2011/12 £'000		2012/13 £'000
29,785	Pensions	32,237
10,013	Commutation and lump sum retirement benefits	7,873
743	Lump sum death benefits	894
40,541		41,004

By authority

2011/12 £'000		2012/13 £'000
10,137	Gwynedd Council	10,027
16,925	Other Scheduled bodies	17,613
1,103	Admission bodies	1,223
660	Community admission body	543
34	Transferee admission body	15
11,628	Closed Fund	11,496
54	Resolution Body	87
40,541		41,004

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2011/12		2012/13
£'000		£'000
3	Refunds to members leaving service	37
6	Payments for members joining state scheme	1
1,026	Individual transfers	2,554
1,035		2,592

NOTE 11 – ADMINISTRATIVE EXPENSES

2011/12		2012/13
£'000		£'000
393	Direct employee costs	393
162	Other direct costs	87
332	Support services including IT	434
50	Pension fund committee	66
25	External audit fees	25
49	Actuarial fees	63
1,011		1,068

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 23 below.

NOTE 12 – INVESTMENT INCOME

2011/12		2012/13
£'000		£'000
0	Fixed Interest Securities	6
768	UK equities	1,176
4,119	Overseas equities	3,830
1,244	Private equity	923
0	Infrastructure	(10)
3,899	Pooled property investments	4,593
198	Interest on cash deposits	179
0	Repayment of fees	1,222
10,228		11,919

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Council has a deposit of £4m with Heritable Bank, which went into administration in October 2008. The impairment on this investment to the Pension Fund was £178,094 in 2008/09 and there was a reduction in this impairment of £54,814 in 2009/10, £13,248 in 2010/11 and £14,897 in 2011/12. A further impairment of £2,723 was made in 2012/13. This amount has been included in the interest on cash deposits figure for the relevant year in the above table. Further information is included in Note 26 below.

NOTE 13 – TAXES ON INCOME

2011/12 £'000		2012/13 £'000
291	Withholding tax – equities	335
291		335

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2011/12 £'000		2012/13 £'000
4,477	Management fees	5,614
47	Custody fees	46
14	Performance monitoring service	16
118	Investment consultancy fees	44
4,656		5,720

NOTE 15 – INVESTMENTS

2011/12 £'000		2012/13 £'000
	Investment assets	
150,723	Absolute return	157,644
153,058	Equities	206,697
577,137	Pooled investments	634,387
92,685	Pooled property investments	105,974
58,645	Private Equity	58,723
0	Infrastructure	3,064
	Derivative contracts:	
3,534	Forward currency contracts	3,562
284	Amounts receivable for sales	0
1,036,066		1,170,051
17,624	Cash deposits	17,316
1,053,690	Total investment assets	1,187,367
	Investment liabilities	
	Derivative contracts:	
(3,518)	Forward currency contracts	(3,620)
(6,756)	Amounts payable for purchases	(677)
(10,274)	Total investment liabilities	(4,297)
1,043,416	Net investment assets	1,183,070

Note 15a – Reconciliation of movements in investments and derivatives

	Market value at 1 April 2012	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	150,723	0	(210)	7,131	157,644
Equities	153,058	206,019	(171,726)	19,346	206,697
Pooled investments	577,137	1,716	(30,999)	86,533	634,387
Pooled property investments	92,685	17,851	0	(4,562)	105,974
Private equity / infrastructure	58,645	9,359	(10,970)	4,753	61,787
	1,032,248	234,945	(213,905)	113,201	1,166,489
Forward foreign currency contracts	16			(82)	(58)
Cash deposits	17,624			(209)	17,316
Amount receivable for sales of investments	284				0
Amounts payable for purchases of investments	(6,756)				(677)
Fees within pooled vehicles				3,202	
Net investment assets	1,043,416	234,945	(213,905)	116,112	1,183,070

	Market value at 1 April 2011	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	141,937	4,212	0	4,574	150,723
Equities	156,987	92,437	(92,350)	(4,016)	153,058
Pooled investments	562,695	113,360	(90,159)	(8,759)	577,137
Pooled property investments	89,208	7,316	(5,611)	1,772	92,685
Private equity / infrastructure	50,967	13,175	(7,572)	2,075	58,645
	1,001,794	230,500	(195,692)	(4,354)	1,032,248
Forward foreign currency contracts	(172)			39	16
Cash deposits	10,029			132	17,624
Amount receivable for sales of investments	640				284
Amounts payable for purchases of investments	(404)				(6,756)
Fees within pooled vehicles				2,709	
Net investment assets	1,011,887	230,500	(195,692)	(1,474)	1,043,416

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £426,308 (2011/12 £189,583.34). The costs for 2012/13 are higher than usual due to the transition to a new manager which involved a significant number of purchases and sales of investments. In addition to these costs indirect costs are incurred through the bid-offer spread on investments within pooled funds.

Note 15b – Analysis of investments (excluding derivative contracts)

31 March 2012		31 March 2013
£'000		£'000
	Equities	
	UK	
14,999	Quoted	45,299
	Overseas	
136,758	Quoted	161,398
1,302	Unquoted	0
	Pooled funds	
	UK	
187,377	Unit trusts	218,891
1	Ventures - unquoted	0
	Global (including UK)	
150,723	Fixed income	157,644
179,653	Unit trusts	211,337
	Overseas	
210,104	Unit trusts	204,159
92,686	Property unit trusts	105,974
58,645	Private equity	58,723
0	Infrastructure	3,064
1,032,248		1,166,489

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place managed by the global custodian. The fund hedges a proportion of the Euro within the portfolio managed by UBS.

Settlement	Currency bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to three months	GBP	3,562	GBP	3,562	3,562	
Up to three months	EUR	4,280				(3,620)
					3,562	(3,620)
Net forward foreign currency contracts at 31 March 2013						(58)
Prior year comparative						
Open forward foreign currency contracts at 31 March 2012						3,534
Net forward foreign currency contracts at 31 March 2012						16

Investments analysed by fund manager

Market Value at 31 March 2012			Market Value at 31 March 2013		
£'000	%		£'000	%	
346,858	33.3	BlackRock	412,513	34.9	
190,046	18.2	Capital International	0	0.0	
206,287	19.8	Fidelity	240,729	20.3	
150,519	14.4	Insight	157,648	13.3	
20,099	1.9	Lothbury	20,887	1.8	
58,645	5.6	Partners Group	61,787	5.2	
10,601	1.0	Threadneedle	10,736	0.9	
60,361	5.8	UBS	56,223	4.8	
0	0.0	Veritas	222,547	18.8	
1,043,416	100.0		1,183,070	100.0	

The following investments represent more than 5% of the net assets of the scheme

Market value 31 March 2012 £'000	% of total fund	Security	Market value 31 March 2013 £'000	% of total fund
187,377	17.85	BlackRock Asset Management Aquila Life UK Equity Index Fund	218,889	18.34
179,653	17.12	Fidelity Institutional Select Global Equity	211,337	17.71
150,516	14.34	Insight LDI Solution Bonds Plus	157,644	13.21

Note 15c – Stock lending

The Statement of Investment Principles (SIP) states that stock lending will be permitted subject to specific approval. Currently the fund does not undertake any stock lending.

NOTE 16 – FINANCIAL INSTRUMENTS

Note 16a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2012			As at 31 March 2013		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
150,723			Fixed interest securities	157,644	
153,058			Equities	206,697	
577,137			Pooled investments	634,387	
92,685			Pooled property investments	105,974	
58,645			Private equity	58,723	
0			Infrastructure	3,064	
3,534			Derivative contracts	3,562	
	20,710		Cash	121	24,662
	6,693		Debtors		6,216
1,035,782	27,403	0		1,170,172	30,878
Financial liabilities					
(3,518)			Derivative contracts	(4,270)	
		(9,996)	Creditors		(3,201)
(3,518)	0	(9,996)		(4,270)	0
1,032,264	27,403	(9,996)		1,165,902	30,878

Note 16b – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2012		31 March 2013	
Carrying value	Fair value	Carrying value	Fair value
£'000	£'000	£'000	£'000
Financial assets			
876,237	1,035,782	Fair value through profit and loss	916,860
27,405	27,403	Loans and receivables	30,878
903,642	1,063,185	Total financial assets	947,738
Financial liabilities			
(3,534)	(3,518)	Fair value through profit and loss	(4,216)
(10,006)	(9,996)	Financial liabilities at amortised cost	(3,201)
(13,540)	(13,514)	Total financial liabilities	(7,417)
890,102	1,049,671	Net financial assets	940,321
			1,193,579

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16c – Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments could include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2013	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
Financial assets at fair value through profit and loss	503,034	605,351	61,787	1,170,172
Loans and receivables	30,878	0	0	30,878
Total financial assets	533,912	605,351	61,787	1,201,050
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(4,270)	0	(4,270)
Financial liabilities at amortised cost	(3,201)	0	0	(3,201)
Total financial liabilities	(3,201)	(4,270)	0	(7,471)
Net financial assets	530,711	601,081	61,787	1,193,579

Values at 31 March 2012	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	Level 2	unobservable	
	£'000	£'000	Level 3	£'000
Financial assets				
Financial assets at fair value through profit and loss	442,353	534,784	58,645	1,035,782
Loans and receivables	27,403	0	0	27,403
Total financial assets	469,756	534,784	58,645	1,063,185
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(3,518)	0	(3,518)
Financial liabilities at amortised cost	(9,996)	0	0	(9,996)
Total financial liabilities	(9,996)	(3,518)	0	(13,514)
Net financial assets	459,760	531,266	58,645	1,049,671

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Funding Strategy Statement produced by the Administering Authority in conjunction with the Fund's Actuaries, states how solvency and risk will be managed in relation to liabilities. The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk for its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

Other price risk – sensitivity analysis

Following analysis of the observed historical volatility of asset class returns in consultation with the fund's investment analytics advisors potential price changes have been determined for the various classes of assets held by the fund. The rates to be applied to the fund's asset categories are as follows:

Asset type	Potential market movement (+/-)	
	31 March 2013	31 March 2012
	%	%
Equities	12.5	14.97
Fixed Income	1.5	1.80
Alternatives (Private Equity)	9.6	11.61
Property	1.9	4.29
Cash	0.0	0.50

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31	Percentage	Value on	Value on
	March 2013		increase	decrease
	£'000	change	£'000	£'000
Equities	841,084	12.5	945,556	735,612
Fixed Income	157,644	1.5	160,056	155,232
Alternatives (Private Equity)	61,787	9.6	67,694	55,880
Property	105,974	1.9	108,009	103,939
Cash	24,047	0.0	24,049	24,044
Total assets available to pay benefits	1,190,536		1,306,364	1,074,707

Asset type	Value as at 31	Percentage	Value on	Value on
	March 2012		increase	decrease
	£'000	change	£'000	£'000
Equities	730,195	14.97	839,504	620,884
Fixed Income	150,723	1.80	153,436	148,010
Alternatives (Private Equity)	58,645	11.61	65,454	51,836
Property	92,685	4.29	96,661	88,708
Cash	17,624	0.50	17,712	17,536
Total assets available to pay benefits	1,049,872		1,172,767	926,974

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2013	As at 31 March 2012
	£'000	£'000
Cash and cash equivalents	7,466	3,086
Cash balances	17,316	17,624
Fixed interest securities	157,644	150,723
Total	182,426	171,433

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2013 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	7,466	75	(75)
Cash balances	17,316	173	(173)
Fixed interest securities	157,644	851	(851)
Total change in assets available	182,426	1,099	(1,099)

Asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	3,086	31	(31)
Cash balances	17,624	176	(176)
Fixed interest securities	150,723	528	(528)
Total change in assets available	171,433	735	(735)

A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds assets denominated in currencies other than £UK.

The fund has made commitments to private equity and infrastructure in foreign currency, (€140million and \$7million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the fund is fully funded. The fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

The following table summarises the fund's currency exposure as at 31 March 2013 and as at the previous period end:

Currency exposure - asset type	As at	As at
	31 March 2013	31 March 2012
	£'000	£'000
Overseas and Global Equities	576,897	526,356
Global Fixed Income	157,644	150,723
Overseas Alternatives (Private Equity and infrastructure)	61,787	58,645
Overseas Property	3,673	3,626
Overseas Currency	121	14
Total overseas assets	800,122	739,364

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment analytics advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the fund's investments.

A 5.2% fluctuation in the currency is considered reasonable based on the fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2013. The equivalent rate for the year ended 31 March 2012 was 7.8%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the fund's exposure to individual foreign currencies as at 31 March 2013 and as at the previous year end:

Currency exposure - by currency	Value at 31	Change	Value on	Value on
	March 2013		increase	decrease
	£'000	%	£'000	£'000
Australian Dollar	11,926	10.0	13,113	10,739
Brazilian Real	6,175	11.6	6,892	5,457
EURO	88,385	7.8	95,279	81,491
Hong Kong Dollar	5,876	8.5	6,378	5,375
Japanese Yen	5,850	11.8	6,538	5,161
Norwegian Krone	5,720	9.0	6,237	5,202
South African Rand	6,692	12.0	7,492	5,892
Swedish Krona	5,794	8.1	6,265	5,323
Swiss Franc	6,993	9.4	7,648	6,339
US Dollar	83,570	8.7	90,873	78,266
Pooled Investments				
Global Basket	368,981	5.3	388,611	349,351
Global ex UK Basket	174,768	5.8	184,904	164,631
Emerging Basket	29,392	6.4	31,281	27,502
Total change in assets available	800,122	5.2	841,405	758,835

Currency exposure - by currency	Value at 31	Change	Value on	Value on
	March 2012		increase	decrease
	£'000	%	£'000	£'000
Australian Dollar	2,210	10.49	2,442	1,978
Brazilian Real	167	12.83	189	146
Canadian Dollar	6,198	9.63	6,794	5,601
Danish Krone	729	8.31	790	669
EURO	81,675	8.36	88,504	74,847
Hong Kong Dollar	4,517	9.60	4,951	4,084
Japanese Yen	29,015	13.29	32,873	25,158
Norwegian Krone	1,973	10.52	2,180	1,765
Swedish Krone	1,328	10.22	1,463	1,192
Swiss Franc	7,293	10.25	8,041	6,546
US Dollar	143,996	9.75	158,039	129,952
Pooled Investments				
Global Basket	330,377	6.55	352,007	308,746
Europe Basket	48,156	5.42	50,765	45,548
Asia Pacific ex Japan Basket	30,319	7.19	32,498	28,140
Emerging Basket	51,411	7.89	55,467	47,354
Total change in assets available	739,364	7.79	797,003	681,726

Currency Exposure - by asset type	Carrying	Change in year in the net assets	
	amount as at	available to pay benefits	
	31 March 2013	Value on	Value on
	£'000	increase	decrease
		£'000	£'000
Overseas and Global Equities	576,897	606,662	547,128
Global Fixed Income	157,644	64,975	58,599
Overseas Alternatives (Private Equity and infrastructure)	61,787	165,778	149,510
Overseas Property	3,673	3,862	3,483
Overseas Currency	121	128	115
Total change in assets available	800,122	841,405	758,835

Currency Exposure - by asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		Value on increase £'000	Value on decrease £'000
Overseas and Global Equities	526,356	567,388	485,323
Global Fixed Income	150,723	162,473	138,974
Overseas Alternatives (Private Equity)	58,645	63,217	54,073
Overseas Property	3,626	3,909	3,344
Overseas Currency	14	15	13
Total change in assets available	739,364	797,002	681,727

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The benchmark for the concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Fidelity	19%
Insight	15%
Partners Group	7.5%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10%
Veritas	19%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2013 was £7.4m (£3.4m at 31 March 2012).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all

have AAA rating from a leading ratings agency. The Council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 26.

Employers in the fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 below three employers have provided bonds. Any future liabilities falling on the fund as a result of cessation are borne by the whole fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a recent legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payment costs; and also cash to meet investment commitments.

The Administering Authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuaries establish the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the fund. Any temporary surplus is invested by the Administering Authority in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The fund also has access to an overdraft facility through the Administering Authority's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings are of a limited short term nature, the fund's exposure to credit risk is considered negligible.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2013 the value of illiquid assets was £117m, which represented 10.1% of the total fund assets (31 March 2012: £116m, which represented 11.2% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2013 are due within one year as was the case at 31 March 2012.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. Work is currently underway on the 31 March 2013 valuation and the results are expected Mid- November 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund (and the share of the fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a longer period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2010 actuarial valuation, the fund was assessed as 84% funded (84% at the March 2007 valuation). This corresponded to a deficit of £183m (2007 valuation: £160m) at that time.

Contribution increases were phased in as follows:

- Bodies with tax raising powers are subject to a maximum increase of 0.5% per annum. Should the contribution rate decrease in future these bodies would also be subject to a maximum decrease of 0.5%.
- Employers with a contribution rate increase of 0.5% or less at the 2010 valuation moved to the new rate immediately. As the increases were over 3% in some cases there was an option to phase the increase in over a period of 6 years with an increase of at least 0.5% per annum until the full increase is achieved, subject to the Administering Authority's overall satisfaction relating to the security of the fund.
- Best Value Admission Bodies are not eligible for phasing in of contribution rises.

The common contribution rate for the whole fund based on the funding level at 31 March 2010 is 17.1% for future service and a further 5.0% to fund the past service deficit, giving a total rate of 22.1%. The common contribution rate is a theoretical figure – an average across the whole fund. Individual employer's rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method for the fund as a whole and employers who continue to admit new entrants to the fund and the attained age method for employers who no longer admit new entrants to the fund. The salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principle assumptions were:

Financial assumptions

	% per annum
Investment returns	
Equities	6.25
Bonds	4.75
75% Equities / 25% Bonds	5.9
Pay increases (excluding increments) *	5.3
Price inflation / Pension increases	3.3

* 1% per annum for 2010/11 and 2011/12 reverting to 5.3% thereafter.

