

# Pecyn Dogfennau



Mark James LLM, DPA, DCA  
Prif Weithredwr,  
Chief Executive,  
Neuadd y Sir, Caerfyrddin. SA31 1JP  
County Hall, Carmarthen. SA31 1JP

**DYDD GWENER, 23 MEDI 2016**

**AT: HOLL AELODAU'R PWYLLGOR ARCHWILIO**

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD O'R  
**PWYLLGOR ARCHWILIO A GYNHELIR YN CHAMBER, COUNTY HALL,  
CARMARTHEN AM 10.00 AM, DYDD GWENER, 30AIN MEDI, 2016 ER  
MWYN CYFLAWNI'R MATERION A AMLINELLIR AR YR AGENDA SYDD  
YNGHLWM**

*Mark James*

**PRIF WEITHREDWR**



**AILGYLCHWCH OS GWELWCH YN DDA**

<b>Swyddog Democrataidd:</b>	<b>Martin S. Davies</b>
<b>Ffôn (Ilinell uniongyrchol):</b>	<b>01267 224059</b>
<b>Ffacs:</b>	<b>(01267) 224911</b>
<b>E-bost:</b>	<b>MSDavies@sirgar.gov.uk</b>
<b>Cyf:</b>	<b>AD016-001</b>

**PWYLLGOR ARCHWILIO  
AELODAETH:  
8 AELOD O'R CYNGOR AC 1 AELOD ALLANOL Â PHLEIDLAIS**

**GRWP PLAID CYMRU 3 AELOD**

1. Y Cyngorydd H.A.L. Evans
2. Y Cyngorydd G.B. Thomas
3. Y Cyngorydd D.E. Williams

**GRWP LLAFUR 3 AELOD**

1. Y Cyngorydd C.P. Higgins
2. Y Cyngorydd J.D. James
3. Y Cyngorydd W.G. Thomas

**GRWP ANNIBYNNOL 2 AELOD**

1. Y Cyngorydd A.G. Morgan
2. Y Cyngorydd E.G. Thomas

**AELOD Â PHLEIDLAIS ALLANOL**

**Mrs. Julie James**

# AGENDA

1. YMDDIHEURIADAU AM ABSENOLDEB
2. DATGANIADAU O FUDDIANNAU PERSONOL.
3. DIWEDDARIAD AR Y CYNLLUN ARCHWILIO MEWNOL 2016/17. 5 - 18
4. DIWEDDARU'R SIARTER ARCHWYLIO MEWNOL 2016/19. 19 - 30
5. ADOLYGIAD Y PWYLLGOR ARCHWYLIO. 31 - 40
6. BLAENRHAGLEN GWAITH 2016/17. 41 - 50
7. DIWEDDARU CYNLLUN GWEITHREDU CYFLEUSTERAU ARFORDIROL. 51 - 64
8. RHEOLAU GWEITHDREFN CONTRACT DIWYGIEDIG. 65 - 98
9. YSTYRIED Y DOGFENNAU CANLYNOL PARATOWYD GAN SWYDDFA ARCHWILIO CYMRU:-
  - 9.1 ADRODDIAD DATGANIADAU ARIANNOL - CYNGOR SIR GAERFYRDDIN. 99 - 114
  - 9.2 ADRODDIAD DATGANIADAU ARIANNOL - CRONFA BENSIWN DYFED. 115 - 130
  - 9.3 DIWEDDARIAD PWYLLGOR ARCHWILIO CYNGOR SIR GAERFYRDDIN - MEDI 2016. 131 - 134
  - 9.4 FFURFLEN BLYNYDDOL 2015-16 HARBWR PORTH TYWYN - ADRODDIAD ARCHWILIAD ALLANOL. 135 - 136
  - 9.5 TYSTYSGRIF CYDYMFFURFIAD - ARCHWILIAD CYNLLUN GWELLIANT 2016-17 AC ASESIAID PERFFORMIAD 2015-16 CYNGOR SIR GAERFYRDDIN. 137 - 138
  - 9.6 MENTER TWYLL GENDLAETHOL 2014-15. 139 - 176
10. LLYTHYR YN CYFLWYNO SYLWADAU I'R SWYDDFA ARCHWILIO CYMRU - CYNGOR SIR GAERFYRDDIN. 177 - 182
11. YMHOLIADAU ARCHWILIO I'R RHAI SY'N GYFRIFOL AM LYWODRAETHU A RHEOLI - CYNGOR SIR GAERFYRDDIN. 183 - 198
12. LLYTHYR YN CYFLWYNO SYLWADAU I'R SWYDDFA ARCHWILIO CYMRU - CRONFA BENSIWN DYFED. 199 - 204
13. YMHOLIADAU ARCHWILIO I'R RHAI SY'N GYFRIFOL AM LYWODRAETHU A RHEOLI - CRONFA BENSIWN DYFED. 205 - 224

14.	CYFRIFLEN CYNGOR SIR GAERFYRDDIN 2015/16.	225 - 408
15.	DATGANIAD ARIANNOL HARBWR PORTH TYWYN 2015/16.	409 - 422
16.	ADRODDIAD CRYNO YNGHYLCH CWBLHAU CYNLLUNIAU A GYLLIDWYD GAN YR UNDEB EWROPEAIDD O DAN Y RHAGLEN GYDGYFEIRIO (2017-2013).	423 - 432
17.	COFNODION CYFARFOD Y GRŴP LLYWODRAETHU CORFFORAETHOL.	433 - 436
18.	COFNODION CYFARFOD Y PANEL GRANTIAU.	437 - 440
19.	LLOFNODI FEL COFNOD CYWIR COFNODION Y CYFARFOD A GYNHALIWYD AR Y 8FED GORFFENNAF, 2016.	441 - 448



**PWYLLGOR ARCHWYLIO  
30 Medi 2016**

**Y Pwnc:** Cynllun Archwilio Mewnol

**Y Pwrpas:**

Y diweddaraf ynghylch ar Cynllun Archwilio Mewnol 2016/17

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I dderbyn yr adroddiad

**Y Rhesymau:**

Cyflwynir adroddiad cynnydd yn rheolaidd bob tro mae'r Pwyllgor Archwilio yn cyfarfod.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol : AMHERTHNASOL**

Angen i'r Bwrdd Gweithredol wneud penderfyniad : AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad : AMHERTHNASOL

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

Cynghorydd David Jenkins

**Y Gyfarwyddiaeth:**

Gwasanathau Corfforaethol

**Enw Pennaeth y Gwasanaeth:**

Phil Sexton

**Awdur yr Adroddiad:**

Helen Pugh

**Swyddi:**

Pennaeth Archwilio, Risg a Chaffael

Rhelowr Archwilio a Risg

**Rhif ffôn:** 01267 246217

**Cyfeiriad E-bost:**

[PSexton@sirgar.gov.uk](mailto:PSexton@sirgar.gov.uk)

**Rhif ffôn:** 01267 246223

**Cyfeiriad E-bost:**

[HLPugh@sirgar.gov.uk](mailto:HLPugh@sirgar.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

**INTERNAL AUDIT PLAN UPDATE 2016/17**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

To provide Members with progress of the Internal Audit Plan. The following Reports are attached:

**REPORT A (i) Internal Audit Plan 2016/17 – Progress Report**

**REPORT A(ii) Internal Audit Plan 2016/17 – Recommendations Scoring Matrix**

**REPORT B Summary of Completed Final Reports 2015/16 Relating to Key Financial Systems (April 2015 to date)**

A Summary of Final Reports for the Key Systems completed during the last Quarter is attached.

1	Main Accounting System
---	------------------------

**DETAILED REPORT ATTACHED ?**

**YES**

**IMPLICATIONS**

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed:**

**Phil Sexton**

**Head of Audit, Risk & Procurement**

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance YES	ICT NONE	Risk Management Issues NONE	Staffing Implications NONE	Physical Assets NONE
---	---------------	----------------	-------------	--------------------------------	-------------------------------	-------------------------

## Finance

Reviews carried out to ensure systems in place comply with the Authority's Financial Procedure Rules.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed:

Phil Sexton

Head of Audit, Risk & Procurement

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Strategic Audit Plan 2016-19	AC 28-03-16	Internal Audit Unit

Mae'r dudalen hon yn wag yn fwriadol

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	23%			% Target August 2016					30.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
	<b>Chief Executive</b>									
1116001	Corporate Strategy/Policy Making	8							0.0	
1116002	Partnership Arrangements	8							0.0	
1116003	Call Centre	5							0.0	
1116004	Print Commissioning	5							0.0	
1116005	Annual Governance Statement	8	*	*	*	*	*		7.2	Draft Report Issued
1116006	Coroners / other services	3	*	*	*	*	*		2.7	Draft Report Issued
1116007	Registrars	8							0.0	
1216001	HR Function	10							0.0	
1216002	Staffing Policies	8	*	*	*	*	*	*	8.0	Complete
1216003	Declaration of Interest	3							0.0	
1216004	Democratic Advice and Support	5							0.0	
1316001	Financial Management Other (Cars BID)	5	*	*	*	*	*	*	5.0	Complete
	<b>Total Audit Days for Department</b>	<b>76</b>							<b>22.9</b>	
	<b>Education &amp; Children</b>									
2116001	Community Learning	3	*	*	*	*	*		2.7	Draft Report Issued
2116002	Youth Support Service	8	*						0.0	Pre Audit Meeting
2216001	Information Management	6	*						0.0	Pre Audit Meeting
2216002	School Meals / Catering Services	10	*	*	*	*	*		9.0	Draft Report Issued
2316001	Additional Learning Needs	8							0.0	
2316002	School Improvement	5							0.0	
2316003	Schools Organisation	5							0.0	
2316004	Teachers starters & leavers	6							0.0	
2416001	Child Support	6							0.0	
2416002	Family Support	6							0.0	
2416003	Partnering / Procurement	6	*	*	*				0.0	Commenced
2416004	Education Welfare	6	*						0.0	Pre Audit Meeting
2416005	Safeguarding	10	*	*					0.0	Terms of Reference
2516001	Financial Management Other	5							0.0	
	<b>Total Audit Days for Department</b>	<b>90</b>							<b>11.7</b>	
	<b>Grants</b>									
3116001	Physical Regeneration	10							0.0	
3116002	Business Development	5							0.0	
3116003	Community Funding	8							0.0	
3216001	Departmental Grants - Building our Heritage	15	*	*	*	*			11.3	Field Work Complete
3216002	Foundation Stage	6	N/A	N/A	N/A	N/A	N/A	N/A	6.0	Complete
3216003	DCELLS Post 16 / Youth Work Strategy Grant	5	*	*	*	*	*	*	5.0	Complete
3216004	Bus operators Grant	5							0.0	
3216005	Supporting People	15	*	*	*				0.0	Commenced
3216006	Education - EIG - Q1 Audit	5	N/A	N/A	N/A	N/A	N/A	N/A	5.0	Complete
3216007	Education - EIG - Q2 Audit	5							0.0	
3216008	Education - EIG - Q3 Audit	5							0.0	
3216009	Education - EIG - Q4 Audit	5							0.0	
3216010	Education - EIG - Final Annual Audit	5							0.0	
3216011	Education - PDG	15	*	*	*	*			11.3	Field Work Complete
3316001	Supporting People - Regional Development Co-ordinator C	5	*	*	*				0.0	Commenced
	<b>Total Audit Days for Department</b>	<b>114</b>							<b>38.5</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	23%			% Target August 2016					30.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>Corporate Services</b>										
4116001	Risk Management	10							0.0	
4216001	Main Accounting	15							0.0	
4216002	VAT	8							0.0	
4216003	Capital Accounting incl.Fixed Asset Register	15							0.0	
4216004	Treasury Management	7							0.0	
4216005	Investments	7							0.0	
4216006	Pensions Payroll System	8	*	*	*				0.0	Commenced
4216007	Housing Benefits	10							0.0	
4216008	Council Tax	10							0.0	
4216009	NNDR	10							0.0	
4216010	Payroll System	22	*	*	*	*	*		19.8	Draft Report Issued
4216011	Creditor Payments	20							0.0	
4216012	Debtors System	20							0.0	
4216013	Cash Receipting	8							0.0	
4216014	Banking	8							0.0	
4216015	Travel & Subsistence System	10							0.0	
4216016	Trust Funds	10	*	*	*	*			7.5	Field Work Complete
4316001	Financial Management Other	5							0.0	
<b>Total Audit Days for Department</b>		<b>203</b>							<b>27.3</b>	
<b>Corporate Property (to be allocated to relevant Dept)</b>										
	Property Management	8							0.0	
	Estate Management	8							0.0	
	Provision / livestock markets	8							0.0	
<b>Total Audit Days for Department</b>		<b>24</b>							<b>0</b>	
<b>Communities</b>										
5116001	Disability/Adaptations/Renewals/ARBED	10							0.0	
5116002	Houses for Homes	8	*	*	*	*	*	*	8.0	Complete
5116003	Tenancy Mgt	8							0.0	
5116004	Voids	8							0.0	
5116005	Homelessness	8							0.0	
5116006	Rents	8	*	*	*				0.0	Commenced
5116007	HRA	8							0.0	
5216001	Contract Management/Partnerships	10							0.0	
5216002	Direct Payments	10	*	*	*	*	*	*	10.0	Complete
5216003	Home Care	10	*	*	*				0.0	Commenced
5216004	Residential Care Authority & Private Homes	10							0.0	
5216005	Day Care	10	*	*	*	*	*		9.0	Draft Report Issued
5216006	Learning Disabilities	7							0.0	
5216007	Transport	8	*	*	*	*			6.0	Field Work Complete
5216008	Safeguarding	10							0.0	
5216009	Supporting People	8							0.0	
5316001	Public Health / Protection	6	*	*	*	*	*		5.4	Draft Report Issued
5416001	Arts Development	5							0.0	
5416002	Cultural: Oriol Myrddin	5	*	*	*	*	*		4.5	Draft Report Issued
5416003	Heritage Services	6							0.0	
5416004	Libraries	6							0.0	
5516001	Amman Valley	5							0.0	
5516002	Carmarthen	5	*	*	*				0.0	Commenced
5516003	Llanelli	5							0.0	
5516004	East Area Leisure / NERS / Marketing	20							0.0	
5516005	Arrangements for Leisure Trust Status	5	*	N/A	*	N/A	N/A	N/A	5.0	Complete
5516006	Partnerships	5							0.0	
5516007	Pembrey Country Park / MCP / Country Parks	15							0.0	
5516008	Ski Centre	5							0.0	
5516009	Burry Port Harbour	5	*	*	*	*	*		4.5	Draft Report Issued
5616001	Financial Management Other	5							0.0	
<b>Total Audit Days for Department</b>		<b>244</b>							<b>52.4</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	23%			% Target August 2016					30.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>Environmental Services</b>										
6116001	Building Maintenance	10							0.0	
6116002	Procurement	5	*						0.0	Pre Audit Meeting
6116003	Grounds Maintenance	8	*						0.0	Pre Audit Meeting
6116004	Urban Parks	8	*						0.0	Pre Audit Meeting
6216001	Highway Maintenance (incl. Trunk Roads)	8							0.0	
6216002	Waste Services	8							0.0	
6216003	Trade Waste	5	*		*				0.0	Commenced
6316001	Public transport	7							0.0	
6316002	School & College Transport	5							0.0	
6316003	Fleet/Plant Management	7							0.0	
6316004	Traffic Management	7	*	*	*	*	*		6.3	Draft Report Issued
6316005	Road Safety	7	*	*	*	*	*		5.3	Field Work Complete
6416001	Development Control	5	*	*	*	*	*	*	5.0	Complete
6416002	Building Control	5	*	*	*	*	*	*	5.0	Complete
6516001	Financial Management Other	5							0.0	
<b>Total Audit Days for Department</b>		<b>100</b>							<b>21.55</b>	
<b>Procurement / Contracts</b>										
6616001	Departmental Procurement Revenue Contracts	7							0.0	
6616002	Corporate Procurement	15							0.0	
6616003	Asset Management	15							0.0	
6616004	Framework contracts	15	*	*	*				0.0	Commenced
6616005	Specific Projects	18	*						0.0	Pre Audit Meeting
6616006	Capital Maintenance	10							0.0	
6616007	MEP & sample of specific projects / post contracts	15	*						0.0	Pre Audit Meeting
6616008	Post Contract	10	*						0.0	Pre Audit Meeting
6716001	Financial Management Other	5							0.0	
<b>Total Audit Days for Department</b>		<b>110</b>							<b>0</b>	
<b>Computer Audit</b>										
4416001	Security of Information	15	*	*	*	*	*		13.5	Draft Report Issued
4416002	Operating Systems	15	*	*	*	*	*		0.0	Terms of Reference
4416003	Social Media	5							0.0	
4416004	Internet Security	10							0.0	
4416005	Licensing	10							0.0	
4416006	Communications	10	*	*	*	*			7.5	Field Work Complete
4416007	Computer Assisted Audit Testing(CAATs)	25	*	*	*	*			18.8	Field Work Complete
4416008	- Agresso Developments	8							0.0	
4416009	- Resource Link	10	*	*	*	*	*	*	10.0	Complete
4416010	- Payment Cards	5							0.0	
4416011	- Education & Children Services	12	*	*	*	*			9.0	Field Work Complete
4416012	Social Care & Housing	12	*	*	*	*			9.0	Field Work Complete
4416013	Other Systems - Total Mobile	3							0.0	
4516001	Financial Management Other	5							0.0	
<b>Total Audit Days for Department</b>		<b>145</b>							<b>67.75</b>	

INTERNAL AUDIT PLAN 2016/17										
2016/17	% Plan Completion to Date	23%			% Target August 2016					30.0%
Job No	Departments	Days Planned	Pre. Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Final Report Issued	Days to Date	Status
<b>School Audits</b>										
<b>Primary Schools</b>										
2616001	Meithryn Rhydaman	3	*	*	*	*	*	*	3.0	Complete
2616002	Cefneithin C.P.	3	*	*	*	*	*	*	3.0	Complete
2616003	Llechyfedach C.P. School	3							0.0	
2616004	Ysgol Gynradd Gorslas	3	*	*	*	*	*	*	3.0	Complete
2616005	Ysgol Gynradd Ponthenri	3							0.0	
2616006	Bancyfelin C.P. School	3							0.0	
2616007	Meidrim C.P. School	3							0.0	
2616008	Ysgol Gynradd Llanedi	3							0.0	
2616009	Ysgol Gynradd Ffairfach	3							0.0	
2616010	Ysgol Gynradd Llanwrda	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616011	Ysgol Gynradd Bro Brynach	3							0.0	
2616012	Ysgol G. Llanpumsaint	3							0.0	
2616013	Ysgol G. Mynyddgarreg	3							0.0	
2616014	Johnstown C.P. School	3							0.0	
2616015	Ysgol Gynradd Bynea	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616016	Dafen C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616017	Llangennech Infants School	3							0.0	
2616018	Furnace C.P. School	3							0.0	
2616019	Copperworks Infant & Nursery School	3	*	*	*	*	*	*	3.0	Complete
2616020	Maes y Morfa	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616021	Old Road C.P. Primary School	3							0.0	
2616022	Ysgol Llanstephan	3							0.0	
2616023	Ysgol Gynradd Llannon	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616024	Myrddin C.P. School	3	*	*	*	*	*	*	3.0	Complete
2616025	Swiss Valley C.P. School.	3							0.0	
2616026	Ysgol Gymraeg Rhydaman	3							0.0	
2616027	Llandybie C.P. School	3							0.0	
2616028	Ysgol Llanybydder	3							0.0	
2616029	Burry Port Community School	3							0.0	
2616030	Ysgol Wirfoddol Abergwili	3							0.0	
2616031	Tremoilet V.C.P.	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616032	Laugharne V.C.P. School	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616033	Ys Gynradd Wirfoddol Llanddarog	3							0.0	
2616034	Ysgol Gynradd Wirfoddol Llanllwni	3	*	*	*	*	*	*	2.7	Draft Report Issued
2616035	Ysgol Wirfoddol Penboyr	3							0.0	
<b>Primary Schools Totals</b>		<b>105</b>							<b>36.6</b>	
<b>Secondary Schools</b>										
2716001	Glanymor	7							0.0	
2716002	Strade	7	*	*					0.0	Terms of Reference
2716003	Bryngwyn	7							0.0	
2716004	Maesygwendraeth	7							0.0	
2716005	QE High School	7							0.0	
<b>Secondary Schools Totals</b>		<b>35</b>							<b>0</b>	
<b>Special Schools</b>										
2816001	Rhydygors	7							0.0	
2816002	Heol Goffa	7	*	*	*	*	*	*	6.3	Draft Report Issued
<b>Special Schools Totals</b>		<b>14</b>							<b>6.3</b>	
<b>Total Audit Days for Department</b>		<b>154</b>							<b>42.9</b>	
<b>Total Approved Plan Days</b>		<b>1260</b>							<b>285</b>	







<b>INTERNAL AUDIT PLAN 2016/17 @ August 2016</b>	
<b>Job No</b>	<b>Departments</b>
	<b>Environmental Services</b>
6116001	Building Maintenance
6116002	Procurement
6116003	Grounds Maintenance
6116004	Urban Parks
6216001	Highway Maintenance (incl. Trunk Roads)
6216002	Waste Services
6216003	Trade Waste
6316001	Public transport
6316002	School & College Transport
6316003	Fleet/Plant Management
6316004	Traffic Management
6316005	Road Safety
6416001	Development Control
6416002	Building Control
6516001	Financial Management Other
	<b>Procurement / Contracts</b>
6616001	Departmental Procurement Revenue Contracts
6616002	Corporate Procurement
6616003	Asset Management
6616004	Framework contracts
6616005	Specific Projects
6616006	Capital Maintenance
6616007	MEP & sample of specific projects / post contracts
6616008	Post Contract
6716001	Financial Management Other
	<b>Computer Audit</b>
4416001	Security of Information
4416002	Operating Systems
4416003	Social Media
4416004	Internet Security
4416005	Licensing
4416006	Communications
4416007	Computer Assisted Audit Testing(CAATs)
4416008	- Agresso Developments
4416009	- Resource Link
4416010	- Payment Cards
4416011	- Education & Children Services
4416012	Social Care & Housing
4416013	Other Systems - Total Mobile
4516001	Financial Management Other

<b>REPORTING</b>					
<b>Issues</b>				<b>Score</b>	<b>Assurance Level</b>
<b>No. of 3 * Issues</b>	<b>No. of 2 * Issues</b>	<b>No. of 1 * Issues</b>	<b>Total No. Issues</b>		
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
0	0	0	0	0	High
0	0	0	0	0	High
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
0	0	0	0	0	High
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	
			0	0	



DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Main Accounting System</b>	AUDIT REF <b>4115001</b>
PLANNED DAYS <b>8</b>	ACTUAL DAYS <b>8</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

One of the main objectives of the main accounting function is the maximisation of the authority's financial resources, and the establishment and monitoring of sound and efficient financial control within the Authority

The systems within the function are fundamental to the Authority and, as such, are subject to an annual review. The systems include budget setting, budget monitoring and final account preparation.

**SCOPE**

The Main Accounting System was reviewed to ensure that:

- Recommendations in the previous Internal Audit report have been actioned
- Budgets are approved, recorded and controlled appropriately
- The coding structure is applied in accordance with recognised procedures
- To ensure that the Financial Management System provides complete and accurate data for the production of annual accounts in accordance with the budgets approved by the Council.

**SUMMARY OF RESULTS**

The review of Main Accounting has been classified as medium risk to the Authority due to previous reviews finding that the procedures were operating efficiently and effectively with only minor issues being identified.

It is pleasing to note that the current review has once again identified that the Main Accounting system is generally managed and administered to a good standard thus demonstrating an accurate reflection of the Authority's Financial Position.

Minor improvements are required in order for Internal Audit to place an assurance that systems are operating to a high standard. These improvements have been agreed by the responsible officers.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>Acceptable</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>3</b>	

Mae'r dudalen hon yn wag yn fwriadol

**PWYLLGOR ARCHWYLIO****30 Medi 2016****Y Pwnc:** Siarter Archwyllo Mewnol**Y Pwrpas:**

Diweddarau'r Siarter Archwyllo Mewnol 2016/19

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I gymeradwyo'r Siarter Archwyllo Mewnol 2016/19

**Y Rhesymau:**

I gydymffurfio ag Ymarfer Gorau mae'r uned Archwyllo Mewnol wedi datblygu Siarter Archwyllo Mewnol yw gymeradwyo gan y Pwyllgor Archwyllo.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol : AMHERTHNASOL****Angen i'r Bwrdd Gweithredol wneud penderfyniad : AMHERTHNASOL****Angen i'r Cyngor wneud penderfyniad : AMHERTHNASOL****YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

Cynghorydd David Jenkins

**Y Gyfarwyddiaeth:**

Gwasanathau Corfforaethol

**Enw Pennaeth y****Gwasanaeth:**

Phil Sexton

**Awdur yr Adroddiad:**

Helen Pugh

**Swyddi:**

Pennaeth Archwilio, Risg a Chaffael

Rhelowr Archwilio a Risg

**Rhif ffôn:** 01267 246217**Cyfeiriad E-bost:**[PSexton@sirgar.gov.uk](mailto:PSexton@sirgar.gov.uk)**Rhif ffôn:** 01267 246223**Cyfeiriad E-bost:**[HLPugh@sirgar.gov.uk](mailto:HLPugh@sirgar.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

<b>INTERNAL AUDIT CHARTER</b>	
The Internal Audit Charter 2016/19 sets out the framework within which the Authority's Internal Audit Unit operates.	
DETAILED REPORT ATTACHED ?	YES

**IMPLICATIONS**

<p>I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :</p> <p>Signed: <span style="margin-left: 100px;">Phil Sexton</span> <span style="float: right;">Head of Audit, Risk &amp; Procurement</span></p>						
Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	ICT NONE	Risk Management Issues NONE	Staffing Implications NONE	Physical Assets NONE

**CONSULTATIONS**

<p>I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below</p> <p>Signed: <span style="margin-left: 100px;">Phil Sexton</span> <span style="float: right;">Head of Audit, Risk &amp; Procurement</span></p>		
<p><b>1. Scrutiny Committee : Not Applicable</b></p> <p><b>2. Local Member(s) : Not Applicable</b></p> <p><b>3. Community / Town Council : Not Applicable</b></p> <p><b>4. Relevant Partners : Not Applicable</b></p> <p><b>5. Staff Side Representatives and other Organisations : Not Applicable</b></p>		
<p><b>Section 100D Local Government Act, 1972 – Access to Information</b></p> <p><b>List of Background Papers used in the preparation of this report:</b></p> <p><b>THESE ARE DETAILED BELOW</b></p>		
Title of Document	File Ref No.	Locations that the papers are available for public inspection
Strategic Audit Plan 2016-19	AC 28-03-16	Internal Audit Unit



**EICH CYNGOR arleinamdani**  
[www.sirgar.llyw.cymru](http://www.sirgar.llyw.cymru)  
**YOUR COUNCIL doitonline**  
[www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales)





Carmarthenshire CC

---

# Internal Audit Charter

2016/19

**Contents**

- 1. Statutory Requirement for Internal Audit..... 3
- 2. Objectives of Carmarthenshire CC’s Internal Audit ..... 3
- 3. Responsibility for Internal Audit..... 3
- 4. Independence ..... 4
- 5. Scope..... 5
- 6. Audit Manual..... 5
- 7. Internal Control Environment ..... 5
- 8. Fraud and Irregularity ..... 6
- 9. Relationships with Service Managers ..... 6
- 10. Audit Planning ..... 6
- 11. Unplanned Reviews – Contingencies ..... 7
- 12. Reporting..... 7
- 13. Follow up Policy..... 7
- 14. Client Feedback ..... 8
- 15. Welsh Language..... 8
- 16. Working with External Audit ..... 8
- 17. Mid and West Wales Fire and Rescue Authority..... 8
- 18. Performance Monitoring ..... 8
- 19. Contacting Internal Audit..... 9

## 1. Statutory Requirement for Internal Audit

The Accounts and Audit Regulations 2015 set out the statutory requirement for ensuring that an effective Internal Audit function operates.