Mortality assumptions

Future life expectancy based on the actuary’s fund-specific mortality review was:

Mortality assumption at age 65	Male	Female
Current pensioners	20.5	23.0
Future pensioners (assumed current age 45)	23.3	25.6

Historic mortality assumptions

The life expectancy assumptions that were adopted for the 31 March 2010 valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the fund. These curves are based on actual data supplied by the Administering Authority. The allowances for future life expectancy are:

Longevity assumptions	31 March 2010
Longevity - baseline	VitaCurves
Longevity - improvements	Medium cohort with 1% minimum improvements from 2007

Commutation assumption

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 50% of HMRC limits for service up to 31 March 2008 and 75% of HMRC limits for service from 1 April 2008.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS 17 reports for individual employers in the fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2013 was £1,667m (£1,342m at 31 March 2012). All the retirement benefits are vested. The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used

Assumption	31 March 2013	31 March 2012
	%	%
Inflation/ pension increase rate	2.8	2.5
Salary increase rate*	5.1	4.8
Discount rate	4.5	4.8

* Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter

NOTE 20 – CURRENT ASSETS

2011/12		2012/13
£'000		£'000
1,096	Contributions due - employees	753
3,575	Contributions due – employers	2,584
0	Transfer values receivable (joiners)	0
1,739	Sundry Debtors	2,879
6,410	Total Debtors	6,216
3,086	Cash	7,466
9,496	Total	13,682

Analysis of debtors

2011/12		2012/13
£'000		£'000
1,902	Administering Authority	1,918
709	Central government bodies	1,394
2,566	Other local authorities	1,347
3	NHS bodies	3
1,230	Other entities and individuals	1,554
6,410	Total	6,216

NOTE 21 – CURRENT LIABILITIES

2011/12		2012/13
£'000		£'000
1,431	Sundry creditors	1,616
0	Transfer values payable (leavers)	0
1,810	Benefits payable	1,557
3,241	Total	3,173

Analysis of creditors

2011/12		2012/13
£'000		£'000
887	Administering Authority	866
14	Central government bodies	15
0	Other local authorities	5
2,340	Other entities and individuals	2,287
3,241	Total	3,173

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2013 £'000	Market value at 31 March 2012 £'000
Clerical Medical	2,734	2,380
Equitable Life	413	454
Standard Life	189	215
Total	3,336	3,049

AVC contributions were paid directly to the three managers as follows:

	2012 / 2013 £'000	2011 / 2012 £'000
Clerical Medical	372	343
Equitable Life	1	0
Standard Life	12	13
Total	385	356

NOTE 23 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £835,101 (£891,420 in 2011/12) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The Council is also one of the largest employers of members of the pension fund and contributed £16.65m to the fund in 2012/13 (£16.02m in 2011/12). At the end of the year the council owed £1,918,000 to the fund (see Note 20) which was primarily in respect of contributions for March 2013 and the fund owed £866,000 to the Council (see Note 21) which was primarily in respect of recharges from the Council.

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2012/13, the fund received interest of £86,481 (£156,562 in 2011/12) from Gwynedd Council.

Governance

There were 2 members of the pensions committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2012/13 (Committee members T. Edwards and P. Jenkins). In addition, committee members T. Edwards, P. Jenkins, D. Meurig and W.T.Owen are active members of the pension fund.

Two senior managers of Gwynedd Council who hold key positions in the financial management of the Gwynedd Pension Fund are active members of the Pension Fund (D O Williams and D L Edwards).

One member of the pensions committee and two chief officers of Gwynedd Council have declared an interest in bodies which have dealings with the fund. In all cases these bodies are employers which are part of the fund.

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitment	Commitment at 31 March 2013	Commitment at 31 March 2012
	€'000	€'000	€'000
P.G. Direct 2006	20,000	1,384	1,384
P.G. Global Value 2006	50,000	4,592	5,832
P.G. Secondary 2008	15,000	1,960	2,680
P.G. Global Value 2011	15,000	10,657	11,345
P.G. Global Infrastructure 2012	40,000	36,213	0
Total Euros	140,000	54,806	21,241
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	5,268	5,971

'PG' above refers to Partners Group, the investment manager who invests in 'alternatives' (private equity and infrastructure) on behalf of the fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Three admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

NOTE 26 – IMPAIRMENT LOSSES

a) Impairment for bad and doubtful debts

As explained in Note 5 there has not been any impairment for bad and doubtful debts.

b) Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200.

The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2013, with the first dividend payment of 15p in the £ due in the summer of 2009. This was the basis for closing the 2008/09 accounts. So far the Council has received a return of £3,105,729 from the administrators up to 31 March 2013 and the administrators now expect a return of 88p per £ by the beginning of 2014. Based on this information, the impairment in the accounts is based on recovering 88p in the £.

The percentages received to date are as follows:

Date	%
July 2009	16.13
December 2009	12.66
March 2010	6.19
July 2010	6.27
October 2010	4.14
January 2011	4.71
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
April 2012	3.79
August 2012	2.85
January 2013	2.71
Total at 31 March 2013	77.25

It is anticipated that there will be further repayments and that the final sale of assets will take place after the books have been run down to mid 2013. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

Date	%
July 2013	2.00
January 2014	8.80
Total	10.80

The relevant proportion of the increase in impairment (£2,723) and the increase in notional interest (£4,597) has been allocated to the pension fund.

Of course, the actual loss by early 2014 could be more or less than the potential loss estimated above and possibly significantly less, as the official estimates of administrators of companies in difficulty are notably conservative. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2013.

NOTE 27 – PRIOR YEAR ADJUSTMENTS

Rounding adjustments have been made to some of the prior year figures in Notes 15, 16 and 17 to ensure consistency across all the tables.

NOTE 28 - PENSION FUND PUBLICATIONS

A separate Annual Report is produced for the Pension Fund. This document includes the accounts for the fund along with more information regarding the administration and investment activities. It includes the following documents:

Statement of Investment Principles
Funding Strategy Statement
Governance Policy and Governance Compliance Statement
Communications Policy Statement

Copies can be obtained from the Pension Fund website www.gwynedd-pensionfund.org.uk on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.

**INCOME & EXPENDITURE ACCOUNT 2012/13
ANALYSIS OF SERVICE EXPENDITURE**

APPENDIX A

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Cultural and Related Services			
<i>Division of Service</i>			
Culture and Heritage	1,872	(526)	1,346
Recreation and Sport	10,113	(5,404)	4,709
Open Spaces	1,619	(634)	985
Tourism	758	(399)	359
Library Service	2,092	(154)	1,938
	16,454	(7,117)	9,337

Environmental and Regulatory Services

<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,084	(792)	292
Coast Protection	1,092	(323)	769
Community Safety (Crime Reduction)	426	(214)	212
Community Safety (CCTV)	359	(75)	284
Community Safety (Safety Services)	35	(33)	2
Flood Defence and Land Drainage	230	0	230
Agricultural and Fisheries Services	193	(197)	(4)
Regulatory Service	4,295	(908)	3,387
Street Cleansing (not chargeable to Highways)	2,996	(176)	2,820
Waste Collection	1,447	(127)	1,320
Waste Disposal	5,756	(863)	4,893
Trade Waste	2,243	(1,846)	397
Recycling	7,666	(4,107)	3,559
Waste Minimisation	89	(7)	82
Climate Change Costs	0	0	0
	27,911	(9,668)	18,243

Planning Services

<i>Division of Service</i>			
Building Control	819	(433)	386
Development Control	1,157	(521)	636
Planning Policy	752	(411)	341
Environmental Initiatives	1,644	(766)	878
Economic Research	4	0	4
Business Support	1,115	(472)	643
Economic Development	7,068	(5,711)	1,357
Community Development	1,605	(594)	1,011
	14,164	(8,908)	5,256

Education and Children's Services - Education

<i>Division of Service</i>			
Early Years	2,395	(1,569)	826
Primary Schools	53,184	(8,757)	44,427
Secondary Schools	54,491	(14,460)	40,031
Special Schools	4,907	(1,470)	3,437
Services to Young People and Other Community Learners	1,722	(283)	1,439
Other Strategic Functions	93	0	93
	116,792	(26,539)	90,253

Education and Children's Services - Children's Social Care

<i>Division of Service</i>			
Service Strategy	102	0	102
Commissioning and Social Work	4,470	(183)	4,287
Children Looked After	8,898	(411)	8,487
Family Support Services	1,407	(70)	1,337
Youth Justice	945	(627)	318
Children's and Young People's Safety	110	(60)	50
Asylum Seekers	68	(28)	40
Other Children's and Families' Services	2,062	(1,053)	1,009
	18,062	(2,432)	15,630

**INCOME & EXPENDITURE ACCOUNT 2012/13
ANALYSIS OF SERVICE EXPENDITURE**

APPENDIX A

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Highways and Transport			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,250	(406)	844
Structural Maintenance	8,929	(2,678)	6,251
Capital Charges Relating to Construction Projects	6,235	(3,853)	2,382
Environment, Safety and Routine Maintenance	3,288	(775)	2,513
Street Lighting (including energy costs)	2,437	(462)	1,975
Winter Service	2,411	(615)	1,796
Traffic Management and Road Safety	885	(108)	777
Parking Services	1,324	(2,096)	(772)
Public Transport	5,498	(3,061)	2,437
Airports, Harbours and Toll Facilities	0	0	0
	32,257	(14,054)	18,203
Housing Services (Council Fund)			
<i>Division of Service</i>			
Housing Strategy	201	0	201
Enabling	271	(87)	184
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	4,501	(1,099)	3,402
Licensing of Private Sector Landlords	567	(91)	476
Homelessness	1,532	(653)	879
Housing Benefits Payments	0	0	0
Housing Benefits Administration	30,399	(30,096)	303
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	63	(30)	33
Supporting People	5,536	(5,334)	202
Other Welfare Services	135	(147)	(12)
	43,205	(37,537)	5,668
Adult Social Care			
<i>Division of Service</i>			
Service Strategy	373	(1)	372
Older People (aged 65 or over) including Older Mentally Ill	35,599	(10,715)	24,884
Adults aged under 65 with a Physical Disability or Sensory Impairment	3,675	(270)	3,405
Adults aged under 65 with Learning Disabilities	14,089	(3,255)	10,834
Adults aged under 65 with Mental Health Needs	3,641	(385)	3,256
Other Adult Services	1,095	(722)	373
	58,472	(15,348)	43,124
Central Services to the Public			
<i>Division of Service</i>			
Local Tax Collection	10,612	(9,940)	672
Registration of Births, Deaths and Marriages	382	(204)	178
Elections	458	(179)	279
Emergency Planning	163	0	163
Local Land Charges	146	(164)	(18)
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	454	(168)	286
Other Court Services	0	0	0
	12,215	(10,655)	1,560
Corporate and Democratic Core			
<i>Division of Service</i>			
Democratic Representation and Management	3,022	(57)	2,965
Corporate Management	5,952	(4,057)	1,895
	8,974	(4,114)	4,860
Non Distributed Costs			
<i>Division of Service</i>			
Non Distributed Costs	195	0	195
	195	0	195
COST OF SERVICES	348,701	(136,372)	212,329

THE WELSH CHURCH FUND

2011-2012		2012-2013	
£'000		£'000	£'000
515	Amount of Fund at 1st April		512
	Add - Income during the year :-		
17	Interest on Investments		17
	Less - Expenditure during the year :-		
(5)	Loss on sale of investments	(1)	
(13)	Grants and expenses	(12)	
(2)	Other	0	
0	Adjustment	3	
			(10)
512	Amount of Fund at 31st March		519
	Represented by the following Assets :-		
26	Land and Buildings		26
421	Investments at Market Value		416
10	Debtors		23
704	Cash in Hand		720
1,161			1,185
(621)	Less - Proportion owing to Anglesey and Conwy Councils		(646)
540			539
(50)	Less - Creditors		(41)
22	Add - Proportion owing from Anglesey and Conwy Councils		21
512	Total		519

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.

FMG MORGAN TRUST FUND

2011- 2012 £'000		2012- 2013 £'000
135	Amount of Fund at 1st April	141
	Add - Income during the year	
7	Interest on Assets	7
	Less - Expenditure during the year	
(1)	Grants	(2)
141	Amount of Fund at 31st March	146
	Assets	
25	Investments	25
116	Cash in Hand	121
141		146

NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2013 was £178,537.14 (£164,158.07 at 31 March 2012).
3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2012/13
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2012/13 TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE STATEMENT AND ALLOW IT TO BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

I. INTRODUCTION – WHAT IS THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT?

I.1 There is a statutory requirement for an Annual Governance Statement as a result of the contents of:

- The Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010), which state:

The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, when relevant, with any statement of accounts it is obliged to publish.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP")
- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* and subsequent addenda. The latest addendum was published in December 2012.

I.2 Legislation and guidance in this area have evolved over several years.

I.3 "Proper practice" is defined as CIPFA's Statement of Recommended Practice ("SORP"), the Code of Practice on Local Authority Accounting in the United Kingdom. The SORP in turn states that the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* is also to be treated as proper practice. This was published in 2007 in order to give clear guidance to local authorities to encourage a consistent approach when dealing with governance issues. Further addenda were published in 2010 and 2012 to contain additional requirements.

- 1.4 The SORP and the CIPFA / SOLACE Framework both now express that there is a need to publish a wider Annual Governance Statement that incorporates the Statement of Internal Control.
- 1.5 The purpose of the Annual Governance Statement is to state that the authority has considered its governance framework, and to report that this remains adequate and continues to operate effectively, and to demonstrate that there are actions planned where any weaknesses in the governance arrangements have been identified.

2. PROFILE OF THE STATEMENT

- 2.1 The profile of the Annual Governance Statement is continuously increasing. During the last year, the Wales Audit Office and undertaken a national review of governance, concentrating specifically on the development of the Statement.
- 2.2 The WAO study focussed primarily on what the authority has done to:
- determine the level of assurance required in relation to all aspects of governance reflected in the CIPFA guidance;
 - ensure that the required level of assurance is provided;
 - raise awareness levels amongst those charged with governance of their responsibilities.
- 2.3 Officers from WAO will report on the result of this study to the Committee as a separate item on today's meeting agenda.
- 2.4 In addition to this study, the accountancy firm Grant Thornton undertakes an annual review of governance at local authorities in Wales and England. These reviews contain reference to good practice at some authorities, which have been considered when preparing this Statement.

3. ROLE OF THE AUDIT COMMITTEE

- 3.1 Given the key role of the Audit Committee in the context of Council's governance framework, the Committee has a role in challenging the preparation procedures and the contents of the draft Annual Governance Statement, prior to recommending that it is signed by the Council Leader and Chief Executive. In fact, there is an additional clause in the Statement this year as a result of the requirements of the December 2012 Addendum that specifically refers to the Audit Committee's role within the process. When signing the Governance Statement, the Chief Executive and Council Leader confirm:

“We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below”.

- 3.2 Therefore, when undertaking this role, the Audit Committee needs to consider:
- What is meant by the “Governance Framework”?
 - Are the arrangements to review the effectiveness of this governance framework fit for purpose?

4. THE GOVERNANCE FRAMEWORK

- 4.1 According to the December 2012 Addendum to the CIPFA / SOLACE guidance, the key elements of the systems and processes that comprise an authority's governance include arrangements for:
- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
 - reviewing the authority's vision and its implications for the authority's governance arrangements
 - translating the vision into objectives for the authority and its partnerships
 - measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
 - defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
 - developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
 - reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
 - reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
 - ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
 - ensuring effective management of change and transformation
 - ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact
 - ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact
 - ensuring effective arrangements are in place for the discharge of the monitoring officer function
 - ensuring effective arrangements are in place for the discharge of the head of paid service function
 - undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities
 - ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
 - whistleblowing and for receiving and investigating complaints from the public
 - identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
 - establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
 - enhancing the accountability for service delivery and effectiveness of other public service providers
 - incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

- 4.2 It follows, therefore, that the Annual Governance Statement needs to contain reference to the above. However, one of the criticisms that have arisen in national studies is the statements tend to be structured in a way that follows these headings rigidly. Although this provides a useful checklist to ensure that everything has received attention, it can make the Statement inaccessible and difficult to read. This is what has been done in Gwynedd Council in the past (and in 2012 it also followed the structure of the Local Code of Governance), but this year the Statement follows an arrangement that appears more logical, whilst at the same time giving due attention to each of the points in 4.1 above.
- 4.3 The Council's Local Code of Governance was approved by Board on 5 April 2011. This code goes much of the way in explaining the Council's governance arrangements, and therefore goes over much of the same territory as the Annual Governance Statement. It is based upon the six core principles of the CIPFA / SOLACE Framework, which are:
- Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area (including citizens and service users)
- Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Core Principle 3: Promoting the authority's values and demonstrating the values of good governance by upholding high standards of conduct and behaviour.
- Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.
- Core Principle 5: Developing the capacity and capability of members and officers to be effective.
- Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

5. REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

- 5.1 The Audit Committee needs assurance that the governance arrangements described in Part 3 of the Annual Governance Statement are working as they should. In order to receive this assurance, the Committee will need to consider whether the activities described in Part 4 of the Statement is sufficient to come to a judgment about these governance arrangements.
- 5.2 One of the criticisms of external auditors of Gwynedd Council's arrangements in the past for preparing the Statement was that it tended to be seen primarily as a function for Internal Audit (although such arrangements are were by no means unique to this Council). Such arrangements restrict the ownership of the Statement, increasing the risk that is not seen as a corporate document.
- 5.3 In response to this, and to improve the review of governance arrangements that would result in the 2013 Annual Governance Statement, the Governance Arrangements Assessment Group was formed during the year to give a continuous, more disciplined view of governance issues, raise broader awareness of them, and promote wider ownership of the Annual Governance Statement. The Group Members are a Corporate Director (DOW), the Head of Democracy and Legal, the Senior Manager for Corporate Commissioning and the Senior Manager Audit & Risk.
- 5.4 As part of its work, the Group has met since January 2013 to scan for developments relating to governance, so that they are addressed appropriately in the Statement. 2012-13 was a significant year of course as much work has been undertaken in considering strategic risks as part of the development of the new Strategic Plan.
- 5.5 The draft Governance Statement, subject to some minor modifications, was approved by the Corporate Management Team on 26 June 2013.
- 5.6 Therefore, instead of following the same path as in previous years where, the Statement was drafted by the Senior Manager Audit and Risk, passed around key officials for comment and then presented the Audit Committee for approval, discussions among officials has led to a slightly different route this year. However, it is believed that the new arrangements keep a balance between having efficient procedures and being able to demonstrate that the governance arrangements have received appropriate attention.
- 5.7 Moving forward to 2013/14, the intention is for the Governance Arrangements Assessment Group to meet at least on a quarterly basis throughout the year (perhaps more often at the end of the financial year at the time of preparing the Governance Statement) to consider any work has taken place in the previous period to assess the effectiveness of the governance arrangements. The Group will then report to the Audit Committee.