The regulations require that ***“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 ...”***

The Authority is committed to ensuring the standards laid down by the Accountancy Profession (Consultative Committee of Accountancy Bodies) and in particular the Public Sector Internal Audit Standards.

Whilst the requirement for Internal Audit stems from a statutory obligation, it is vitally important that the Internal Audit function is seen as an aid to management and adds value.

## 2. Objectives of Carmarthenshire CC’s Internal Audit

As an independent appraisal function within the Authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Business Plan summarises the Business Aim as follows:

***“To provide a cost effective and professional audit review of the Authority’s systems and operations to minimise the risk of loss from error, fraud, waste or extravagance”.***

## 3. Responsibility for Internal Audit

### 3.1 Director of Corporate Services

The Director of Corporate Services has wide-ranging responsibilities for the proper administration of the Authority’s financial affairs and a key method by which he is able to discharge his statutory obligation is through the work of Internal Audit.

Responsibility for the provision of Internal Audit is delegated to the Director of Corporate Services. The Director of Corporate Services acts as a ‘Lead Client’ on behalf of the Authority as a whole.

## Internal Audit Charter

### **3.2 Head of Audit, Risk & Procurement**

Internal Audit operates as a separate Business Unit within the Audit, Risk & Procurement Division of the Corporate Services Department. The Head of Audit, Risk & Procurement is responsible for ensuring that the Internal Audit Service is delivered to a professional standard and in accordance with the principles established by the Director of Corporate Services.

### **3.3 Audit & Risk Manager**

The Audit Manager is responsible for ensuring that the reviews set out in the Audit Plan are properly managed and that issues arising from individual reviews are properly reported on. The Audit & Risk Manager is responsible for the day to day management of the Internal Audit Staff and delivery of the Audit Plan as approved by Audit Committee

### **3.4 Audit Committee**

The Head of Audit, Risk & Procurement and Audit & Risk Manager report to the Audit Committee on a regular basis (at least quarterly) to update the Committee on progress with Planned Internal Audit Activity and also any key issues or findings arising from unplanned work. The Committee approve and monitor progress with the Annual Audit Plan and the 3 year Strategic Audit Plan.

## **4. Independence**

The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:

- unrestricted access to Senior Management
- reporting in its own name
- segregation from line operations

This allows an objective approach to be maintained and allows for impartial and unbiased judgements, which are essential to the proper conduct of an Audit Review. As required by the Public Sector Internal Audit Standards, the Audit & Risk Manager will produce an Annual Report to Audit Committee on the effectiveness of the Internal Audit function and key issues affecting the Internal Control Environment.

### 5. Scope

The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary.

### 6. Audit Manual

Internal Audit maintains an Audit Manual to give an overview of the work of the Section and the way in which the work should be carried out in order to ensure that high quality is maintained in the delivery of all of its services. The Audit Manual sets out the detailed procedures to which Internal Audit operates and ensures professionalism and consistency of standard between Reviews. The Audit Manual is subject to continual review.

### 7. Internal Control Environment

Internal Audit adopts an "Integrated Approach", ensuring that a robust Internal Control Environment is embedded within the Council.

Internal Audit as part of its Risk Based approach will:

- Independently review and appraise systems of control throughout the Authority
- Ascertain the extent of compliance with procedures, policies, regulations and legislation ensuring that systems are adequately secured from the risk of fraud or corruption
- Provide assurance to Management that their agreed policies are being carried out effectively
- Helping managers to identify improvements in control, performance and productivity
- Ensuring that excessive expenditure or uncollected income is minimised
- Ensuring that systems are able to fulfil their function in achieving the objectives of the Authority
- Ensuring that the Authority meets obligations imposed on it from external sources, e.g. legal requirements.
- Ensuring Risk Management principles are embedded in decision making within the Authority.

## 8. Fraud and Irregularity

The Internal Audit Unit undertakes investigative work in respect of fraud / irregularity with the exception of Housing Benefit related fraud and irregularity, which is investigated by the Department of Works and Pensions.

## 9. Relationships with Service Managers

Internal Audit is keen to develop constructive working relationships with all Service Managers in terms of:

- planning work
- carrying out Reviews
- agreeing Action Plans arising from the work undertaken.

Whilst statutory duties and its role as independent appraiser must be maintained, the Unit recognises that it must “*Work with Managers*” to agree improvements.

## 10. Audit Planning

The Audit Plan is prepared on a “*Risk Basis*” taking account of the Corporate Risks identified in the Authority’s Risk Register and allowing for consultation with Managers in the various Departments and the Authority’s External Auditors. Internal Audit are committed to providing a review of all the Authority’s systems over the term of the Audit Plan. Major systems (fundamental systems) are examined annually whilst other systems are audited on a cyclical basis dependent upon the risk factor / nature / value of the system concerned. In discharge of this duty, the Head of Audit, Risk & Procurement is responsible for:

- preparing a rolling Strategic Risk Based Audit Plan, in consultation with Departmental Senior Management and the External Auditors (Wales Audit Office). The Head of Audit, Risk & Procurement will discuss the proposed Strategic Plan with the Director of Corporate Services prior to submission to the Audit Committee for formal approval
- translating the Strategic Plan into Annual Plans which identify the reviews to be undertaken in each Audit Year. The Annual Plan is agreed with the Director of Corporate Services and the Audit Committee.

## Internal Audit Charter

Internal Audit will advise each Department of the planned reviews to be undertaken during each Audit Year and will attempt to schedule such reviews to the mutual convenience of both parties.

### 11. Unplanned Reviews – Contingencies

Whilst the overwhelming majority of audit days are allocated in the Strategic Audit Plan, a level of contingency is available to allow Internal Audit to respond to Unplanned Reviews.

### 12. Reporting

The final product from every audit is the communication of its results to the Audit Client. The Report is one of the main standards by which the Client will judge the audit service so it is essential that this stage of the audit is performed effectively. Findings and recommendations emanating from Audit Reviews need to be communicated to Management promptly. The Final Internal Audit Reports once agreed with Heads of Service / Managers / Head Teachers are given to the appropriate Directors, Executive Board Members, Chair and Vice Chair of Audit Committee and Chair of School Governing Bodies for them to fully understand the key findings of each review and to be made aware of all recommendations. The Audit Manual sets out the maximum time allowed for Reporting but exact timings will be agreed with the Client for each Review.

### 13. Follow up Policy

It is the policy of Internal Audit to follow-up all Action Points detailed in every Audit Report in order to ascertain the extent to which agreed actions are actually implemented. The timing of the follow-up depends upon the significance of the individual recommendation. The Audit Committee will be kept informed of key issues emanating from Reviews, and the progress on implementation of the related action points. Recommendations, agreed actions and responsible officers will be placed on the Carmarthenshire's PIMS electronic database system. This will provide a place where all responsible officers and their Senior Managers can access and review their recommendations, as well as providing Internal Audit a tool to monitor and review actions.

### **14. Client Feedback**

Internal Audit values the views of Service Departments. On completion of each Annual Cycle, a Feedback Questionnaire will be sent out asking Service Managers to comment on the way the reviews were conducted and the value they place on the findings and recommendations.

### **15. Welsh Language**

Internal Audit is fully committed to the Authority's Welsh Language Scheme. Where a Department / Establishment wishes to have a review conducted via the medium of Welsh then Internal Audit will endeavor to utilise Welsh Speaking Staff and produce all correspondence, reports and action plans in the medium of Welsh. All Internal Audit standard forms have been produced bilingually.

### **16. Working with External Audit**

Internal Audit recognise that whilst the Appointed External Auditors (Wales Audit Office) have different statutory obligations, there are clear benefits to the Authority in ensuring that a good working relationship is maintained between Internal and External Audit. The most obvious benefit is reducing duplication of work and to this end, regular meetings are held between the Internal Audit and the Wales Audit Office.

### **17. Mid and West Wales Fire and Rescue Authority**

Internal Audit provide Internal Audit Services to Mid and West Wales Fire and Rescue Authority.

### **18. Performance Monitoring**

The Internal Audit Business Plan sets out Performance Indicators by which the Unit's performance is monitored.



## Internal Audit Charter

It is our aim to deliver work to a consistent high standard. In order to ensure that this is being achieved, Senior Audit staff review working files prior to issuing Audit Reports to ensure the Audit Scope has been covered and working papers support recommendations.

Senior Audit staff on a sample basis undertake “Peer Review” of the quality of audit work to ensure it complies with Professional Standards and with the Authority’s Audit Manual. The results are included in the Annual Audit Report to Audit Committee.

To comply with Public Sector Internal Audit Standards an independent quality assurance and improvement programme that covers all internal audit activity must be carried out at least once every 5 years.

### 19. Contacting Internal Audit

If you wish to discuss any aspect of Internal Audit’s activities please contact:

- Phil Sexton, Head of Audit Risk and Procurement,  
on Extension 6217 or via e-mail [PSexton@carmarthenshire.gov.uk](mailto:PSexton@carmarthenshire.gov.uk)
- Helen Pugh, Audit & Risk Manager,  
on Extension 6223 or via e-mail [HLPugh@carmarthenshire.gov.uk](mailto:HLPugh@carmarthenshire.gov.uk)

Mae'r dudalen hon yn wag yn fwriadol

## PWYLLGOR ARCHWYLIO 30 Medi 2016

**Y Pwnc:** Adolygiad y Pwyllgor Archwyltio

**Y Pwrpas:**

I dderbyn canlyiadau'r sesiwn adolygu'r Pwyllgor Archwyltio

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I nodi canlyiadau cydseiniol

**Y Rhesymau:**

Asesiad Corfforaethol Swyddfa Archwyltio Cymru.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol : AMHERTHNASOL**

Angen i'r Bwrdd Gweithredol wneud penderfyniad : AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad : AMHERTHNASOL

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

Cynghorydd David Jenkins

**Y Gyfarwyddiaeth:**

Gwasanathau Corfforaethol

**Enw Pennaeth y Gwasanaeth:**

Phil Sexton

**Awdur yr Adroddiad:**

Helen Pugh

**Swyddi:**

Pennaeth Archwilio, Risg a Chaffael

Rhelowr Archwilio a Risg

**Rhif ffôn:** 01267 246217

**Cyfeiriad E-bost:**

[PSexton@sirgar.gov.uk](mailto:PSexton@sirgar.gov.uk)

**Rhif ffôn:** 01267 246223

**Cyfeiriad E-bost:**

[HLPugh@sirgar.gov.uk](mailto:HLPugh@sirgar.gov.uk)

# EXECUTIVE SUMMARY

## Audit Committee

30<sup>th</sup> September 2016

### Review of Audit Committee

The Corporate Assessment carried out by Wales Audit Office stated that:

*'There are opportunities to strengthen the operation of the Council's Audit Committee and ensure that it delivers its remit for example, by ensuring that the Committee receives copies of all regulatory reports, its consideration of financial reports, risk and fraud and improving the level of information shared with the committee in relation to the Council's risk register and restricted items.'*

WAO Proposal for Improvement in relation to this matter was as follows:

*'Review the remit of Audit Committee to make sure it is delivering what is expected of it.'*

The Audit Committee met on 19<sup>th</sup> July 2016 for a Session dedicated to the above issue which was attended by Jason Garcia, Wales Audit Office.

The discussions and outcomes of the meeting are summarised in the attached Report.

DETAILED REPORT ATTACHED?

YES

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Phil Sexton

Head of Audit, Risk Management and Procurement

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	YES	NONE	NONE	NONE	NONE	NONE

**LEGAL** - The Constitution sets out the powers of the Audit Committee and specifically delegates responsibility for Audit, Risk and the approval of the Annual Financial Statements (including the

Annual Governance Statement). In addressing the Corporate Assessment recommendation, it was appropriate for these matters to be considered by the Audit Committee.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below  
Signed: Phil Sexton Head of Audit, Risk Management and Procurement

1. Scrutiny Committee N/A
2. Local Member(s) N/A
3. Community / Town Council N/A
4. Relevant Partners N/A
5. Staff Side Representatives and other Organisations N/A

### Section 100D Local Government Act, 1972 – Access to Information List of Background Papers used in the preparation of this report:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
N/A	N/A	N/A

Mae'r dudalen hon yn wag yn fwriadol

## Audit Committee Remit Review

Date: 19 July 2016

**Objective:** To discuss the remit of the Audit Committee and agree on any changes required to meet the Committee's responsibilities

**Attendees:**  
 Audit Committee Members: Cllr. C Higgins (Chair) Cllr. H Evans, Cllr. E Thomas, Cllr. E Williams, Cllr. B Thomas, Cllr. J James, Cllr. D Jenkins  
 External: Jason Garcia Wales Audit Office  
 Officers: Chris Moore, Phil Sexton, Helen Pugh

**Apologies** Cllr. G Morgan & Cllr. G Thomas

### 1. Introduction / Background

The Corporate Assessment carried out by Wales Audit Office stated that:

*'There are opportunities to strengthen the operation of the Council's Audit Committee and ensure that it delivers its remit for example, by ensuring that the Committee receives copies of all regulatory reports, its consideration of financial reports, risk and fraud and improving the level of information shared with the committee in relation to the Council's risk register and restricted items.'*

WAO Proposal for Improvement in relation to this matter was as follows:

*'Review the remit of Audit Committee to make sure it is delivering what is expected of it.'*

**Discussion:**

To address WAO's proposal for improvement it was considered appropriate to have a Review Meeting for Audit Committee Members to critically review the arrangements we have in place.

## 2. Local Government (Wales) Bill

Proposed Local Government (Wales) Bill and the key changes within the Bill that could affect the Audit Committee were noted.

Key changes:

- Corporate Governance & Audit Committee – Corporate Governance is proposed as an additional specific area of responsibility for the Audit Committee
- Lay Members – a third of the Audit Committee would be made up of Lay Members
- Chair of Audit Committee - would be a lay Member

### Discussion

- Corporate Governance is an area that is already considered by the Audit Committee, therefore a relationship exists between the Corporate Governance Group and the Audit Committee.
- Audit Committee Chair is invited to every Corporate Governance Group in an observer capacity.
- Code of Governance and Terms of Reference for the Corporate Governance Group were approved by the Audit Committee in March 2016
- Corporate Governance Group minutes are reported to the Audit Committee.
- Annual Governance Statement is approved by the Audit Committee as part of the Statement of Accounts
- It was suggested that the Minutes of the Corporate Governance Group could provide more information to the Audit Committee with regard to progress in delivering the Actions.

Action Items	Responsible Officer	Target Date
Annual Governance Statement Appendices (previous year outstanding actions and current year's actions) to be attached to the Corporate Governance Group Minutes ensuring that progress in implementing the Actions are reported to Audit Committee.	Audit & Risk Manager	Dec 2016



### 3. External Audit

Wales Audit Office were invited to provide the External Audit perspective on the operation of the Authority’s Audit Committee. Questions posed:

- i. What information does the Audit Committee get from:
  - Corporate Governance Group?
  - Risk Steering Group?
- ii. How did Members feel about the level of detail received in July’s Audit Committee with regard to Internal Audit’s review of Coastal Facilities? What information and level of detail do Audit Committee Members need to receive to fulfill their role?
- iii. Internal Audit outcomes – how are the recommendations tracked?

#### Discussion

- i. Currently the arrangements are that Minutes of both Corporate Governance Group and Risk Management Group are presented to the Audit Committee, and there are links from these groups directly to the Audit Committee.
- ii. Audit Committee can get drawn into too much detail. There is a need for a balance in relation to the level of detail but level needs to be set to enable challenge. It was noted that there are a large number of reports and to receive all reports would not be practical or allow Members to focus on the key issues. Chair and Vice Chair of the Audit Committee receive all reports, along with the relevant Executive Board Member and the Executive Board Member for Resources. The Audit Committee Members supported the continuation of this arrangement. It was agreed that Summary Reports continue to be presented to Audit Committee when there are issues that need to be brought to their attention.  
It was suggested that it may be useful to see how other Audit Committees function. As they are public meetings access to Agendas or attendance could be pursued.
- iii. The new arrangements that have been put in place for tracking Internal Audit recommendations were explained to the Committee. The in-house system (PIMS) will be used this year to record all internal audit recommendations, which can provide a central place for managers to check what actions they have agreed to deliver, as well as providing Internal Audit with a central database of all recommendations to monitor progress on implementing the agreed actions. How Wales Audit Office track and monitor their reports and recommendations is also worthy of review.

Action Items	Responsible Officer	Target Date
Review other Audit Committees to see what others do and to determine if there are good practice approaches that could be adopted for Carmarthenshire CC.	Audit & Risk Manager	May 2017

Wales Audit Office recommendations to be tracked	Wales Audit Office	To be agreed with Wales Audit Office
<b>4. Constitution</b>		
The Constitution in relation to the role of the Audit Committee has been drawn up in accordance with CIPFA guidance.		
<b>Discussion</b>		
There were no areas of concern raised from the Constitution		
Action Items		
None to note		
<b>5. CIPFA Publication</b>		
The Suggested Terms of Reference within the CIPFA publication was referred to.		
<b>Discussion</b>		
Generally it felt that the Constitution detailing the Audit Committee’s responsibilities covered the majority of the suggested areas. However, it was recognized that there is a need for more reporting on risk to the Audit Committee. This had already been identified as an area that need improvement and the Forward Work Programme presented to the Audit Committee in July 2016 shows that the Corporate Risk Register will be an agenda item twice yearly. This was welcomed. It was also suggested that the Audit Committee Members should have the opportunity to discuss key risks with the risk owners, meaning that they will be inviting Risk owners along to Audit Committee meetings.		
Action Items	Responsible Officer	Target date
Corporate Risk Register to be include on Audit Committee Agenda twice yearly	Head of Audit, Risk & Procurement	Dec 2016
Audit Committee Members intend to call in Risk Owners to discuss risks further	Audit Committee Members	Relevant Audit Committees

6. Audit or Scrutiny?		
<p>Presentation given on the different responsibilities and requirements of a Scrutiny Committees and Audit Committee. In summary the roles were as follows:</p> <ul style="list-style-type: none"> <li>i) Council / Executive - Setting policies</li> <li>ii) Scrutiny Committee - Challenge policy and deliver</li> <li>iii) Audit Committee - Take assurance from auditor work and challenge on management arrangements for delivering policies.</li> </ul>		
Action Items		
None to note		
7. Pre-meetings		
<p>Current arrangement :</p> <ul style="list-style-type: none"> <li>- Pre Audit Committee meeting with Audit Chair and Vice Chair</li> <li>- Annual session for Audit Committee to go through the Statement of Accounts in detail prior to the formal receiving of the Accounts at the July Committee Meeting</li> </ul>		
<b>Discussion</b>		
<p>Openness and transparency needs to be retained as Audit Committee's a public meeting. This was agreed, but it was also agreed that pre-meetings can be useful, but should only be held when needed, on an exception basis. It was agreed that these meetings will be called by the Chair should the Chair feel they would be beneficial. It was noted that other bodies hold informal Audit Committee meetings with external and internal auditors. The potential of having up to two informal meetings was discussed. It was suggested that combined with these meetings a self-assessment of the Audit Committee functions could be carried out (proposal for this to be an annual exercise).</p> <p>The WLGA Audit Chairs Group, which comprises the Chair of Audit from each of the 22 Authorities, was discussed. To date only one meeting has been held and it was considered useful.</p>		
Action Items	Responsible Officer	Target Date
Audit Committee Chair and Vice Chair meeting with Director of Corporate Services and Internal Audit to continue		Continue with current arrangement

<p>Audit Committee Development Sessions to be held (twice yearly) with the following areas to be covered annually:</p> <ul style="list-style-type: none"> <li>- Statement of Accounts</li> <li>- Audit Committee Self-Assessment Exercise</li> <li>- Meet with External Auditors</li> <li>- Meet with Internal Auditors</li> </ul>	<p>Audit Committee Members &amp; officers</p>	<p>Twice yearly</p>
<p>Audit Committee pre-meetings to be called when the Chair feels these could be useful. Chair to take advice from the Head of Democratic Services</p>	<p>To be called as and when the Chair feels it's necessary</p>	
<p>Enquire as to Wales Audit Chairs Group Forward Work Programme.</p>	<p>Head of Audit, Risk &amp; Procurement</p>	<p>Dec 2016</p>
<p>Good practice examples of informal meetings to be provided by Wales Audit Office</p>	<p>Wales Audit Office</p>	

**8. Conclusions**


It was agreed that:

- i) The Constitution's Terms for the Audit Committee is being met
- ii) Audit Committee Development Sessions to be introduced (twice yearly)
- iii) Audit Committee Members will carry out an annual assessment of the Audit Committee functions
- iv) Audit Chair & Vice Chair pre-meetings with officers to continue
- v) Audit Committee pre meetings to be called by Chair if considered necessary
- vi) Corporate Risk Register to be include on Audit Committee Agenda twice yearly,
- vii) Audit Committee Members able to call in Risk Owners to discuss key risks and satisfy themselves that risks are being properly managed
- viii) More detailed reporting to be included in the minutes of the Corporate Governance Group relating to the progress made on the actions identified in the Annual Governance Statement

## PWYLLGOR ARCHWYLIO 30 Medi 2016

**Y Pwnc:** Blaenrhaglen Gwaith 2016/17

**Y Pwrpas:** I ganfod Eitemau Agenda Pwyllgor Archwilio 2016/17

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

**I dderbyn yr adroddiad**

**Y Rhesymau:**

Blaenrhaglen Blynnyddol i hysbysu'r Aelodau or Pwyllgor Archwilio am yr eitemau agenda yw trafod am y flwyddyn 2016/17

**Ymgynghorwyd â'r pwyllgor craffu perthnasol : AMHERTHNASOL**

Angen i'r Bwrdd Gweithredol wneud penderfyniad : AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad : AMHERTHNASOL

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

Cynghorydd David Jenkins

**Y Gyfarwyddiaeth:**

Gwasanathau Corfforaethol

**Enw Pennaeth y Gwasanaeth:**

Phil Sexton

**Awdur yr Adroddiad:**

Helen Pugh

**Swyddi:**

Pennaeth Archwilio, Risg a Chaffael

Rhelowr Archwilio a Risg

**Rhif ffôn:** 01267 246217

**Cyfeiriad E-bost:**

[PSexton@sirgar.gov.uk](mailto:PSexton@sirgar.gov.uk)

**Rhif ffôn:** 01267 246223

**Cyfeiriad E-bost:**

[HLPugh@sirgar.gov.uk](mailto:HLPugh@sirgar.gov.uk)

## EXECUTIVE SUMMARY Audit Committee 30<sup>th</sup> September 2016

Audit Committee Forward Work Programme

To provide Members with a Forward Work Programme for the 2016/17 Audit Committee cycle to ensure that all appropriate committees have a published up to date programme owned by the Committee Members

The following Report is attached:

1. Forward Work Programme 2016/17

DETAILED REPORT ATTACHED ?	YES
----------------------------	-----

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **Phil Sexton** Head of Audit, Risk & Procurement

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: **Phil Sexton** Head of Audit, Risk & Procurement

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

**Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Strategic Audit Plan 2014-17	AC 28-03-14	Internal Audit Unit

Mae'r dudalen hon yn wag yn fwriadol



## FORWARD WORK PROGRAMME

## Audit Committee 2016 &amp; 2017

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Sept 2016	Jan 2017	March 2017	July 2017
<b>Appointment of Audit Committee:</b> <ul style="list-style-type: none"> <li>Chair</li> <li>Vice Chair</li> </ul>	Corporate Services	Audit Committee				✓
<b>Annual Audit Report</b>	Corporate Services	Head of Audit, Risk & Procurement				✓
<b>Forward Work Programme</b>	Corporate Services	Head of Audit, Risk & Procurement	✓	✓	✓	✓
<b>Internal Audit Plan 2016/17 Update</b> <ul style="list-style-type: none"> <li>To receive the progress report</li> <li>To receive the Scoring Matrix for finalised reviews</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement	✓	✓	✓	✓
<b>Internal Audit indicative three year plan</b>	Corporate Services	Head of Audit, Risk & Procurement			✓	
<b>Assurance Reviews:</b> <ul style="list-style-type: none"> <li>Fundamental financial systems</li> <li>3* reports</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement	As required			
<b>Progress reports as requested by Audit Committee</b> <ul style="list-style-type: none"> <li>Supporting People</li> </ul>	Communities	Safeguarding & Commissioning Manager	✓	✓	✓	✓

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Sept 2016	Jan 2017	March 2017	July 2017
<ul style="list-style-type: none"> <li>Coastal facilities</li> </ul>		Head of Leisure				
Approval of Audit Charter	Corporate Services	Head of Audit, Risk & Procurement	✓			
Approval of Contract & Quotation Rules	Corporate Services	Head of Audit, Risk & Procurement	✓			
Approval of Audit Strategy	Corporate Services	Head of Audit, Risk & Procurement		✓		
Approval of Financial Procedure Rules	Corporate Services	Head of Audit, Risk & Procurement		✓		
Approval of Risk and Business Continuity Strategy	Corporate Services	Head of Audit, Risk & Procurement		✓		
Approval of Anti-Fraud and Corruption Strategy	Corporate Services	Head of Audit, Risk & Procurement		✓		
Receive the Corporate Risk Register	Corporate Services	Head of Audit, Risk & Procurement		✓		✓
Statement of Accounts including Annual Governance Statement for Carmarthenshire CC & Dyfed Pension Fund 2015-16 <ul style="list-style-type: none"> <li>To be received</li> <li>To be approved</li> </ul>	Corporate Services	Head of Financial Services	✓			✓

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Sept 2016	Jan 2017	March 2017	July 2017
<b>Burry Port Harbour Accounting Statement 2015-16</b> <ul style="list-style-type: none"> <li>To be received</li> <li>To be approved</li> </ul>	Corporate Services	Head of Financial Services	✓			✓
<b>Audit enquiries to those charged with governance and management for:</b> <ul style="list-style-type: none"> <li>Carmarthenshire CC</li> <li>Dyfed Pension Fund</li> </ul>	Corporate Services	Head of Financial Services	✓			✓
<b>Closure of European Funded Projects</b>	Corporate Services	Head of Financial Services	✓			
<b>Single Tender Action</b>	Corporate Services	Director of Corporate Services	As required			
<b>Minutes for noting:</b> <ul style="list-style-type: none"> <li>Grants Panel</li> <li>Corporate Governance Group</li> <li>Risk Management Steering Group</li> </ul>	Corporate Services	Head of Audit, Risk & Procurement Head of Financial Services	✓	✓	✓	✓
<b>Wales Audit Office:</b>	Corporate Services	Wales Audit Office				
<ul style="list-style-type: none"> <li>Audit Plan Update</li> </ul>			✓	✓	✓	✓

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Sept 2016	Jan 2017	March 2017	July 2017
<ul style="list-style-type: none"> <li>• Annual Improvement Report</li> </ul>					✓	
<ul style="list-style-type: none"> <li>• Financial Statements – ISA260 Report presented to those charged with Governance)in relation to the Statement of Accounts for               <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>			✓			
<ul style="list-style-type: none"> <li>• Letter of Representation               <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>			✓			
<ul style="list-style-type: none"> <li>• Annual Audit Letter:               <ul style="list-style-type: none"> <li>○ Carmarthenshire CC</li> <li>○ Dyfed Pension Fund</li> </ul> </li> </ul>			✓	✓		
<ul style="list-style-type: none"> <li>• Certification of Grants and Returns               <ul style="list-style-type: none"> <li>○ 2015-16</li> </ul> </li> </ul>					✓	
<ul style="list-style-type: none"> <li>• Review of the application of Equalities impact Assessment in relation to Council improvement priorities</li> </ul>						
<ul style="list-style-type: none"> <li>• LG Improvement Study 1 – Council funding of third sector services</li> </ul>						

Subject area and brief description of nature of report	Lead Department	Responsible Officer	To Audit Committee:			
			Sept 2016	Jan 2017	March 2017	July 2017
<ul style="list-style-type: none"> <li>• LG Improvement Study 2 – The strategic approach to councils to income generation and charging for services</li> </ul>						
<ul style="list-style-type: none"> <li>• National Study – The effectiveness of local community safety partnerships</li> </ul>						
<ul style="list-style-type: none"> <li>• Auditor General’s fees                             <ul style="list-style-type: none"> <li>○ Financial Audits:                                     <ul style="list-style-type: none"> <li>▪ Carmarthenshire CC</li> <li>▪ Dyfed Pension Fund</li> </ul> </li> <li>○ Performance Audit</li> </ul> </li> </ul>					✓	

Mae'r dudalen hon yn wag yn fwriadol

## Pwyllgor Archwilio 30 Medi 2016

**Pwnc : Diweddaru Cynllun Gweithredu Cyfleusterau Arfordirol**

**Y Pwrpas** I nodi'r ymdeithiad i weithredu'r Cynllun Gweithredu Cyfleusterau Arfordirol

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I gymeradwyo'r gwelliannau a'r amcanion gwaith parhaol

**Y Rhesymau:**

Cais wrth y Pwyllgor Archwilio yn y cyfarfod ar 22 Mawrth 2016 am adroddiad gwelliant yw cyflwyno bob cwarter

**Rhag-gyfarfod y BG:**

Ymgynghorwyd â'r pwyllgor craffu perthnasol  
**AMHERTHNASOL**

**Y BWRDD GWEITHREDOL / CYNGOR / PWYLLGOR: AMHERTHNASOL**

I'w cynnwys yn y man hwn neu o dan 'Ymgynghori'

Angen i'r Bwrdd Gweithredol wneud penderfyniad Amherthnasol

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:- Cyng Meryl Gravelle

**Y Gyfarwyddiaeth:**

**Adran Cymunedau**

**Enw Pennaeth y Gwasanaeth:**

**Ian Jones**

**Awdur yr Adroddiad:**

**Ian Jones**

**Swyddi:**

**Pennaeth Adran**

**Rhifau ffôn: 01267 228309**

**Cyfeiriadau E-bost:**

**ljones@sirgar.gov.uk**

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

<p><b>SUBJECT</b></p> <p><b>Coastal Facilities Action Plan Update</b></p>
---

<b>1. BRIEF SUMMARY OF PURPOSE OF REPORT.</b>	
<p>The attached action plan summarises the agreed work and progress to date by the Coastal Facilities Team to improve its processes following the Internal Audit Summary presented to the Audit Committee meeting on 22<sup>nd</sup> March 2016.</p>	
<b>DETAILED REPORT ATTACHED ?</b>	<b>YES</b>

**IMPLICATIONS**

<p><b>I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :</b></p>						
<b>Signed: Ian Jones</b>		<b>Head of Leisure</b>				
Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

1. Legal

Appropriate advice is now being sought from Legal, Property Management, Finance, Health & Safety, Internal Audit and Risk to ensure revised procedures are legally compliant.

2. Finance

Significant focus of review to ensure that Financial Procedure Rules are fully complied with.



**EICH CYNGOR arleinamdani**  
[www.sirgar.llyw.cymru](http://www.sirgar.llyw.cymru)  
**YOUR COUNCIL doitonline**  
[www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales)



3. ICT

New technology to be introduced where this improves control.

4. Risk Management

Increased focus on evaluating exposure to risk and addressing weaknesses identified.

5. Staffing Implications

Action Plan addresses concerns identified re recruitment and safety of staff.

6. Physical Assets

Leisure to work closer with Environment Department to ensure proper arrangements for maintenance and control of physical assets.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Ian Jones

Head of Leisure

1. Scrutiny Committee N/A

2. Local Member(s) N/A

3. Community / Town Council N/A

4. Relevant Partners N/A

5. Staff Side Representatives and other Organisations N/A

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

N/A

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Internal Audit Summary Report re Coastal Facilities and Draft Action Plan		Audit Committee Meeting Agenda and Minutes - March 2016 and July 2016

Mae'r dudalen hon yn wag yn fwriadol

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Non-Compliance with Financial Procedure Rules (R1 – R7)</b>		***			
R1	Whilst previous Internal Audit reports and senior managers concerns have identified significant issues in the administration of facilities these issues have not been satisfactorily addressed or resolved.	Adequate management arrangements should be established and appropriate action taken where issues in the administration of facilities are identified in order to ensure they do not continue.		<p>HOS meeting staff formally on site once a week to oversee improvement plan. Additional staffing resource and expertise brought into service: Senior Business Support Manager for the Communities Department seconded to Acting Senior Manager role for Countryside; and Business &amp; Projects Manager assisting from Leisure division.</p> <p>New structure agreed and being implemented for PCP and wider Countryside service which will become the Outdoor Recreation unit. 3 new senior managerial posts created to bring vision, purpose and clarity to the unit. All business functions including income collection and adherence to Financial Procedure Rules to be managed by Senior Business Support Manager for Communities Dept as part of new structure. Clear roles, responsibilities and accountabilities agreed throughout the structure.</p> <p>Temporary staffing appointments have been approved and recruited for additional cleaners, park attendants and wardens pending the implementation of the re-alignment to deal with demand over the busy Summer period</p>	Head of Service	<p>In place</p> <p>In place</p> <p>In place</p> <p>Structure agreed (full implementation by end Jan '17)</p> <p>Jan '17</p> <p>In place</p> <p>Agreed for interim, and fully once whole structure is implemented</p> <p>Completed</p>

Tudalen 55

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R2	<p>It was identified that the Authority's approved policies and procedures and in some instances statutory legislation were not being fully complied with. These include:</p> <ul style="list-style-type: none"> <li>• Financial Procedure Rules,</li> <li>• Contract Procedure Rules,</li> <li>• Quotation Procedure Rules,</li> <li>• Transport &amp; Engineering Unit Policy,</li> <li>• Health &amp; Safety,</li> <li>• Building Regulations,</li> <li>• Control of Vibration at Work Regulations,</li> <li>• H.R. Policies.</li> </ul> <p>Procedure manuals had been established to provide guidance to staff in performing their duties however these were not always available or up to date.</p>	The Authority's approved policies and procedures and statutory legislation should be fully complied with.		<p>As part of the re-alignment noted in R1 above, roles and responsibilities will be clarified with established departmental Business support team taking a lead role on all compliance matters, assisting new service managers with budget monitoring, procurement, income reconciliation, and HR management</p> <p>Procedural manuals and work instructions are being updated and signed off with assistance from central support services and departments. These will be made available through the Council File Plan for each service / site, with appropriate staff training provided where necessary.</p> <p>All property maintenance work and improvements now go through Property Services.</p> <p>All equipment and machinery is now procured and serviced via the Fleet Management Team in Environment Department.</p> <p>Health and Safety Advisors have spent 6 weeks at site(s) during July and August reviewing and updating policies, procedures and risk assessments with staff, including normal and emergency operating procedures.</p>	Acting Senior Country-side Manager	<p>Jan '17 (interim arrangements in place pending appointments)</p> <p>Many are in place, but others will continue to be developed over Winter months. Aim to complete by end March '17</p> <p>In place</p> <p>In place</p> <p>In place and ongoing for review of risk assessments and operating procedures</p>

	<b>Summary Of Issues</b>	<b>Recommendations</b>	<b>Rating</b>	<b>Comments / Agreed Actions</b>	<b>Respon- sible Officer</b>	<b>Target Date</b>
R3	It was not possible to place an assurance that all income due has been collected, recorded, banked, monitored and accurately reflected in the Authority's accounts.	All income due should be fully identified, collected, recorded, banked, monitored and recorded accurately in the Authority's accounts.		<p>Departmental Business Support Team taking a lead role on all income collecting processes and reconciliation to ensure compliance with Financial Procedure Rules.</p> <p>Aim is to reduce cash transactions and handling as much as possible, which requires some infrastructure investment (in hand) e.g.:</p> <ul style="list-style-type: none"> <li>- New automated barrier system planned for PCP entrance</li> <li>- On-line booking system for caravan and camping site</li> <li>- overseeing the development of a new site masterplan for PCP including new toilet / shower block for campsite &amp; new café / visitor hub</li> </ul>	<p>Acting Senior Country-side Manager</p> <p>Head of Service</p>	<p>Large parts of process already reviewed and new processes in place for banking &amp; reconciliation, whole process review complete by Jan '17</p> <p>Masterplan agreed by Exec Board in Summer 2016</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R4	It is not possible to place an assurance that all assets are fully accounted for.	A list of all assets should be maintained which uniquely identifies individual assets including their location. This should be subject to physical check by an independent person at least on an annual basis. In addition, there should be a record of the movement of all assets.		A full list of assets is being compiled for all sites, which will be updated annually for tools, machinery and fixed equipment etc, and tracked through a 'live' stock inventory for goods and materials. Lists will be kept on the Council file Plan. A nominated officer will be responsible for maintaining these records at each site, countersigned by a Senior Manager.	Rangers, Countersigned by Acting Senior Country-side Manager	October 2016 (PCP inventory completed)
R5	The management, administration and monitoring of agreements / leases for private enterprises and for events held is poor.	Procedures should be established for the proper management, administration and monitoring of agreements / leases for private enterprises and for events held, in consultation with other relevant Sections of the Authority.		Procurement / Corporate Property / Legal Services are now fully involved in all of these agreements.  The catering tender for PCP is currently being reviewed with support from the procurement section. (Temp catering arrangement in place for Park)  All agreements are listed on a partnership matrix which defines lead responsibility between the service and corporate property.  A new events registration process is being put in place with Licencing and H&S officers.	Acting Senior Country-side Manager	Apr 17' & Ongoing (Many of these have been extended / reviewed, but extensive list to work through)  In place and being updated as each is reviewed  Sept 2016

	<b>Summary Of Issues</b>	<b>Recommendations</b>	<b>Rating</b>	<b>Comments / Agreed Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
R6	The current controls in place and the performance management information available for the management and administration of the ski slope and ski shop are weak and ineffective. In addition there were areas of non-compliance with the Authority's and locally set policies and procedures.	<p>A review of the ski slope and shop should be undertaken to establish the appropriateness of the services being offered.</p> <p>Where services are accepted as appropriate then procedures should be improved to ensure there are strong and effective controls in place for the management and administration of the site.</p>		<p>The Ski Centre has been transferred over to the Sports and Leisure Unit.</p> <p>A review of the purpose of the facility and the shop has been completed and discussed with audit / and finance. This includes a procurement, sales and disposal policy for goods.</p> <p>Roles and responsibilities on site have been clarified with staff.</p> <p>A new Gladstone Till System is being installed with accepted operating procedures consistent with Leisure Centres introduced on site.</p>	<p>Actif Facilities Manager (South).</p> <p>Head of Service</p>	<p>Completed</p> <p>Being amended for final sign off Dec '16</p> <p>Completed</p> <p>Oct 2016</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R7	<p>It was not possible to demonstrate an adequate control on the use of facilities. This includes</p> <ul style="list-style-type: none"> <li>• Spot checks on the use of facilities to ensure all clients have paid the appropriate charges.</li> <li>• Unannounced cash ups undertaken in accordance with Financial Procedure Rules.</li> <li>• Use of internal departments with specialist knowledge.</li> <li>• Adequate control of items for resale.</li> </ul>	Procedures should be put in place to ensure an adequate control on the use of facilities.		<p>Departmental Business support team will provide an independent, internal review and monitoring role to ensure compliance with Financial Procedure Rules</p> <p>Finance, H&amp;S, property, legal, procurement, and transport divisions now fully engaged on all aspects of management within the service.</p> <p>Unannounced cash ups and reconciliations have already commenced at PCP by BSU.</p> <p>See R6 for new policy on procurement, sales, and disposal of goods at Ski Centre.</p> <p>Countryside framework being reviewed with procurement, with aim of aligning as much as possible under Environment dept frameworks</p> <p>Season ticket allocations reviewed, with many previously allocated for franchise operators. New process introduced for issue and control of passes</p>	<p>Acting Senior Country-side Manager</p> <p>Head of Service</p> <p>Acting Senior Country-side Manager</p>	<p>In place (more work to be done on point of sale systems – tills, complete by Jan '17) In place</p> <p>In place</p> <p>Final sign off Dec '16</p> <p>Report with Director of Corporate Services for sign off</p> <p>In place</p>



	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Risk Management &amp; Business Continuity Strategy (R8 – R10)</b>		***			
R8	Arrangements for the storage of fuel at the PCP Depot are inadequate with safety and security issues being identified.	Adequate safety, security and monitoring arrangements should be implemented for fuel stored at the Park.		<p>Condition survey of depot undertaken by property services with schedule of work drawn up to re-furb for practical and H&amp;S purposes</p> <p>New systems and procedures developed with H&amp;S advisors for fuel storage and draw down.</p>	Acting Senior Country-side Manager	<p>Survey completed. Schedule of works being worked through</p> <p>In place</p>

Tudalen  
R962

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<p>There was no evidence that staff had been properly trained in the use of all plant and machinery that had been procured directly by the park.</p> <p>There were no records of regular maintenance checks undertaken by staff.</p> <p>Whilst vibration monitoring equipment is available this has not been fitted to all relevant machinery and did not appear to be in use on any piece of equipment.</p>	<p>All staff should be appropriately trained in the use of all machinery at the park.</p> <p>Evidence of regular maintenance checks should be maintained to demonstrate equipment is safe to use.</p> <p>Vibration monitoring equipment should be fitted to all relevant equipment.</p> <p>Records should be monitored to ensure equipment is used appropriately and staff and the Authority are protected</p>		<p>Many of the staff have had training and others require refresher training. Internal training is being sourced through the Environment department to ensure all staff are fully trained on the use of equipment and to ensure consistency of procedures adopted. (Nominated officer(s) to maintain training logs under new structure)</p> <p>All assets including machinery will be checked and repaired by the Transport &amp; Engineering Unit (see R4).</p> <p>The H&amp;S review (see R2) in July / Aug '16 will also ensure compliance with these procedures and practices</p>	<p>Acting Senior Country-side Manager</p>	<p>Any outstanding training will be taking place over Winter months in readiness for next Spring '17 season</p> <p>In place or in hand</p> <p>Feb '17 (linked to training above)</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
R10	<p>Certain functions at the coastal facilities have not been discussed with the Authority’s Risk Management section and may present an insurance risk for the Authority.</p> <p>Insurance provision of customers and event holders at the coastal facilities are not always obtained. Without current insurance the Authority may suffer losses caused by or to users of facilities.</p>	<p>All activities should be subject to a robust registration and checking procedure to protect the authority</p>		<p>New event booking procedures are being developed in conjunction with Licensing and Health &amp; Safety staff to safeguard the authority.</p> <p>New charges agreed as part of charging policy.</p> <p>Events / activities management protocol and procedures (relevant to scale of event / activity) to be finalised with input from H&amp;S team.</p> <p>Proof of public liability insurance will be obtained and records held on Corporate File Plan.</p> <p>New structure identifies 3 posts with varying levels of responsibility for event management within the service</p>	<p>Acting Senior Country-side Manager</p>	<p>By end Dec '16 In readiness for next Spring / Summer '17 bookings</p> <p>Review started as part of budget setting process for Apr '17</p> <p>In place (where required)</p> <p>Appoint by end Jan '17 (current staff given interim roles to lead)</p>

	Summary Of Issues	Recommendations	Rating	Comments / Agreed Actions	Responsible Officer	Target Date
	<b>Employee issues (R11 – R12)</b>		***			
R11	<p>Staff working hours including TOIL arrangements are not always being recorded and are not being managed at an appropriate level.</p> <p>In addition, the restrictions relating to the approval for the appointment of agency staff are not being complied with.</p>	<p>A review should be undertaken of staff working arrangements to ensure they are consistent with the needs of the facilities, comply with relevant policies, procedures and locally set restrictions, and are adequately managed at an appropriate level.</p>		<p>New structure will resolve this issue.</p> <p>All agency staff appointments are now signed off by the HOS, Director, and Chief Executive's.</p> <p>Staff rota's have all been updated and agreed to ensure compliance with working directives.</p> <p>Clocking in system to be introduced at all sites.</p>	<p>HoS Acting Senior Country-side Manager to oversee once structure is in place.</p>	<p>Jan '17</p> <p>In place &amp; Ongoing</p> <p>In place</p> <p>March 2017 (timesheets in place for interim)</p>
R12	<p>Employee Declaration of Interests are not being completed when it would be appropriate to do so.</p>	<p>Employees should complete 'Declarations of Interest' where it would be appropriate to do so.</p>		<p>All staff will be reminded of their responsibilities to declare any interests and asked to complete formally on an annual basis with a log kept for all returns. Nil returns will be requested</p>	<p>BSU Officer</p>	<p>October 2016 Annually (April thereafter)</p>

**PWYLLGOR ARCHWYLIO**  
**30fed Medi 2016**

**Y Pwnc:** Rheolau Gweithdrefn Contract Diwygiedig

**Y Pwrpas:** I gymeradwyo y Rheolau Gweithdrefn Contract Diwygiedig

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**  
Cymeradwyaeth y Rheolau Gweithdrefn Contract Diwygiedig

**Y Rhesymau:**

Mae gwaith sylweddol wedi cael ei wneud i ddiweddarau'r Rheolau Gweithdrefn Contract i gymrud i ystyriaeth nifer o newidiadau mewn rheoliadau caffael a threfniadau caffael.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol :** AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad : AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad : AMHERTHNASOL

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

Cynghorydd David Jenkins

**Y Gyfarwyddiaeth:**

Gwasanathau Corfforaethol

**Enw Pennaeth y Gwasanaeth:**

Phil Sexton

**Awdur yr Adroddiad:**

Alan Aitken

**Swyddi:**

Pennaeth Archwilio, Risg a Chaffael

Rheolwr Caffael

**Rhif ffôn:** 01267 246217

**Cyfeiriad E-bost:**

[PSexton@sirgar.gov.uk](mailto:PSexton@sirgar.gov.uk)

**Rhif ffôn:** 01267 246236

**Cyfeiriad E-bost:**

[AAitken@sirgar.gov.uk](mailto:AAitken@sirgar.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

**SUBJECT**

**Revised Contract Procedure Rules**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

The Contract Procedure Rules have been reviewed and updated to take account of a number of changes in procurement regulations and procurement arrangements.

The Contract Procedure Rules (CPR's) have been updated following detailed consultations with key stakeholders including legal and audit, to bring them up to date and to reflect changes introduced by the Public Contracts Regulations, transposed into UK Law in February 2015.

Here is a summary of the most notable changes that have been made:-

- Quotation Procedure Rules (QPR's) and Contract Procedure Rules (CPR's) have amalgamated into one document– Contract Procedure Rules.
- Procurement Guidance is being produced to offer guidance to support the CPR's, and this will launch at the same time as these Rules on the Intranet.
- Wording has been included on the 70% Price/ 30% Quality split. (1.8 & 8.3.1)
- Detail on Tendering Procedures has been taken out of the CPR's and moved to the Procurement Guidance.
- Tender timescale threshold for below OJEU tenders has been dropped from 28 days to 21 in line with the Public Contract Regulations (2015) where overall the timescales have been shortened.
- E-tendering wording has been added since this is now the norm. Detailed wording on Hard Copy tendering has moved to the Procurement Guidance.
- Clearer wording has been included on the rule of aggregation where Lead Officers are looking to estimate the value of a Procurement activity (6.1.4).
- Wording added on the requirement for Contract Extension Forms to be signed off by Head of Service (11.3.2).
- Wording added under Exceptions and Waivers to Competition highlighting the Lead Officers requirement to seek approval from the Monitoring Officer and Section 151 Officer who will in turn be required to report the use of a Single Tender Action and Negotiated Procedure without Prior Publication to Audit Committee (12.2.3).

DETAILED REPORT ATTACHED ?	YES
----------------------------	-----

## IMPLICATIONS

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed: Phil Sexton Head of Audit, Risk & Procurement**

Policy, Crime & Disorder and Equalities NONE	Legal YES	Finance Yes	ICT NONE	Risk Management Issues NONE	Staffing Implications NONE	Physical Assets NONE
---	--------------	----------------	-------------	--------------------------------	-------------------------------	-------------------------

### 1. Legal

New Procurement Regulations impose new duties on the Authority.

### 2. Finance

The most significant amendment from a financial standpoint is the inclusion of the requirement that normally tender evaluations will be based on a minimum of 70% Price. Exceptions must be approved by the Section 151 Officer and Monitoring Officer.

## CONSULTATIONS

**I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below**

**Signed: Phil Sexton Head of Audit, Risk & Procurement**

- 1. Scrutiny Committee : Not Applicable**
- 2. Local Member(s) : Not Applicable**
- 3. Community / Town Council : Not Applicable**
- 4. Relevant Partners : Not Applicable**
- 5. Staff Side Representatives and other Organisations : Not Applicable**

### Section 100D Local Government Act, 1972 – Access to Information

**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
N/A	N/A	N/A

Mae'r dudalen hon yn wag yn fwriadol



# **Contract Procedure Rules**

**Carmarthenshire County**

**Council**

## Contents

		Page
1.	<a href="#"><u>Introduction</u></a>	3
2.	<a href="#"><u>Definitions and Interpretation</u></a>	4
3.	<a href="#"><u>Openness and Transparency</u></a>	4
4.	<a href="#"><u>Lead officer Responsibilities</u></a>	5
5.	<a href="#"><u>Collaborative Arrangements and Frameworks</u></a>	7
6.	<a href="#"><u>Pre-Procurement Requirements</u></a>	9
7.	<a href="#"><u>Thresholds</u></a>	10
8.	<a href="#"><u>Preparation for Quotations (£25,000-£75,000) and Tenders (over £75,000)</u></a>	13
9.	<a href="#"><u>The Procurement Process</u></a>	15
10.	<a href="#"><u>Contract Award</u></a>	18
11.	<a href="#"><u>Contract Management</u></a>	21
12.	<a href="#"><u>Exceptions and Waivers to Requirements of Competition</u></a>	22
13.	<a href="#"><u>Review</u></a>	24
	<a href="#"><u>Appendix 1</u></a> <a href="#"><u>Definitions &amp; Interpretations</u></a>	25

## **1. Introduction**

- 1.1.** The purpose of these Contract Procedure Rules is to set clear rules for the procurement of goods, services and works for the Authority so we obtain best value for money. This will ensure a system of openness, transparency and non-discrimination where the accountability and probity of the procurement process will be beyond reproach.
- 1.2.** Officers responsible for purchasing must comply with these Rules.
- 1.3.** These Contract Procedure Rules apply for the procurement of all goods, services and works for the Council.
- 1.4.** The Corporate Procurement Unit (CPU) must be contacted before any formal action is taken in respect of a goods or service activity exceeding £75,000 in total Contract value.
- 1.5.** The requirements for confidentiality in relation to information during the tender process are set out in the Officers Code of Conduct.
- 1.6.** Tenders over £25,000 in value must be advertised on [www.Sell2Wales.gov.wales](http://www.Sell2Wales.gov.wales). In exceptional circumstances this requirement may be waived following prior approval from the Procurement Manager and the relevant Department's Head of Service. (See CPR 7.1.3.1 for further details).
- 1.7.** Schools are required to follow the procedures outlined in the Financial Procedure Rules for Schools.
- 1.8.** Evaluation criteria of all Authority led exercises over £25,000 must consist of at least 70% based on Price. Where this is inappropriate the agreement of the Director of Corporate Services must be sought. (See CPR 8.3.1 for further details).
- 1.9.** Every contract made by or on behalf of the Authority shall comply with the Public Contracts Regulations 2015, National Legislation, these Contract Procedure Rules and the Authority's Financial Procedure Rules. In the event of any apparent conflict arising in respect of the above requirements the matter is to be referred to the Monitoring Officer or their representative.
- 1.10.** The CPU shall retain and update the Authority's Contracts Register and must be advised of all contracts entered into.

**1.11.** All exceptions to these Rules must be reported to CPU for consideration prior to submission for approval, and will be recorded on the Contracts Register. (See CPR 12 for further detail).

**1.12.** For support on how to apply these Rules see “The Procurement Guidance” on the Intranet which sets out specific guidance on procurement procedures or contact the Corporate Procurement Unit (CPU) for advice and support in the interpretation and application of these Rules.

## **2. Definitions and Interpretations**

**2.1.** For the purposes of these Contract Procedure Rules, please see **Appendix 1** for the definitions that shall apply.

**2.2.** These rules are currently based on the UK being a member of the European Union. As the UK withdraws from the EU, any rules implemented in their place by the UK Government will apply.

## **3. Openness and Transparency**

**3.1.** In order that all potential suppliers are treated fairly, equally and in a manner that does not discriminate, officers should ensure that they abide by the EC Treaty principles which include openness, transparency, proportionality and non-discrimination.