6. RECOMMENDATION

- 6.1 The Audit Committee is requested to challenge the processes used to assess if the arrangements to review the effectiveness of this governance framework fit for purpose.
- 6.2 The Audit Committee is requested to approve the Annual Governance Statement, incorporating Gwynedd Council's Statement on Internal Control for the 2012/13 financial year and the period since the balance sheet date.

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Regulation 4 of the Accounts and Audit (Wales) Regulation 2005.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gwynedd Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gwynedd Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

Gwynedd Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website or can be obtained by writing to the Gwynedd Council, Council Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

In establishing its framework, Gwynedd Council has defined Governance as ***“doing the right things in the right manner”***.

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gwynedd Council’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 governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

Part 3: THE GOVERNANCE FRAMEWORK

The Local Code of Governance is based on six core principles of the CIPFA/SOLACE Framework for corporate governance in local authorities, and their supporting principles, which had been in turn adapted from the “Good Governance Standard for Public Services” that had been published by the Independent Commission on Good Governance in Public Services in 2004. The CIPFA/SOLACE Framework sets out the requirements for meeting each principle and also what should be reflected in the local code of governance.

This Annual Governance Statement was prepared in accordance with the addendum to the CIPFA/SOLACE Framework published in December 2012.

The key elements of the systems and processes that comprise Gwynedd Council’s governance framework arrangements are as follows:

3.1 Values, Vision and Service Quality

The Council’s Values

The Council’s values are:

- **Serving**
- **Positive**
- **Working as a team**
- **Value for Money**
- **Respect**

The Council’s Aim

The Council’s aim is to ensure the **Best for the People of Gwynedd Today and Tomorrow**. This is the continuous aim that informs the work of the Council at all levels and we will continue to measure the extent to which we achieve this on a daily basis.

Strategic Plan

When adopting its Strategic Plan for the year for 2012/13, it was agreed that the Council would adopt a Strategic Plan for the remainder of the Council term, from 2013 to 2017.

The plan was prepared in several stages, as follows:

- Stage One – Needs Assessment and Horizon Scanning, identifying the main social, economic, environmental and policy drivers that currently influence the Council and the County, and which are likely to do so in the coming years.
- Stage Two – using the data and key information as a basis for identifying priorities for the draft plan.
- Stage Three – Confirming the Priorities and Developing Delivery Proposals.

The Strategic Plan 2013-2017 was adopted by the full Council on 2 May 2013.

In our introduction to the Strategic Plan 2013-2017, we state:

“For the period 2013 to 2017, the biggest threat to the sustainability and improvement of services is the combination of ever increasing demand for services and a substantial reduction in Council resources. This plan seeks to address this challenge by fundamentally changing the business model of the Council. A key feature, throughout the plan, is to work more effectively with partners, individuals and communities to prevent and reduce demand for services by helping earlier, as problems arise, and helping more people to help themselves. We also recognize that as a Council we need to change the way we engage with service users and communities and become more citizen centric. In addition, we will need to become more innovative in the way we provide services

in order to contribute to more substantial efficiency savings and minimise service cuts. We are confident that, in Gwynedd, we can build on the virtues of our citizens, communities and workforce in order to overcome these challenges and exploit the right opportunities. Hence, the overall vision for the period is:

Supporting the people of Gwynedd to thrive in difficult times”

Service Quality

The Strategic Plan sets out a series of visions that contribute to the main vision. Each priority within the Strategic Plan is subject to attention by a Delivery Panel, which is led by the relevant Cabinet Member. The aim of the delivery panels is to assist the Cabinet Member to achieve the public undertakings contained in the Strategic Plan.

The arrangements for identifying measures and performance ambition has been developed across the authority.

The Council's scrutiny arrangements is a key part of its governance arrangements. Since changing the political arrangements to a Cabinet system, the scrutiny committees, which will determine their own work programme annually, prioritise attention to a relatively small number of items over the year. The scrutiny committees look at those issues in the context of their impact on residents and so the quality of services is a key element of that. Also this year, the scrutiny committees have embarked on a new system of scrutiny investigations that look at an area in detail and make recommendations to improve them.

The Council's Culture and Business Arrangements

Self-assessment work by the Council showed that there is a need to change the Council's internal culture in order to **“make the people of Gwynedd central to everything we do”**. The Strategic Plan notes the following achievements expected by 2017 in this thematic area:

- **A clear and common vision for everyone in the Council (known as “Ffordd Gwynedd / The Gwynedd Way”) regarding the corporate culture that’s needed, if we are to ensure that the people of Gwynedd are central to everything we do, and ensure that the vision is rooted throughout the Council.**
- **Appropriate engagement arrangements to ensure we accomplish the important issues to the people of Gwynedd in order to prioritize our resources accordingly.**
- **Make more efficient use of resources, and seek to minimise the impact of cuts on the people of Gwynedd.**
- **More people of Gwynedd benefiting from schemes that capitalise on the size of the Council.**
- **Effective preventative services in place, in order to reduce the demand on services by prevention and early intervention.**

3.2 Use of Resources and Value for Money

Financial Strategy

In addition to the Strategic Plan, the Council has also adopted a Financial Strategy for the period 2013/14 - 2016/17 at its meeting on 28 February 2013. The Financial Strategy is based on a forecast of Welsh Government Grant, annual increases in Council Tax, savings programs, and by establishing effective preventive services, to reduce demand through prevention and early intervention services.

In his Annual Improvement Report 2013 on Gwynedd Council, the Auditor General for Wales noted, ***“The Council benefits from strong financial leadership and has been very successful in planning effectively for the future. This approach has avoided the need for rash decisions and service cuts to balance the budget, and has allowed the Council to introduce service efficiencies in a planned and structured way over a period of time”.***

Preventive Arrangements

The need to establish effective preventive arrangements has been included in the Strategic Plan because Gwynedd Council recognises:

- That the financial challenge facing the Council will both intensify and last far longer than initially expected.
- That concentrating solely on efficiency measures would be insufficient to meet the financial gap and entail making substantial service cuts.
- An additional approach to reduce and delay the implementation of service cuts, namely demand management.
- That this could be a viable option for the future.
- That some things will have to change to increase the chances of the strategy of managing demand being successful.

An initial strategy document was adopted by the full Council on 28 February 2013. The strategy was approved as a basis for:

- Formal engagement with local, regional and national partners.
- Mobilising financial resources both internally and externally to support the planning and implementation stage of the strategy.
- Acquiring the necessary skills and capacity to be successful.
- Evaluating what works well at present and identifying gaps in provision.
- Engaging with the public in order to establish a better understanding of how citizens and public services can work better together to cope with the financial challenge.
- Establishing appropriate governance arrangements, which build on existing structures (where possible) in order to ensure successful progress.

3.3 Roles, Responsibilities and Decision Making

The Cabinet

Following the introduction of the Local Government (Wales) Measure 2011, far-reaching changes to the Constitution were introduced to the Council's Annual Meeting on 17 May 2012. The Council had adopted a Leader and Cabinet model, in accordance with the options available to it under the Measure, at its meeting held on October 20, 2011, to become effective following the May 2012 election. As a result of the changes, the powers to determine and implement the vast majority of the authority's functions are transferred from the Council to the Executive, namely the Council's Cabinet.

The Cabinet consists of 10 Councillors and is chaired by the Council Leader. Each of the members has a specific portfolio with responsibility for areas within Council services that are clearly defined.

Since the introduction of the 2011 Measure, the Council has undertaken reviews of all its governance arrangements in order to comply with the Measure. This includes fundamental changes in the of Executive Role, with the introduction of a Cabinet to replace the Board. It has also meant reviews and changes in the roles of Scrutiny and Overview and Audit, and the establishment of a new role of Head of Democratic Services that has been delegated to the Head of Strategic and Improvement.

Schemes for delegation to committees, Cabinet members and officers

Part 3 (Responsibility for Functions) of the Council's Constitution contains details of the schemes for delegation to committees, members and officers together with the distribution of functions that were not the responsibility of the Cabinet.

The Constitution also contains a protocol on members' duties and responsibilities. The protocol contains details on the purpose and responsibilities of members, Chairperson, Vice-chairperson, Cabinet members and the Council Leader.

Rules of Procedure

In addition to this, the Council's Constitution continues to include specific rules in order to implement and make decisions. These include:

- Council Procedure Rules
- Contract Procedure Rules
- Financial Procedure Rules
- Overview and Scrutiny Procedure Rules
- Access to Information Procedure Rules
- Overview and Scrutiny Strategy
- Schemes of Delegation within the Constitution
- Protocol for Member/Officer Relations

Statutory Officers

The Council has adopted a management structure that includes a Chief Executive (who is also the Head of Paid Service) and 3 Corporate Directors. Together, they form the Council's Corporate Management Team. The Council has nominated the following to undertake statutory functions:

- Monitoring Officer pursuant to Section 5 of the Local Government and Housing Act 1989 – **Head of Democracy and Legal**
- Responsible Financial Officer pursuant to Section 151 of the Local Government Act 1972 – **Head of Finance**
- Head of Democratic Services pursuant to Section 8 of the Local Government (Wales) Measure 2011 – **Head of Strategic and Improvement**
- Director of Social Services pursuant to Section 6 of the Local Authority Social Services Act 1970 – **Head of Social Services, Housing and Leisure** until 30 May 2013, when the statutory role was moved from the Head of Department to **Corporate Director** level in the senior manager structure. The function has been allocated to a specified Corporate Director.
- Lead Director for Children and Young People's Services pursuant to Section 27 of the Children Act 2004 – a specified **Corporate Director**
- Chief Education Officer pursuant to Section 532 of the Education Act 1996 – **Head of Education**

Part 5 (Codes & Protocols) of the Council's Constitution contains protocols for the discharge of the statutory functions of the Monitoring Officer, the Chief Financial Officer and the Director of Social Services.

Gwynedd Pension Fund

Gwynedd Council administers Gwynedd Pension Fund for its own employees as well as the employees of 24 other bodies on the schedule (including 2 Local Authorities) and 16 admitted bodies. An annual report for the fund is prepared in accordance with the requirements of Regulation 34 of The Local Government Pension Scheme (Administration) Regulations 2008.

3.4 Standards and Codes of Conduct

Codes of Conduct

All Gwynedd Council's officers and members must behave in a way which is in line with the Codes of Practice for Members and Officers, which are contained within the Council's Constitution and the Local Code of Governance.

The Code of Conduct for the Council's elected members is lead by the Members Conduct Order (Principles) (Wales) 2001. The Order identifies the principles that should govern the conduct of local authority members in Wales.

The Council has adopted "The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001" as its code of conduct for all staff.

The Gwynedd Standard

The "Gwynedd Standard" document was adopted by the full Council on 21 October 2010. The document explains the standard of conduct expected from Gwynedd Council's councillors in dealing with each other. It should be read in conjunction with the Members Code of Conduct and the Protocol Member-Officer Relations. It adds to those documents and does not detract from them.

Standards Committee Procedural Rules

The Council has adopted the Local Government Investigations (Functions of Monitoring Officers and Standards Committees)(Wales) Regulations 2001 to manage the functions of the Standards Committee.

3.5 Risk Management, Internal Control and Dealing with Irregularities

Anti-fraud and Corruption Policy

The latest version of the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2013 – 2016 was adopted by the Audit Committee at its meeting on 29 January 2013. The purpose of the Strategy is to provide an overview of the Council's policy with regards to its attitude towards fraud and corruption and those who perpetrate, or seek to perpetrate, fraud or corruption against Gwynedd Council and the taxpayer.

Dealing with Gifts and Hospitality

Part 5 (Codes & Protocols) of the Council's Constitution contains:

- Policy for Gifts and Hospitality – Officers
- Protocol for Members Gifts & Hospitality
- Officers Interests Policy

Corporate Risk Registers

The Council considers and addressed its risks on 3 'layers', namely Corporate Risks (strategic risks that are considered when developing the Strategic Plan), Cross Departmental Risks (operational risks that affect all departments, or the majority of departments) and Departmental Risks (key risks that are specific to one department). In addition to these, consideration is given to project risks as part of the project management system of corporate projects.

Service Managers are owners and managers of risks, and are responsible for implementing corrective actions to address deficiencies in processes and controls. Heads of Department assess the risks that managers have identified, include the main risks in the departmental risk register and support managers' mitigation arrangements. In addition, Heads of Department are expected to observe the broader patterns and patterns over the horizon, and ensure that the departmental risk register is reviewed regularly.

The Management Group is responsible for ensuring that Cross-Departmental Risks receive due attention. Measures to manage Corporate Risks are incorporated in the Strategic Plan 2013-2016.

Whistle Blowing and receiving complaints from the public

The Council has adopted a Whistle Blowing Policy and Arrangements, a scheme which gives staff a safe and reliable method for reporting honestly any concerns regarding illegal, fraudulent or corrupt behaviour, financial malpractice, endangering the public or the environment, abuse of clients, etc. The Council has introduced a standard procedure across the Council to deal with complaints, but with separate arrangements for Social Services.

3.6 Audit Committee

In accordance with the Council Constitution, the Audit Committee is "those charged with governance".

During 2012/13 the Council had an Audit Committee that was responsible for carrying out statutory functions in accordance with Part 81 of the Local Government (Wales) Measure 2011. Draft Terms of Reference for the Committee were presented at its meeting on 12 July 2012, which defined the role and functions of the Committee, which is consistent with these statutory requirements.

The activities of the Audit Committee during 2012/13 included:

- Scrutinising, challenging and accepting the Statement of Accounts (subject to audit) (12 July 2012).
- Approving the Annual Governance Statement for the financial year 2011/12 and the period since the balance sheet date (12 July 2012).
- Approving the revised statutory financial statements for Gwynedd Council and Gwynedd Pension Fund, receiving relevant reports from the Wales Audit Office, and authorising the Head of Finance and Chair of the Committee to sign the "letters of representation" and submitted them to the Appointed Auditor from the Wales Audit Office (27 September 2012).
- Receive a register of reports from external auditors and regulators (27 September 2012 and 14 February 2013).
- Scrutinising and challenging the Financial Strategy, in order to obtain assurance that it addresses the relevant risks and gives due consideration to the risks faced over the coming four-year period (14 February 2013).
- Scrutinising, challenging and deciding to recommend to the full Council adoption of the Treasury Management Strategy Statement, the Minimum Revenue Provision Strategy and the Annual Investment Strategy for 2013/14, the Prudential Indicators and the Treasury Management Schedules (14 February 2013).
- To receive quarterly reports on internal audit work product.

Internal Audit

During 2012/13 the Internal Audit service was provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The latest Terms of Reference for Internal Audit were adopted by the Audit Committee at its meeting of 27 September 2012. The Council's Financial Procedure Rules, that are part of the Constitution, give Internal Audit the necessary powers to undertake its role effectively. The arrangements that are in place have been designed to ensure compliance with the Code of Practice. They also assist the Council to maintain assurance arrangements that comply with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit*.

The Internal Audit Plan for 2012/13 was based on the Internal Audit Strategy 2012-15. The final plan contained 100 pieces of work. In addition to this, follow up work is completed in order to ensure that control weaknesses that have been identified in audits are addressed. An "Acceptable" or "Excellent" opinion was given to 89% follow up audits during 2012/13. This suggests that robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risk.

In accordance with the requirements of the CIPFA Code of Practice, the Senior Manager, Audit and Risk prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the authority.

3.7 Compliance with relevant Legislation and Regulations

Before the Executive exercise their power, either as individuals or as a Cabinet, they must receive the advice of the Chief Executive, Monitoring Officer and Chief Financial Officer, to ensure that any decisions that are made are legal and appropriate.

After the Executive make any formal decision a decision notice is published that states the decision, the rationale behind that decision, any other arguments or considerations (including policy implications on the decision), as well with the comments of statutory officers and other relevant individuals.

The Head of Democracy and Legal has arrangements to receive updates on any new legislative developments through subscriptions to commercial reference materials as well as through membership of a professional group "Lawyers in Local Government" (LLG). The Council's constitutional arrangements is that the executive responsibility for any new legislation falls on the relevant head of department and if there is doubt as to which department, the decision is made by the Chief Executive.

The procedures in place allows the Head of Finance to perform his duties fully, and assist the Council to maintain financial management arrangements which comply with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. The Head of Finance is the Officer responsible for reporting in accordance with Section 114 of the Local Government Finance Act 1988 if the Council has, or is likely to make, unlawful expenditure.

3.8 Training and Development of Members and Managers

Member Training

The Council has robust arrangements for training and developing members. An induction procedure is in place for the period after each election and a programme of training sessions (with dates set in advance) is planned for each year. In addition, the Council is responding to the new expectation that the Council offers an annual review of member training and development needs and, subject to members' response to the proposal, we will offer the opportunity to develop personal development plans.

Officer Training and Development Plan

A training programme is in place for every Council officer.

The Council has devised a training matrix for staff, and has identified 6 training categories: Corporate Management Team, Heads, Managers, Field Leaders, Supervisors, Staff and Direct Workers. Specific features were used to identify the appropriate training category for staff. A training programme has been developed for every category.

The Performance Review process is part of the Council's Performance Management System which supports the Council's values. All officers of the Council are expected to be the subject of an appraisal at least once a year.

3.9 Partnerships and Collaboration

In the past year, the Council and its partners have re-examined its strategic partnerships arrangements. The Partnership Rationalisation Project led to the creation of one new strategic partnership structure across Gwynedd and Anglesey in the main strategic areas (Community Strategy, Children and Young People, Health, Care and Welfare and Community Safety). The new arrangements have started operating this year and we will address the efficiency of those arrangements during the year.

The Council has developed the following success criteria that need to be satisfied when considering any new collaboration scheme:

- Positive business benefits for the Council in terms of financial, performance and service resilience improvement.
- A better return on our investment, of officer and member time and other costs, compared with alternative opportunities for business and benefits which may, or may not be, collaborative in nature.
- Protecting and supporting the status of the Welsh language in Gwynedd and promoting the use of the Welsh language outside the county.
- Acceptable governance and accountability arrangements.

- Retaining our commissioning role.
- A fair distribution of employment opportunities.
- Acceptable levels of risk.
- In terms of geography, collaborating across areas that are acceptable for Gwynedd Council (i.e. not necessarily in the regional footprint)
- Realistic timeframes.

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Gwynedd Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A **Governance Arrangements Assessment Group** was established during the year, to keep a continuous, more disciplined overview on governance matters, raise wider awareness of them, and encourage wider ownership of the Annual Governance Statement. The Group comprises a Corporate Director, the Monitoring Officer, the Senior Manager Corporate Commissioning Service and the Senior Manager Audit and Risk.

The following contributed to an assessment of the effectiveness of the governance framework during the year:

- The consideration given to the governance arrangements in the preparation of Gwynedd Council's Strategic Plan 2013 – 2017, including consideration of significant strategic risks facing the Council. A series of workshops for Cabinet members were held during January 2013 to discuss the key issues to be addressed by the Council at a strategic level, including governance issues.
- A review of the governance arrangements by the Head of Democracy and Legal.
- Assessments by members and chief officers in developing "The Gwynedd Way", which is a common and clear vision for everyone in the Council about the corporate culture that is needed if we are to ensure that the people of Gwynedd are central to everything we do. One expected outcome of "The Gwynedd Way" is to ensure a performance regime that measures if we meet the needs of the people of Gwynedd and provide them with value for money.
- Internal Audit Work, as summarised in the Head of Internal Audit's Annual Report, presented to the Audit Committee in April 2013. The report includes the following general assurance: ***"On the basis of Internal Audit work completed during 2012/13, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory. However, there is a need to further develop the formal processes with regards to recording risks within the Council's business units"***.
- The Wales Audit Office annual review of the Internal Audit service. This was presented to the Audit Committee at its meeting on 12 July 2012.
- Consideration of the results of the work of external auditors and regulators, including the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW).
- The Audit Committee has maintained an overview of the Council's internal control arrangements on a regular basis throughout the year, by considering the work of internal and external auditors.
- The Financial Strategy 2013 – 2017 was challenged by the Audit Committee and the full Council before it was adopted.

- The Council's Anti-Fraud, Anti-Corruption and Anti-Bribery arrangements have been assessed using CIPFA's assessment framework. A new strategy was developed from this assessment and approved by the Audit Committee on 29 January 2013.
- The Pensions Committee scrutinised the Pension Fund Annual Report at its meeting on 26 July 2012.
- The process of preparing the Internal Audit Plan 2013/14 included an assessment of the Governance Framework, as summarised in the Local Code of Governance, to identify the areas to be covered by Internal Audit during the year. This will include a review of the Code itself.
- An assessment by the Governance Arrangements Assessment Group of the Local Governance Framework, to identify the areas of governance that need to be addressed in the coming years, whilst noting that the majority of these issues will take more than one year to resolve.

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

The processes outlined in previous sections of this statement describe the methods used by the Council to identify the most significant governance issues that need to be addressed:

Matter that has been identified	Arrangements to Respond	Whose Responsibility?
<p>Arrangements Engagement. We need to strengthen the link between the Council and the electorate through frontline Members by establishing new Area Assemblies. This will also incorporate the Council's response to consultations, and enable the Council to demonstrate how we listen and respond to messages.</p>	<p>One of the projects of the "Gwynedd Way" vision, "Engagement", will address this.</p>	<p>Corporate Director</p>
<p>Decision Making. The citizen needs to be considered in the decision-making process.</p>	<p>This is the fundamental to the principles of the "Gwynedd Way". Whilst there is a process for ensuring that this happens, an assessment carried out when preparing the "Gwynedd Way" showed that it may not be working wholly as it should and therefore the purpose of one of the projects in the "Gwynedd Way" vision is to ensure that the Cabinet model is effective.</p>	<p>Monitoring Officer</p>
<p>Training. The training arrangements for members and officers need updating, especially for the new roles in the context of standards and codes.</p>	<p>The fundamentals for member training is in place. During 2013/14 we will develop a system to respond to the demands of members for personal development plans to assist them in their work.</p>	<p>Head of Strategic and Improvement / Monitoring Officer</p>
<p>Scrutiny. Scrutiny needs to focus increasingly on outcomes for the Citizen.</p>	<p>Is included in a "Gwynedd Way" project, which is to ensure that we have Scrutiny arrangements that focus on the impact of services on our people.</p>	<p>Senior Manager Corporate Commissioning Service</p>
<p>Impact Assessment Arrangements. The Council has arrangements in place to assess impact in different areas, but the arrangements do not give one overview of all the issues combined.</p>	<p>We do have impact assessment arrangements, but during the year we will specifically assess to what extent these are effective.</p>	<p>Senior Manager Audit and Risk with the assistance of the Governance Arrangements Assessment Group.</p>
<p>Risk Management Arrangements. Although the arrangements for the identification and registration of corporate and cross-departmental risks are effective, weaknesses have been identified in the arrangements on a departmental level.</p>	<p>The Audit and Risk Services, with the assistance of Performance Improvement and Efficiency officers, will promote system and guidelines for each Head of Department.</p>	<p>Senior Manager Audit and Risk</p>

Part 6: OPINION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

HARRY THOMAS
GWYNEDD COUNCIL CHIEF EXECUTIVE

Councillor DYFED WYN EDWARDS
LEADER OF GWYNEDD COUNCIL

DATE

DATE

MEETING: **AUDIT COMMITTEE**

DATE: **18 July 2013**

TITLE: **A Register of External Audit Reports**

PURPOSE/RECOMMENDATION: **To consider the register of reports of external auditors**

AUTHOR: **Geraint George, Head of Strategic and Improvement**

CABINET MEMBER: **Councillor Dyfed Edwards**






1. INTRODUCTION

- 1.1 One of the requirements of the Local Government (Wales) Measure is that all external auditors' reports are brought to the attention of the Audit Committee with the Committee to approve the benefits of implementing the recommendations noted by the external auditors. This will enable the Audit Committee to ensure an overview of the implementation of the recommendations of the reports and to provide a brief summary for Cabinet.
- 1.2 The following are examples of external audit reports:
- Reports by ESTYN, CyMAL, National Archives
Report by Care and Social Services Inspectorate Wales
Wales Audit Office Annual Reports
Occasional Reports by the Audit Office or by other external auditors
National Reports which refer to Gwynedd Council in their reports
- 1.3 Reports can be totally relevant to Gwynedd or be National reports that include a reference to Gwynedd Council.
- 1.4 In addition, the Scrutiny Committee has requested that we maintain a corporate register of external audit reports, and to present it to the Committee on a six monthly basis.
- 1.5 Presented for consideration is the Register of External Audit Reports on the Council's service since January 2010 (Appendix 1) - it is a combination of annual reports, occasional reports and national reports where Gwynedd Council is referred to.
- 1.6 The lines which have been coloured with a yellow background demonstrate the new inspections which have come to our attention since submitting the register to the Audit Committee on 14 February 2013.



2. RECOMMENDATION

- 2.1 The Audit Committee is asked to note the contents of the Register of External Audit Reports.



REGISTER OF EXTERNAL AUDITORS REPORTS (since January 2010)

No.	Title of the report	Service Field	Audit Body	Date of the response to draft	Internal Link	Copy of the report	Date of accepting the final report	Contact audit individual person	Responsibility for Action/contact person in the Council	Internal steps with raising awareness (management group, Leadership group)	Nature of contact with members (copy only, submit to a scrutiny committee [date], Board [date])	Implementing recommendations included in the business plan.	Monitoring progress	Annual (A) National (N) Others (O)
40	Gwynedd Fostering Service	Social Services	Care and Social Services Inspectorate Wales		..Adroddiadau Archwiliwyr Allanol\Fostering Service 2010.pdf		2010-01-01	Shirley Harkins	Mari Thomas			Social Services Business Plan 2010/11	Children and Young People Scrutiny Committee - progress report against recommendations presented on 30/11/2010.	O
54	Tackling Child Poverty and disadvantages in Schools	Education	Estyn		..Adroddiadau Archwiliwyr Allanol\Tackling ChildPoverty 2010.pdf		2010-01-01		Dewi Jones					O
34	Inspection of the Protection of Adults in Gwynedd Council	Social Services	Care and Social Services Inspectorate Wales	Dec-09		http://wales.gov.uk/docs/csiw/report/100118gwynedd_en.pdf	2010-01-01	Huw Lloyd Jones from the Wales Audit Office	Nerys Evans		Portfolio Leader. Care Scrutiny Committee 28/6/11: part of the Protection Of Vulnerable Adults Annual Report			O
43	Inspection Report on Gwynedd Specialist Children's Services Domiciliary Care Agency	Social Services	Care and Social Services Inspectorate Wales		..Adroddiadau Archwiliwyr Allanol\Children SpecialistService 2010.pdf		2010-02-01	Linda Owen, Shirley Harkins	Iona Griffith					O
42	Follow up review of Performance Management Arrangements in Social Services - Gwynedd Council	Social Services	Wales Audit Office		..Adroddiadau Archwiliwyr Allanol\Review PerfManSocServices FollowUp 2010.pdf		2010-03-01	Nigel Griffiths	Gwen Carrington					O
45	Inspection report on Elderly Placement Plans - Gwynedd elderly placement plans - Dolgellau	Social Services	Care and Social Services Inspectorate Wales		..Adroddiadau Archwiliwyr Allanol\AdultPlacementSchemes 2010.pdf		2010-03-01	Linda Owen and Rhiannon Fear	Ann Lloyd Jones					O
50	A Review of the Major Emergency Plan	Customer Care	Wales Audit Officer 2009 Spencer Webster 2010		http://www.gwynedd.gov.uk/ADNPwyllgorau/2009/Pwyllgorau%20Craffu/Adnoddau%20a%20Chorfforaethol%20-2009	http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Pwyllgorau%20Craffu/Prif%20Bwyllgor%20Craffu/2011-02-17/english/14_01_Emergency%20Planning.pdf	2010-05-01		Gwenan Parry	Management team 19/4/2010 and 29/11/2010 and the North Wales Resilience Forum	Principal Scrutiny Committee 17 February 2011	Business Plan 2009/10	Business Plan 2009/10	O
11	An Assessment of Internal Audit 2009/2010	Internal Audit	Wales Audit Office	25/06/2010		http://www.wao.gov.uk/assets/english/documents/Housing_Mental_Health_eng_web.pdf	2010-06-25	Amanda Hughes	Dewi Morgan	Cascade within Internal Audit	Audit Committee 8/7/2010		Annual Report of the Head of Internal Audit 2010/11, Audit Committee 12/7/2011	A
60	Housing Services for adults with mental health needs	Housing and Social Services	Wales Audit Office	Draft 10/08/10		http://www.wao.gov.uk/assets/english/documents/Housing_Mental_Health_eng_web.pdf	2010-08-13	Nick Selwyn	Alys Jones & Arwel Owen		Head of Department only	An action plan being prepared at the moment between the 6	Has not been decided.	N
18	Audit of the Accounting Statements -Gwynedd Council 2009-10	Finance	Wales Audit Office			http://www.gwynedd.gov.uk/ADNPwyllgorau/2010/Pwyllgor%20Archwilio/2010-09-27/english/07_03_(b)%20A	2010-09-01	Ceri Stradling	Dafydd L Edwards		Audit Committee 27 September 2010			A

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19	Audit of Pension Fund Accounts 2009-10	Finance	Wales Audit Office			2010-09-27 2010-09-27 Gwynedd Council	2010-09-01	Ceri Stradling	Dafydd L Edwards		Audit Committee 27 September 2010			A
6	Gwynedd Council Preliminary Corporate Assessment	The Council	Wales Audit Office	13/08/2010		2010-09-30 2010-09-30 Cyngor Gwynedd	2010-09-02	Huw Lloyd Jones and Alan Morris	Geraint George	Leadership Group 24/9/2010	Principal Scrutiny Committee 30/9/2010			A
59	Major Travel Projects (The two schemes for which Gwynedd Council received Transport Grant funding were the A497 Abererch –	On both schemes Gwynedd Consultancy acted for what was then the Planning and Transportation Service, now Transport and Street Care. Other council departments were obviously involved	Wales Audit Office	30/9/2010		http://www.wao.gov.uk/assets/englishdocuments/Transport_English.pdf	2010-09-20	Huw Lloyd Jones	Dave Meller		Head of Consultancy (reported on the same matters to the Environment Scrutiny Committee before the publication of the report]			N
41	Inspection of Gwynedd County Council Adoption Services within the wider framework of planning for permanence	Social Services	Care and Social Services Inspectorate Wales		..Adroddiadau Archwiliwyr Allanol\AdoptionService 2010.pdf		2010-11-01	Denise Stickels, Shirley Harkins, Shirley Cox	Mari Thomas					O
63	From Vision to Action - Report of the Independent Commission on Social Services in Wales	Social Services	Independent Commission on Social Services in Wales		..Adroddiadau Archwiliwyr Allanol\From Vision To Action Social Services Wales 2010.pdf		2010-11-01							N
3	Inspection, Evaluation and Review of Local Authorities' Social Services 2009-10.	Social Services	Care and Social Services Inspectorate Wales			http://wales.gov.uk/cssiwsu/bsite/newcssiw/publications/lareviews/0910/gwynedd/?skip=1&iang=cy	2010-12-22		Gwen Carrington		Care Scrutiny Committee 07/04/11; Children and Young People Scrutiny Committee 12/04/11.	Housing and Social Services Business Plan	Housing and Social Services Business Plan	A
1	Gwynedd Council Annual Improvement Report 2009/10	3 Year Plan / the Council's Self assessment	Wales Audit Office	Meetings and phone discussions, final published on 27/01/2011		http://www.wao.gov.uk/assets/englishdocuments/GwyneddCC_AIR_English.pdf	2011-01-17	Huw Lloyd Jones	Vera Jones	Leadership Group 19/01/2011 Publish on the website - 27/01/2011	A letter inviting all members to a presentation - 08/02/2011 Hard copies for all members - 23/03/11 A Presentation for Board Members, The Audit	Programme Board. Strategic and Improvement Business Plan.	Three Year Plan	A

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66	Consultation on the Wales Audit Office Grants Strategy	Finance	Wales Audit Office			http://www.wao.gov.uk/assets/englishdocuments/Grants_consultation_English.pdf	2011-02-01	Huw Vaughan Thomas	Dafydd L Edwards	Officer attention within the Department				N
44	Inspection Report on Gwynedd Specialist Children's Services Domiciliary Care	Social Services	Care and Social Services Inspectorate Wales		http://www.adroddiadau.archwiliwyr.allanol.org.uk/ChildrenSpecialistServices		2011-03-01	Linda Owen	Iona Griffith					O
16	Financial Audit Outline - Gwynedd Council	Finance	Wales Audit Office				2011-05-01	Anthony Barrett	Dafydd L Edwards	Officer attention within the Finance Department				A
17	Financial Audit Outline - Gwynedd Pension Fund	Finance	Wales Audit Office				2011-05-01	Anthony Barrett	Dafydd L Edwards	Officer attention within the Finance Department				A
35	Inspection of the arrangements for assessing and managing the care of children in need in	Social Services	Care and Social Services Inspectorate Wales	Apr-09		http://wales.gov.uk/docs/csisiw/report/110607gwynedd_en.pdf	2011-05-01	Mark Roberts	Sharron Carter Williams		May-11	Marian Parry Hughes	Gwynedd and Anglesey Safeguarding Children Board 21 October 2011	O
12	An Assessment of Internal Audit 2010/2011	Internal Audit	Wales Audit Office	02/06/2011		http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Pwyllgor%20Archwilio/2011-07-12/english/11_01_Assessment%20of%20Internal%20Audit%202010-11.pdf	2011-06-06	Amanda Hughes	Dewi Morgan	Cascade within Internal Audit	Audit Committee 12/7/2011		Annual Report of the Head of Internal Audit 2011/12, Audit Committee 12/7/2012	A
55	Tackling Child Poverty and Disadvantages in Schools: collaborating with the community and other services	Education	Estyn		http://www.adroddiadau.archwiliwyr.allanol.org.uk/TacklingPovertyandDisadvantageinSch		2011-07-01		Dewi Jones					O
14	Audit of Financial Statements Report - Gwynedd Council 2010-11	Finance	Wales Audit Office			http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Pwyllgor%20Archwilio/2011-09-29/english/05_04_(b)(i)%2	2011-09-01	Anthony Barrett	Dafydd L Edwards		Audit Committee 29 September 2011			A
15	Audit of the Financial Statements Report - Gwynedd Pension Fund 2010-11	Finance	Wales Audit Office			http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Pwyllgor%20Archwilio/2011-09-29/english/05_05_(c)(i)%20Statement%20of%20Accounts%20for%20the%20Pension%20Fund.pdf	2011-09-01	Anthony Barrett	Dafydd L Edwards		Audit Committee 29 September 2011			A
7	Gwynedd Council Preliminary Corporate Assessment	The Council	Wales Audit Office			http://www.asesiad.corfforaethol.swyddfa.org.uk	2011-10-06	Huw Lloyd Jones	Geraint George	Leadership Group 07/09/2011	Principal Scrutiny Committee 6/10/11			A
4	Inspection and Evaluation of Annual Performance 2010/2011	Social Services	Care and Social Services Inspectorate Wales			http://wales.gov.uk/csisiw/website/newcssiw/publications/lareviews/2011/5530270/?lang=en	2011-10-31	Imelda Richardson	Gwen Carrington	Care Programme Board 8/11/11 Care Working Group 25/11/11	Care Scrutiny Committee 29/11/11		Action Plan. Meeting with the Minister 13/3/12	A
8	Welsh Public Libraries Standards Framework	Libraries and Information	CYMAL			http://wales.gov.uk/docs/drah/publications/110223wpls2101112en.pdf	2012-01-21		Hywel James	Portfolio Leader and Head of Department	Scrutiny Committee on 1/9/2011 for performance matters (conditional on the Scrutiny Manager and the Scrutiny Working Group).	Library and Information Service Business Plan	Library and Information Service Business Plan	A