**3.2.** It is recognised that procurement can be the target of fraudulent and corrupt activity. Officers with procurement responsibility should be aware of their obligations in this respect. Relevant Policies and Procedures are currently detailed in the following documents:-

**3.2.1.** Officers Code of Conduct

**3.2.2.** Financial Procedure Rules

**3.2.3.** The Chartered Institute of Purchasing & Supply  
Corporate Code of Ethics

**3.2.4.** Anti Fraud and Anti Corruption Strategy

**3.2.5.** Whistleblowing Policy

**3.3.** The Lead Officer (and Tender Evaluation Panel Members) must carry out appropriate measures to prevent, identify and remedy conflicts of interest to avoid any distortion of competition and unequal treatment of bidders. Such measures should address situations where officers or bidders who are involved in the procurement process have, directly or indirectly, any financial or personal interest which might be perceived to compromise their impartiality. All officers involved in a Tender Evaluation Panel must complete a Conflict of Interests Declaration Form (Provided by CPU).

#### **4. Lead Officers Responsibilities**

**4.1.** The Lead Officer for the purposes of these Contract Procedure Rules shall be any person designated as such in respect of:-

**4.1.1.** Any specified contract

**4.1.2.** Any category or categories of contracts, or

**4.1.3.** Any specified values or amounts in respect of that category or those categories

**4.2.** The Lead Officer shall be the primary link between the Authority and the relevant supplier, and shall be responsible for the management of that contractual arrangement and ensuring that the price(s) paid is/are in accordance with the terms of the contract.

**4.3.** The Corporate Procurement Unit must be advised of any proposed Tender exercise (over £75,000) by the Lead Officer before the tender exercise is commenced.

**4.4.** Prior to undertaking any tendering exercise the Lead Officer shall ensure that:-

**4.4.1.** The requirement cannot be obtained from existing corporate contracts, frameworks or other arrangements. Where corporate contracts, frameworks or other established procurement arrangements (e.g. National Procurement Service (NPS)) are in place, these **must** be used to satisfy that requirement. The Procurement section of the Intranet contains details of such arrangements. Further advice and guidance is available from CPU and;

**4.4.2.** All necessary Authority approvals have been obtained in accordance with the Authority's Constitution together with budgetary provision, any necessary consents, permissions or other approvals (including loans or other financial approvals) and;

**4.4.3.** All other relevant corporate policies (including the Project Management Policy and Methodology, the Handling Personal Information Policy & Procedure, Data Protection Guide, Welsh Language Standards and Strategic Equality Plan) have been complied with.

#### Lots

**4.5.** The Lead Officer must give consideration to split any proposed contract into separate Lots, with a clear and documented rationale as to how the Lots will be awarded, and must clearly define the size and subject matter of the Lots. For above EU Threshold tenders, where the use of Lots is deemed inappropriate this must be registered in the Tender documents and logged in the Tender Evaluation Report. (See CPR 10.1 for more detail).

#### External Funding

**4.6.** Where part or full funding for any proposed contract is to be provided by external Funders, the Lead Officer shall procure the contract in accordance with these Contract Procedure Rules.

Where there is a condition in the Funder's terms that are in conflict with these CPR's this issue must be referred to the Monitoring Officer and Section 151 Officer for determination, unless this has been previously agreed in the funding agreement.

#### Risk

**4.7.** The Lead Officer must assess the risks associated with the purchase and how to manage any risks identified prior to the tender exercise commencing.

#### Second Hand Purchasing

**4.8.** For the supply of used or second-hand goods or materials the Lead Officer needs to be satisfied that the market for such goods or materials is such that it would be unreasonable to tender or where the time required to complete the tender process is likely to lead to the loss of opportunity to purchase a used or second-hand item. Prior approval from Head of Service must be sought to ensure the value of the used/second hand goods to be supplied is at an appropriate level and does not contravene procurement processes. Any procurement valued over £5,000 needs to be referred to the Section 151 Officer and the Monitoring Officer.

**4.9.** The Lead Officer can access guidance on the different tendering procedures available (e.g. Open, Restricted, Competitive Dialogue) in the Authority's Procurement Guidance. Different Procedures can be selected depending on the value of the goods, works or services being procured. The Guidance is available on the Intranet or contact the Corporate Procurement Unit (CPU) for advice.

**4.10.** The Lead Officer may undertake the Procurement exercise by using a Dynamic Purchasing System or an Electronic Auction. The Lead Officer must contact CPU for further advice and guidance.

## **5. Collaborative Arrangements and Frameworks**

All Collaborative Arrangements shall be deemed to be contracts for the purpose of these Contract Procedure Rules and Lead Officers shall have regard to the Procurement Guidance when developing such arrangements/agreements.

### **5.1. Framework Agreements – Carmarthenshire Lead**

In line with the Public Contracts Regulations 2015, the term of a Framework Agreement must not exceed four years, unless in exceptional circumstances and with prior approval from the Section 151 Officer and the Monitoring Officer.

**5.1.1.** Contracts based on Framework Agreements may be awarded by either:-

**5.1.1.1.** Applying the terms laid down in the framework agreement (where such terms are sufficiently precise to cover the particular call-off) without reopening competition or;

**5.1.1.2.** Where the terms laid down in the framework agreement are not specific enough or complete for the particular call-off, by holding a mini-competition in accordance with the following:-

- Inviting all the suppliers within the Framework Agreement that are capable of executing the subject of the contract to submit written tenders;
- Fixing a time limit which is sufficiently long to allow tenders for each specific contract to be submitted, taking into

**Joint  
Procurement**

account the complexity of the subject of the contract,

- Awarding each contract to the tenderer on the basis of the Award Criteria set out in the specification of the Framework Agreement.

**5.1.2.** Above the EU Threshold the Lead Officer must contact CPU prior to any mini-competition undertaken to agree the approach.

**5.1.3.** The requirements of these Contract Procedure Rules are deemed to have been satisfied when the framework is established, and for subsequent call-offs.

**5.2. Joint Procurement**

**5.2.1.** When undertaking a joint procurement arrangement on behalf of the Authority and other public bodies, the Lead officer must ensure the other public bodies that are to be included in that arrangement are listed in the advertisement and contract documents.

**5.2.2.** The estimated value given must include the potential usage of that joint arrangement by those public bodies listed.

**5.2.3.** The requirements of these Contract Procedure Rules are deemed to have been satisfied when the framework is established, and for subsequent call-offs.

**5.3. Centralised Purchasing Activities / Bodies**

**5.3.1.** Any contract/framework entered into through collaboration with other local authorities or other public bodies, where a competitive process has been followed, that comply with the contract procedure rules of the leading organisation, will be deemed to comply with these Contract Procedure Rules.

**5.4. National Procurement Service**

**5.4.1.** In the event of the NPS setting up an arrangement to meet a particular requirement, Carmarthenshire County Council must consider calling off that arrangement. Where there are exceptional circumstances, the Lead Officer, in liaison with the Procurement Manager must submit a report to the Section 151 Officer for Executive Board Member for Resources approval.

**Centralised  
Purchasing**

**NPS**



## 5.5. Membership of other Procurement Arrangements

**5.5.1.** Any new formal membership of joint procurement arrangements with other local Authorities and/or public sector bodies, including membership or initial use of any Consortia or public sector trading organisation must be approved by the Monitoring Officer and Section 151 Officer.

## 6. Pre-Procurement Requirements

### 6.1. Estimating the Value

**6.1.1.** The value of a contract must be based upon the higher of:-

**6.1.1.1.** The amount or estimated amount to be paid by the Authority over the period of the contract (to include any extension period); or

**6.1.1.2.** The amount or estimated amount of gross income to be generated by the contractor through the goods or services provided, including the provision of goods or services to third parties

**6.1.2.** A contract which is one of a series of contracts with similar characteristics, and for services of the same type is deemed to have the value of the series as a whole.

**6.1.3.** Where the Lead Officer is unable to determine the value of a proposed contract an estimate shall be made on the basis of a 48 month contract period.

**6.1.4.** In estimating relevant contract values, officers shall have regard to the principle of aggregation. Repeat purchases of the same set of goods/services/works over a sustained period may exceed the Authority's or EU's threshold, and must be treated as one contract.

(e.g. 48 monthly purchases at £4,000 per month equals £192,000 total contract value) and the appropriate Tender/EU procurement process must therefore be adhered to.

## 7. Thresholds

### 7.1. Quotations

#### 7.1.1. Up to £5000

The Lead Officer should be satisfied that best value for money has been obtained, and that reasonable care has been taken to obtain goods, works or services of adequate quality at a competitive price. Confirmation of value for money should be retained on file by the Lead Officer.

#### 7.1.2. £5,000 - £25,000

A minimum of 3 quotations should be sought from competitive sources and confirmed in writing, by letter, fax or e-mail. A documented record of the evaluation and decision to award must be recorded.

#### 7.1.3. £25,000 - £75,000

**7.1.3.1.** All quotations above the value of £25,000 must be advertised on the Sell2wales website; ([www.sell2wales.gov.wales](http://www.sell2wales.gov.wales)) based on the same specification, evaluation criteria and closing date. CPU will place the advert, unless otherwise agreed. In exceptional circumstances this requirement may be waived following prior approval from the Procurement Manager and the relevant Department's Head of Service.

**7.1.3.2.** Quotations undertaken in accordance with 7.1.3.1 shall be submitted in line with the requirements set out in the Invitation to Quote, and returned electronically via a secure email facility or an appropriate e-tender solution. Alternatively a hard copy must be addressed to the Lead Officer in a plain sealed envelope endorsed only with the word "Quotation", followed by the subject to which it relates and the closing date.

**7.1.3.3.** The Lead Officer will be responsible for maintaining adequate documented records of all quotations undertaken (including the evaluation process) (See 9.7 for further details).

**7.1.3.4.** A quotation received in accordance with the procedures may be accepted by means of issuing either an official order or letter signed by the appropriate officer, or by a contract or agreement signed in accordance with these Rules.

**7.1.3.5.** Where, following issue of Invitations to Quote only one quotation is received the decision to proceed to purchase must be approved by the relevant Department's Head of Service.

## **7.2. Tenders**

### **7.2.1. Over £75,000**

**7.2.1.1.** For all procurements valued at and above £75,000 the Contract Lead Officer must advise the Corporate Procurement Unit before the tender exercise is commenced.

**7.2.1.2.** A Tender Record Form must be completed and signed off by the Procurement Manager (or delegated Officer) prior to tender advertisement which includes the requirement to confirm a complaint process.

**7.2.1.3.** In addition to any requirements under the Public Contracts Regulations 2015 a minimum 21 days public notice shall be given in [www.Sell2Wales.gov.wales](http://www.Sell2Wales.gov.wales) and, if considered appropriate by the Tender Evaluation Panel, in one or more appropriate local, regional and/or national newspapers, publications and/or trade journals, or other media that targets the relevant market for the particular contract.

**7.2.1.4.** The public notice shall express the nature and purposes of the contract, invite tenders for its execution, state the latest date and time for delivery of tenders and the address to which such tenders are to be sent/or portal to be received via. The Invitation to Tender shall include all information necessary to ensure compliance with the provisions of these Contract Procedure Rules including the evaluation criteria.

**NB: Schools are required to follow the procedures outlined in the Financial Procedure Rules for Schools.**

### 7.3. EU Tenders

Contracts above the EU Threshold and Subject to the Public Contract Regulations 2015.

**7.3.1.** Where the estimated value of a contract exceeds the current EU threshold, then the contract must be tendered in accordance with the UK's Public Contracts Regulations (2015) and these CPR's. In all such circumstances appropriate advice must be sought from the Corporate Procurement Unit.

**7.3.2.** The EU Thresholds change every two years. The current EU Threshold for goods, services and works can be found on the Procurement pages of the Intranet.

### 7.4. Social and Other Specific Services

**7.4.1.** Where contracts exceed the EU Threshold for Social and other Specific Services Contracts (as set out in Schedule 3 of the Public Contracts Regulations 2015) the full extent of the Regulations will not apply and a "Light Touch" regime shall be adopted. The Lead Officer must contact CPU before proceeding with this type of tender.

## **8. Preparation for Quotations (£25,000-£75,000) and Tenders (over £75,000)**

**8.1.** Before undertaking any Tendering Procedure (or Quotation above £25,000) a Lead Officer shall:-

**8.1.1.** ensure that a Specification, which will form the basis of the Contract, has been prepared,

**8.1.2.** establish the Evaluation Criteria to be used to select the successful bidder(s) from among those who tendered or submitted a quote.

**8.1.3.** establish an Evaluation Panel,

**8.2.** A statement setting out the Evaluation Criteria to be used shall be included in the tender/quotation documentation together with the relevant weightings. These criteria must at all times be open, transparent, non-discriminatory and proportionate.

**8.3.** Contracts must be awarded on the basis of “Most Economically Advantageous Tender” (MEAT) with the option of assessing the best price-quality ratio, or lowest price only. The award criteria must be linked to the subject matter of the contract and may include life-cycle costing, qualitative, environmental and/or social aspects.

**8.3.1.** Evaluation criteria of all Authority led exercises above £25,000 needs to ensure that at least 70% is based on Price. Where this is inappropriate then the agreement of the Director of Corporate Services must be sought in writing. Arrangements involving Specialist Education and Social Care commissioning will be at the discretion of the responsible Director.

**8.4.** The Lead Officer shall establish a group of Officers to undertake the evaluation exercise which shall normally remain constant throughout the process and shall possess the necessary qualifications and/or expertise to advise the Lead Officer on all appropriate issues.

## Insurances

**8.5.** The Authority's Head of Audit, Risk and Procurement shall be consulted to determine the appropriate type and level of Insurance Protection (e.g. Employers' Liability, Public Liability, Professional Indemnity) to cover the Authority's potential liability which must be maintained for the duration of the Contract / Framework.

**8.6.** The Lead Officer shall consider whether a Bond is appropriate for any contract.

## Specification

**8.7.** Procurements should be based upon a definite specification; and the Lead Officer should ensure that any quotation or tender exercise is undertaken in accordance with all relevant corporate policies.

Quality factors should as far as possible be built in to the specification, which must be proportionate and appropriate for the goods, works or services to be purchased and clearly sets out the minimum standards that the Authority will require.

## Sustainability

**8.8.** In any tender/quotation valued over £25,000 the Lead Officer must consider taking social, economic and environmental issues into account using a Sustainable Risk Assessment Template (SRA). CPU shall be consulted prior to any tender/quotation/call-off to agree the approach.

## Community Benefits

**8.9.** The Lead Officer must apply a Community Benefits approach to all appropriate procurements. In any tender valued over £1million the Lead Officer must, as a minimum, apply, capture and record Community Benefits utilising the Welsh Government's Community Benefits Measurement Tool. CPU shall be consulted prior to any tender/quotation/call-off to agree the approach.

## Pre-Market Consultation

**8.10.** The Lead Officer may conduct market consultations before starting a procurement exercise with a view to preparing the procurement and informing prospective tenderers of the procurement plans and requirements. CPU must be notified prior to any pre-market consultations whereby support is available.

## Market Briefing

**8.11.** The Lead Officer may conduct market briefings once a Tender advert has been placed to inform prospective tenderers of the content and approach for the forthcoming tender. This engagement is intended for information purposes only and Lead Officers/Procurement Officers are not in a position to be able to answer any questions relating to the tender at the event. CPU must be notified prior to any market briefings whereby support is available.

## 9. The Procurement Process

### 9.1. Submission of Tenders (above £75,000)

(For Quotations below £75,000 please refer to 7.1).

The Authority's preferred method of tendering is by electronic means.

#### 9.1.1. Electronic Tendering (e-Tender)

Requests for invitations to tender should be transmitted by electronic means using the e-Tender portal. This will ensure that:

(a) the e-Tender portal will only be available for the submission of tenders up to the stated deadline time and date. The date and time of each Tender received within the e-Tender portal will be recorded electronically.

(b) e-Tenders submitted are kept secure in the portal which is not opened until the deadline has passed for receipt of Tenders or Quotations.

Any tender which is received after the date and time appointed for receipt of tenders shall not be considered but shall be retained unopened on the portal until after a tender has been accepted, however any such tender may be opened and considered:-

- if no other tender has been received, or
- where no other tender is acceptable, provided it has been received before other tenders have been opened.

**9.1.2.** In exceptional circumstances the Lead Officer may decide to accept hard copy tendering as an alternative. The Leads Officer must contact CPU for further guidance.

### 9.2. Opening of Tenders

All tenders submitted in pursuance of these Contract Procedure Rules shall be opened only after the expiration of the time limit for their delivery.

## Errors

Tender submissions will be accessed once the tender deadline has passed by an officer of the Corporate Procurement Unit or an officer from within a department who has been granted access to the portal.

**9.2.1.** No adjustment or qualification to any tender(s) is permitted. Errors found during the examination of tenders shall be dealt with in one of the following ways :-

**9.2.1.1.** If an arithmetical error is found the tenderer shall be given the opportunity to correct the error(s) save that, other than genuine arithmetic error(s), no other adjustment revision or qualification is permitted.

**9.2.1.2.** If the error is not arithmetical the tenderer shall be given details of the error(s) and shall be given the opportunity of confirming without amendment or withdrawing the tender.

## Abnormally Low Tender

**9.3.** Where in the opinion of the Lead Officer the tender appears to be abnormally low in value, the Lead Officer is required to request the tenderer(s) to explain the price or costs proposed in a tender where it appears to be abnormally low. CPU must be consulted for guidance.

### **9.4. Evaluation and Acceptance of Tenders**

**9.4.1.** Where tenders have been received and opened in accordance with these Contract Procedure Rules the Lead Officer shall, in conjunction with the tender evaluation panel, examine the tenders received in accordance with the pre-determined evaluation criteria and shall identify the tender or tenders which represents best value for money, ie the most economically advantageous offer(s) (in terms of quality and price) to the Authority, except where lowest price was pre-determined to be the appropriate criteria.

**9.4.2.** The Lead Officer must give due regard to abide by the principle of the Authority's Constitution which only allows officers employed by the Authority to score in Tender evaluations.

**9.4.3.** Provided that the appropriate budgetary provision is available the Lead Officer may accept a tender, more than one tender, or part(s) of a tender.



## Post Tender Negotiations

- 9.5.** No negotiations on fundamental aspects of contracts which might materially affect the tender specification, and which are likely to distort competition shall be carried out.

Discussions can only be carried out with tenderers for the purpose of clarifying their bids and must not involve discrimination against any tenderer.

## Standstill

- 9.6.** For Contracts above the EU Threshold and subject to the Public Contract Regulations 2015 any award must be subject to a minimum standstill period of 10 calendar days between communication of intention to award decision. CPU can offer guidance and templates.

## Document Retention

- 9.7.** The Lead Officer shall retain all records and documents relating to a quotation or tender exercise in accordance with the Public Contracts Regulations 2015, the Authority's Document Retention Schedule (on the Intranet) and any other requirements imposed by or agreed with external funding bodies.

## Consultants

### **9.8. Use of Consultants**

**9.8.1.** Where the Authority uses consultants to act on its behalf to conduct any procurement, the Lead Officer must contact CPU to agree the approach. The consultant(s) must carry out the tender exercise in accordance with these Contract Procedure Rules and the decision to award is the responsibility of the Lead Officer.

**9.8.2.** All contracts for external consultants and advisors shall explicitly require that the consultants or advisors provide without delay any or all documents and records maintained by them relating to the services provided on request of the Lead Officer, and lodge all such documents and records with the Lead Officer at the end of the contract.

**9.8.3.** The Lead Officer shall ensure that any consultant working for the Council has appropriate indemnity insurance for the duration of the contract.

## 10. Contract Award

**10.1.** In line with the Public Contracts Regulations 2015, the Lead Officer must prepare a Tender Evaluation Report for every contract, framework agreement and mini-competition awarded above the EU Threshold. The written report must document all key decisions throughout the tendering process. A standard Evaluation Report template is available from CPU.

**10.2.** CPU must be advised of all contracts entered into for inclusion onto the Contracts Register.

### 10.3. Contract Terms and Conditions

**10.3.1.** Contracts shall be entered into on the Authority's terms and conditions which shall be included with each Invitation to Tender. Exceptions to this Rule must be approved in writing by the Monitoring Officer.

**10.3.2.** A contract on the contractor's own standard terms and conditions, or terms which are significantly different to those included or referred to at tender stage is not permitted under these rules unless approved in writing by the Monitoring Officer.

**10.3.3.** The rules relating to technical specifications mean that any reference to a technical standard, make or type shall be prefaced with the words "or EU equivalent".

**10.3.4.** Every contract the value or amount of which exceeds £75,000, shall be in writing and signed by at least two officers, or (at the discretion of the Monitoring Officer) have affixed the common seal of the Authority and shall detail:-

- the goods services or works to be supplied or carried out;
- the price to be paid together with a statement as to the amount of any discount or other deduction;
- the period within which the contract is to be completed and
- such other conditions and terms as may be agreed between the parties.

**10.3.5.** The contract will contain a clause requiring the contractor to obtain the written permission of the Lead Officer before assigning or sub-letting the contract or any part of it, other than as specifically allowed under the terms of the contract.

**10.3.6.** Where relevant International, European or British Standard specifications or standard codes of practice are available and current at the date of tender, the contract will require all goods, services or works used or supplied to be at least in accordance with that standard.

**10.3.7.** In every written contract a clause shall be inserted requiring the contractor to comply with any relevant directives or regulations of the European Commission for the time being in force in the United Kingdom.

**10.3.8.** Every contract must state that if the contractor fails to comply with its contractual obligations in whole or in part, the Authority may:-

- cancel all or part of the contract;
- complete the contract;
- recover from the contractor any additional costs in completing the contract;
- take other legal action against the contractor.

and to this end the Lead Officer shall ensure that the obligations of the contract are monitored.

**10.3.9.** Every written contract must contain an anti-corruption clause. The following clause must be used except where the Monitoring Officer has agreed to the use of an alternative clause:-

“The Authority shall be entitled to cancel the contract and to recover from the contractor the amount of any loss or damage resulting from such cancellation if:

(a) the contractor shall have offered, or given, or agreed to give to any person any gift, consideration, inducement or reward of any kind, for doing or not doing any action in relation to the contract or any other contract with the Authority, or

(b) the acts referred to in paragraph (a) above shall have been done by any person employed by the contractor or acting on its behalf (whether with or without the knowledge of the contractor), or

(c) in relation to any contract with the Authority, the contractor or person employed by it or acting on its behalf shall:-

- have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or
- have given any fee or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972.
- any clause limiting the Contractor's liability does not apply to this Clause"

**10.3.10.** The contractor shall be required to indemnify the Authority against:-

**10.3.10.1.** any claim in respect of employers' liability against the Authority or the contractor by any employees of the contractor or any sub-contractor; and

**10.3.10.2.** any claim for bodily injury to, or damage to property of, third parties, and

**10.3.10.3.** The contractor shall maintain appropriate insurance to a level to be agreed (see CPR 8.5) and when requested shall produce satisfactory evidence of the maintenance of such insurance.

## 11. Contract Management

**11.1.** After the Contract has been awarded a Contract Manager (if different to the Lead Officer) must be identified who will manage the day to day aspects of the contract for its term.

**11.2.** When contracts are modified at any time during the contract term a new tender process will be required unless specific conditions as set on in the Public Contracts Regulations (2015) are met. Advice must be sought from CPU before proceeding under these conditions.

### 11.3. Contract Extensions

**11.3.1.** A contract may be extended subject to the following conditions;

- where the original tender document and subsequent contract included provision for an extension to the contract and;
- specified the duration or the maximum duration of the potential extension then the contract may be extended and;
- if the Lead Officer is satisfied that the current provider offers best value for money and a quality service/goods/works.

**11.3.2.** A Contract Extension form must be signed off by Head of Service prior to any extension being taken up. Contact CPU for the template.

## **12. Exceptions and Waivers to Requirements of Competition**

### **12.1. Lead Officer Decision**

**12.1.1.** Provided that a proposed contract complies with all other relevant Contract Procedure Rules, Procurement Guidance or Financial Procedure Rules, the tendering procedures need not apply to the following :-

**12.1.1.1.** any advice or service provided by Counsel.

**12.1.1.2.** purchases made by the Authority in conjunction with another public body in accordance with the terms of any Contracts or Framework Agreements entered into by or on behalf of any consortium association (including All Wales Public Sector arrangements) or similar body provided that the procedures followed are in accordance with a method prescribed or adopted by the consortium, association or similar body (see CPR 5.5.1).

**12.1.1.3.** purchases, works and services required by the Lead Officer for the following purposes:-

- to prevent danger or injury to Authority staff or members of the public;
- to prevent damage or serious deterioration to land buildings or plant;
- to maintain essential services;
- to avoid enforcement action against the authority for non-compliance with some statutory provision;
- to make land or property secure against unauthorised access or use;

- for any other purpose where the Authority or the public will be seriously prejudiced if such purchases works or services are not arranged urgently;

provided that the requirement for goods, works or services is strictly necessary for reasons of extreme urgency brought about by unforeseeable events where the time limits for a procurement exercise cannot be complied with. A procurement in accordance with these Contract Procedure Rules should be instigated at the earliest opportunity thereafter.

**12.1.1.4.** works or services to statutory undertakers apparatus where affected by major works where legislation provides that such works must be carried out by the statutory undertaker.

## **12.2. Monitoring Officer and Section 151 Officer Decision**

**12.2.1.** The Lead Officer shall seek approval from the Monitoring Officer and Section 151 Officer for any exception proposed under this CPR 12.2 prior to embarking upon the alternative procedure or, if this is not possible, as soon as possible thereafter :-

**12.2.1.1.** the purchase of proprietary or patented goods, services or works are obtainable only from one firm and where no reasonably satisfactory alternative is available;

**12.2.1.2.** the purchase of named goods, services or works required to be compatible with an existing installation as authorised by the Lead Officer;

**12.2.1.3.** the execution of works or provision of goods, services or works of a specialised nature which in the opinion of the Lead Officer are carried out by only one provider and where no reasonably satisfactory alternative is available;

**12.2.1.4.** the purchase of a work of art or museum specimen as authorised by the Lead Officer;

## Single Tender Action

**12.2.1.5.** Contracts entered into by the Authority as agents for a Department of State, Welsh Government or any other local or public authority provided that the Authority follows the procedures of such department or authority;

**12.2.1.6.** Tender exercises where the Tender Evaluation Panel considers that it is inappropriate to issue an advertisement as detailed in the Tendering Procedures guidance in the Guidance.

**12.2.1.7.** any other exceptions and waivers to these Rules shall only be given in exceptional circumstances and will be authorised by the Monitoring Officer and Section 151 Officer following submission of a written justification by the relevant Lead Officer.

**12.2.2.** Where a Single Tender Action (above £75,000, including a Negotiated Procedure without Prior Publication) is used the Lead Officer will be required to seek approval from the Monitoring Officer and Section 151 Officer. The Section 151 Officer will prepare a retrospective report to the Authority's Audit Committee with the reasons for the use of this procedure and the subsequent procurement activity undertaken.

**12.3.** All exceptions must be reported to CPU for consideration prior to submission for approval (using the template in Appendix 2), and will be recorded on the Contracts Register.

## 13. Review

### Review

**13.1** The Corporate Procurement Unit shall continually review these Contract Procedure Rules and shall undertake a formal review every three years. Any amendments shall be subject to approval by the Authority's Audit Committee.



## APPENDIX 1

### Definitions & Interpretations

<b>Abnormally Low Tender</b>	For the purposes of these rules abnormally low shall be taken to mean a Tender whose price is considered significantly lower than most of, or the average of all tenders in the same Tender exercise.
<b>Aggregation</b>	Adding together the value of separate contracts for the same supply, service and works.
<b>Approved List</b>	An approved/select list presents a significant risk to the Authority and is not recommended as an acceptable procurement practice. Prior approval from Monitoring Officer and Section 151 Officer must be sought prior to the set up or adoption of an approved/select tender list.
<b>Authority</b>	All references to the Authority in these Contract Procedure Rules shall include the Governing Body of each school falling under the jurisdiction of the Authority as the Local Education Authority if relevant.
<b>Bond</b>	A bond is intended to protect the Council against a level of cost arising from a contractor's failure.
<b>Community Benefits</b>	Through the Tender exercise, seeking to promote additional opportunities which will benefit the wider community. This might include training and employment opportunities, improved supply-chain opportunities, increased educational contributions and/or community initiatives.
<b>Contract</b>	Any agreement (whether or not in writing) between the Authority and one or more other parties for:- <ul style="list-style-type: none"><li>• the sale of goods or materials;</li><li>• the supply of goods or materials;</li><li>• the execution of works</li><li>• the provision of services (including accommodation and facilities).</li></ul>
<b>Contract Management</b>	Ensuring that the right contractual agreement for an organisation is established and managed in the most effective manner, enabling both parties to fully meet their obligations providing the right quality of service/product, on time, within budget and compliant with specification requirements.
<b>Contract Modification</b>	The Public Contracts Regulations (PCR) 2015 provide clarity about the extent to which a contract can be amended after award without the need to re-advertise in OJEU. See PCR (2015) Regulation 72 which outlines the detail.

<b>Contract Register</b>	A register of awarded contracts and frameworks within the Authority, held by CPU.
<b>Corporate Contract</b>	Contracts for Goods/Works or Services that are in place for use by all departments of the Council. These contracts enable Officers to acquire products/services efficiently and effectively.
<b>Corporate Procurement Unit (CPU)</b>	The Authority's Corporate Procurement Unit (CPU) provides advice, support and guidance on Procurement.
<b>Dynamic Purchasing System</b>	A procurement tool which is completely electronic and used for making commonly used purchases allowing new suppliers to join at any time.
<b>e-Auction</b>	An e-Auction (electronic auction) is an electronic marketplace between buyers and bidders, utilised as part of the costing criteria of the tender evaluation.
<b>EU Threshold</b>	The contract value at which the EU Public Contracts Directive applies. These change in January every two years.
<b>Framework Agreement</b>	An agreement between one or more authorities / public bodies and one or more economic operators, to establish the terms governing contracts to be awarded during a given period (call-offs).
<b>Lead Body</b>	Any Body which the Authority is legally allowed to procure with or through, including Central Government Departments, other Local Authorities and other public sector bodies e.g. NPS.
<b>Lead Officer</b>	The Lead Officer (LO) shall be responsible for the procurement process and following award will be the primary link between the Authority and the relevant supplier. The LO shall be responsible for the management of that contractual arrangement and ensuring that the price(s) paid is/are in accordance with the terms of the contract
<b>Light Touch Regime</b>	The new light-touch regime (LTR) is a specific set of rules for certain service contracts that tend to be of lower interest to cross-border competition. Those service contracts include certain social, health and education services, defined by Common Procurement Vocabulary (CPV) codes as outlined in Schedule 3 of the public Contracts Regulations (2015).
<b>Mini Competition /Call-off</b>	A mini competition is the process followed to place a call-off contract under a framework agreement where the best value supplier has not been specified in the original terms of the framework agreement. All

	suppliers within the original framework agreement are invited to submit bids against the original terms.
<b>Monitoring Officer</b>	The Monitoring Officer is the officer designated by the Authority in accordance with the provisions of Section 5 of the Local Government and Housing Act 1989. This role is currently undertaken by the Head of Administration and Law.
<b>Most Economically Advantageous Tender (MEAT)</b>	The tender that will bring the greatest benefit to the Authority having taken a number of factors into consideration, including quality and price
<b>National procurement Service (NPS)</b>	The National Procurement Service (NPS) for Wales, hosted by the Welsh Government, works collaboratively with public sector member organisations to set up collaborative arrangements in common and repetitive spend areas.
<b>Quotation</b>	A quotation based on price and any other relevant matter, without the issue of a formal tender.
<b>Section 151 Officer</b>	The officer designated by the Authority under Section 151 of the Local Government Act 1972. This role is currently undertaken by the Director of Corporate Services.
<b>Single Tender Action</b>	Single Tender Action is only to be used in rare and exceptional circumstances and is broadly defined as procurement for which no competition is sought or where competition is not available in the marketplace. This definition applies to all single tender actions above the EU Threshold.
<b>Standstill</b>	The minimum period which must elapse between notification of an award decision and conclusion of the contract. In the UK the standstill period is 10 days.
<b>Tender</b>	An economic operator's proposal submitted in response to an invitation to Tender.
<b>Tender Evaluation Panels</b>	A group of Officers appointed by the Lead Officer to undertake the tender evaluation exercise for a contract or Framework. The group of officers in question shall normally remain constant throughout the process and shall possess the necessary qualifications and/or expertise to advise the Lead Officer on technical, procurement, legal, financial, policy and staffing issues.
<b>Tender</b>	<b>Open</b> - All eligible applicants are invited to tender in a

<p><b>Procedures</b></p>	<p>one-stage procurement process.</p> <p><b>Restricted</b> - Only eligible applicants who meet the client authority's criteria are invited to tender in a two-stage procurement process.</p> <p><b>Competitive Procedure with negotiation</b> - This allows the contracting authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the OJEU advertisement) not to negotiate and to simply award the contract based on initial tenders submitted.</p> <p><b>Competitive Dialogue</b> - Permits discussion of different options before choosing a particular solution. It can be used in complex contracts where technical solutions are difficult to define or where development of the best solution is wanted. This procedure contains more flexibility around negotiation with the winning bidder (provided this does not modify the essential aspects of the contract or procurement or amount to a distortion of competition).</p> <p><b>Innovative Partnership</b> – This process allows for the R&amp;D and purchase of a product or service within the same single procurement process (with transparency and other safeguards built in to it).</p> <p><b>Negotiated Procedure without Prior Publication</b> – This procedure can only be used in narrowly defined circumstances, e.g. where no tenders, no suitable tenders or no suitable requests to participate were submitted in response to an open or restricted procedure, or where for technical or artistic reasons, or the protection or exclusive rights, the contract can only be carried out by a particular supplier. This process should only be used in exceptional cases.</p> <p>Further detail on all Procedures is available in the Procurement Guidance.</p>
--------------------------	---

## APPENDIX 2

### EXCEPTION REPORT TEMPLATE

This is a Request for an Exception and Waiver to the Requirement of Competition - Contract Procedure Rules (include appropriate exception clause from CPR's) in relation to:-

**1. Background**

*1.1.1. Include brief details*

**2. Description of Goods/Service**

*2.1.1. Include details of Goods/Service – description, reasons for requirement, delivery, source, etc.*

*2.1.2. Include reasons/outcomes of Goods/Service*

**3. Reasons**

*3.1.1. Collaboration, market research, legislation, grant funded (implications of), etc.*

**4. Alternative Contract/Frameworks**

*4.1.1. Include reasons for using/ not using any Contracts/Frameworks already in place, etc.*

**5. Future Provision**

*5.1.1. For a continuous provision of goods, works or services include details of future tender exercise and timescales*

**6. Legal Requirements**

*6.1.1. Include any standards that are required in particular any legislative reasons/standards required for the Goods/Service.*

**7. Costs**

*7.1.1. Include costs of the service– usually indicative costs for the period the exception will cover.*

**8. Efficiencies**

**8.1.1.** *Include any efficiencies identified*

**9. TUPE**

**9.1.1.** *Include any TUPE Implications*

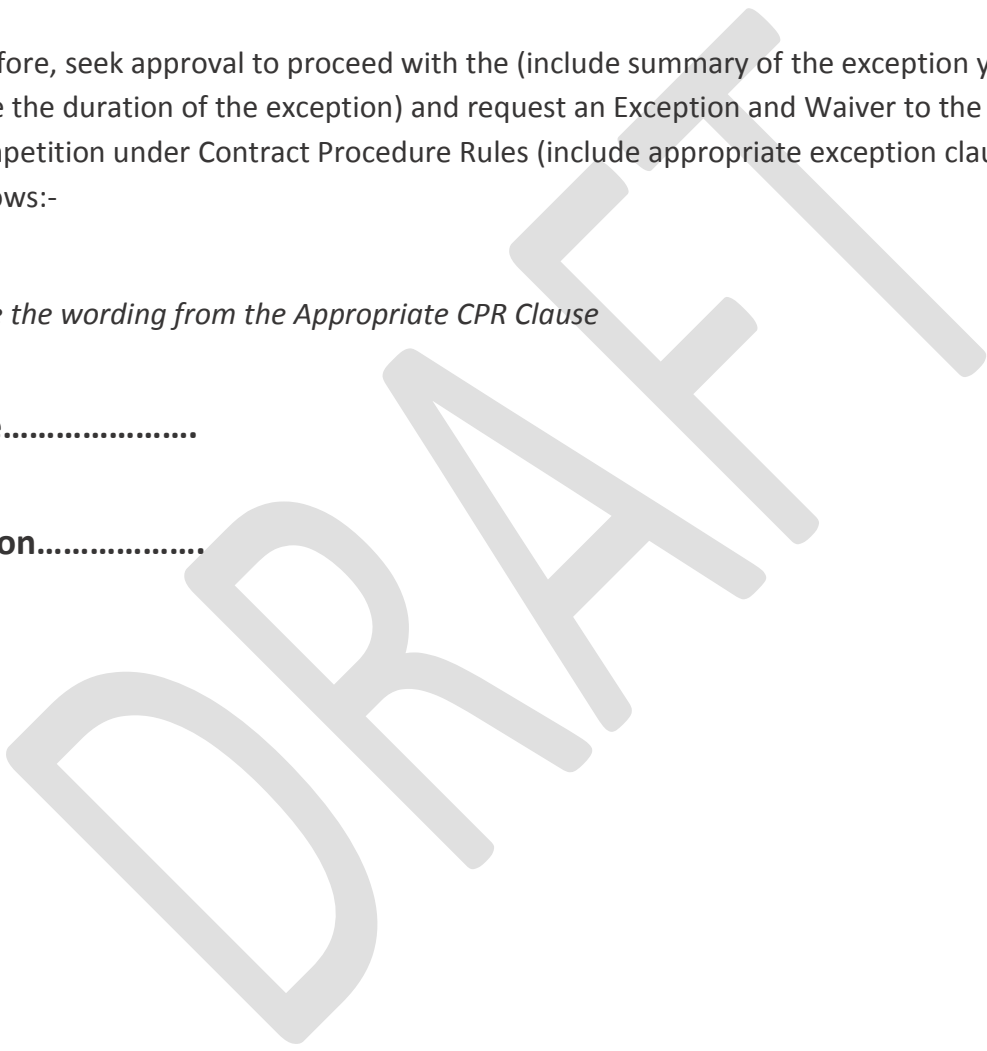
**10. Request to Proceed**

I therefore, seek approval to proceed with the (include summary of the exception you require – include the duration of the exception) and request an Exception and Waiver to the Requirements of Competition under Contract Procedure Rules (include appropriate exception clause from CPR's) as follows:-

*Include the wording from the Appropriate CPR Clause*

**Name**.....

**Position**.....





Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report

## **Carmarthenshire County Council**

**Audit year:** 2015-16

**Issued:** September 2015

**Document reference:** 566A2016

# Status of report

---

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Richard Harries, Jason Garcia, Julie Owens, Ian Griffiths, Rhian Phipps, Lucy Herman, Aneesa Ali, Michelle Davies and Mandy Williams.



# Contents

---

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

---

<b>Summary report</b>	
Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Independence and objectivity	7
<b>Appendices</b>	
Final Letter of Representation	8
Proposed audit report of the Auditor General to the Members of Carmarthenshire County Council	11
Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance	13

---

# Summary report

---

## Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Carmarthenshire County Council at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Carmarthenshire County Council are £8.1 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity. Disclosures which are affected by these factors in the Council's 2015-16 financial statements are in relation to senior officer remuneration and related party disclosures.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Carmarthenshire County Council, for 2015-16, that require reporting under ISA 260. A separate report has been issued for the Dyfed Pension Fund.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 on 30 June 2016 being the agreed deadline for submission to audit, and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Corporate Services. .

## Proposed audit report

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#). The proposed audit report for the Council and Dyfed Pension Fund is set out in [Appendix 2](#).

---

## Significant issues arising from the audit

### Uncorrected misstatements

9. There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

10. There is one misstatement to the core financial statements and several amendments to disclosure notes which have been corrected by management. We consider these should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

11. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
  - **We have some concerns about the qualitative aspects of your accounting practices and financial reporting**

Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, we have some concerns in relation to the Council's evidencing of how it has valued certain types of assets. Our detailed findings in this regard are outlined in the internal controls section of this report.
  - **We did not encounter any significant difficulties during the audit**

We received information in a timely and helpful manner and were not restricted in our work.
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We identified a material weaknesses in your internal controls**

In 2014-15 we reported some significant weaknesses in the Council's approach to asset valuations. This had resulted in a reduction in the value of assets of £38.5 million in 2014-15. As a result of the weaknesses identified, the Council agreed to review its asset valuation processes and internal quality assurance arrangements in 2015-16.

In carrying out our detailed audit testing on specific assets we identified several issues that are highlighted below:

---

– **Rates used in valuing specific assets**

Some of the issues identified in 2014-15 related to the rates per square metre being used to calculate individual gross asset values. To avoid a re-occurrence of this issue, in April 2016, we met with the valuer and agreed the rates per square metre to be used on specific types of assets.

However, in auditing a leisure centre, it was evident that a different rate to what had been agreed in April 2016 had been used in calculating the asset value. Our further work on this identified that this incorrect rate had been used on three leisure centres. As a result of this error, the value of leisure centre assets was understated by £7.9 million. This understatement equates to 0.6 per cent of the property, plant and equipment figure in the balance sheet. The Council has made an amendment to the 2015-16 financial statements to correct this issue.

– **Evidencing of judgements**

We rely on the view of the Council's internal valuer as the expert in this area and we consider the reasonableness of the judgements made in carrying out our work. In reviewing these valuations we requested evidence to support the judgements made. Unfortunately, there was little documentary evidence available to support the judgements made in 2015-16.

This resulted in the valuer having to recreate file notes to explain the reasons for decisions made. Some examples of areas where we encountered a lack of evidence were:

- the valuations of Council owned theatres; and
- the assessment of the obsolescence factors being used to reduce the calculated gross cost of the asset to its actual value.

– **Internal quality assurance arrangements**

As a response to the issues raised in 2014-15, it was agreed with the Council that it would introduce improved internal quality assurance checks in its valuation processes for 2015-16. However, the lack of appropriate evidence to support judgements made clearly shows weaknesses in the internal quality assurance arrangements within the department.

We are of the view that a robust quality assurance process would have identified the issues found in completing our audit work and avoided the need to make the adjustments to the 2015-16 financial statements. It is somewhat disappointing that these revised quality assurance arrangements had not been introduced. Discussions with management have indicated that revised procedures are in the process of being implemented for 2016-17 and we will review these revised processes as part of our 2016-17 audit.

- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

---

## Independence and objectivity

12. As part of the finalisation process, we are required to provide you with representations concerning our independence.
13. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Carmarthenshire County Council that we consider to bear on our objectivity and independence.

# Appendix 1

---

## Final Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

## Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Carmarthenshire County Council for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2015-16; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- 
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
  - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - Our knowledge of fraud or suspected fraud that we are aware of and that affects Council and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
  - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 30 September 2016.

---

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services – signed on behalf of management

Date:

Signed by:

Chair of the Audit Committee – signed on behalf of those charged with governance

Date:



## Appendix 2

---

### Proposed audit report of the Auditor General to the Members of Carmarthenshire County Council

I have audited the accounting statements and related notes of:

- Carmarthenshire County Council; and
- Dyfed Pension Fund;

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Dyfed Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

#### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Dyfed Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Carmarthenshire County Council and Dyfed Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

---

### **Opinion on the accounting statements of Carmarthenshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on the accounting statements of Dyfed Pension Fund**

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on other matters**

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit; and
- the Governance Statement does not reflect compliance with guidance.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Carmarthenshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of Huw Vaughan Thomas

Auditor General for Wales

24 Cathedral Road

Cardiff

CF11 9LJ

30 September 2016

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
<b>Core Financial Statements amendments</b>		
£7.903 million	<b>Property Plant and Equipment</b> Increase in the value of operational land and buildings. Corresponding increases also made to the revaluation reserve (£4.656 million), the CIES (£3.362 million), along with an increase to accumulated depreciation written-off £0.115 million.	To correct an understatement of the depreciated replacement cost valuation.
<b>Disclosure note amendments</b>		
£38.658 million	<b>Property Plant and Equipment/ Revaluation Reserve</b> Upward revaluations decreased by £38.658 million, with a corresponding decrease on downward revaluations of the same amount.	To correct an error in the categorisation between upward and downward revaluations. No overall effect on the closing balance for this amendment.
£0.042 million	<b>Employee emoluments – Note 6.34</b> Salary disclosure for the Director of Environment amended from £86,558 to £44,283.	To correct an over-statement in the disclosure for the Director of Environment.
£0.064 million	<b>Audit costs – Note 6.36</b> The amount disclosed for certification of grant claims and returns decreased by £0.064 million.	To allow for a realignment between the audit fee disclosed and the estimated fee in the annual audit plan. No overall effect on gross expenditure within CIES however.
£0.010 million	<b>Related party transactions – Note 6.39</b> The amount disclosed for grants paid to organisations in which	To correct an over statement of the amount disclosed for members' interests.

Value of correction	Nature of correction	Reason for correction
	members had an interest decreased by £0.010 million.	
£0.125 million	<b>Leases – Note 6.41</b> The amount disclosed for lease income decreased by £0.125 million.	To correct a misclassification of lease income. No overall effect on gross income within CIES however.
N/A	<b>Annual Governance Statement</b> Various minor amendments were made to the Annual Governance Statement.	To ensure the statement takes account of the latest available information.
Various	<b>Other amendments</b> A number of other less significant amendments were made to the financial statements. We have not listed all of these items as they relate to either revisions in disclosures of information, reclassifications between headings, or the amounts involved are trivial. These amendments had no impact on net expenditure.	To ensure consistency between the statement of accounts and the supporting notes and to ensure presentational accuracy in line with International Financial Reporting Standards.



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report

## Dyfed Pension Fund

**Audit year:** 2015-16

**Issued:** September 2016

**Document reference:** 521A2016

# Status of report

---

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).



# Contents

---

The Auditor General intends to issue an unqualified audit report on the Dyfed Pension Fund financial statements, however there are some issues to report to you prior to their approval.

---

Summary report	4
Introduction	4
Status of the audit	4
Proposed audit report	8
Significant issues arising from the audit	8
Independence and objectivity	9
<b>Appendices</b>	
Final Letter of Representation	10
Auditor General for Wales' report to the Members of the Carmarthenshire County Council and Dyfed Pension Fund	13

---

# Summary report

---

## Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Dyfed Pension Fund (the Pension Fund) at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the financial statements being misled.
3. The gross assets controlled by the Pension Fund amount to £1.9 billion. The quantitative level at which we judge such misstatements to be material for the Pension Fund is £19.1 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken, should there be any required.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Dyfed Pension Fund for 2015-16 which require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 in advance of the deadline of 30 June 2016 and have now substantially completed our audit work.
7. Our Audit Plan for the Pension Fund issued in March 2016 sets out the financial audit risks which we considered to be significant. We have undertaken audit work to assess these risks and also considered any new risks which might have arisen. A summary of the financial audit risks, the audit work undertaken and our conclusion is shown in [Exhibit 1](#).

Exhibit 1: Financial audit risks, audit work undertaken and conclusion

Financial audit risk	Audit work undertaken	Conclusion
<p><b>Management override</b> The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• tested the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• reviewed accounting estimates for biases; and</li> <li>• evaluated the rationale for any significant transactions outside the normal course of business.</li> </ul>	<p>We have no issues to report.</p>
<p><b>Investment Management</b> The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement. The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, eg valuation of the investment portfolio held. There is a risk that the internal controls reports will not be available for assurance purposes, and/or cover all our required audit assertions.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• assessed the investment managers as a service organisation;</li> <li>• checked that investments have been made in accordance with the Statement of Investment Principles;</li> <li>• obtained direct confirmation from investment managers and custodians of year-end investment balances and holdings; and</li> <li>• assessed whether the investment managers' internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held.</li> </ul>	<p>We do not have any significant matters to report.</p>
<p><b>Cash at Bank</b> Administering authorities are required to maintain a separate bank account for</p>	<p>We have:-</p> <ul style="list-style-type: none"> <li>• ensured the existing protocol is compliant with the LGPS (Management</li> </ul>	<p>We do not have any significant matters to report.</p>

Financial audit risk	Audit work undertaken	Conclusion
<p>the pension fund. However, it is acceptable for an authority to enter into pooling arrangements with the pension fund provided there is a clear and comprehensive agreement between the two parties regarding the matter, and where it is in the pension fund's best interests to do so. There is a risk that the Council does not have appropriate arrangements in place regarding pooled investments with Dyfed Pension Fund.</p>	<p>and Investment of Funds) Regulations 2009; the pooling agreement is clear in terms of making joint money market investments with external third parties and that the risks and rewards of the pooled investments are equitably shared between the Authority and the Pension Fund; and</p> <ul style="list-style-type: none"> <li>undertaken a programme of substantive audit testing procedures for the year-end cash balance.</li> </ul>	
<p><b>Unquoted investment assets</b> Year-end valuations of unquoted property investments are provided by investment managers which are based upon forward looking estimates and judgements and industry guidelines. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>confirmed the investment valuations to audited financial statements; and</li> <li>sought additional assurance over the valuation basis from controls assurance reports where available.</li> </ul>	<p>We do not have any significant matters to report.</p>
<p><b>Financial Statements Production</b> The timetable for producing the financial statements remains demanding. Management will need to ensure that appropriate arrangements for the preparation and oversight of robust financial statements, in addition to good quality working papers, are provided on the commencement of the audit, with both having been subject to appropriate senior management review.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>provided support and advice, wherever possible, without compromising our independence;</li> <li>provided an audit deliverables report to assist in the preparation of relevant working papers in support of the financial statements;</li> <li>reviewed closedown plans to assess that arrangements are in place to produce robust financial statements within</li> </ul>	<p>We do not have any significant matters to report.</p>

Financial audit risk	Audit work undertaken	Conclusion
	<p>the prescribed timetable; and</p> <ul style="list-style-type: none"> <li>agree a timetable for the audit and certification of the financial statements.</li> </ul>	
<p><b>Benefits payable</b> The LGPS has been subject to significant reform over recent years leading to changes in the benefit structure of the scheme, with transitional arrangements in place for those within 10 years of retirement at the dates of these reforms. These changes, along with the complexity of the benefit structure, increase the risk that benefits may be inaccurately calculated which could lead to many years of incorrect payments.</p>	<p>We have assessed the risks of inaccurate calculation of pension entitlements and undertaken further testing as appropriate.</p>	<p>We do not have any significant matters to report.</p>
<p><b>Governance arrangements</b> The Public Service Pensions Act (PSPA) 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance of these schemes from 1 April 2015. One key change is the requirement to create a 'Local Pension Board' whose role is to assist the scheme manager (administering authority) comply with LGPS regulations and to ensure effective governance, although with no day-to-day role in scheme administration. There is a risk that administering authorities are not complying with the requirements of the 2013 Act.</p>	<p>We have assessed whether the administering authority has governance arrangements in place that comply with the requirements of the 2013 Act.</p>	<p>We do not have any significant matters to report.</p>

8. We are now reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. We have discussed these issues with the Director of Corporate Services.

## Proposed audit report

9. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
10. The proposed audit report is set out in [Appendix 2](#). The Pension Fund is included within the Council's main financial statements and therefore the opinion shown is that proposed for the Council's main financial statements incorporating the Pension Fund.

## Significant issues arising from the audit

### Uncorrected misstatements

11. There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

12. There were some 'non-material' disclosure amendments that have been corrected by management. We wish to draw these to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations below. There were no identified material misstatements requiring amendment.

#### Exhibit 2: Summary of corrections

Value of correction	Nature of correction	Reason for correction
£1,260,000	<b>Note 17 – Current liabilities</b> Unpaid benefits increased by £1.260 million, with a corresponding decrease in creditors of the same amount.	To correctly reflect the classification between unpaid benefits and creditors.
£7,685,000	<b>Note 21 – contributions receivable and benefits payable</b> Total contributions disclosed in Note 21 increased by £7.685 million.	To ensure the amount disclosed in Note 21 for contributions agrees to the corresponding figure disclosed in the Fund account.
Various	<b>Other presentational corrections</b> We have agreed several presentational amendments to the	To ensure consistency between the statement of accounts and the supporting notes and to ensure

Value of correction	Nature of correction	Reason for correction
	financial statements and the supporting narrative, to aid the understanding of the financial statements and to correct some typographical and rounding errors.	presentational accuracy in line with International Financial Reporting Standards.

### Other significant issues arising from the audit

13. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you:
- We have no concerns about the qualitative aspects of your accounting practices and financial reporting. We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - We did not encounter any significant difficulties during the audit. We received information in a timely and helpful manner and were not restricted in our work.
  - There were no significant matters discussed and corresponded upon with management which we need to report to you.
  - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
  - We did not identify any material weaknesses in your internal controls.
  - There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

### Independence and objectivity

14. As part of the finalisation process, we are required to provide you with representations concerning our independence. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

# Appendix 1

---

## Final Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Date:

## Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of the Dyfed Pension Fund (the Pension Fund) for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and



- 
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
  - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - Our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
  - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - We have informed you of any concerns raised or comments made by regulators about the pension fund, its fund managers and any assets/liabilities.
  - The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

---

## Representations by Carmarthenshire County Council as the Administering Authority for the Dyfed Pension Fund

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Members of the Audit Committee on 30 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Director of Corporate Services  
Date .....

Chair of the Audit Committee  
Date .....