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2	Gwynedd Council Annual Improvement Report 2010/11	3 Year Plan / the Council's Self assessment	Wales Audit Office	January 2012 Draft		http://www.wao.gov.uk/assets/englishdocuments/Gwynedd_AIR_English_2012.pdf	2012-02-01	Huw Lloyd Jones and John Roberts	Vera Jones	15/2/2012 Leadership Group	All Council members - meet at the time of the Board 6/3/12			A
65	Local Authority Accounts 2010-11	Finance	Wales Audit Office			http://www.wao.gov.uk/assets/englishdocuments/Local_Authority_Accounts_2012_Eng.pdf	2012-02-01	Huw Vaughan Thomas	Dafydd L Edwards	Officer attention within the Department				N
46	Domiciliary Care Agency Gwynedd Specialist Childrens' Service	Social Services	Care and Social Services Inspectorate Wales		Adroddiadau Archwiliwyr Allanol/Children Specialist Service 2012.pdf		2012-03-01		Iona Griffith					O
71	Information Management Feedback	Customer Care	Wales Audit Office				2012-04-01	Andrew Doughton and Jeremy Evans	Gwenan Parry	Discussed within the Department and also with the Strategic and Improvement Management Team		The Council's Strategic Plan	Via the corporate monitoring arrangements	O
28	Annual Financial Audit Outline 2011/12 of Gwynedd Council	Finance	Wales Audit Office			http://www.gwynedd.gov.uk/ADNPwyllgorau/2012-13/Pwyllgor%20Archwilio/2012-07-12/english/10_01_Annual%20Financial%20Audit%20Outline%202011-12%20of%20the%20Gwynedd%20Pension%20Fund.pdf	2012-06-01	Amanda Hughes, Derwyn Owen and Alan Hughes	Dafydd L Edwards		Audit Committee 12 July 2012			A
29	Annual Financial Audit Outline 2011/12 of the Gwynedd Pension Fund	Finance	Wales Audit Office			http://www.gwynedd.gov.uk/ADNPwyllgorau/2012-13/Pwyllgor%20Archwilio/2012-07-12/english/11_01_Annual%20Financial%20Audit%20Outline%202011-12%20of%20the%20Gwynedd%20Pension%20Fund.pdf	2012-06-01	Derwyn Owen, Amanda Hughes and Simon Monkhouse	Dafydd L Edwards		Audit Committee 12 July 2012			A
64	Local Authority Reserves and Unsupported Borrowing - Research paper for Welsh Government	Finance	Wales Audit Office			http://www.wao.gov.uk/assets/Wales_Audit_Office_Report_Local_Authority_Reserves_and_Unsupported_Borrowing_July_2012_-_Final.pdf	2012-06-01	John Herniman & Anthony Veale.	Dafydd L Edwards	Officer attention within the Department				N
30	An Assessment of Internal Audit 2012/13	Finance	Wales Audit Office					Amanda Hughes	Dafydd L Edwards	Cascade within Internal Audit	Audit Committee 18 July 2012			A
13	An Assessment of Internal Audit 2011/2012	Internal Audit	Wales Audit Office	12/06/2012		http://www.gwynedd.gov.uk/ADNPwyllgorau/2012-13/Pwyllgor%20Archwilio/2012-07-12/english/15_01_Wales%20Audit%20Office%20Review.pdf	2012-06-06	Amanda Hughes	Dewi Morgan	Cascade within Internal Audit	Audit Committee 12/7/2012		No recommendations	A
27a	Improvement Assessment Letter by Wales Audit Office	The Council	Wales Audit Office			Llythyr blynyddol/Llythyr gwella 1 2012/GwyneddCC_IA Letter English.pdf	2012-09-17	Huw V thomas, Huw Lloyd Jones & Nigel Griffiths	Harry Thomas	Officer attention within the Performance Improvement Unit on 19/9/12. Circulated with the Management Team for draft comments.	Informal Cabinet	The Department's Business Plan	Monitoring of the Department's Business Plan	A

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31	Audit of Financial Statements Report - Gwynedd Council 2011-12	Finance	Wales Audit Office			2012-09-27 2012-09-27 Gwynedd Council	2012-09-01	Anthony Barrett	Dafydd L Edwards		Audit Committee 27 September 2012			A
58	Housing and Council Tax Benefit Service Review	Finance	Wales Audit Office			2012-09-27 2012-09-27 Gwynedd Council	2012-09-01	Lisa Williams	Dafydd L Edwards		Audit Committee 27 September 2012			O
5	Inspection and Evaluation of Annual Performance 2011/2012	Social Services	Care and Social Services Inspectorate Wales			http://wales.gov.uk/cssiwsu/bsite/newcssiw/publications/lareviews/20112/qwynedd/?jsessionid=EC229EDBD80E1C738EBAF74E5C03AF2;jsessionid=36029154CA0DF52AAEE55A361F7	2012-10-31	Imelda Richardson	Morwena Edwards		Report presented to Services Scrutiny Committee 20-6-13	Improvements to be included in the Department's work programme.	Monitoring of the Department's Work Programme	A
72	National Inspection in respect of the role of the Statutory Director of Social Services	Social Services	CSSIW		Adroddiadau Archwiliwyr Allanol 2013/cssiw - national review of Role of the DSS - feedback form - E - Gwynedd.pdf	http://wales.gov.uk/docs/cssiw/report/130613dossen.pdf	2013-06-01		Morwena Edwards	Present to the Cabinet Member and the Corporate Management Team to consider any key messages in relation to the Council's arrangements				A
70	Civil Emergencies in Wales	Customer Care	Wales Audit Office			http://www.wao.gov.uk/assets/english/documents/270A2012_Civil_Emergencies_English.pdf	2012-12-06	Huw Vaughan Thomas	Gwenan Parry	Discussed by the Department and with Dilwyn Williams, Corporate Director	Corporate Scrutiny Committee 23 May 2013.	Improvements to be included in the Department's work programme.	Monitoring of the Department's Work Programme	N
27b	Improvement Assessment Letter by Wales Audit Office	The Council	Wales Audit Office			Adroddiadau Archwiliwyr Gwella 2 2012/608A2012_Gwynedd_Council_Improvement_Assessment-Letter.doc	2013-01-18	Huw V Thomas	Harry Thomas	Circulated with the Corporate Management Team for draft comments.	Informal Cabinet	The Department's Business Plan	Monitoring of the Department's Business Plan	A
73	All Wales National Study – Young People Not in Education, Employment or Training	Social Services	CSSIW			Adroddiadau Archwiliwyr Allanol 2013/2013-03-25 Ltr to CXs re NEETS All Wales National Study ENG.pdf	2013-03-27		Morwena Edwards					N
27c	Improvement Assessment by Wales Audit Office	The Council	Wales Audit Office			http://www.wao.gov.uk/assets/english/documents/Gwynedd_AIR_2013_English.pdf	2013-04-01	Huw Lloyd Jones & Nigel Griffiths under the instruction of Alan Morris	Harry Thomas	Circulated with the Corporate Management Team for draft comments.	Presentation by Wales Audit Office to Members of the Cabinet, Management Team, Forum of Scrutiny Chairs, Chairs of Democratic Services Committee and an invitation to Chairs of the Audit Committee and will be updating them on our response to the proposals. Presentation by Wales Audit Office to the Audit Committee on 18/7/2013.			A
61	National study on arrangements for covering teacher absence in 2012	Education	Estyn and Wales Audit Office					Nigel Griffiths/ Steve Martin, Manager - National Studies	Hefin Owen					Adroddiadau archwiliwyr allanol f 3 Saesneg N

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62	Scrutiny Improvement Study during 2012/13 This work is developmental and will contribute towards developing self-assessment skills as well as scrutiny work.	Strategic and Improvement	Wales Audit Office	A report is expected in March / April 2013				Ena Lloyd, Regional Co-ordinator and Huw Lloyd Jones, Wales Audit Office	Gareth James		It will have influence on the Council's Overview and Scrutiny Strategy			N
69	Procurement and Management of Consultancy Services	Strategic and Improvement	Wales Audit Office	Draft received on 9/11/2012		http://www.wao.gov.uk/assets/english_documents/Consultancy_services_Final_eng.pdf		Jeremy Morgan	Geraint George		Report and draft response to be considered by the corporate management team on 10 July.			N
74	Annual Financial Audit Outline Gwynedd Council	Finance	Wales Audit Office		http://www.gwynedd.gov.uk/ADNPwyllgorau/2012-13/Pwyllgor%20Archwilio/2013-04-		2013-03-01	Anthony Barrett	Dafydd L Edwards			Audit Committee 2013-04-18		A
75	Annual Financial Audit Outline Gwynedd Pension Fund	Finance	Wales Audit Office		http://www.gwynedd.gov.uk/ADNPwyllgorau/2012-13/Pwyllgor%20Archwilio/2013-04-18/english/08_01_An		2013-03-01	Anthony Barrett	Dafydd L Edwards				Audit Committee 2013-04-18	A
76	A report on the quality of local authority education services for children and young people in Gwynedd Council	Education	Estyn and Wales Audit Office			http://www.estyn.gov.uk/download/publication/284657.1/inspection-report-gwynedd-council-2013	01/07/2103	Clive Phillips and Huw Lloyd Jones	Dewi Jones		Comision Team 9.7.2013 Operational Team 17.7.2103			A
77	Annual Governance Statement	Finance	Wales Audit Office											A



WALES AUDIT OFFICE

SWYDDFA ARCHWILIO CYMRU

Assessment of Internal Audit

Gwynedd Council

Audit year: 2012-13

Issued: June 2013

Document reference: 375A2013

Status of report

This document has been prepared for the internal use of Gwynedd Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Detailed report

Gwynedd Council has an effective Internal Audit Service which complies with the standards of the CIPFA Code of Practice for Internal Audit, except for the independence standard

1. The Code of Audit Practice issued by the Auditor General and the International Standard on Auditing 610 requires us to consider whether the internal financial control arrangements of Gwynedd Council (the Council) are adequate. As internal audit is a key element of the system of internal control, it is relevant to our work as the auditor.
2. In order for us to use the work of internal audit, it is necessary for us to evaluate its work to determine its adequacy for the purposes of our audit. Consequently we complete a general evaluation against relevant internal audit standards. We do not carry out this evaluation to provide assurance to the audited body about its internal audit function and the results should not be relied on for that purpose.
3. For the purposes of our audit we have assessed internal audit against its professional standards as set out in the Chartered Institute of Public Finance Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). Where, for the purposes of the audit, these standards are met, we will seek to rely on their work when documenting or testing the Council's financial systems as part of our accounts audit; although any work completed by them will have to be reviewed. Further information on the individual aspects covered by each standard can be found in [Appendix 1](#).
4. Our assessment of Internal Audit's performance against each of the standards is set out in Exhibit 1.

Exhibit 1: Internal Audit complied with most aspects of the standards

Standard and aspects		Standard met/Comment
1	Scope of Internal Audit	Yes
2	Independence	Partly. The Head of Internal Audit also has operational responsibility for risk, insurance and benefits fraud and is the Council's deputy Section 151 officer. This is not consistent with the standard, which states that the Head of Internal Audit should have no operational responsibility. We understand that the Council does not intend to change the role of the Head of Internal Audit and will manage this risk. However, Internal Audit will not fully comply with this standard whilst this operational arrangement is in place.
3	Ethics for internal auditors	Yes

Exhibit 1: Internal Audit complied with most aspects of the standards		
4	Audit Committee	Yes
5	Relationships	Yes
6	Staffing, training and continuing professional development	Yes
7	Audit strategy and planning	Yes
8	Undertaking audit work	Yes
9	Due Professional Care	Yes
10	Reporting	Yes
11	Performance quality and effectiveness	Yes

Appendix 1

Internal Audit standards and aspects

Standard and aspects	
1	Scope of Internal Audit <ul style="list-style-type: none">• Terms of reference• Scope of work• Other work• Fraud and corruption
2	Independence <ul style="list-style-type: none">• The principles of independence• Organisational independence• Status of the Head of Internal Audit• Independence of individual internal auditors• Independence of Internal Audit contractors• Declaration of interest
3	Ethics for internal auditors <ul style="list-style-type: none">• Purpose• Integrity• Objectivity• Competence• Confidentiality
4	Audit Committee <ul style="list-style-type: none">• Purpose of the Audit Committee• Internal Audit's relationship with the Audit Committee
5	Relationships <ul style="list-style-type: none">• Principles of good relationships• Relationships with management• Relationships with other internal auditors• Relationships with external auditors• Relationship with other regulators and inspectors• Relationships with elected members
6	Staffing, training and continuing professional development <ul style="list-style-type: none">• Staffing Internal Audit• Training and continuing professional development
7	Audit strategy and planning <ul style="list-style-type: none">• Audit strategy• Audit planning

Standard and aspects

8	Undertaking audit work <ul style="list-style-type: none">• Planning• Approach• Undertaking audit assignments
9	Due Professional Care <ul style="list-style-type: none">• Principles of Due Professional Care• Responsibilities of the individual auditor• Responsibilities of the Head of Internal Audit
10	Reporting <ul style="list-style-type: none">• Principles of reporting• Reporting on audit work• Follow up audits and reporting• Annual reporting and presentation of audit opinion
11	Performance quality and effectiveness <ul style="list-style-type: none">• Principles of performance quality and effectiveness• Quality assurance and audit work• Performance and effectiveness of the audit service



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GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	REPORT OF THE CONTROL IMPROVEMENT WORKING GROUP
PURPOSE OF REPORT	TO REPORT ON THE MEETING HELD ON 28 JUNE 2013
AUTHOR	TREVOR O EDWARDS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO RECEIVE THE REPORT AND CONSIDER THE RECOMMENDATIONS

I. INTRODUCTION

1.1 The executive summaries of 31 internal audit reports were presented to the Audit Committee meeting on 18 April 2013, which represented reports that had been released between 1 April 2013 to 30 June 2013. Five of these reports received a 'C' opinion.

1.2 Consequently, the Committee resolved:

a) To accept the reports on the Internal Audit Section's work for the period between 1 January and 31 March 2013 and to support the recommendations already submitted to the managers of the relevant services for implementation.

b) To establish the following Working Group to consider the audits that received opinion category C -

The Chair and Vice-chair of the Audit Committee and Councillors Aled Ll. Evans, Sion W. Jones and Angela Russell, but that all committee members are given the opportunity to serve on the Working Group in the future and to be chosen on a rota basis.

2 WORKING GROUP MEETING

- 2.1 The Working Group meeting was held on 28 June in Ystafell Llyfni, with the Chair and Vice-Chair of the Committee, the Councillors Angela Russell and Aled Ll. Evans and Dewi Morgan, Senior Manager Audit and Risk, present.
- 2.2 Officers attended to discuss 4 out of 5 of the reports.
- 2.3 The reports that had received a 'C' opinion during the period under review were:

TITLE	DEPARTMENT	SERVICE
Contract Terms - DBS Checks	Corporate	
Staff DBS Checks	Corporate	
Equipment with Former Members	Strategic and Improvement	Democracy
Change Management for IT Systems	Customer Care	Information Technology
Processing of Energy Supplier Data	Customer Care	Council Land and Property

- 2.4 These summaries were addressed in turn by the Working Group members. The Senior Manager Audit and Risk offers further background, including the introduction of relevant points of the full report. Senior Managers had been invited to attend the meeting to discuss issues that arise, and primarily the work that has been done since the publication of the report in order to strengthen internal controls in question.

2.5 Contract Terms - DBS Checks and Staff DBS Checks

- 2.5.1 The main findings of these reports were:

Contract Terms - DBS Checks

The audit highlighted the need to examine in detail arrangements where the Council commissions or regulates work with Children and Young People from other agencies or organisations as the current arrangements are inconsistent. Strong arrangements are seen in some departments for monitoring DBS checks and the staff of providers. Consistent arrangements are needed across the Council on undertaking and monitoring DBS checks and child protection training for providers.

Staff DBS Checks

The audit showed that good quality work has been done by the relevant departments to reduce the gaps in individuals within the Council without a DBS check. Significant progress has been made by the departments since October 2012. Also, it was found that work is in place to try to strengthen DBS monitoring systems, new appointment arrangements within the Council, and procedures regarding allegations of professional misconduct. However, some key issues in terms of preparing and distributing clear and consistent guidance require further attention and appropriate action should be taken to strengthen the arrangements within the area examined.

- 2.5.2 Geraint Owen, Senior Manager Personnel, Safety, Health and Welfare, attended the meeting in his capacity as the Senior Manager within Human Resources who is responsible for effective recruitment, but also because he is the Chair of the Safeguarding Children and Adults Operational Panel, which includes representation from all departments, and is responsible for the dissemination of good practice for safeguarding arrangements across the Council, and implement projects in the field of protection.
- 2.5.3 The report was presented by the Senior Manager Audit and Risk. He explained that Internal Audit has been commissioned to undertake this work by the Head of Human Resources and the Operational Panel, in order to gain an independent picture of the actual situation across the Council.
- 2.5.4 Detailed confirmation was received from the Senior Manager Personnel, Safety, Health and Welfare about the steps being taken across the Council in order to improve the arrangements:
- The Education Minister wrote to all Chief Executives in 2011 following a critical report on the arrangements at one local authority by Estyn and the Care Inspectorate. The Minister was keen to ensure that more robust arrangements were in place in other authorities, and where they were not that urgent action is taken.
 - The Council is now awaiting the return of only 34 checks by the Disclosure and Barring Service (DBS) – this in the context of the thousands of workers that are checked.
 - DBS came into existence on 1 December 2012, replacing the CRB and ISA. This followed the Protection of Freedoms Act 2012.
 - A new policy is now in place to verify workers. Since 17 June 2013, the Disclosure and Barring Service has stated it will not provide a copy of the criminal record disclosure to the employer. This means that only the person named in the request for verification is now provided with a certificate. The Service reports that it is doing this due to a change in the law which states that only the person being checked can be provided with a certificate.
 - Reference was made to a recent case in England, where a person has won a court case because a minor offence that had been committed several years earlier had prevented him from getting a job. It was explained that new regulations have come into force following that case and that the Council has already taken steps to comply with the changes arising from the Protection of Freedoms Act approved in May 2012.
 - An outline was given of the Council's arrangements to request information from DBS, and of the staffing database that is being developed within the Council which will facilitate the procedure.
 - The Safeguarding Children and Adults Operational Panel is accountable to the Safeguarding Children and Adults Strategic Panel, which includes two members of the Cabinet (Care and Education), Head of Social Services, Housing and Leisure, the Corporate Director who is Lead Director for Children, Head of Education, Head of Democracy and Legal, Senior Managers from Social Services and Education, the Child Protection Board for Gwynedd and Anglesey Co-ordinator as well as the Head of Human Resources and Senior Manager Personnel, Safety, Health and Welfare. The Strategic Panel has already discussed the Contract Terms - DBS Checks report, and the Operational Panel shall give further attention to the Action Plan at its meeting on 12 July; this will be one of the main items on the agenda. The Council recognizes that it needs to consider its monitoring arrangements.
- 2.5.5 The Senior Manager was thanked for attending the meeting and for the update on the situation within the Council with a view to continually improving the situation.**

2.6 Equipment with Former Members

2.6.1 The main findings of this report were:

It was not possible to produce evidence that there were appropriate controls for the processes of collecting IT equipment from former members. It was stated that many of the items in question have been returned and have been allocated to other users, but records were not available to identify which individuals (former members) returned what items, so it is not possible to follow up on any cases where this would not have happened.