## Appendix 2

---

### Auditor General for Wales' report to the Members of the Carmarthenshire County Council and Dyfed Pension Fund

I have audited the accounting statements and related notes of:

- Carmarthenshire County Council
- the Dyfed Pension Fund Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The Dyfed Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

#### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xxx the responsible financial officer is responsible for the preparation of the statement of accounts, including Dyfed Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Carmarthenshire County Council and Dyfed Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the narrative report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially

---

inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Carmarthenshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on the accounting statements of the Dyfed Pension Fund**

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on other matters**

In my opinion, the information contained in the narrative report is consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the Dyfed Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales

30 September 2016

c/o Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

## Carmarthenshire County Council Audit Committee Update – September 2016

---

### Financial audit work 2015-16 – Dyfed Pension Fund

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2015-16.	Audit Committee March 2016.
<b>Financial Statements/Annual Audit Letter</b>	Audit of the Pension Fund's 2015-16 financial statements and Annual Audit Letter.	Audit Committee September 2016.

### Financial audit work 2015-16 – Carmarthenshire County Council

Activity	Scope	Status
<b>Certification of Grants and Returns 2014-15</b>	Summary of grants and returns certification work 2014-15.	Audit Committee July 2016.
<b>Audit Plan 2016</b>	Plan of financial audit work for 2016-17.	Audit Committee March 2016.
<b>Financial Statements 2015-16</b>	Audit of the Council's 2015-16 financial statements.	Audit Committee September 2016.
<b>Annual Audit Letter</b>	Report summarising our 2015-16 financial audit work.	Audit Committee December 2016

**Certification of Grants and Returns 2015-16**

Summary of grants and returns certification work 2015-16.

Audit Committee March 2017

**Performance work 2015-2016 - Carmarthenshire County Council**

<b>Activity</b>	<b>Scope</b>	<b>Status</b>
<b>Corporate Assessment</b>	Review of the Council's capacity and capability to deliver continuous improvement.	Complete. Report issued January 2016. Follow up reviews 2016-17 (See Local Projects below*)
<b>Annual Improvement Report</b>	Annual review of Council's performance and arrangements	Complete. AIR issued April 2016
<b>Local Project</b>	Review of the application of Equalities Impact Assessment in relation to Council improvement priorities	Feedback to Council 28 <sup>th</sup> July. Findings to be included in Governance Thematic Review – including updated information.
<b>Performance Review</b>	Assessment of performance in relation to two of the Council's Key Improvement Priority Areas.	Complete. Assessment included in Annual Improvement Report issued April 2016
<b>Financial Management and Financial Position Summary - 2</b>	Further work on our financial management arrangements following up our 2014-2015 review, and looking forward to 2016-2017 budget setting and savings proposals. There will also be a focus on reserves position.	Complete. Issued – January 2016
<b>Governance and Performance Reviews; inform the Corporate Assessment Report.</b>	Human Resources Review. Information technology Review.	Complete. Informed Corporate Assessment report issued January 2016.



<b>LG Improvement Study 1 – Council funding of third-sector services</b>  <b>LG Improvement Study 2 - The strategic approach of councils to income generation and charging for services</b>  <b>National Study – The effectiveness of local community safety partnerships</b>	Information Management Review. Asset Management Review. Partnership Review.	
	Underway	Report being drafted. Anticipated publishing in late autumn 2016
	Underway	Report being finalised. Anticipated publishing date - October/November 2016
	Underway	National and four PCC Reports being finalised. Anticipated publication date w/c October 17th 2016

### Performance work 2016-2017 - Carmarthenshire County Council

Activity	Scope	Status
Audit Plan	Plan of performance audit work for 2016-17.	Audit Committee March 2016
Improvement Plan Audit – 2016-2016	Audit of the discharge of the Council's duty to publish an improvement plan.	Review of ARIP complete. Certificate issued early August.
Assessment of performance	Audit of the discharge of the Council's duty to publish an assessment of performance.	As above
Thematic Study: Financial Resilience (3)	Focus: Savings Plans	Fieldwork underway September 2016. Local reports December 2016.

<b>Thematic Study: Governance</b>	Focus: Governance of significant changes	Survey underway - deadline for response 16 <sup>th</sup> September. Fieldwork starting w/c 10 <sup>th</sup> October. Document review underway. Local reports January 2017
<b>Thematic Study: Transformation</b>	Focus of study to be confirmed	Projected timescale: Late 2016/Early 2017
<b>Local Project*</b>	Review of ICT arrangements – follow up of Corporate Assessment PFI	Site work (intermittent) - July to December 2016. Reporting January 2017
<b>Local Project*</b>	Review of progress of Corporate Assessment PFIs	Site work (intermittent) – to be confirmed September. Also part of Governance Thematic Study. Reporting January 2017
<b>LG Improvement Study – 1 Improving well-being through housing adaptations</b>	Underway – Carmarthenshire Council will participate in the survey only	Site work underway. Survey in draft and nearing completion.
<b>LG Improvement Study 2 – Strategic commissioning of learning disability services by local authorities.</b>	Underway – Carmarthenshire Council will participate in the survey only	Site work currently being set up. Survey in draft and nearing completion.
<b>LG Improvement Study 3 – How local government manages demand – Homelessness services</b>	Underway – Carmarthenshire Council is one of five sample local authorities participating in this study – involving fieldwork.	Site work currently being set up. Survey under construction. Website analysis initiated.

Updated 12.9.16

24 Heol y Gadeirlan / Cathedral Road  
Caerdydd / Cardiff CF11 9LJ  
Ffôn / Tel: 029 20 320500  
info@audit.wales / post@archwilio.cymru  
www.audit.wales / www.archwilio.cymru

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council  
County Hall  
Carmarthen  
CF31 1JP

Reference	JG-BPHA
Date	22 <sup>nd</sup> September 2016
Pages	1 of 2

Dear Chris

**Burry Port Harbour Authority – 2015-16**

In accordance with the requirements of Section 42 of the Harbours Act 1964 I am giving my report on the annual statement of accounts relating to harbour activities that you have prepared in relation to Burry Port Harbour Authority for the year ending 31 March 2016.

I have undertaken our work in accordance with the specified procedures issued by the Auditor General for Wales. In summary these specified procedures require us to consider whether the annual statement of accounts relating to harbour activities:

- has been prepared on a reasonable basis (for example, the figures agree to the underlying records upon which they have been prepared and are consistent with transactions recorded in the statutory accounts of the local authority for the same reporting period); and
- casts correctly.

Under Section 42(5) of the Harbours Act 1964 you are required to submit this report along with the copy of the annual statement of accounts relating to harbour activities on which it has been given to the Secretary of State for Transport.

**Audit report on the annual statement of accounts relating to the harbour activities of Burry Port Harbour for the year ending 31 March 2016:**

I wish to draw the following matters to the attention of the Secretary of State in relation to the preparation of the annual statement of accounts relating to harbour activities of Burry Port Harbour Authority for the year ending 31 March 2016:

- An Internal Audit review of Coastal facilities was reported in July 2016 and part of this review covered Burry Port Harbour. Several specific issues identified in this review have been referred to in the internal audit annual report for the harbour.

Other operational weaknesses were identified in this review which would not necessarily impact on the accounting statements. It is accepted that this internal audit report covered more than one accounting period, the findings covered a number of coastal facilities and some of the findings did not relate specifically to Burry Port Harbour. A detailed action plan has been agreed with management to make the improvements necessary across all of these coastal facilities.

- arrangements for the follow up of debts need to be strengthened; and
- mooring fees have been undercharged in 2015-16 – this resulted in potentially a £1,700 undercharge to users.

I have completed our responsibilities in respect of the annual statement of accounts relating to harbour activities for Burry Port Harbour Authority for the year ending 31 March 2016 under the requirements of Harbours Act 1964 and the Public Audit (Wales) Act 2004.

**Richard Harries**

**for and on behalf of Huw Vaughan Thomas, Auditor General for Wales**

## Tystysgrif Cydymffurfio

---

### Archwiliad o Gynllun Gwella 2016-17 ac Aseiad o Berfformiad 2015-16 cyfunol Cyngor Sir Gâr

#### Tystysgrif

Yn dilyn ei gyhoeddiad ar 13 Gorffennaf 2016, rwyf yn ardystio fy mod i wedi archwilio Adroddiad Blynyddol a Chynllun Gwella Cyngor Sir Gâr (y Cyngor) yn unol ag adran 17 Mesur Llywodraeth Leol (Cymru) 2009 (y Mesur) a'm Cod Ymarfer Archwilio.

O ganlyniad i'm harchwiliad, rwyf o'r farn bod y Cyngor wedi cyflawni ei ddyletswyddau dan adrannau 15(2), (3), (8) a (9) y Mesur a'i fod wedi ymddwyn yn unol â chanllawiau Llywodraeth Cymru yn ddigonol i gyflawni ei ddyletswyddau.

#### Priod gyfrifoldebau'r Cyngor a'r Archwilydd Cyffredinol

Dan y Mesur, mae'n ofynnol i'r Cyngor gyhoeddi Cynllun Gwella yn flynyddol sy'n disgrifio ei gynlluniau i gyflawni ei ddyletswyddau i:

- wneud trefniadau i sicrhau gwelliant parhaus wrth arfer ei swyddogaethau;
- gwneud trefniadau i sicrhau ei fod yn cyflawni ei amcanion gwella; a
- gwneud trefniadau i arfer ei swyddogaethau mewn modd sy'n cwrdd ag unrhyw safon perfformiad a nodir gan Weinidogion Cymru.

Mae'r Mesur yn ei gwneud yn ofynnol i'r Cyngor gyhoeddi ei Gynllun Gwella mor fuan ag sy'n rhesymol ymarferol ar ôl cychwyn y flwyddyn ariannol y mae'n ymwneud â hi, neu erbyn unrhyw ddyddiad arall a allai gael ei bennu trwy orchymyn gan Weinidogion Cymru.

Mae'r Cyngor yn gyfrifol am baratoi'r Cynllun Gwella a'r wybodaeth a osodir ynddo. Mae'r Mesur yn ei gwneud yn ofynnol i'r Cyngor ystyried canllawiau a gyhoeddir gan Weinidogion Cymru, wrth baratoi a chyhoeddi ei aseiad.

Hefyd o dan y Mesur, mae angen i'r Cyngor gyhoeddi aseiad yn flynyddol, sy'n disgrifio ei berfformiad o ran y canlynol:

- cyflawni ei ddyletswydd i wneud trefniadau i sicrhau gwelliant parhaus wrth gyflawni ei swyddogaethau;
- cyflawni'r amcanion gwella y mae wedi'u pennu iddo'i hun;
- trwy gyfeirio at ddangosyddion perfformiad a nodwyd gan Weinidogion Cymru a dangosyddion perfformiad a bennwyd gan y Cyngor ei hun; a

- chyflawni unrhyw safonau perfformiad a nodwyd gan Weinidogion Cymru a safonau perfformiad a bennwyd gan y Cyngor ei hun.

Mae'r Mesur yn ei gwneud yn ofynnol i'r Cyngor gyhoeddi ei asesiad cyn 31 Hydref yn ystod y flwyddyn ariannol yn dilyn y flwyddyn ariannol y mae'r wybodaeth yn ymwneud â hi, neu erbyn unrhyw ddyddiad arall a allai gael ei bennu trwy orchymyn gan Weinidogion Cymru.

Fel archwilydd y Cyngor, mae'n ofynnol dan adrannau 17 ac 19 y Mesur i mi gynnal archwiliad er mwyn penderfynu a yw'r Cyngor wedi cyflawni ei ddyletswydd i gyhoeddi asesiad o berfformiad, ardystio fy mod i wedi gwneud hynny ac adrodd ynghylch a wyf o'r farn bod y Cyngor wedi cyflawni ei ddyletswyddau'n unol â'r gofynion statudol a eglurir yn adran 15 ac mewn canllawiau statudol.

### Cwmpas yr archwiliad

At ddibenion fy ngwaith archwilio byddaf yn derbyn, os yw awdurdod yn bodloni ei ofynion statudol, y bydd hefyd wedi cydymffurfio â chanllawiau statudol Llywodraeth Cymru yn ddigonol i gyflawni ei ddyletswyddau.

Ar gyfer yr archwiliad hwn, nid yw'n ofynnol i mi ffurfio barn ynghylch pa mor gyflawn neu gywir yw'r wybodaeth. Mae'n bosibl y bydd gwaith asesu arall y byddaf yn ymgymryd ag ef dan adran 18 y Mesur yn ystyried y materion hynny. Felly, roedd fy archwiliad o asesiad o berfformiad y Cyngor yn cynnwys adolygu cyhoeddiad y Cyngor er mwyn gweld a oedd yn cynnwys yr elfennau a bennir mewn deddfwriaeth. Euthum ati hefyd i asesu a oedd y trefniadau ar gyfer cyhoeddi'r asesiad yn cydymffurfio â gofynion y ddeddfwriaeth, ac a oedd y Cyngor wedi ystyried canllawiau statudol wrth baratoi a chyhoeddi ei asesiad.

Nid yw'r gwaith yr wyf i wedi'i gyflawni er mwyn adrodd a gwneud argymhellion yn unol ag adrannau 17 ac 19 y Mesur yn waith y gellir dibynnu'n gyfan gwbl arno i nodi pob gwendid neu bob cyfle i wella.

### Nid wyf yn gwneud unrhyw argymhellion o dan Fesur Llywodraeth Leol (Cymru) 2009



**HUW VAUGHAN THOMAS**

**ARCHWILYDD CYFFREDINOL CYMRU**

CC: Mark Drakeford, Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Jeremy Evans, Rheolwr Archwilio Perfformiad

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# National Fraud Initiative 2014-15: Ensuring the proper use of public funds in Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU







This report summarises the findings of the National Fraud Initiative 2014-15. I have prepared this report for presentation to the National Assembly under the Public Audit (Wales) Act 2004.

Members of the Wales Audit Office staff who assisted me in preparing this report comprised David Rees and Anthony Barrett.

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

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General, together with appointed auditors, also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

For further information please write to the Auditor General at the address above, telephone 029 2032 0500, email: [info@audit.wales](mailto:info@audit.wales), or see website [www.audit.wales](http://www.audit.wales)

© Auditor General for Wales 2016

You may re-use this publication (not including logos) free of charge in any format or medium. You must re-use it accurately and not in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

If you require any of our publications in an alternative format and/or language please contact us using the following details: Telephone 029 2032 0500, or email [info@audit.wales](mailto:info@audit.wales)

# Contents

## Summary report

Foreword	6
Summary	7
<b>1 The latest National Fraud Initiative has been another successful exercise in detecting and preventing fraud against the Welsh public sector</b>	<b>9</b>
The latest NFI exercise in Wales has resulted in total savings to the public purse of £4.4 million	10
NFI matching has helped to identify cases of fraud and overpayments in a wide range of areas	14
Whilst the NFI has been successful in identifying housing-benefit fraud and overpayments, some investigations have been delayed due to the transfer of benefit-fraud investigations from local authorities to the Department of Work and Pensions	16
The NFI pension matches have successfully helped to eliminate many longstanding pension frauds and overpayments but a small number of new cases are still being identified	22
NFI matching between council-tax data and the electoral register has achieved savings to the public purse of £2.1 million	22
NFI matching of creditor-payment data has helped to identify £201,000 of creditor overpayments	24
Review of the NFI matches has led to 1,044 blue badges and 9,959 concessionary travel passes being cancelled	25
The NFI data matches of local authority payments for residential care has identified a small number of cases where local authorities have been charged for residential care costs after the death of a resident	26
NFI matching of housing-tenancy data detected and prevented a small number of housing-tenancy frauds	27
An NFI data-matching pilot exercise designed to prevent housing waiting-list fraud was successful and the Auditor General plans to include housing waiting-list data-matching in future NFI exercises	28
Most Welsh public-sector bodies participating in the NFI were proactive in reviewing the data matches but a small number of participants did not adequately engage in the initiative	29

2	The National Fraud Initiative is continuing to be developed in order to ensure its effectiveness	30
	The Auditor General is continuing to develop NFI to support public bodies to prevent fraud as well as helping to detect fraud, and has provided Welsh participants with access to AppCheck, a new point-of-application fraud-prevention tool	32
	The Auditor General is committed to encouraging more organisations to participate in the NFI in order to maximise the potential benefits of the exercise	33
	The Auditor General will continue to extend NFI into new areas of public services which are susceptible to fraud	34
	The Auditor General will continue to ensure that the current high standards of NFI data security are maintained	35
	<b>Appendices</b>	
	Appendix 1 – How the NFI works	37

# Summary report

## Foreword

The financial challenges facing Welsh public services are unprecedented and it is essential that with budgets reducing, public bodies do everything they can to ensure that they spend wisely and continue to provide vital services and support to those who need it the most.

Fraud is not a victimless crime. Those who make false claims to obtain benefits and services to which they are not entitled do so at the expense of the most vulnerable in society. Fraud impacts on the level of funding available for front-line services, so fighting fraud must remain a key element in ensuring that limited public funds are used effectively. It is vital that each public sector body does everything in its power to both prevent and detect fraud.

The National Fraud Initiative (NFI) is a highly effective tool which continues to play a major role in the fight against fraud and I am pleased to present the results of the latest biennial exercise. Since its inception in 1996, the NFI has been used to identify more than £30 million of fraud and overpayments against the Welsh public sector. The latest exercise has been another success, having uncovered £4.4 million of fraud and overpayments.

I am also delighted that in 2015, public bodies in Wales were given access to a new NFI module, 'AppCheck' at no charge to them, which has been designed to help public bodies identify fraudulent applications for services and benefits. I am confident that this new facility will in future years prove highly successful in preventing fraud entering the system and protecting the public purse.

Whilst these savings to the public purse are valuable in helping to protect front-line services, the benefit of the NFI extends beyond the identifiable financial savings. The NFI continues to be a significant deterrent to would-be fraudsters and has enabled public bodies to identify and address weaknesses in their counter-fraud arrangements.

I am continuing to implement a strategy for widening participation and usage of the NFI in Wales and encourage all public sector organisations to come forward with proposals for further potential data matches that could help in the prevention and detection of fraud.

I would like to publicly thank all those involved in the review and investigation of data matches for the essential work that they do. Once again, that work has proved fruitful in identifying a significant level of fraud and error. I would also like to thank the NFI team based in the Cabinet Office, for their invaluable support in the development and operation of the NFI in Wales.

Huw Vaughan Thomas  
Auditor General for Wales

## Summary

- 1 Public bodies in Wales spend many billions of pounds of taxpayers' money in providing benefits and services to address the social needs of the Welsh population. In most cases, the recipients of these benefits and services are entitled to them and they can make a considerable difference to improving quality of life.
- 2 Unfortunately, there are individuals who seek to claim benefits and services to which they are not entitled. They make fraudulent applications and claims and, in doing so, deprive the public services of valuable resources which could be used to fund vital public services. Fraud against the public services is not a victimless crime. It means that individuals in genuine need may have to wait longer for services, treatments or help because of the greed of others.
- 3 The public services in Wales are facing their biggest challenge for a generation. They face significant reductions in real-term budgets in the coming years. It is therefore imperative that public bodies work to eliminate waste and inefficiencies within their current services in order to minimise the potential impact on front-line services. This must include ensuring that those in receipt of public services and benefits are entitled to them.
- 4 In order to support Welsh public bodies in their fight against fraud, the Auditor General runs the NFI in Wales on a biennial basis. The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The Auditor General collaborates on the NFI with the Cabinet Office, Audit Scotland and the Northern Ireland Audit Office to match data across 1,300 organisations in England, Scotland, Wales and Northern Ireland.
- 5 The NFI continues to be a highly effective tool in detecting fraud and overpayments, and delivering savings to the public purse. Since its commencement in 1996, NFI exercises have resulted in the identification of more than £30 million of fraud and overpayments in Wales, and £1.3 billion across the UK.
- 6 The majority of data matches for this latest NFI exercise were provided to public bodies in January 2015. Since then, most of the matches have been reviewed by participating bodies and, where appropriate, investigations undertaken. In 2013, it was announced that responsibility for investigating potential housing-benefit frauds would transfer from local authorities to the Department of Work and Pensions Fraud and Error Services (DWP FES). This transfer to DWP FES took place in Wales on a phased basis between July 2014 and March 2016. In consequence, many potential housing-benefit frauds identified through NFI data-matching were referred to DWP FES by Welsh local authorities for investigation. Many of these investigations are still in progress and therefore the outcomes of these cases are not yet known.

- 7 Nevertheless, the NFI 2014-15 has been highly effective and has already resulted in the identification of £4.4 million of fraud and overpayments in Wales, and £223 million across the UK.
- 8 These outcomes could not have been achieved without the hard work of staff within participating bodies who have shown commitment to reviewing and investigating the data-matches. Nevertheless, there remains considerable variability in the efforts made by participating bodies to review the matches. The Auditor General will provide additional support in the next biennial NFI exercise to those bodies which are not optimising the benefits of the NFI. This will include providing tailored training and additional guidance on following up NFI matches.
- 9 The Auditor General is committed to supporting public bodies in their efforts to prevent and detect fraud through further developing NFI. During 2015, the Auditor General provided Welsh public bodies with access to a new fraud prevention NFI module, 'AppCheck'. This has been made possible by the additional funding approved by the National Assembly. AppCheck has been designed as a fraud prevention tool, enabling public bodies to undertake real time checks for potential fraud within applications for benefits and services. AppCheck helps prevent fraud entering the system, thereby avoiding costly investigations and recovery action which is needed once fraudulent claims are in payment.
- 10 The Auditor General is seeking to extend participation in the NFI and has written to Welsh Government Sponsored Bodies and Housing Associations encouraging their participation in NFI 2016-17. He is also seeking to extend NFI into other areas which are susceptible to fraud. New datasets are being introduced for NFI 2016-2017 to help identify fraudulent transactions and the Auditor General is also intending to undertake Wales-specific data-matching pilot exercises in areas which he considers may be susceptible to fraud.

## Part 1

The latest National Fraud Initiative has been another successful exercise in detecting and preventing fraud against the Welsh public sector



## The latest NFI exercise in Wales has resulted in total savings to the public purse of £4.4 million

- 1.1 Fraud is not a victimless crime. Those who make false claims to obtain benefits and services to which they are not entitled do so at the expense of the most vulnerable in society. Fraud impacts on the level of funding available for front-line services, so fighting fraud must remain a key element in ensuring that limited public funds are used effectively. It is vital that each public sector body does everything in its power to both prevent and detect fraud.
- 1.2 In order to support Welsh public bodies in their fight against fraud, the Auditor General runs the NFI on a biennial basis. The NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraudulent claims and transactions. [Exhibit 1](#) sets out some of the data matches that are run through the NFI and the types of issues which may be found.

### Exhibit 1 - Councils with incomplete audits at 31 December 2015

Datasets matched	Issues uncovered
Housing benefit to housing-benefit claims	Individuals who are claiming housing benefit at more than one property.
Housing benefit, housing rent and payroll records to immigration data <sup>1</sup>	Individuals employed or in receipt of public benefits who have no entitlement to live or work in the UK.
Council tax single person discount (CTSPD) to electoral register	Individuals falsely claiming to be the sole adult occupant of a property in order to receive a 25 per cent discount on their council tax bill.
Payments to residential care home to deceased persons' records.	Ongoing payments to residential care home residents after the resident has died.
Creditor payments to creditor payments	Public bodies have paid twice for the same goods or service following the receipt of duplicate invoices.
Blue-badge holder records to deceased persons' records.	Improper use of blue badges, where a permit holder has died, but the local authority has not have been notified.

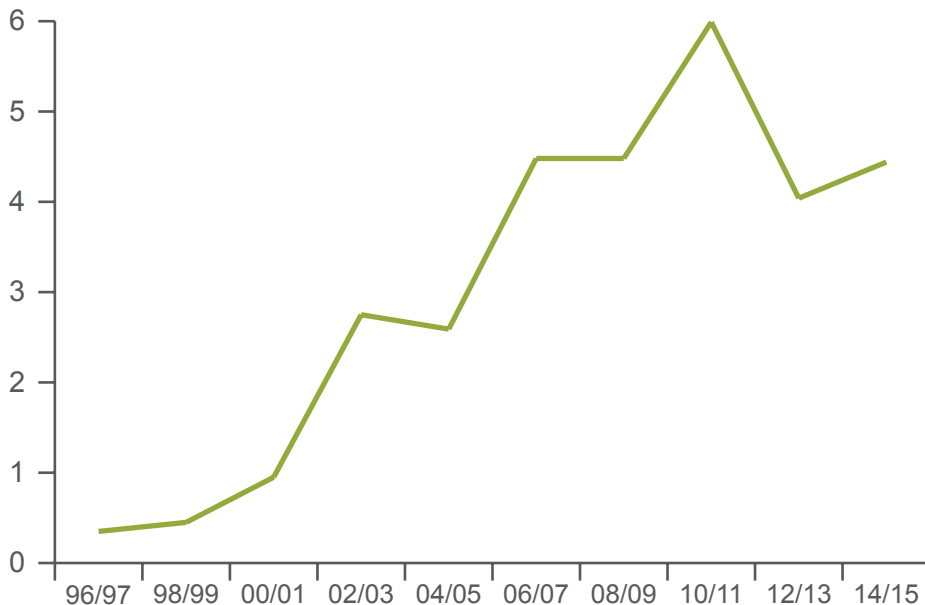
<sup>1</sup> This includes data about refused and expired visas, visas where there is no right to work and failed asylum applications.



- 1.3 The NFI in Wales is run in collaboration with NFI exercises in England, Scotland and Northern Ireland to enable data to be matched across national boundaries. To ensure consistency of approach and to minimise duplication of effort, the Auditor General co operates with the Cabinet Office, Audit Scotland and the Northern Ireland Audit Office. This includes joint development of new data matching modules, sharing data processing arrangements and sharing resources such as staff and technical guidance. Further information on the NFI and how it works is provided in [Appendix 1](#).
- 1.4 The NFI has been a highly effective tool in detecting fraud and overpayments, and delivering savings to the public purse. Since its commencement in 1996, NFI exercises have identified over £30 million of fraud and overpayments in Wales, and £1.39 billion across the UK. Reported overpayments include sums of money that have already been paid out and forward projections, where it is reasonable to assume that fraud, overpayments and error would have continued undetected without NFI data matching.
- 1.5 The most recent exercise, NFI 2014-15, commenced in October 2014. Forty-two Welsh public sector bodies participated in the NFI 2014-15. These included the following mandatory participants:
- Local authorities
  - Police authorities
  - Fire authorities
  - NHS bodies
- 1.6 The Welsh Government, Cardiff University and Estyn participated in the NFI on a voluntary basis. In addition, the Wales Audit Office and other audit suppliers contracted by the Auditor General to audit public sector bodies in Wales participated in the NFI on a voluntary basis. These suppliers include Grant Thornton, KPMG and PricewaterhouseCoopers. The payroll details of the vast majority of public sector staff and their external auditors are included within NFI for data matching to detect and prevent fraud.
- 1.7 The majority of data matches for this latest NFI exercise were provided to public bodies in January 2015. Since then, most of the matches have been reviewed by participating bodies and, where appropriate, investigations undertaken.