It appears that one of the circumstances that have led to this is that the responsibilities transferred from the Democracy and Legal Department to the Strategic and Improvement Department following the last election, and records for former members were not given priority at that time.

Since it was not possible to state that each item has been returned as expected, there is no way for the auditors to give assurance in the process of collecting IT equipment from former members of the Council.

There is no IT security risks because the accounts of former members have been disabled.

In terms of financial losses, the purchase price of the original items would need to be considered as well as replacement costs, this would apply for identity verification tokens (Citrix).

It is noted that individual devices for the current plan has been formally recorded against individuals by the Information Technology Service, which will facilitate the process of accounting for their location. An agreement has been prepared and signed by all Members who have received these devices which includes a clause stating that the items are owned by the Council and would be returned at the end of the period. These records are in the possession of the Information Technology Service and the Strategic and Improvement Department.

2.6.2 After a presentation by the Senior Manager Audit and Risk, an explanation of the arrangements was given by Huw Ynyr, Senior Manager - IT and Business Transformation:

- The Senior Manager - IT and Business Transformation and Senior Manager Audit and Risk agreed that the audit report has focused on the CITRIX fobs used under the old system. A record of these are kept on a spreadsheet that was not updated frequently.
- The role of the Information Technology Service in the context of this audit is to act as technology providers and leaders. The decision to invest in iPads for members was the result of research based on the work of members.
- The Senior Manager acknowledged that the plans for recording items have been fragmented in the past, but he was able to provide assurance to the Working Group that the arrangements were now much more robust, especially for tablet computers:
 - A record is made of the serial number of each machine
 - A contract is signed by members
 - All inquiries are logged by the Help Desk
 - Software on each tablet means that it is possible for the Council to know what use is made of machines (but not to read the contents of emails etc).
- The Senior Manager noted that Democratic Services is responsible for recalling equipment (and ID badges etc). This service moved from the Democratic and Legal Department to the Strategic and Improvement Department during 2012.

2.6.3 There was a brief discussion about the need for each individual member to attend Information Security training, and that it is important to stress to all members to do so.

RECOMMENDATION FOR THE AUDIT COMMITTEE: That the Committee stresses the need for all members to receive Data Protection training, and requests assurance that this has happened.

2.7 Change Management for IT Systems

2.7.1 The main findings of this report were:

Within the Council, change management measures are defined in an official process, and actions are documented. At the time of the audit, the document that describes the process has draft status. A working group of officers has been established, with responsibility for assessing and authorising changes, and the information system in place gives the IT Service scope to implement a comprehensive process for managing change.

However, there is no wide implementation of the procedure across the IT Service. It seems that the idea of recording and waiting for each change to be authorised before it can be implemented is considered by some staff as an administrative process which adds delay and workload rather than elements of control. The IT Service needs to establish an action plan for implementing the procedure that has been designed as general practice for staff, taking into account steps such as assessing existing barriers and presenting practical solutions together with the introduction of enforcement action where appropriate. The draft process expresses that the working group has a role to identify any changes that have been implemented without following the expected steps. As the working group is aware of such cases it would be appropriate to establish a proper action plan for them.

2.7.2 The Senior Manager Audit and Risk stressed that the audit relates specifically to arrangements within IT Service itself to deal with changes to computer systems. It was noted that service managers have put arrangements in place to ensure the traceability of any changes to computer systems, but technical staff were not always following these guidelines.

2.7.3 The Senior Manager - IT and Business Transformation Services explained that the Council's help desk system is used, and it is expected that any change to the system that affects more than one user must be approved by the Change Advisory Board, which consists of the managers of the Information Technology Service.

2.7.4 The Senior Manager - IT and Business Transformation recognised that this is time consuming, and requires a culture change for a number of technical officers. He reported that a new system that will take effect soon will streamline the process. This should improve compliance.

2.7.5 The Senior Manager - IT and Business Transformation was thanked for attending the meeting and for the information that he had provided. The Working Group considers that the steps outlined for the two reports will improve controls and address the weaknesses highlighted in the audit reports.

2.8 Processing of Energy Supplier Data

2.8.1 The main findings of this report were:

It was seen that a system is in place for recording energy consumption readings at all Council properties, but many cases of estimated readings are received and the process is not automated. Because of the work required in processing and inputting readings to the system, there is no time left to undertake adequate exercises to identify and investigate exceptions.

Since the estimates are based on energy consumption trends, it would not be possible to identify any exceptions by using these figures. This undermines any process of identifying exceptions.

There is scope for site managers to be proactive by informing suppliers of energy true readings.

2.8.2 When arranging the meeting, consideration was given to the context of the audit. For example, there are far more serious potential implications of failing to control verification procedures in the recruitment and appointment process as this may affect the welfare of children, young people or vulnerable adults, while there are no serious welfare issues involved with the opinion category 'C' on Data Processing for Energy Suppliers, though it may lead to inefficient use of resources. Therefore, due to a combination of the availability of officers and the need to put the main focus of the meeting on the risks that appeared in other reports, no officer other than the Senior Manager Audit and Risk attend to discuss the this report.

2.8.3 However, there was a useful discussion between the Senior Manager Audit and Risk and Working Group members, and it was agreed that energy consumption is an issue that will require increasing attention by Internal Audit in the coming years.

3. GENERAL FEEDBACK

3.1 **All members of the Working Group believes that the experiment has been very successful, providing an opportunity to have a detailed discussion on some of the Council's main risk and control issues.**

3.2 **Everyone was unanimous that the regime should continue, with membership being rotated to ensure that everyone on the Audit Committee will has the opportunity to be on the Working Group.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 30 JUNE 2013
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 April 2013 to 30 June 2013.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 30 June 2013:

Description	Number
Reports on Audits from the Operational Plan	12
Other Reports (memoranda etc)	1
Follow-up Audits	3

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 30 June 2013, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Primary Schools - Redundancy Procedures	Education	Schools	B	Appendix 1
Debtors System - Review of Key Controls	Finance	Financial	B	Appendix 2
Main Accounting System - Review of Key Controls	Finance	Accountancy	A	Appendix 3
National Non-Domestic Rates Refunds	Finance	Revenue	A	Appendix 4
National Non-Domestic Rates System - Review of Key Controls	Finance	Revenue	A	Appendix 5
Communities First - Extension to the Old Scheme	Economy and Community	Community Regeneration	B	Appendix 6
Neuadd Buddug, Y Bala	Economy and Community	Record offices, museums and the arts	B	Appendix 7
"Llwyddo'n Lleol"	Economy and Community	Skills and enterprise	B	Appendix 8
Siopau Gwynedd	Customer Care	Customer Contact	C	Appendix 9
Supporting People	Social Services, Housing and Leisure	Supporting People	A	Appendix 10
Banking Arrangements in the Leisure Centres	Social Services, Housing and Leisure	Leisure	C	Appendix 11
Achievement of Savings Projects	Strategic and Improvement	Performance and Scrutiny	B	Appendix 12

2.2.2 The opinion categories within the reports affirm the following:

- Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.

Opinion “CH” Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses / fraud resulting from these weaknesses were discovered.

2.2.3 In addition to the above, the following work was undertaken where an opinion category was not given:

- **Contribution to preparation of the Annual Governance Statements (Corporate).** Internal Audit took a role again this year in preparing the Annual Governance Statement for Gwynedd Council, which is the subject of a separate report to the Committee. Internal Audit also contributed to the development of the corresponding statement for the Joint Committee on Special Education and the Joint Planning Policy Committee, which need their own Governance Statement (together with a Statement of Accounts) in accordance with the requirements of the Accounts and Audit Regulations.

2.4 Follow-up Audits

2.4.1 The following table summarises the follow-up work completed during the period:

TITLE	DEPARTMENT	FOLLOW-UP OPINION
Social Services Performance Measures - Accuracy of Core Data	Social Services, Housing and Leisure	Excellent
Arrangements for Dealing with Correspondence	Corporate	Acceptable
Administration of Invoices before passing to the Payments Unit	Corporate	Acceptable

2.4.2 The conclusion of follow-up work is placed in one of four categories:

Excellent – all recommendations implemented as expected.

Acceptable – most recommendations, including the majority of “essential” recommendations, implemented as expected.

Unsatisfactory – several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.4.3 The list below shows the ‘C’ or ‘CH’ opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 30 September 2013

Equipment with Former Members
 Contract Terms - DBS Checks
 Staff DBS Checks
 Members' IT arrangements
 Backups and Service Continuity
 Recording and Managing Leave

Completion Target: Quarter ending 31 December 2013

Banking Arrangements at Leisure Centres
 Processing of Energy Supplier Data

Completion Target: Quarter ending 31 March 2014

Siopau Gwynedd
Change Control, IT Systems

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 July 2013.

3.2 Draft reports released

- Management of secondary school building maintenance - VFM (*Education*)
- Secondary Schools - Budgetary Control (*Education*)
- The Planning Service (*Regulatory*)

3.3 Work in progress

- Secondary Schools - Information Security (*Education*)
- Health and Safety Risk Assessments (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Corporate Complaints Procedure (*Corporate*)
- School Uniform Grant (*Finance*)
- Members' Gifts and Hospitality (*Democracy and Legal*)
- Tourist Information Centres (*Economy and Community*)
- Council Properties - Firefighting Equipment (*Customer Care*)
- Software Licences (Corporate) (*Customer Care*)
- Software Licences (Schools) (*Customer Care*)
- Support Workers Travel Costs (*Social Services, Housing and Leisure*)
- Direct Payments (*Social Services, Housing and Leisure*)
- Follow-up - Backups and Service Continuity (*Customer Care*)
- Rechargeable Works (*Highways and Municipal*)
- Member Training (*Strategic and Improvement*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 April 2013 to 30 June 2013, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

PRIMARY SCHOOLS - REDUNDANCY PROCEDURES Education

Purpose of the Audit

The purpose of the audit is to ensure that primary schools in Gwynedd comply with the Council's procedures as well as the law when taking steps to implement redundancy due to an excess of staff.

Scope of the Audit

A sample of 5 primary schools in Gwynedd that had gone through the redundancy process recently was chosen for the audit as well as a sample of schools that were in the middle of the process.

Main Findings

The main findings of the audit was that 4 of the schools in the audit sample had followed the redundancy procedure in accordance with the appropriate guidelines and timetables. However, it was found that the other school in the sample had failed to comply with the necessary timetable for correspondence and some of the other stages in the redundancy process. We found, however, that the Education Department has intervened in the process at this school in an expected manner in order to recover the situation.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the redundancy procedures in primary schools as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Governing body meetings should be held regularly, at least once a term, and if this is not possible the matter should be reported immediately to the Education Department.**
- **All schools should have a current business interest form for each member of the governing body which should be updated annually by distributing forms at the first meeting of the year.**
- **Heads should immediately contact the Finance Unit and the Senior Education Quality Improvement Officer when they recognise the need to follow the redundancy process, so that the process is started as soon as possible.**
- **It should be ensured that Heads comply with the Redundancy Guidelines when undertaking the process, ensuring that they implement the appropriate steps in accordance with the timetable.**

DEBTORS SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.

The debtors system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and there is therefore an intention to review this system. The purpose of the audit was to ensure that the duty of raising customer invoices has been designated to authorised officers with information to appearing in the ledger being complete well as the income the Council receives, with reconciliation being undertaken. Also, ensure that appropriate arrangements are in place for recovery and write-offs, with information being provided to managers.

Scope of the Audit

To test aspects of the arrangements relating to the Debtors System.

Main Findings

It was seen that processes, procedures and segregation of duties are in place for debt collection. However, it is noted that Hafan Pwllheli have procedures separate from corporate arrangements, with transactions being fed into the main accounting system at the end of each month. It was seen that there is a need to modify the process for writing off debts to ensure proper authorisation in each case in accordance with the Council's Financial Procedure Rules.

A sample of the debts from the corporate system that had been written off during 2012/13 was reviewed; it was found that the appropriate steps have been taken with authorisation being in line with expectations.

It was seen that there are processes to ensure consistency between the debtors module and the main ledger.

It was seen that a process for recovery has been officially documented, however it was noted that this was not practicable for a number of cases that come before the recovery service.

It would be fair to note that the Income Service act in the way they judge to be the most likely to recover Council debts, however it would also be fair to note that there is scope to ensure that the legal resource is being used in more cases where appropriate.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Debtors System - Review of Key Controls as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendation of the report is as follows:

- **The arrangements in place for write-offs relating to Hafan Pwllheli should be reviewed, ensuring that every case of write-off is authorised before it is implemented in accordance with the requirements of the Council's Financial Procedure Rules.**

MAIN ACCOUNTING SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts will rely, where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

“As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis”

The main accounting system is considered a “major financial system” in accordance with the Wales Audit Office's definition, and there is consequently an intention to perform a review of the key controls of this system.

Scope of the Audit

This review focussed on the controls for maintaining the main accounting system and the transactions of 2012/13.

Main Findings

It was seen that the key controls reviewed are in place for the main accounting system.

Measures are in place to separate duties based on roles, services and authorisation levels. The access rights to the system are managed centrally, and it was seen that there is an annual process of reviewing consumer privileges, although notification from service managers about any necessary changes is the most effective method.

Procedures are in place to monitor and report on budget variances. There were some examples of budgets that were input after the deadline set by the administrators of the system, but all items in our sample had been uploaded by the time of monitoring first quarter expenditure.

Period end processes are in place to ensure the accuracy of balance transfers and transactions. Procedures are in place to manage and reconcile the system with bank statements, transfers from feeder systems and management accounts to ensure accuracy and propriety.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Main Accounting System - Review of Key Controls as the controls in place can be relied upon and have been adhered to.

NNDR REFUNDS

Finance

Purpose of the Audit

The purpose of the audit was to ensure that appropriate internal controls are in place in the process of refunding National Non-Domestic Rates.

Scope of the Audit

Select a sample of NNDR refunds made in the 2012-13 financial year and ensure that appropriate processes exist for authorising, reconciling and maintaining checks.

Main Findings

It was found that good internal control exists in the administration of NNDR refunds. We looked at the process of creating a refund and found that an appropriate process of separation of duties exists. In addition, it was found that information is correctly entered into the system and that reconciliations are held between the ledger, the payment receipting system and the Academy System on a monthly basis and that the reconciliations are authorised appropriately.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in NNDR Refunds as the controls in place can be relied upon and have been adhered to.

NNDR SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.

The National Non-Domestic Rates system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and there is therefore an intention to undertake an audit of this system's key controls.

The purpose of the audit was to ensure that NNDR bills are processed correctly and in accordance with the rateable values that have been set by the Valuation Office, and that there is appropriate processing for collecting, recording and monitoring payments.

Scope of the Audit

Reviewing and testing that guidelines, records and appropriate procedures are in place for managing, collecting and recording 2012-13 National Non-Domestic Rates.

Main Findings

It was seen that good internal control exists within the key controls relating to the procedures for administering NNDR. This includes appropriate information reconciliation arrangements between the Council's systems and with the Valuation Office, an appropriate process of repayment when an account is in credit, as well as write-off and recovery processes being in place.

The officers are well aware of the importance of being independent of the businesses where appropriate and a process of separation of duties also exists.

It was noted that the Service had exceeded its performance targets for the year 2012-13.

We found a weakness in one area where applications for payment of NNDR through the Deferred Payment Scheme had been loaded onto the DIP System with the note "No Action Required". This means that these applications do not appear in the workload of the relevant officers, so there is a loss of implementation following the application.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in NNDR System - Review of Key Controls as the controls in place can be relied upon and have been adhered to. However, one recommendation is suggested in order to further strengthen the arrangements:

- **The officers who are responsible for loading documents into the DIP system should be aware that requests to pay through the Deferred Payment Plan need to be recorded with the need to act, if the plan is available again in the future.**

COMMUNITIES FIRST - EXTENSION TO THE OLD SCHEME Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements are in place for the administration of the extension of the Communities First program transitional funding.

Scope of the Audit

The audit focusses on the arrangements and controls in the following areas:

- That an appropriate officer accepts the grant offer on behalf of Gwynedd Council.
- Compliance with the grant offer letter as well as the terms and conditions of the grant.
- That appropriate evidence exists to support the use made of the grant money.
- That appropriate requests are made to the Welsh Government for the grant money.

Main Findings

The application from one community was for staff redundancies. An invoice had been received from the partnership identifying redundant staff and noting the figures, but no evidence to support the figures such as copies of staff redundancy letters had been presented.

The auditor notified the Communities First Monitoring Officer during the audit that they should contact the partnership to try to get copies of the redundancy letters. It is understood that the Monitoring Officer has contacted the Chairman of the Partnership to request copies of the letters but had not been successful.

At the audit date it appeared that more money has been claimed in applications for central spending than had been spent. The Communities First Monitoring Officer expressed that the Council will report on underspend to the Welsh Government by completing a CF8 form before 15 July 2013.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in administration of the extension of the Communities First program transitional funding as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Communities First Monitoring Officer should keep on file copies of the e-mails she had sent attempting to obtain copies of the redundancy letters.**
- **It should be ensured in the future that if such a case arises the Council does not pay any money over to outside organisations without the proper evidence first.**
- **It must be ensured that arrangements are made to send the CF8 form to the Welsh Government before 15 July 2013.**

NEUADD BUDDUG, Y BALA

Economy and Community

Purpose of the Audit

To ensure that there are arrangements at Neuadd Buddug to manage and mitigate risks appropriately, and in accordance with the Council's Financial Procedure Rules and other relevant procedures.

Scope of the Audit

The main expenditure and income for 2012/13 according to the Council's ledger were examined. The arrangements at Neuadd Buddug to manage a variety of risks were also tested.