- 1.8 In 2013, the Chancellor of the Exchequer announced the formation of a single fraud investigation service to be administered by the Department of Work and Pensions' Fraud and Error Services (DWP FES). As a result, DWP FES has responsibility for investigating Housing Benefit fraud and Tax Credit fraud across the UK. Local authorities and Her Majesty's Revenue and Customs (HMRC) were previously responsible for these investigations. In Wales, the transfer of responsibility to DWP FES took place on a phased basis in-between July 2014 and March 2016 and local authority investigation staff transferred to DWP FES. As a consequence, many potential housing-benefit frauds identified through NFI data-matches were referred by local authorities to DWP FES for investigation. In the past, Welsh local authorities would have investigated these matches themselves.
- 1.9 The current exercise (NFI 2014-2015) has detected and prevented fraud and overpayments against public bodies in Wales of over £4.4 million, compared to £4 million in the previous exercise. As set out in paragraph 1.19, a large number of housing-benefit cases referred to the DWP FES for investigation as potential frauds are still being investigated and once these investigations have been concluded, the total value of fraud detected and prevented is likely to increase. **Exhibit 2** demonstrates how the value of savings identified in Wales through the NFI has changed since the exercise started in 1996.

**Exhibit 2 - NFI reported savings in Wales £ millions**



Source: NFI database

- 1.10 As well as remaining a valuable tool in the detection of fraud, the NFI also provides an important deterrent against those who seek to perpetrate fraud. The latest NFI exercise has led, to date, to the successful prosecution of 25 offenders; other sanctions were imposed in a further 48 cases. These figures are lower than in the previous NFI exercise. However, this is due in part to the fact that a large number of cases are still being investigated by DWP FES. The number of prosecutions and other sanctions is expected to rise significantly in the next few months.
- 1.11 **Exhibit 3** shows a breakdown of the outcomes of NFI cases investigated as part of the NFI exercise 2014-15. NFI continues to help identify fraud and overpayments across a wide range of areas such as housing benefit, CTSPD and pensions.

**Exhibit 3 - NFI results – summary of cases for Wales**

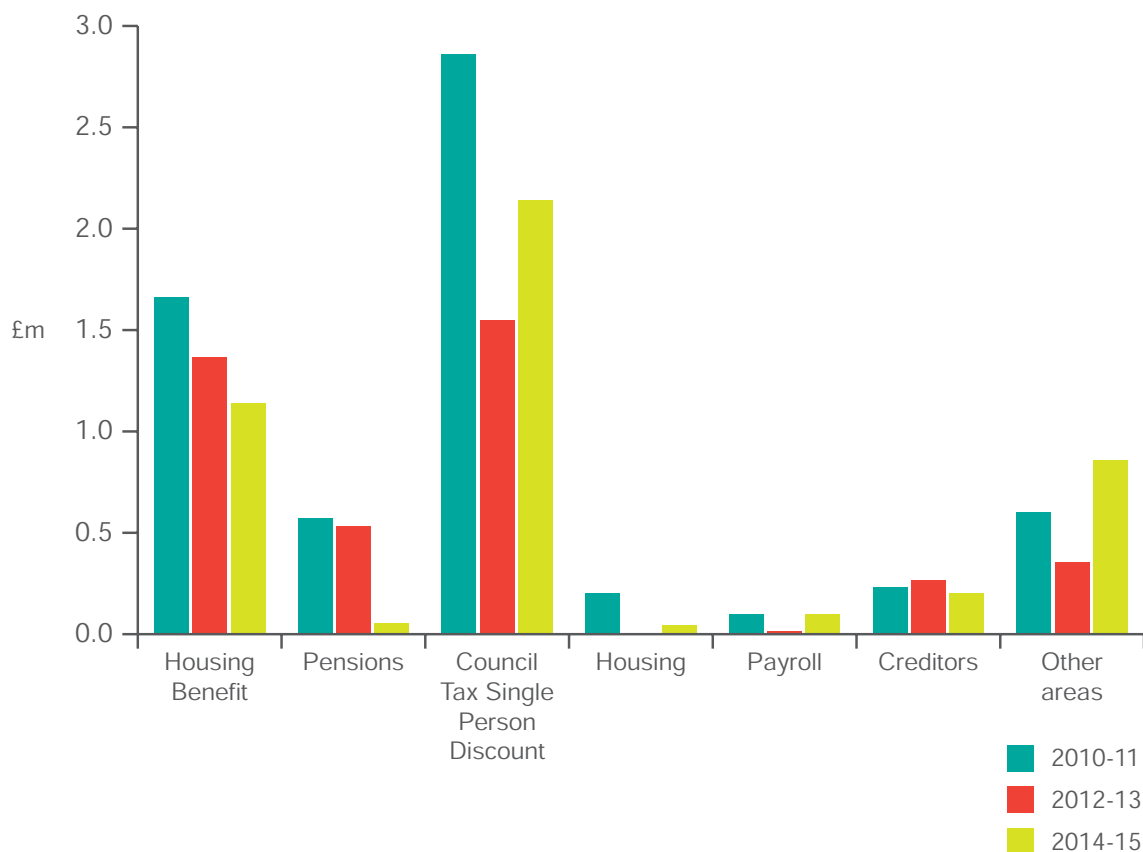
	NFI 2012-13	NFI 2014-15
Successful prosecutions	40	25
Housing-benefit cases which resulted in local authority official cautions	56	30
Housing-benefit cases which resulted in local authority administrative penalties	17	18
Employee dismissed/resigned	2	1
Occupational pension overpayments to deceased pensioners stopped	8	4
Cases of payments identified of overpayments being made to private care homes in respect of deceased patients	3	3
CTSPD applications revoked or withdrawn	1,703	1,988
Blue-badge parking permits cancelled	608	1,044
Concessionary travel permits cancelled	4,753	9,959
Housing-benefit cases involving students	42	46
Housing-benefit cases involving public sector pensioners	129	14
Housing-benefit cases involving local authority employees	94	32
Housing-benefit cases involving NHS employees	39	9
Housing-benefit cases involving licence holders	17	3

Source: NFI database

## NFI matching has helped to identify cases of fraud and overpayments in a wide range of areas

- 1.12 When the NFI began in 1996, the main thrust of the NFI was to match data to identify fraud and overpayments in what were considered high-risk areas, in particular:
- Student awards
  - Housing benefits
  - Public sector payroll
  - Public sector pensions
- 1.13 Over many years, data matching in these areas has led to the identification of high-value fraud and overpayments, including many longstanding frauds. In particular, longstanding pension payments made in the name of deceased pensioners have been stopped. The latest NFI exercise has found that these traditional data matches are still proving to be an effective tool in the detection of fraud and overpayments, and continue to detect frauds. The value of individual frauds in these areas tends to be lower because most longstanding frauds have been eliminated.
- 1.14 Since the first NFI exercise many new modules have been introduced which have provided the opportunity for participating organisations to identify fraud and overpayments in other areas, such as creditor payments and CTSPD claims. The highest-value areas of fraud and overpayments detected and prevented as part of NFI 2014-15 were CTSPD (£2.14 million) and Housing Benefit (£1.16 million).

Exhibit 4 - Overpayments and related future savings identified through NFI 2014-15 compared with NFI 2012-13 and NFI 2010-11



Source: NFI database

- 1.15 When NFI data-matching is introduced into new areas, it has the potential to make a significant financial impact in addressing long-standing fraud. When NFI first matched public sector pensions in payment to deceased persons records, it found significant numbers of pensions still being paid after the pensioner's death. The cancellation of these payments resulted in significant savings to the public purse. Over time NFI has helped to largely eliminate this type of fraud and it is now rare for NFI to identify pensions in payment after a pensioner's death.
- 1.16 In 2008-09, NFI started matching CTSPD to the electoral register for the first time. Since then fraud and overpayments of CTSPD amounting to £7.71 million have been detected and prevented. We anticipate that as local authorities continue to review and cancel ineligible claims and recover overpayments, the value of this type of fraud will reduce as longstanding frauds are eliminated.

## Whilst the NFI has been successful in identifying housing-benefit fraud and overpayments, some investigations have been delayed due to the transfer of benefit-fraud investigations from local authorities to the Department of Work and Pensions

- 1.17 The NFI matches housing-benefit records to a number of datasets to identify fraudulent or erroneous claims. The detection and recovery of housing-benefit fraud and overpayments have traditionally been, and continue to be, one of the most successful areas within the NFI. The 2014-15 exercise has identified £1.4 million of housing-benefit overpayments (compared to £1.5 million in 2012-13).
- 1.18 Investigating housing-benefit fraud often helps identify other overpayments. People that are in receipt of housing benefit may also be in receipt of other benefits and payments, such as council tax benefit or income support.
- 1.19 During the course of NFI 2014-15, responsibility for investigating housing-benefit fraud transferred from Welsh local authorities to DWP FES. The transfer was on a phased basis. The earliest transfers took place in July 2014 with the last transfer in March 2016. As a consequence, some Welsh local authorities carried out their own investigations into potential housing benefits arising from NFI data matches. Those Welsh local authorities which transferred their investigation function early referred the potential housing-benefit frauds to DWP FES for investigation. In total over 750 NFI cases were referred to DWP FES for investigation.
- 1.20 The above changes have impacted on the NFI housing-benefit outcomes over the reporting period and are expected to continue to do so as the new arrangements become embedded. The transition to DWP FES appears to have resulted in many of the NFI matches being investigated by local authorities or referred to DWP for investigation later in the period.
- 1.21 At the time of this report many cases referred by Welsh local authorities are still in progress and the outcomes of these cases are unknown. We anticipate that once the outcomes of the cases are known the value of benefit fraud and overpayments detected and prevented as a result of NFI 2014-15 will rise significantly. Now the transfer of responsibility for investigating housing-benefit fraud from local authorities to the DWP FES is complete, we will work with both DWP and local authorities to ensure the arrangements for the next NFI are aligned correctly with the new environment.
- 1.22 Despite the changes set out above, where NFI housing-benefit investigations have been concluded either by DWP FES or local authorities many cases have been identified where housing benefit has been claimed either fraudulently or in error.

1.23 NFI matches housing-benefit claimants across a range of other data sets to identify instances where claimants have failed to disclose their full income, their personal circumstances or have claimed housing benefit at more than one local authority simultaneously. The following case studies highlight some of the frauds or errors which were identified through the review and investigation of NFI housing-benefit data-matches.

### NFI helped to identify housing-benefit claimants in receipt of housing benefit from two local authorities at the same time

1.24 Housing benefit is a means-tested benefit intended to provide eligible persons with financial support towards their housing rental costs. A claimant may only claim financial support for the costs of renting one property. A claimant is therefore ineligible to receive housing benefit for two properties simultaneously.

#### Case Study 1

**Carmarthenshire County Council** reviewed an NFI match which appeared to show that an individual claiming Housing Benefit in Carmarthenshire had also been claiming Housing Benefit at a different property in a neighbouring local authority area. Carmarthenshire County Council followed up the match by making enquiries to the landlord of the Carmarthenshire property and with the neighbouring local authority. It was established that there was a substantial overlap of the claims with Housing Benefit being paid by both authorities simultaneously. The claimant was interviewed under caution and admitted overclaiming Housing Benefit amounting to £3,935. The claimant was given a formal caution.

#### Case Study 2

**Denbighshire County Council** reviewed an NFI-match report which highlights possible instances of Housing Benefit being claimed from more than one local authority at the same time. In one instance, an individual who had been claiming Housing Benefit from Denbighshire County Council since 2005 appeared to have started claiming Housing Benefit in May 2014 from a neighbouring authority without cancelling his Denbighshire claim. The Council confirmed with the neighbouring authority that both claims were in payment at the same time. The Council cancelled the claim and is seeking to recover an overclaimed Housing Benefit amounting to £3,160. The case has been referred to the DWP as a suspected fraud.

### Case Study 3

**Isle of Anglesey County Council** investigated an NFI data-match which indicated that an individual claiming Housing Benefit from the Authority may also be claiming Housing Benefit within a neighbouring authority. Enquiries made by the Corporate Counter Fraud Officer confirmed that the Housing Benefit claim with the Isle of Anglesey County Council was still live and in payment, with the Housing Benefit payments being made direct into the claimant's bank account. Further enquiries revealed that the claimant had vacated the Anglesey property in August 2015. The neighbouring authority confirmed that the claimant had been receiving Housing Benefit from that Council since August 2015. The Isle of Anglesey County Council claim was cancelled back to August 2015 and an overpayment of £2,799 was calculated. The recovery of the overpayment is ongoing. Details of the case have been referred to the DWP for further investigation.

### NFI helped to find housing-benefit claimants who had not fully disclosed employment or pension income

- 1.25 As housing benefit is means-tested, claimants are required to disclose to the local authority any pay and/or pension income they receive and to notify the local authority if their income changes. Claimants are also required to disclose the pay and/or pension of any non-dependents they live with. Failure to fully disclose income is likely to result in housing benefit being overpaid and can be fraudulent.

### Case Study 4

**Rhondda Cynon Taf County Borough Council** reviewed NFI matches between payroll and Housing Benefit. In one instance the Council found that an employee in receipt of Housing Benefit had failed to disclose that her pay had increased. The individual was interviewed and admitted that she had carried out a number of jobs and failed to report the pay she had received in order to retain entitlement to benefit. The Council calculated that the individual had received £2,199 of Housing Benefit and £610 of Council Tax Reduction which she was not entitled to. The overpayment is being recovered through a reduction to ongoing Housing Benefit payments. The individual received a formal caution.



### Case Study 5

**Denbighshire County Council** carried out a thorough review of NFI matches between its employees and Housing Benefit claimants. One of the matches related to a part-time employee of the Council who had claimed Housing Benefit from the Council since February 2012. Whilst the individual had declared the pay she had received from a second employer, she failed to declare the pay she was receiving from Denbighshire County Council. As a consequence she received £7,779 of Housing Benefit to which she was not entitled. The Council is recovering the over-claimed benefit.

### Case Study 6

**Rhondda Cynon Taf County Borough Council** investigated an NFI match which appeared to show that a Housing Benefit claimant was living at the same property as a Council employee, but had not declared the Council employee's income. The investigation found that the Council employee was a non-dependent daughter of the claimant. When interviewed the claimant explained the reason he had not informed the authority of his daughter's income was because he had assumed the Council would already know. The Council calculated that the individual had received £4,559 of Housing Benefit and £656 of Council Tax Reduction to which he was not entitled. The overpayment is being recovered through a reduction to ongoing Housing Benefit payments. The claimant received a formal caution.

### Case Study 7

**Carmarthenshire County Council** reviewed an NFI address match between a housing-benefit claimant and an individual in receipt of an armed-forces pension. The match appeared to show that the Housing Benefit claimant had not declared the pension income of someone she was living with who was in receipt of an occupational pension. The Council re-visited the housing-benefit claim and confirmed that the claimant had declared that she was the sole adult occupant of the property. Further enquiries were made at other local authorities and the National Anti-Fraud Network, and the claimant was interviewed under caution. The individual admitted having falsely claimed Housing Benefit amounting to £9,482 and was given an Administrative Penalty of an additional £2,000.

### Case Study 8

**Caerphilly County Borough Council** reviewed an NFI match between a Housing Benefit claimant and an occupational pensioner, which raised a concern that the claimant may not have declared their pension income. Initially, the match was referred to DWP FES. However, whilst awaiting a response from DWP FES, the Council obtained information from the HMRC Real Time information system which provided evidence that the claimant was in receipt of undeclared pension income. The Housing Benefit claim was immediately reassessed and an overpayment of £1,583 was confirmed. The overpayment is currently being recovered.

### NFI was used to identify housing-benefit claimants who had no right to work or stay in the UK

- 1.26 NFI data-matches housing-benefit claimants against Home Office immigration and visa records. Individuals who do not have, or have not been granted, a right to reside or work in the UK are ineligible to receive housing benefit.

### Case Study 9

**City and County of Swansea Council** investigated an NFI match between a housing-benefit claimant and Home Office immigration data. The match appeared to show that the individual had been claiming housing benefit since May 2014 but had no right to work or reside in the UK. The Council made further enquiries of the Home Office which confirmed the individual's immigration status. The Council cancelled the housing-benefit claim and is now seeking to recover over-claimed housing benefit amounting to £5,488 and Council Tax Reduction of £841. The case has also been referred to DWP for further investigation as the individual was also in receipt of Income Support.

### NFI helped to identify students claiming housing benefit when not entitled to do so

- 1.27 Most students in receipt of a student loan are ineligible to claim housing benefit. The NFI exercise matched student loan data to housing-benefit records to identify potentially fraudulent or erroneous housing-benefit payments. Following a review of the matched data, local authorities in Wales identified a large number of cases where it was suspected that students had claimed housing benefit when ineligible to do so. Many of these cases were referred to DWP FES and are still under investigation.

### Case Study 10

Staff within the Housing Benefits Department of **Denbighshire County Council** carried out an investigation into an NFI match which appeared to show that an individual who had been in receipt of Housing Benefit since 2012 had failed to notify the Council that he had started a university course in September 2013 and was in receipt of student finance. The Council obtained independent confirmation from the Student Loan Company that the individual had been in receipt of student finance since September 2013 and as a consequence cancelled the Housing Benefit claim. The Council is now seeking to recover over-claimed Housing Benefit amounting to £8,135.

### Case Study 11

**The City and County of Swansea Council** carried out a thorough review of matches between Housing Benefit claimants and students in receipt of student finance. Following this review, several suspected cases of fraud were referred to DWP FES for investigation. In one case, DWP FES found that the individual had failed to disclose their student status and had claimed £5,517 of Housing Benefit, £6,841 of Jobseekers Allowance and £2,999 of Employment and Support Allowance to which he was not entitled. The individual was prosecuted and given a community order.

In a further case referred by the Council, DWP FES found that an individual had failed to disclose their student status and had claimed £3,273 of Housing Benefit and £2,789 of Jobseekers Allowance to which he was not entitled. The individual accepted an administrative penalty of £1,000 for Housing Benefit and £2,000 for Jobseekers Allowance. The overpayment is in the process of being recovered.

### Case Study 12

**Conwy County Borough Council** investigated an NFI match that showed that a Housing Benefit claimant was in receipt of student loans and grant awards. In most cases, students in receipt of a student loan are not entitled to receive Housing Benefit. The Council reviewed the Housing Benefit claim and confirmed that the individual had not declared the student finance received. The Council also identified that the individual was paying reduced council tax based on his disclosed income. A referral was sent to the DWP with details of the student income, and the Council wrote to the claimant requesting a breakdown of the loan/grant they had received for the 2013 academic year. The customer did not respond and so his claim was adjusted. The claimant has agreed to repay the overpayment over a specified period.

## The NFI pension matches have successfully helped to eliminate many longstanding pension frauds and overpayments but a small number of new cases are still being identified

- 1.28 The NFI matches occupational pensions in payment to deceased people to identify instances where pensions were still being paid after a pensioner had deceased.
- 1.29 When this NFI data match was first introduced as part of NFI 2004-05, it identified 61 instances of pensions continuing to be paid in the name of a deceased pensioner. In the last few NFI exercises, the number of cases being identified has steadily declined. NFI 2010-11 identified 17 cases, NFI 2012-13 eight cases and NFI 2014-15 just four cases.
- 1.30 The NFI pensions-to-deceased-persons match is a good example of how successful the NFI can be in helping to reduce fraud in an area which had traditionally been susceptible to fraud.

## NFI matching between council-tax data and the electoral register has achieved savings to the public purse of £2.1 million

- 1.31 Council-tax payers are eligible for a discount on their bill where they are the only occupant of a household aged over 18, or the other occupants of the household fall into exempted categories, for instance students. The discount results in a reduction of 25 per cent of the full council-tax bill payable on the property. This discount is commonly referred to as the Council Tax Single Persons Discount (CTSPD).
- 1.32 Claims for CTSPD were matched with the electoral register. The match identified claims for CTSPD where the claimant was residing in the same property as another individual on the electoral register. Whilst not all matches signified inappropriate claims, the exercise proved to be highly successful. To date, the NFI 2014-15 has resulted in the cancellation of 1,988 CTSPDs (1,703 in NFI 2012-13) and identified savings to the public purse of £2.1 million (£1.5 million in NFI 2012-13). This figure includes related future savings.
- 1.33 In many cases, CTSPD claimants were eligible on application but failed to declare changes in their personal circumstances. The effort of local authorities to establish the dates of changes in circumstances has enabled local authorities to recover previous years' ineligible discounts rather than just stopping the discount going forward.
- 1.34 Local authorities are recovering over 70 per cent of the discount incorrectly awarded. Furthermore, local authorities have found that some individuals, who inappropriately claimed the discount, also claimed other benefits inappropriately.

- 1.35 Whilst some Welsh local authorities have been very proactive in reviewing and where necessary cancelling inappropriate claims for CTSPD, others have not invested sufficient resources to addressing the matches. This is unfortunate, because those authorities which have adopted a rigorous approach have realised significant financial benefits. Case studies 13 and 14 provide two examples of authorities which have been very proactive in this area.

### Case Study 13

**Caerphilly County Borough Council** applied a rigorous approach to the review and investigation of NFI matches showing individuals in receipt of NFI CTSPD, where the electoral register showed that more than one individual was registered to vote at the property in question. As a consequence of following up these matches, 361 fraudulent and 52 erroneous claims were identified where claimants had not or were no longer entitled to a discount. The amount overclaimed amounted to £96,153 of which £92,783 is being recovered. The cancellation of these claims has also increased the council-tax revenue being collected going forward.

### Case Study 14

Since the last NFI exercise, one Welsh local authority has systematically reviewed matches between those in receipt of CTSPD and properties on the electoral register where more than one person was registered to vote. The Council followed up these matches and after seeking evidence of continuing entitlement to a discount has cancelled 710 claims. The value of discounts claimed when there was no entitlement amounted to £226,817 of which £164,895 has been, or is in the process of being recovered.

## NFI matching of creditor-payment data has helped to identify £201,000 of creditor overpayments

- 1.36 The match is designed to help public bodies identify problems such as duplicate invoices or incorrect VAT rates. It also enables public bodies to highlight system deficiencies which could make them susceptible to fraud or error.
- 1.37 The NFI 2014-15 has identified overpayments of £201,000; these overpayments have been or are being recovered wherever possible.

### Case Study 15

**Caerphilly County Borough Council** undertook a rigorous review of creditor-payment matches to identify and investigate potential duplicates. A number of duplicates were identified which had already been recovered by means of supplier credits or refunds but a number of unrecovered duplicates were identified through this exercise. Thirty-one unrecovered duplicated payments were identified with a total value of £114,968, of which £71,897 related to two large-value duplicates. The Council has now recovered all the duplicate payments identified and has introduced additional system controls to prevent duplicate payments in the future.

### Case Study 16

One Welsh local health board reviewed an NFI match which suggested that an invoice for £19,708 had been paid twice. Further checks confirmed that a duplicate payment had been made. The health board recovered the overpayment from future payments to the supplier.

## Review of the NFI matches has led to 1,044 blue badges and 9,959 concessionary travel passes being cancelled

- 1.38 NFI matches blue badges and concessionary travel permits to deceased persons' records. The match is designed to identify badges and permits which are potentially still in circulation after the death of the registered owner. Blue-badge records are also matched to identify cases where blue-badge holders have been issued badges by more than one local authority.
- 1.39 Blue badges provide a range of parking concessions and are a lifeline for people with severe mobility problems. However, it is essential that the badges are cancelled when the holder dies. Failure to do so can lead to badges being used by those who have no entitlement.
- 1.40 It is a criminal offence to display a blue badge for the purposes of evading parking charges or to obtain preferential parking when the car driver or passenger is not the legitimate owner of the badge. This does not stop fraudsters targeting the scheme, and blue badges may be sold for considerable sums of money. The fraud not only results in a loss of parking revenues for the local authority, but it also means that parking spaces may be denied to genuine blue-badge holders.
- 1.41 This year, the match has led to the cancellation of 1,044 blue badges across Wales. Once the badges have been cancelled, it is possible for local authorities to check whether the cancelled badges are being fraudulently displayed.
- 1.42 The Welsh concessionary travel passes scheme entitles all those aged 60 and over and people with disabilities to free bus travel across Wales. Where owners of concessionary travel passes have died, this is not always reported to the local authority and the pass may remain in circulation. This provides the opportunity for fraudsters to avoid travel costs. As a result of work undertaken by Welsh local authorities to review the matches, 9,959 passes were cancelled.

### Case Study 17

**Cardiff Council** received a number of NFI matches between blue-badge holders and deceased persons. Having reviewed these matches the Council was able to confirm in 288 cases that the blue-badge holder had died but the Council had not been notified. The blue badges were cancelled and the Council's records updated.

## The NFI data matches of local-authority payments for residential care have identified a small number of cases where local authorities have been charged for residential care costs after the death of a resident

- 1.43 Dependent upon circumstances, local authorities may contribute to the cost of care for residents of private residential homes. The NFI matches local-authority payments for residential care to deceased persons. If payments continue to be made after a resident's death, very substantial overpayments can accrue.

### Case Study 18

**Cardiff Council** investigated two NFI matches which suggested that the Council had continued to make payments to two residential-care-home providers after a resident had died. The Council's investigations confirmed this to be the case, and the overpayments amounting to £2,166 in one case and £6,386 in the other had accrued. Both providers were asked to refund the money and the full amounts have been recovered.

### Case Study 19

**Conwy County Borough Council** investigated an NFI match which appeared to show that a private residential-care-home provider was still receiving payments from the Council for a service user after their death. On receipt of the match in January 2015, the Council confirmed that the resident had died in July 2014 but the Council had continued to pay for the resident. The Council immediately stopped payment for the resident. Further investigation found that whilst the Council had been notified of the death by the provider, the provider had given an incorrect name to the Council of the deceased. The overpayment, which amounted to £13,155, was therefore deemed to be an error. The overpayment has been fully recovered from the provider.



## NFI matching of housing-tenancy data detected and prevented a small number of housing-tenancy frauds

- 1.44 NFI data matches details of local-authority housing tenancy with other data sets and can help identify issues such as individuals:
- holding tenancies for more than one Council-owned property;
  - claiming housing benefit in respect of one property whilst being a tenant of a different Council-owned property; and
  - claiming the right to purchase a Council-owned property when not entitled to do so.
- 1.45 NFI 2014-15 identified a small number of cases where tenancy fraud had been perpetrated or attempted. Whilst the numbers of such cases identified through NFI have fallen from previous NFI exercises, individual housing-tenancy frauds are often high value and have an impact on the availability of scarce social housing stock.
- 1.46 One of the primary reasons for the reduction in the number of tenancy frauds detected through NFI is because a number of Welsh local authorities have transferred their housing stock to housing associations which do not currently participate in NFI. The Auditor General has written to the largest housing associations in Wales encouraging them to participate in future NFI exercises. The Auditor General will also be considering how NFI can be further developed to achieve improved outcomes in this area in the future.