Main Findings

The main findings from the audit was that arrangements are generally good at Neuadd Buddug, but the risk assessment needs to be updated as soon as possible.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Neuadd Buddug, Y Bala as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Neuadd Buddug staff should send details of the tickets that have been distributed, as well as till 'z' readings, to the Pwllheli office together with the TR34 'Receipts and Banking' form.**
- **An agreement should be in place between Neuadd Buddug and all hirers that refers to the terms and conditions of hire.**
- **The Head of Department should be informed of budget heading 8690 (Rent – Land and General Buildings) with permission requested to vire the budget to another budget heading within the Service / Department.**
- **Reviews on the risk assessments should be completed as soon as possible and then reviewed annually.**

"LLWYDDO'N LLEOL" **Economy and Community**

Purpose of the Audit

To ensure that the Council has appropriate internal controls in place in its role as the regional leader of the Llwyddo'n Lleol scheme in North Wales, and that the controls will be adequate for the requirements of Wales European Funding Office.

Scope of the Audit

Verify that an agreement is in place between the relevant parties on terms, conditions and guidelines of the Llwyddo'n Lleol grant in North Wales, as well as third parties used by the Council to meet the objectives of the scheme in Gwynedd. Check that the Council complies with the above in its role as leader of the regional scheme, and that it supervises other authorities in addition to any other third parties that are used in Gwynedd. Verify that the scheme is targeted towards the correct residents in Gwynedd, with applications being assessed in a fair and transparent manner, that there is control over the expenditure of the plan and that the Council complies with the Data Protection Act.

Main Findings

It was seen that appropriate arrangements are in place for the management and monitoring of the Llwyddo'n Lleol scheme. These arrangements include control over the other Authorities in the regional scheme in North Wales where Gwynedd Council has the lead.

Nevertheless, there was one contract with a contractor that had not been signed and dated by a representative of the Council, and confirmation of modifications to a contract had not been signed by a representative of the contractor and Gwynedd Council. In addition, it was found that arrangements are not in place to monitor a bursary scheme from the project for a period of 5 years after the date of final payment of a grant from WEFO. This is a condition of the grant agreed by WEFO. This will be done by the Economy and Community Department closer to the time of final payment of the the grant by WEFO in 2015.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in "Llwyddo'n Lleol" as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The wording of condition 10 (Audit) of the 'Local Bursary Agreement' should be modified to state that the beneficiaries are subject to monitoring for a period of 5 years from the date of final payment of the Llwyddo'n Lleol grant by WEFO.**
- **Arrangements should be established to monitor the bursary project for a period of 5 years after the date of final payment of the Llwyddo'n Lleol grant by WEFO, to ensure that beneficiaries comply with the Llwyddo'n Lleol grant conditions.**
- **It should be ensured that agreements which are in place with contractors have been signed and dated by the relevant representative of Gwynedd Council.**

SIOPAU GWYNEDD Customer Care

Purpose of the Audit

The purpose of the audit was to ensure that arrangements are in place to enable Siopau Gwynedd to provide a service of the highest quality to the public.

Scope of the Audit

The scope of the audit was to conduct a review of the arrangements in place at each Siop Gwynedd site, by discussing with the relevant officers at the sites and reviewing the available materials, together with checking registers and documentation of income.

Main Findings

We found that all three Siopau Gwynedd had up to date information in the form of pamphlets, magazines or forms that were accessible to the public. It was seen that visitors who meet in the buildings sign in and out of the building but there was no arrangement for informing them of arrangements in case of fire, ie if a fire drill is planned, along with meeting places in case of emergency.

The main weakness found during the audit was a lack of arrangements in the process of receiving, recording and banking income. Siop Gwynedd at Caernarfon has not received a float, despite being open to the public since January 2013. Weaknesses are apparent in project for establishing Siop Gwynedd at Caernarfon because several essential factors have been missed - this includes failure to provide appropriate training for staff on issues like financial procedures and failure to provide them with the appropriate documentation for recording and banking income.

The Siop Gwynedd Team Leader and Customer Contact Professional Trainee have now received training on how to complete income receipt forms and arrangements are in hand to ensure that the training is cascaded to all staff in the Siopau Gwynedd in the near future. In addition, discussions were held with Internal Audit to ensure that clear and robust arrangements are in place for banking income by removing unnecessary layers from the process. The Customer Contact Manager, following the establishment of the proposed banking arrangements, stated that it would appreciate if Internal Audit visit Siopau Gwynedd unannounced to ensure that their arrangements are in line with expectations.

In terms of customer care, arrangements need to be improved for receiving feedback from customers to enable staff and management to identify the weaknesses and strengths of the service. There is also a need to make sure that staff receive training on how to deal with complaints from visitors, including training on how to record complaints made verbally.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Siopau Gwynedd as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **All members of staff who work in Siopau Gwynedd should receive appropriate training for them to achieve all aspects of their duties.**
- **The arrangements for keeping income and the banking arrangements should be reviewed, and the practice of transferring income to be banked to the Support Services should be abolished.**

SUPPORTING PEOPLE

Social Services, Housing and Leisure

Purpose of the Audit

To ensure that appropriate internal controls are in place when administering the Supporting People scheme.

Scope of the Audit

To ensure that arrangements are in place to administer the Supporting People scheme by reviewing a sample of providers who are part of the scheme, the payments made, and the budgetary control of scheme, and verifying that arrangements are in place for individuals to attend relevant Supporting People meetings by following the new guidelines that are in place since 2012.

Main Findings

Good practice was seen in the administration of the Supporting People grant. The Service has guidelines and related documents that were published in 2012 by the Welsh Government.

We examined a sample of contracts and the management of paper and electronic files and found the management to be of a very high standard. Robust arrangements were seen to be in place to administer service payments and that appropriate budgetary control is in place. Arrangements for managing the Supporting People Service were of a very high standard. As a result there is no recommendation for consideration following this review.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Supporting People as the controls in place can be relied upon and have been adhered to.

BANKING ARRANGEMENTS IN THE LEISURE CENTRES

Social Services, Housing and Leisure

Purpose of the Audit

To ensure that internal controls exist when banking money in the Leisure Centre to mitigate operational risks, and that these controls are being implemented.

Scope of the Audit

A sample of five Leisure Centres across the county was selected to check their banking arrangements. The centres were Plas Ffrancon Leisure Centre in Bethesda, the Tennis Centre in Caernarfon, Glaslyn Leisure Centre in Porthmadog, Pavilion Leisure Centre in Barmouth, and Bro Ffestiniog Swimming Pool in Blaenau Ffestiniog. For these centres, we reviewed a sample of days in the financial year 2012/2013 and checked the banking carried out on these dates.

Main Findings

Examples of good practice and sound management were found within the banking arrangements in some of the Leisure Centre. However, there are a number of areas examined that require further attention. One of these is to remind officers that two members of staff should sign documents. A number of errors were found and therefore appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Banking Arrangements in the Leisure Centres as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Glaslyn Leisure Centre should have a copy of the latest IMS.**
- **Bro Ffestiniog Swimming Pool should produce monthly reports as set out in the IMS guidelines.**
- **Leisure Centres should be reminded that two officers are required to sign the relevant documents.**
- **Plas Ffrancon Leisure Centre should use the correct short codes on the TR34.**
- **Leisure Centres need to be reminded that they should send a copy of all the relevant TR34 forms to the Income Section.**
- **Officers at the centres should be reminded that it is important that two officers sign the relevant documents such as Banking Record Sheet and paying-in book at all times.**
- **Contact should be made with the security company immediately if they have not collected the money on the usual day and a record of the discussions should be recorded. There should also be a contingency plan in cases of the kind.**
- **There is a need to remind officers that they need to produce 'z' readings at all times and relevant documents need to be signed by two officers.**

ACHIEVEMENT OF SAVINGS PROJECTS

Strategic and Improvement

Purpose of the Audit

The purpose of the audit was to ensure that internal controls exist within departments to mitigate the risks that may prevent the aims of realising savings plans that lead to failure to meet targets.

Scope of the Audit

A sample of schemes was selected to ensure that there are suitable arrangements for their management, as well as monitoring and reporting arrangements. The focus of the audit was on the plans in the £16m savings quantum, efficiency plans and cross-departmental schemes. The audit did not encompass the savings plans of Social Services, Housing and Leisure because they are the subject of a separate audit. The audit focused on the implementation within departments, rather than the arrangements of the Savings Realisation Board.

Main Findings

Project management procedures are being followed by officers who carry out the savings plans, although on rather loose terms in certain situations. It is accepted that there is a need to be proportionate when using a bureaucratic methodology when running projects, and overall it was found that the project management arrangements used are appropriate given the size of the projects. Not all savings are considered as a project or an activity within a project, e.g. budget reduction, so there is no need to over-emphasise the formal system of project management because not every step of this procedure is applicable for all projects. An example of this was seen in our sample; not all of the usual documentation existed but other documents were available containing the necessary information. This reflected the concerns of the Departments that the process would be overly bureaucratic if they were to follow each step of the project management methodology for small projects.

There has been concern about the consistency of departments' reports to more than one panel or board with different members, and that the true project position or status was not consistent due to different record being presented by different officers. However, the Efficiency Project Officer, who meets regularly with heads of departments to monitor the progress of the projects, also sits on the Savings Realisation Board. This provides assurance that the actual situation is being reported. A member of the central Finance Team also attends these meetings to ensure consistency in what is reported in terms of financial savings. The board will then report to the Delivery Panel where progress, slippages and failures are discussed with the relevant Cabinet Member.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in departmental plans to achieve savings as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendation of the report is as follows:

- **Officers should be aware of the Council's Project Management methodology, but use it in a manner that is commensurate to the size of the project.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	INTERNAL AUDIT PLAN 2013/14
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2013/14 INTERNAL AUDIT PLAN
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2013/14 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2013/14 internal audit plan is included in the appendix with the status of the work as at 1 July 2013 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	80
Working Papers Created	1
Field Work Started	7
Field Work Ended	2
Manager Review	4
Draft Report Issued	4
Final Report Issued	9
Total	<u>107</u>

2.2 The performance target for 2013/14 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2014. The quarterly profile of this indicator is as follows:

End of quarter 1	15%
End of quarter 2	35%
End of quarter 3	60%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit's actual achievement up to the end of the first quarter was **8.4%** - out of **107** individual audits contained in the 2013/14 revised plan, **9** had been released in a finalised version by the end of the quarter. The performance is therefore below the profile set, which gives some cause for concern and the matter is subject to continuous review in order to remedy the situation by the end of the year.

3. AMENDMENTS TO THE PLAN

3.1 The only amendment to the plan to be reported is the addition of an audit of the Appetite for Life Grant.

4. RECOMMENDATION

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2013/14 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2013/14

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-09/2014hyff	Exemptions from the corporate training arrangements	15.00	0.00	15.00	6.31	Planning
1-CORFF-09/2014sys	Support for "Systems Thinking" Reviews	15.00	0.00	15.00		Planning
1-CORFF-14/2014	Health and Safety Risk Assessments	25.00	0.00	25.00	16.57	Field Work Started
1-CORFF-15/2014gi	Health Improvement Strategic Project	20.00	0.00	20.00		Planning
1-CORFF-17/2014	Partnership Working	35.00	0.00	35.00	9.86	Planning
1-CPGV-01/2014a	Corporate Complaints Procedure	15.00	0.00	15.00	15.70	Manager Review
1-CPGV-01/2014ags	Contribution to preparation of the Annual Governance Statements	15.00	0.00	15.00	9.43	Draft Report Issued
1-CPGV-01/2014b	Local Code of Governance	10.00	0.00	10.00		Planning
1-CPGV-01/2014c	Corporate Governance - Delegation Arrangements	20.00	0.00	20.00		Planning
1-CPGV-01/2014d	Officers' Interests Policy	10.00	0.00	10.00	11.07	Draft Report Issued
1-CPGV-02/2014	Proactive Anti-Fraud and Anti-Corruption Work	40.00	0.00	40.00	5.18	Planning
2-ADN-CGC-DPA/2014	Data Protection - Clauses in Job Descriptions	10.00	0.00	10.00		Planning
AN-ACY-03/2014	Budgetary Control	25.00	0.00	25.00	1.96	Planning
AO-ARL-05/2014	NFI (National Fraud Initiative)	30.00	0.00	30.00	9.35	Field Work Started
BE-POL-07/2014	Verification of Performance Measures	25.00	0.00	25.00	5.46	Planning
EDUCATION						
4-DAT-X-ADD/2014bao	Appetite for Life Grant	0.00	5.00	5.00		Planning
4-DAT-X-ADD/2014brec	Primary Schools Free Breakfast Initiative Grant	7.00	0.00	7.00		Planning
4-DAT-X-ADD/2014ffe	Schools Effectiveness Framework Grant	7.00	0.00	7.00		Planning
4-DAT-X-ADD/2014ffg	Community Focused Schools Childcare Allocation	10.00	0.00	10.00		Planning
4-DAT-X-ADD/2014gap	Pupil Deprivation Grant	10.00	0.00	10.00		Planning
4-DAT-X-ADD/2014ks23	Foundation Stage 2012-13 Revenue Grant	5.00	0.00	5.00	2.43	Planning
4-DAT-X-ELWa/2014	Post-16 Education Grant	1.00	0.00	1.00		Planning
EADDA29/2014	Health and Safety Assessments in Schools	15.00	0.00	15.00		Planning
EADDU01/2014	Administration of Student Grants and Loans	20.00	0.00	20.00		Planning
4-GWE/2014	GwE	25.00	0.00	25.00		Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA15/2014	School Statistics and Censuses	10.00	0.00	10.00		Planning
EADDA35/2014	Leasing Arrangements in Schools	10.00	0.00	10.00		Planning
EADDAYC/2014a	Secondary Schools - Budgetary Control	20.00	0.00	20.00	21.67	Draft Report Issued
EADDAYC/2014b	Secondary Schools - Information Security	20.00	0.00	20.00	21.36	Manager Review
EADDAYC/2014c	Primary Schools - Teacher Allowances and Conditions of Service for Heads	20.00	0.00	20.00		Planning
HUMAN RESOURCES						
BE-POL-01/2014	Use of Cetus - CALMS	10.00	0.00	10.00		Planning
FINANCE						
AD-DY-01/2014kc	Debtors System - Review of Key Controls	10.00	0.00	10.00	13.24	Final Report Issued
AE-TAL-01/2014e	eProcurement System	20.00	0.00	20.00		Planning
AE-TAL-01/2014kc	Payments System - Review of Key Controls	10.00	0.00	10.00		Planning
AN-ACY-02/2014kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	8.91	Final Report Issued
AN-ACY-13/2014kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	10.00		Planning
AL-CYF-01/2014kc	Payroll System - Review of Key Controls	10.00	0.00	10.00		Planning
AL-CYF-01/2014ma	Payroll - Maternity Pay	10.00	0.00	10.00	1.53	Planning
AL-CYF-01/2014ot	Payroll - Overtime	10.00	0.00	10.00		Planning
AL-CYF-05/2014bl	Payroll - Advances	6.00	0.00	6.00	2.23	Planning
AP-PEN-01/2014kc	Gwynedd Pension Fund - Review of Key Controls	15.00	0.00	15.00		Planning
AP-PEN-07/2014	Pensions - Contributions from employers	25.00	0.00	25.00		Planning
AB-BD-01/2014	Risk-Based Benefit Verification	20.00	0.00	20.00		Planning
AB-BD-01/2014kc	Benefits System - Review of Key Controls	10.00	0.00	10.00		Planning
AB-BD-08/2014	School Uniform Grant	10.00	0.00	10.00	8.61	Field Work Started
AC-TR-01/2014dis	Council Tax - Discounts and Exemptions	20.00	0.00	20.00	1.84	Planning
AC-TR-01/2014kc	Council Tax System - Review of Key Controls	10.00	0.00	10.00		Planning
AC-TR-11/2014	NNDR Refunds	10.00	0.00	10.00	7.90	Final Report Issued
AC-TR-11/2014kc	NNDR System - Review of Key Controls	10.00	0.00	10.00	7.50	Final Report Issued
DEMOCRACY AND LEGAL						
BB-YSG-17/2014	Arrangements for Registering Births, Deaths and Marriages	20.00	0.00	20.00		Planning
1-CPGV-03/2014	Members' Gifts and Hospitality	20.00	0.00	20.00	3.45	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
ECONOMY AND COMMUNITY						
BE-POL-10/2014bro	Local Regeneration Officers	10.00	0.00	10.00		Planning
T-TAI-C04/2014est	Communities First - Extension to the Old Scheme	10.00	0.00	10.00	8.56	Final Report Issued
EDIW-TS-01/2014	Neuadd Buddug, Y Bala	4.00	0.00	4.00	4.22	Final Report Issued
EHAMM-02/2014	Ports	20.00	0.00	20.00		Planning
EHAMZ-01/2014	Country Parks	15.00	0.00	15.00		Planning
1-CTRT-04/2014a	Contract Management - Sailing Academy	15.00	0.00	15.00		Planning
DDAT-AH-01/2014	Sailing Academy Establishment Arrangements	10.00	0.00	10.00		Planning
4-DAT-X-GRANT/2014r	Youth Club Grants - Revenue Grant	5.00	0.00	5.00		Planning
DDAT-AD-05/2014	Wales Rural Development Plan Projects	12.00	0.00	12.00		Planning
DDAT-MT-01/2014	"Our Heritage" Project	22.00	0.00	22.00		Planning
DDAT-MT-02/2014cc	Tourist Information Centres	15.00	0.00	15.00	14.50	Field Work Started
CUSTOMER CARE						
BC-PER-01/2014	Emergency Planning and Business Continuity	15.00	0.00	15.00		Planning
BD-PW-08/2014	Siop Gwynedd	10.00	0.00	10.00	12.14	Final Report Issued
EDIW-LL-07/2014	"Gwynedd Ni"	10.00	0.00	10.00	0.30	Planning
AW-TG-06/2014	Logging and Monitoring	8.00	0.00	8.00		Planning
AW-TG-09/2014	Network Convergence	20.00	0.00	20.00		Planning
AW-TG-12/2014	Laptop Security	10.00	0.00	10.00		Planning
AW-TG-17/2014cor	Software Licences (Corporate)	15.00	0.00	15.00	7.07	Field Work Ended
AW-TG-17/2014ysg	Software Licences (Schools)	15.00	0.00	15.00	8.84	Field Work Ended
BA-EID-02/2014	Asset Management Plan	30.00	0.00	30.00		Planning
BA-EID-02/2014off	Council Properties - Firefighting Equipment	10.00	0.00	10.00	8.95	Manager Review
SOCIAL SERVICES, HOUSING AND LEISURE						
GCC-03/2014	Third Sector - Grants, Commissioning and Contracts	25.00	0.00	25.00		Planning
GDAPR-GC05/2014	Support Workers Travel Costs	15.00	0.00	15.00	24.93	Manager Review
GRH-GW01/2014ff	Social Services - Security of Files and Data	20.00	0.00	20.00		Planning
GRH-GW01/2014rba	Results-Based Accountability	7.00	0.00	7.00		Planning
5-GOF-BUS/2014hub	Regional Collaboration Project – Care Commissioning Hub	20.00	0.00	20.00		Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
GDAPR-SP01/2014	Supporting People	20.00	0.00	20.00	19.63	Final Report Issued
T-TAI-D01/2014les	Public Sector Housing Leasing Scheme	15.00	0.00	15.00		Planning
E-DGO-01/2014	Banking Arrangements in the Leisure Centres	20.00	0.00	20.00	24.97	Final Report Issued
EHAMV-01/2014	Sport Council Grants	15.00	0.00	15.00		Planning
GCC-07/2014	Direct Payments	15.00	0.00	15.00	5.49	Field Work Started
GGWAS-H07/2014tel	Telecare	20.00	0.00	20.00		Planning
GGWAS-OED1/2014gal	Enablement Schemes	20.00	0.00	20.00	4.97	Planning
GGWAS-P02/2014	Youth Justice Service	10.00	0.00	10.00		Planning
GGWAS-P05/2014lwf	Children - Post-care Allowances	15.00	0.00	15.00		Planning
T-TAI-G06/2014	Older - Disabled Persons - Adaptations to Homes	20.00	0.00	20.00	2.92	Planning
T-TAI-G10/2014	Empty Houses back into use Project	12.00	0.00	12.00		Planning
HIGHWAYS AND MUNICIPAL						
PPR-GW03/2014	Fleet Management - NWPP Parts Contract	10.00	0.00	10.00		Planning
PPR-WK01/2014	Rechargeable Works	20.00	0.00	20.00	5.33	WP Created
3-AMG-GORF/2014gang	Community Gangs	10.00	0.00	10.00		Planning
PBW-05/2014	Trade Refuse	30.00	0.00	30.00	3.73	Planning
REGULATORY						
DDAT-CC-01/2014txi	Payments to Taxi Firms	20.00	0.00	20.00		Planning
DCYN-RD-01/2014cyn	The Planning Service	25.00	0.00	25.00	37.28	Draft Report Issued
DCYN-RD-01/2014gor	Development Control - Enforcement	15.00	0.00	15.00		Planning
T-YC-IA01/2014	Trading Standards	20.00	0.00	20.00	1.02	Planning
3-RHE-01/2014	Enforcement and Transport	10.00	0.00	10.00		Planning
DDAT-CC-01/2014	Subsidised Travel Tickets - Payments to bus companies	25.00	0.00	25.00	1.89	Planning
STRATEGIC AND IMPROVEMENT						
BE-POL-08/2014	Procurement Strategy	40.00	0.00	40.00		Planning
BE-POL-11/2014	SMAP Fund	15.00	0.00	15.00	1.92	Planning
BE-POL-13/2014	Community Safety	15.00	0.00	15.00	1.54	Planning
BB-YSG-18/2014	Member Training	20.00	0.00	20.00	7.14	Field Work Started
BB-YSG-19/2014	The Gwynedd Standard - Exempt Papers and Confidentiality	15.00	0.00	15.00	0.95	Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
1-CORFF-05/2014	Project Management Arrangements	26.00	0.00	26.00		Planning
1-CORFF-05/2014cm	Channel Migration Project	20.00	0.00	20.00		Planning
1-CORFF-05/2014tp	Total Place Project	15.00	0.00	15.00		Planning
GWYNEDD CONSULTANCY						
PYM01/2014	Follow-up to Reviews on Gwynedd Consultancy	20.00	0.00	20.00		Planning

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	INTERNAL AUDIT CHARTER
PURPOSE	TO PRESENT A CHARTER FOR THE INTERNAL AUDIT SERVICE TO THE COMMITTEE
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE CHARTER

I. INTRODUCTION

- I.1 Terms of Reference for Internal Audit, prepared in accordance with the requirements of CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*, were adopted by the Audit Committee on 27 September 2012.
- I.2 The *Public Sector Internal Audit Standards* ("PSIAS") came into force on 1 April 2013, to supersede the CIPFA Code of Practice. One of the requirements of the new Internal Audit Standards is the need to set out an Internal Audit Charter instead of "Terms of Reference". The Standards, and a supporting Local Government Application Note published by CIPFA, detail the necessary contents of an Internal Audit Charter for a Local Government Body.
- I.3 The Local Government Application Note remarks that a comparison between the Terms of Reference required under the 2006 Code and an Internal Audit Charter shows only the following differences:
- The Terms of Reference had to identify internal audit's contribution to the review of the effectiveness of the control environment and required and enabled the Head of Internal Audit to deliver the annual audit opinion, and
 - the PSIAS asks for mostly the same content as in the Terms of Reference apart from those specific points set out in the public sector requirement to "PSIAS 1000". These requirements are the last four bullet points in the list in paragraph I.4 below.
- I.4 According to the Standards, and the Local Government Application, the necessary contents of an Internal Audit Charter for a Local Government Body are as follows:
- A formal definition of the purpose, authority and the responsibility of the internal audit activity, that is consistent with the Public Sector Internal Audit Standards (PSIAS).
 - A definition of the terms 'board' and 'senior management', for the purposes of the internal audit activity (Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances).
 - Sets out the internal audit activity's position within the organisation.
 - Establish the Chief Audit Executive's (CAE's) functional reporting relationship with the board.

- Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively.
- Establish the responsibility of the board and also the role of the statutory officers (such as the Chief Finance Officer, the monitoring officer and the head of paid service) with regards to internal audit.
- Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- A definition of the scope of internal audit activities.
- A recognition that internal audit's remit extends to the entire control environment of the organization.
- Establish the organisational independence of internal audit.
- The arrangements for appropriate resourcing.
- A definition of the role of internal audit in any fraud-related work.
- Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
- The arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.
- A definition of the nature of consulting services.
- A recognition of the mandatory nature of the PSIAS.

1.5 Consideration was given to the above when reviewing the Internal Audit Terms of Reference, and adopting them in order to create and Internal Audit Charter for Gwynedd Council.

2. RECOMMENDATION

2.1 The Audit Committee is asked to receive and approve the contents of the Internal Audit Charter, to approve it, and support Internal Audit in its undertakings.

GWYNEDD COUNCIL

FINANCE

AUDIT AND RISK MANAGEMENT SERVICES

INTERNAL AUDIT CHARTER

1. THE ROLE OF INTERNAL AUDIT IN LOCAL GOVERNMENT

1.1 There is a statutory requirement for an Internal Audit service in Local Authorities. This is implied in Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

1.2 The Account and Audit Regulations (Wales) 2005 state:

Internal audit

6. A local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall; if the body requires —

- (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
- (b) supply the body with such information and explanation as that body considers necessary for that purpose.

1.3 The Relevant Internal Audit Standard Setters have adopted a common set of **Public Sector Internal Audit Standards** (PSIAS) from 1 April 2013. The Standards are relevant to every internal audit service provider for the public sector, whether internal, shared service or external. These are defined as “proper internal audit practices”. The Standards define Internal Audit as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

1.4 Each internal auditor has received a copy of the Standards and they form the basis of the work of the service (and the Wales Audit Office’s assessment of the service).

1.5 Whilst Internal Audit is primarily concerned with financial propriety, the remit of Internal Audit’s work extends to the entire control environment of the Council, and is not confined to purely financial risk.

2. RESPONSIBILITIES AND OBJECTIVES

- 2.1 In Gwynedd Council, the Head of Finance is the officer who has the responsibility for "the proper administration of the Council's financial affairs" in accordance with section 151 of the Local Government Act 1972. Consequently, Internal Audit is located within Finance.
- 2.2 The Standards contain terminology that need to be defined clearly within the local Charter, namely the "Board", the "Audit Committee", the "Chief Audit Executive" and "Senior Management".

"Board" and "Audit Committee"

The Standards define the Board as ***"the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions"***. They define "Audit Committee" as ***"The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting"***. In accordance with the Council's Scheme of Delegation, consideration of and responding to reports by the Internal Audit Service is a function that has been delegated to the Audit Committee. For the purpose of this Internal Audit Charter, therefore, the Audit undertakes the role of both the "Board" and "Audit Committee" within Gwynedd Council in order to fulfil the requirements of the Standards.

"Chief Audit Executive"

The Senior Manager, Audit and Risk is the ***"Chief Audit Executive"*** in accordance with the terminology in the Standards.

"Senior Management"

Where the Standards refer to ***"Senior Management"***, in the context of communicating the results of internal audit work and discussing the work plan, the Senior Manager Audit & Risk is accountable to the Head of Finance, but has the freedom to report directly to the Chief Executive, the relevant Corporate Director, the Monitoring Officer or the Audit Committee if he is of the opinion that this is necessary, and in practical terms it is the Senior Manager Audit & Risk who releases all reports to Internal Audit's customers.

- 2.3 In order to ensure that the Council provides services of the highest possible quality within the resources available and in accordance with the needs of the people of Gwynedd, the appropriate use of the available resources is essential in order to ensure that the quality of service is of a high standard. The aims of Internal Audit is to provide assurance to the Head of Finance, and consequently to the residents of Gwynedd, that those resources which are available are managed and used appropriately, with transparency.
- 2.4 It shall do this by providing an independent and objective opinion to the Council on the control environment by auditing all financial systems and internal control procedures within the Authority, performing a combination of risk-based, system-based, regularity, computer and contract audits on a wide range of the Council's sections, in accordance with a strategy and audit plan based on an assessment of the Council's audit needs.

- 2.5 The Senior Manager Audit & Risk shall ensure that internal audit is provided in accordance with the Public Sector Internal Audit Standards as far as practicable. To this end, the Senior Manager Audit & Risk prepares an annual audit plan derived from an objective review of the risks that may affect the provision of the Council's services, and consultation with Senior Officers. It is agreed with the Head of Finance before it is presented to the Audit Committee to be adopted.
- 2.6 In addition to Gwynedd Council, Internal Audit has other, external, clients. Any increase in the commitment for this work will be agreed with the Head of Finance beforehand, and the Audit Committee will be informed.
- 2.7 The responsibilities of the Wales Audit Office, as Gwynedd Council's external auditors, is to give an independent opinion on the Council's financial statements and a conclusion on its arrangements for securing economy, efficiency and effectiveness in its use of resources. Internal Audit shall co-operate with the Wales Audit Office in accordance with the *Joint Protocol between External Audit and Internal Audit*.

3. INDEPENDENCE AND RIGHTS OF ACCESS

- 3.1 The Public Sector Internal Audit Standards emphasise the independence of Internal Audit in terms of reporting processes and freedom.
- 3.2 Internal Audit is one of three sections of Audit and Risk Management Services within the Finance Department. The other two sections are the Benefit Investigation Section and the Insurance and Risk Section. Internal Auditors will not partake in any other executive operations within the Council, unless the need for the work is of such urgency that alternative staff resources are not available to conduct the work, and that this work is to be conducted for the shortest time possible.
- 3.3 Every internal auditor shall be required to sign an Declaration of Auditor Independence annually.
- 3.4 The Council's Financial Procedure Rules include provision for an Internal Audit service within the authority:

12. INTERNAL AUDIT

Purpose

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972. Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control.

12.1 A continuous internal audit, under the independent control and direction of the Head of Finance, shall be arranged to carry out an examination of accounting, financial and other operations of the Council, in accordance with the Accounts and Audit Regulations.

12.2 The Internal Audit function shall be conducted, as far as is practicable, in accordance with CIPFA's *Code of Practice for Internal Audit in Local Authorities in the United Kingdom*. The Senior Manager Audit & Risk is the designated "Head of Internal Audit" pursuant to the Code of Practice.

- 12.3 The Senior Manager Audit & Risk will normally report directly to the Head of Finance. However, the Senior Manager Audit & Risk may also report to, and have access to, the Chief Executive, the relevant Corporate Director, Monitoring Officer and Chair of the Audit Committee if he deems this necessary in exceptional circumstances.
- 12.4 The Head of Finance and Senior Manager Audit & Risk, or their authorised representative shall have authority to:-
- a) enter at all reasonable times on any Council premises, land or contract sites;
 - b) have access to all records, documents and correspondence relating to any financial and other transactions of the Council;
 - c) require and receive such explanations as are in his opinion necessary concerning any matter under examination;
 - d) require any employee of the Council to produce cash, stores or any other Council property under his control.
- 12.5 The Head of Finance shall agree the medium-term and annual audit plans prepared by the Senior Manager Audit & Risk which take account of the characteristics and relative risks of the activities involved. The plans shall be approved by the Audit Committee.
- 12.6 All relevant managers shall consider and respond promptly to recommendations in audit reports. Chief Officers shall ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion in accordance with the agreed action plan.
- 12.7 The Senior Manager Audit & Risk shall report to each meeting of the Audit Committee the findings of Internal Audit work in the preceding period, and inform the Audit Committee of any significant control weaknesses discovered and/or investigated.
- 12.8 The Senior Manager Audit & Risk shall report to the Audit Committee any audit recommendations which have not been implemented within an agreed timescale, where failure to implement these recommendations would prolong a significant control weakness.
- 12.9 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or any arrangement to claim an inappropriate payment from the Council (including timesheets or travelling claims), or other property of the Council, the Chief Officer or other officer making the discovery shall comply with the Council's Anti-fraud Strategy and forthwith notify the Head of Finance and/or Senior Manager Audit & Risk, who shall take such steps as he considers necessary by way of investigation and report.
- 12.10 Provided that where, on consideration of such a report, the Monitoring Officer is of the opinion that there is a *prima facie* breach of the criminal law, at the discretion of the Head of Finance, the matter shall be reported to the Police for further investigation. If an employee of the Council is involved, disciplinary action shall be taken as a matter of urgency in accordance with the Council's Disciplinary Procedures whether or not the matter is referred to the Police.

12.11 Whenever there is a loss of property (including loss by fire) or cash the Chief Officer or other officer making the discovery shall forthwith notify the Council's Insurance Officer, who shall be responsible for making such claims as are appropriate on the Council's insurers.

4. RELATIONSHIP WITH THOSE CHARGED WITH GOVERNANCE

- 4.1 The Council has resolved that "those charged with governance" within Gwynedd Council shall be the Audit Committee.
- 4.2 The Chair of the Audit Committee is usually the main points of contact between the Senior Manager Audit & Risk and elected members. The Senior Manager Audit & Risk shall ensure that good working relationships and channels of communication are maintained with the Chair of the Audit Committee.
- 4.3 The Senior Manager Audit & Risk will prepare a report for every meeting of the Audit Committee outlining the work completed in the period leading up to that meeting.
- 4.4 The Senior Manager Audit & Risk shall also provide the Audit Committee with regular reports on progress against the annual internal audit plan.

5. REPORTING

- 5.1 The Senior Manager Audit & Risk will ensure procedures for work supervision and file review by the relevant Team Leaders, and will collect data and prepare reports on the Section's performance for the Head of Finance pursuant to the Council's performance management framework.
- 5.2 A formal report will be written for most audit assignments, except for some small audits where significant weaknesses were not discovered and where a full audit report was not deemed necessary. In these cases, memoranda will be sent to the relevant officers.
- 5.3 Where appropriate, each report will be placed in one of 4 category opinions, dependent upon the audit opinion on the adequacy of internal controls, the effectiveness of the operation of the internal controls and the result of any failure to put effective controls in place. These categories are:

- Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.
- Opinion "CH" Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses / fraud resulting from these weaknesses were discovered.

The use of opinion categories is likely to be less appropriate for reports that have been prepared following a special investigation, or for work containing “consultancy” aspects.

- 5.4 Following completion of audit work, a draft report is prepared for the relevant managers so that they may be given an opportunity to comment on the findings and correct any factual errors. A period of 2-3 weeks is given to managers to respond to the draft, but a longer period will be considered if a request for an extension is received. If a response is not received by the stipulated date, the report is assumed to be acceptable and a final report will be issued. If comments are received, these will be considered (and the draft report may or may not be modified) before the final report is issued.
- 5.5 Officers are expected to sign and return a copy of the action plan of every final report issued. This is a way of ensuring the agreement of officers that they accept and agree to implement the recommendations. After an appropriate period Internal Audit will perform follow-up tests to ensure that the recommendations have been implemented. The results of follow-up work will be reported to Chief Officers and the Audit Committee.

6. ANNUAL AUDIT OPINION

- 6.1 The Senior Manager Audit & Risk shall prepare an Annual Report to the first meeting of the Audit Committee after the end of the financial year, in accordance with the Standards.

7. NON-ASSURANCE WORK

- 7.1 In addition to the assurance work described elsewhere in the Terms of Reference, Internal Audit shall also:
 - Provide financial advice to Council services, in particular on Financial Procedure Rules, Contract Procedure Rules, Financial Codes of Practice and the Council's Anti-fraud, Anti-corruption and Anti-bribery Strategy.
 - Assist service managers to prevent fraud and to investigate fraud on behalf of the Head of Finance, and offering advice and guidance on control improvements to avoid similar occurrences in future.

8. INTERNAL AUDIT RESOURCE REQUIREMENTS

- 8.1 Internal Audit comprises of the Senior Manager Audit & Risk and audit teams. If the Senior Manager Audit & Risk is of the opinion that he does not have sufficient resources to allow him to give an opinion on the control environment in accordance with the requirements of the Standards, he shall report this to the Head of Finance.
- 8.2 The team leaders are responsible for supervising and reviewing work and for allocating the audit plan as projects for individual auditors.
- 8.3 A Management Team (comprising the Senior Manager Audit & Risk and the audit team leaders) will meet regularly to monitor performance, share information and agree on the Audit service's strategic direction.
- 8.4 From time to time, to reflect audit needs, and in the context of the resources available and the Council's Financial Procedure Rules, the Internal Audit service shall acquire external expertise to assist with audit work and in order to maintain the skill levels of permanent

staff. This has been particularly true for the area of computer audit work, but other types of audit are not excluded from such arrangements.

9. RELEVANT DOCUMENTATION

9.1 In addition to this report, the following documents are also of importance to the internal audit service:

- The Audit Committee's Terms of Reference
- Financial Procedure Rules
- Financial Codes of Practice
- Contract Procedure Rules
- The Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy
- The Council's Whistleblowing Policy.

Internal Audit shall review and suggest changes to these documents as necessary.