### Case Study 20

**Cardiff Council** undertook a review of all matches relating to Right-to-Buy applications. As a result, the Council was able to cancel 27 Right-to-Buy applications where the applicants were not, or were no longer, eligible to purchase the properties concerned.

## Case Study 21

**Carmarthenshire County Council** reviewed an NFI match which appeared to show that an individual with a tenancy in a Council-provided council house since September 2014, and in receipt of housing benefit and reduced council tax for low income, was also claiming housing benefit from a local authority in England. Carmarthenshire County Council followed up this match and made enquiries of the English local authority. It was confirmed that the individual had been in receipt of housing benefit in England since December 2012 was still resident in England. The Carmarthenshire housing-benefit claim was cancelled from the outset as the investigation proved that the tenant had never moved in, resulting in a recoverable housing-benefit overpayment of £1,953 and an adjustment to council-tax reduction of £1,525.

## An NFI data-matching pilot exercise designed to prevent housing waiting-list fraud was successful and the Auditor General plans to include housing waiting-list data-matching in future NFI exercises

- 1.47 There is a scarcity of social-housing stock available to provide accommodation to those who need housing. The demand for social housing is increasing and most providers of social housing have long waiting lists. It is essential that social housing is only provided to those entitled to be housed. When individuals apply for housing that they have no entitlement to, or they fail to notify the housing provider that their circumstances have changed, it can lead to tenancies being granted to those who do not qualify for them.
- 1.48 As part of NFI 2014-15, local authorities across the UK were invited on a voluntary basis to submit their housing waiting lists to the NFI to be matched against other data-sets including existing housing tenancies, housing-benefit claimants, immigration data and deceased persons. The purpose of the matching was to identify examples where fraudulent applications had been made, or where personal circumstances had changed, meaning that individuals on waiting lists no longer qualified to be housed.
- 1.49 The exercise was very successful and led to over 2,000 ineligible applicants being removed from housing waiting lists across the UK. Cardiff Council was the only Welsh local authority to participate in the pilot. The results of Cardiff Council's review of the NFI data matches in this area are highlighted in case study 22.
- 1.50 In view of the success of the pilot exercise, the Auditor General has decided to mandate local authorities in Wales to participate in housing-waiting-list matching as part of NFI 2016-17.

## Case Study 21

**Cardiff Council** volunteered to take part in an NFI Social Housing Waiting List Pilot which ran in conjunction with the main NFI exercise. Following data submission the Authority received a number of reports matching records to Housing, Home Office, Social Housing Waiting List, Housing Benefit and DWP records of deceased persons. Cardiff Council adopted a considered approach and focused on prioritising high-quality matches. The pilot proved to be effective and resulted in Cardiff Council removing 31 applicants who were not eligible to be housed from its Social Housing Waiting List.

### Most Welsh public-sector bodies participating in the NFI were proactive in reviewing the data matches but a small number of participants did not adequately engage in the initiative

- 1.51 Auditors have reviewed the work undertaken by authorities to make the best use of the NFI 2014-15 matches and have found that most participants have an effective approach for managing the NFI and reviewing data matches. The commitment of bodies to investigate the matches has increased, and participants are generally more proactive in investigating all of the different types of matches.
- 1.52 However, there is still considerable variation in the level of commitment being shown by participants and, in a small number of cases, participants have failed to adequately review NFI matches in an effective or timely manner. As part of NFI 2016-17, the Auditor General's auditors will be working closely with those participating organisations which did not engage effectively with NFI 2014-15.

## Part 2

The National Fraud Initiative is continuing to be developed in order to ensure its effectiveness



- 2.1 Fraud is completely unacceptable wherever and whenever it is perpetrated. When fraud is committed against public bodies it inevitably impacts most on those who rely on the help of public bodies to provide vital services. Those who commit fraud either do not think about the impact of their actions, or do not care. It is essential that public bodies and their auditors do whatever is necessary to prevent and detect fraud occurring in order to ensure that good use is made of the limited available resources. This includes:
- establishing a zero-tolerance culture in respect of fraud;
  - ensuring that rigorous controls are put in place to prevent fraud occurring;
  - sharing information with other organisations to help fight fraud in all sectors;
  - using effective tools to detect fraudulent transactions; and
  - pursuing rigorous sanctions against anyone found to have committed fraud.
- 2.2 The NFI is one important tool available to public bodies in Wales to use as part of a wider fraud-prevention and detection strategy. The NFI has been a highly effective tool in the prevention and detection of fraud against the public sector for a number of years. Fraud, however, changes over time. New fraud trends emerge and fraudsters themselves change their practices to target areas which they perceive have the weakest controls to prevent and/or detect their fraudulent activities. The NFI must therefore adapt and develop if it is to remain effective. The NFI must respond to emerging trends and policy changes, and introduce new types of data matches in areas which are susceptible to fraud.
- 2.3 The Auditor General has identified the following key areas for maintaining, developing and improving the NFI in the future:
- increased focus on fraud prevention;
  - increasing the number of organisations in Wales participating in the NFI;
  - extending the NFI into new areas which are susceptible to fraud; and
  - ensuring that the current high standards of the NFI data security are maintained.

## The Auditor General is continuing to develop NFI to support public bodies to prevent fraud as well as helping to detect fraud, and has provided Welsh participants with access to AppCheck, a new point-of-application fraud-prevention tool

- 2.4 Since the NFI commenced in 1996 it has been highly successful in helping public bodies detect fraud which has already taken place. As NFI is a biennial exercise this means that a fraud found through NFI may have gone undetected for up to two years. Recovery of money fraudulently claimed can be difficult and fraud investigations are often complex, resource intensive and costly. It is therefore far better to prevent fraud entering the system in the first place through the use of fraud-prevention controls and tools.
- 2.5 Over the last two years the Auditor General has been working with his NFI counterparts in other parts of the UK to develop and roll out a new NFI module, 'AppCheck'. AppCheck is a point-of-application data-matching system that enables NFI participants to cross-check information provided by applicants for benefits, goods or services against other datasets at the time the application is made. The resultant matches identify anomalies which could be due to fraud, enabling public bodies to investigate and resolve these anomalies in advance of decisions on applications being taken.
- 2.6 In 2015, the Auditor General decided to make AppCheck available to all Welsh NFI participants on a no-fee basis. Many participants are currently considering how they can best integrate AppCheck into their existing system-control arrangements. However, AppCheck is already being used by some participants to check applications for employment, housing benefits, CTSPD, blue badges, and taxi and alcohol licences.
- 2.7 The Auditor General is committed to the continued development of AppCheck, in conjunction with NFI teams in other parts of the UK, and to promoting its use going forward. This includes engaging with relevant third-party system suppliers to integrate AppCheck into their systems, thereby enabling participants to automatically access AppCheck through external systems they are already using, for example, existing case management systems.
- 2.8 The Auditor General has also offered to provide all NFI participants on-site training in how best to use AppCheck, and a number of NFI participants have already taken up this offer.

## The Auditor General is committed to encouraging more organisations to participate in the NFI in order to maximise the potential benefits of the exercise

- 2.9 The Auditor General conducts the NFI under the provisions of Section 64A of the Public Audit (Wales) Act 2004. This provision enables the Auditor General to conduct data-matching exercises for the prevention and detection of fraud in or with respect to Wales. The Auditor General can require local authorities and NHS bodies to participate in data-matching exercises and has required all unitary, police, fire and probation authorities, and NHS bodies in Wales to participate in the NFI. The legislation also provides that other organisations, both public and private sector, may voluntarily participate in data-matching exercises run by the Auditor General. The Welsh Government and Cardiff University are voluntary participants in the NFI and their commitment to addressing fraud through participating in the data matching is commendable. The Wales Audit Office also participates in the NFI on a voluntary basis.
- 2.10 The more organisations that contribute to the NFI the greater the impact and effectiveness of the exercise. The greater the number of participants, the more datasets that are available for matching; providing greater potential for frauds to be identified. It can be the case that there is no direct benefit to an organisation participating in the NFI, but if a fraud or overpayment against another public body is prevented or detected then this is to the benefit of the public purse as a whole.
- 2.11 The Auditor General wishes to extend participation in the NFI to as many public bodies in Wales as possible and actively encourages all publicly funded bodies to participate on a voluntary basis. In 2015, the National Assembly for Wales approved a request from the Auditor General for additional funding to increase participation in NFI. This additional funding has enabled the Auditor General to write to potential new participants inviting voluntary participation on a no-fee basis.
- 2.12 Several organisations including some Welsh Government Sponsored Bodies and housing associations have responded indicating that they would like to participate in NFI 2016-17 which is due to commence in October 2016.
- 2.13 The Auditor General continues to encourage more bodies to participate and invites any organisation which is interested to contact the Wales Audit Office for further information.
- 2.14 Welsh public bodies also derive greater benefit from the NFI when public bodies in other parts of the UK participate in the exercise. Fraudsters do not respect geographical boundaries. Local government and NHS bodies in England, Scotland and Northern Ireland currently participate in the NFI, as do a number of government departments.



## The Auditor General will continue to extend NFI into new areas of public services which are susceptible to fraud

- 2.15 The NFI needs to be extended into new areas susceptible to fraud. This is necessary because, when fraudsters know that counter-fraud controls are strong in some areas, they will instead target perceived weaker areas.
- 2.16 As part of NFI 2014-15, pilot data-matching exercises were undertaken at volunteer sites aimed at preventing and detecting fraud in respect of social housing waiting lists and the council-tax reduction scheme (CTRS). The housing-waiting-list pilot exercise (see paragraphs 1.47 to 1.50) resulted in 3,000 applications for social housing across the UK being removed from a social-housing waiting list. The local authorities removing these applicants have estimated that the exercise saved almost £20 million.
- 2.17 Following the replacement of council-tax benefits by locally administered CTRs in April 2013, CTRS data matching was piloted to detect fraud in this area. Fifty-one local authorities took part in the CTRS pilot (no Welsh authorities were involved). The exercise prevented and detected fraud and overpayments amounting to £0.25 million.
- 2.18 In view of the success of these pilots, the Auditor General is planning to require Welsh local authorities to provide social-housing waiting-list data and CTRS data in NFI 2016-17.
- 2.19 The Auditor General is also in discussion with the Welsh Government regarding the feasibility of undertaking Wales-specific data-matching pilot exercises designed to prevent and detect fraud as part of NFI 2016-17. Areas currently being considered relate to commercial fisheries licences and private landlords.
- 2.20 Other areas where UK-wide NFI data pilot exercises are planned or in progress include pilots to:
- target property fraud using Land Registry data;
  - establish the benefits NFI can offer in helping reduce fraud and error in European Health Insurance Cards; and
  - prevent fraud and/or identify undisclosed interests using Companies House data.
- 2.21 The Auditor General will continue to develop the NFI to meet new fraud risks by:
- working with the Welsh Government to identify how NFI can help address any inherent fraud risks associated with new policy developments;
  - listening to the concerns raised by organisations about emerging challenges facing them; and
  - working with key stakeholders in the public and private sectors.



## The Auditor General will continue to ensure that the current high standards of NFI data security are maintained

- 2.22 Fundamental to the success of the NFI, is public confidence in the security of the data it holds. There are extremely robust controls in place to ensure data security and to minimise the risk of data being accessed inappropriately. These controls include:
- automatic data encryption on the upload of data to the NFI;
  - controls to restrict access to only those who need it; and
  - security measures in place to secure the physical environment where the data is held.
- 2.23 The Auditor General recognises that data must not just be held and processed lawfully and securely, it must also be seen to be the case. Furthermore, as cyber-attacks become more sophisticated, the NFI must utilise the most advanced technology available to counteract this threat. The Auditor General is committed to ensuring that the highest standards of security continue to be applied to the NFI going forward.
- 2.24 With advancements in the NFI process and constantly emerging risks, there is always a need to regularly review the security environment to ensure that the arrangements in place are still sufficiently robust. The Wales Audit Office, on behalf of the Auditor General, the Cabinet Office, Audit Scotland, the Northern Ireland Audit Office and the National Audit Office undertake joint security reviews of the NFI on a cyclical basis to ensure that the NFI continues to meet strict security standards (ISO27001). These reviews have confirmed that security controls are strong. Where recommendations are made to enhance the security arrangements, monitoring arrangements have been established to ensure effective implementation. NFI is also accredited under the UK Government's information-assurance standards.
- 2.25 In 2008, in accordance with Part 4A of the Public Audit (Wales) Act 2004, the Auditor General prepared a Code of Data Matching Practice (the Code). Following an extensive public consultation exercise, the Code was laid before the National Assembly and approved. The Code has statutory status and is designed to ensure that people's information is protected and processed appropriately during data-matching exercises, in accordance with the Data Protection Act 1998 and best practice. The Auditor General will continue to keep the Code under review to ensure it is consistent with new legislation and best practice.
- 2.26 When considering the extension of the NFI to new areas, the Auditor General is committed to balancing the privacy of data subjects with the potential benefits to be achieved through the data-matching exercise. The Auditor General will therefore only consider new NFI matches in areas where there is an appreciable risk of fraud.

# Appendices

## Appendix 1 – How the NFI works



# Appendix 1 - How the NFI works

In 1996, the Audit Commission in England and Wales launched the NFI to help public bodies match claimant information across different service areas and geographical boundaries. The exercise was a success, and since then NFI has run biennially, introducing new participants and new modules for identifying fraud and overpayments in each new exercise. Whilst NFI is run as a UK-wide initiative, it is administered in Wales by the Auditor General for Wales, in Scotland by Audit Scotland and in Northern Ireland by the Northern Ireland Audit Office. NFI was administered in England by the Audit Commission until 2015 when responsibility transferred to the Cabinet Office.

The NFI has established itself as the UK's premier public-sector fraud-detection exercise. Since 1996, the NFI has identified more than £30 million of fraud and overpayments in Wales, and over £1.3 billion across the UK.

Welsh NFI participants in the NFI provide data relating to their financial systems to the Cabinet Office on behalf of the Auditor General. The information submitted is wide-ranging and includes data relating to housing benefits, student-loan recipients, payroll and pension payments. The data is uploaded to the NFI system which has been designed to match different sets of data for the purpose of identifying fraudulent or erroneous claims and payments. Where a match is found, it may indicate an inconsistency which requires further investigation; it is not in itself evidence of a fraud.

Participating organisations are provided with online reports containing the matches which relate to their organisation and they are responsible for analysing those matches. The participants must review the matches in an appropriate and proportionate way to enable them to eliminate co-incidental matches. They must use evidence from a range of other sources to undertake appropriate investigations to determine whether individual matches have arisen due to a fraudulent claim or payment. In many cases, matches arise because of errors in the data, and because the NFI has highlighted the issue, it allows participants to correct or update the data held in their records.

The results of investigations are recorded by appropriate staff members. Where fraudulent payments or overpayments are identified, the value of those transactions is recorded and the information is provided to the Auditor General.

Datasets are transferred by participants to the NFI system using an electronic transfer process which encrypts data on upload. The data is transferred via a secure NFI website, and all matches are provided back to participants using the same tool. Access to the tool and NFI matches is controlled by password access, and strict controls exist to ensure access is provided to appropriate individuals.

Auditors review the progress made by participants, and provide guidance and advice to auditors as required.

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

**Y Pwyllgor Archwilio  
30 Medi 2016**

**Llythyr Cynrychiolaeth i Swyddfa Archwilio Cymru  
Cyngor Sir Gar**

**Yr argymhellion / penderfyniadau allweddol sydd eu hangen:**

Er mwyn cydnabod y Llythyr Cynrychiolaeth oddi wrth y Cyfarwyddwr Gwasanaethau Corfforaethol a Chadeirydd y Pwyllgor Archwilio i Swyddfa Archwilio Cymru – Cyngor Sir Gar

**Y Rhesymau:**

Mae angen cydnabyddiaeth ffurfiol y Pwyllgor am ymateb y Cyfarwyddwr Gwasanaethau Corfforaethol gan Swyddfa Archwilio Cymru

Angen ymgynghori â'r Pwyllgor Craffu perthnasol: Amh.

Angen i'r Bwrdd Gweithredol wneud penderfyniad : NAC OES

Angen i'r Cyngor wneud penderfyniad : NAC OES

(Dileer fel y bo'n briodol )

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:- Y Cyng.  
David Jenkins

Y Gyfarwyddiaeth :

Gwasanaethau Corfforaethol

Enw Pennaeth y Gwasanaeth:

Mr O Bowen

Swyddi:

Pennaeth Gwasanaethau  
Cyllidol

Rhif ffôn: 01267 224121

Cyfeiriadau E-bost:

OBowen@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30th September 2016**

**Letter of Representation to Wales Audit Office**  
**Carmarthenshire County Council**

In line with the Statement on Auditing Standards ( SAS440 - Management Representations), the Wales Audit Office require a "Letter of Representation" on an Annual Basis from the Director of Corporate Services.

The Wales Audit Office require that the Committee responsible for approving the Accounts under Regulation 8 of the Accounts and Audit Regulations formally acknowledge the Director of Corporate Resources' response.

**DETAILED REPORT ATTACHED?**

**YES**

**IMPLICATIONS**

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed: O Bowen**

**Head of Financial Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

**CONSULTATIONS**

**I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below**

**Signed: O Bowen**

**Head of Financial Services**

- 1. Scrutiny Committee – N/A**
- 2. Local Member(s) – N/A**
- 3. Community / Town Council – N/A**
- 4. Relevant Partners – N/A**
- 5. Staff Side Representatives and other Organisations – N/A**

**Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report: There are none**

Eich cyf / Your ref:

Gofynner am / Please ask for:

Fy nghyf / My ref:

Llinell Uniongyrchol / Direct Line: 01267 224121

Dyddiad / Date: 30<sup>th</sup> September, 2016

E-bost / E-mail: CMoore@carmarthenshire.gov.uk

## Final Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Carmarthenshire County Council for the year ended 31<sup>st</sup> March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2015-16; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

**Chris Moore. FCCA**

Cyfarwyddwr y Gwasanaethau Corfforaethol, Neuadd y Sir, Caerfyrddin, SA31 1JP  
Director of Corporate Services, County Hall, Carmarthen, SA31 1JP

Mae Cyngor Sir Caerfyrddin yn croesawu gohebiaeth yn Gymraeg neu yn Saesneg  
Carmarthenshire County Council welcomes correspondence in Welsh or English

Tudalen 179



**BUDDSODDWYR | INVESTORS**  
**MEWN POBL | IN PEOPLE**



## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.



All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 30<sup>th</sup> September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services – signed  
on behalf of management

Date:

Signed by:

Chair of the Audit Committee – signed  
on behalf of those charged with  
governance

Date:

Mae'r dudalen hon yn wag yn fwriadol

**Y Pwyllgor Archwilio  
30 Medi 2016**

**Ymholiadau archwilio ar gyfer y rheiny sy'n gyfrifol am  
llywodraethu a rheolaeth - Cyngor Sir Gar**

**Yr argymhellion / penderfyniadau allweddol sydd eu hangen:**

1. Cymeradwyo'r ymatebion i'r ceisiadau a gyflwynwyd i'r rheolwyr ac i'r Pwyllgor Archwilio fel y nodwyd yn yr adroddiad.

**Y Rhesymau:**

Rhoi sicrwydd i Swyddfa Archwilio Cymru ynghylch nifer o feysydd llywodraethu sy'n effeithio ar yr archwiliad o'r datganiadau ariannol.

Angen ymgynghori â'r Pwyllgor Craffu perthnasol: Amh.

Angen i'r Bwrdd Gweithredol wneud penderfyniad : NAC OES

Angen i'r Cyngor wneud penderfyniad : NAC OES

(Dileer fel y bo'n briodol )

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:- Y Cyng.**  
David Jenkins

Y Gyfarwyddiaeth :

Gwasanaethau Corfforaethol

Enw Pennaeth y Gwasanaeth:

Mr O Bowen

Swyddi:

Pennaeth Gwasanaethau

Cyllidol

Rhif ffôn: 01267 224121

Cyfeiriadau E-bost:

OBowen@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30th September 2016**

**Audit enquiries to those charged with governance and management – Carmarthenshire County Council**

The Welsh Audit Office is required to conduct their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs they are required to formally seek the Authority's documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations are relevant to both the Council's management and 'those charged with governance' (the Audit Committee).

The areas of governance on which they are seeking views:

1. Management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance the processes for identifying and responding to fraud.

2. Management's awareness of any actual or alleged instances of fraud.

3. How management gain assurance that all relevant laws and regulations have been complied with.

4. Whether there is any potential litigation or claims that would affect the financial statements.

5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information provided informs their understanding of the Council and its business processes and supports their work in providing an audit opinion on the 2015-16 financial statements.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: O Bowen

Head of : Financial Services

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	ICT <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>	Physical Assets <b>NONE</b>
--	----------------------	------------------------	--------------------	---------------------------------------	--------------------------------------	--------------------------------

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: O Bowen

Interim Head of : Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

2014/15 accounts closure working papers

Corporate and HR Policies

Title of Document	File Ref No.	Locations that the papers are available for public inspection
2014/15 accounts working papers		County Hall, Carmarthen

Mae'r dudalen hon yn wag yn fwriadol

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council  
County Hall  
Carmarthen  
SA31 1JP

<b>Reference</b>	CarmCC
<b>Date</b>	5 <sup>th</sup> April 2016
<b>Pages</b>	1 of 7

Dear Chris

## **Carmarthenshire County Council 2015-16**

### **Audit enquiries to those charged with governance and management**

As you will be aware I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the Council's management and 'those charged with governance'

I have set out below the areas of governance on which I am seeking your views.

#### 1. Management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance the processes for identifying and responding to fraud.

2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2014-15 financial statements.

I would be grateful if you could complete the attached table in Appendix 1, which should be formally considered and communicated to us on behalf of both management and those charged with governance by 31<sup>st</sup> August 2016. In the meantime, if you have queries, please contact me on (07792)015416.

Yours sincerely

Jason Garcia  
Audit Manager



## Appendix A

### International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the Council is the Audit Committee. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA? The ISA views fraud as either:

- the intentional misappropriation of the Council’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Audit Committee:

Enquiries of management	
Question	Response
1) What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principle reasons?	It is management’s opinion that the risk of material misstatement of the financial statements due to fraud are low due to the checks and controls that are in place. The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and

	<p>guidance to all staff and members</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>The Authority's Anti Fraud and Anti Corruption Strategy 2011/2015 was approved by Audit Committee in 30<sup>th</sup> September 2011 and is available on the Authority's Intranet. Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p> <p>The Authority participates in the "<b>National Fraud Initiative</b>", where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was undertaken during 2013/14 and 2015/2016 and the data is currently being reviewed.- Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>Internal Audit continues to provide training to a range of staff. Fraud awareness is a key area covered as part of the training.</p>
2) How can management assure the Audit Committee that it has not been inappropriately influenced by external pressures?	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members</p>
3) Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	<p>Public spending in Wales has seen unprecedented reductions in government settlements that have obviously made the budget process extremely difficult. It is a key requirement of the Section 151 Officer to put forward a balanced budget for</p>

	<p>approval by County Council. Leading up to his Report to County Council, there is significant consultation with Elected Members, Officers and the public to set priorities and cost the implications of any proposals.</p> <p>Elected Members, staff and the public have been kept fully abreast of the developments on the financial position of the Authority throughout the budget setting process, and established reporting systems are in place to ensure that budgets are monitored during the year.</p> <p>Decisions have had to be made in respect of prioritisation of services and the inclusion of substantial budget reductions in order to achieve a balanced budget with an acceptable Council Tax increase.</p>
<p>4) What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p> <p>The Authority reacts swiftly where concerns are identified, and there are currently two separate investigations underway, the outcome of which have yet to be finalised.</p>
<p>5) How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>The Authority's Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in September 2011 and is available on the Authority's Intranet</p> <p>The Authority has an established Code of Conduct for Members and Staff, and a whistleblowing policy.</p> <p>All staff are required to make an annual declaration of personal interests and are</p>

	reminded of the Officers code of Conduct.
6) What arrangements are in place to report about fraud to those charged with governance?	The Annual Report from the designated “Head of Audit” (Audit & Risk Manager) to Audit Committee provides an opportunity to summarise issues relating to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.
<b>Enquiries of those charged with governance</b>	
1) How do those charged with governance, <del>in its role as those charged with governance,</del> exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?	Approval of the Anti Fraud and Anti Corruption Strategy 2011-2015 approved by Audit Committee in 30 <sup>th</sup> September 2011 The Strategy sets out the Framework for detecting and dealing with fraud matters within the Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.
2) Have those charged with governance knowledge of any actual, suspected or alleged fraud since 1 April 2014?	Audit Committee is a public meeting so individual cases of “suspected fraud” cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared “informally” with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting. No instances of “Non Benefit Fraud” under investigation during 2014/15. Instances relating to 2015/16 and subsequent years will be discussed with the Chair and Vice Chair.  The Head of Audit, Risk and Procurement will look to include a section in future Annual Reports to the Audit Committee.

3) Have those charged with governance any suspicion that fraud may be occurring within the organisation?	<p>All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Audit, Risk and Procurement.</p> <p>Carmarthenshire County Council has a “Whistleblowing policy”, managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard their interests in line with the Public Interest Disclosure Act 1998.</p> <p>Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated “Fraud Hotline”.</p>
4) Are those charged with governance satisfied that internal controls, including segregation of duties, exist and work effectively? If ‘yes’, please provide details. If ‘no’ what are the risk areas?	<p>Yes</p> <p>Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits</p>
5) How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	<p>The Authority’s Whistleblowing policy sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>
6) From a fraud and corruption perspective, what are considered by those charged with governance to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc</p>

7) Are those charged with governance aware of any related party relationships or transactions that could give rise to instances of fraud and how does they mitigate the risks associated with fraud related to related party relationships and transactions?	All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.
8) Are those charged with governance aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?	No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions
9) Are those charged with governance aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	All Elected Members sit on Full Council and various scrutiny committees and have been kept abreast of, and consulted upon the financial outlook and budget setting. Extensive public consultation undertaken during the budget setting and specifically on the budget Savings proposals. In addition the External Voting Member is fully aware of the need to meet revenue and capital budgets or other constraints.

## International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

### Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non compliance rests with management and 'those charged with governance', which for the Council is the Audit Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Audit Committee:

Enquiries of management	
Question	Response
1) How have you gained assurance that all relevant laws and regulations have been complied with?	Code of Practice on Local Authority Accounting 2014/15, LAAP Bulletins reviewed, CIPFA/IPF training Courses. WAO findings
2) Are there any potential litigations or claims that would affect the financial statements?	No – covered in the letter of representation. Enquiries are made of the Assistant Chief Executive (HR) and the monitoring officer at year end, and again pre-publication of the statement to identify any potential post balance sheet date events. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
Enquiries of those charged with governance	

1) Have those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	Reliance on Internal Audit, Monitoring Officer, Section 151 Officer, Letter of representation and WAO feedback
2) Are those charged with governance aware of any non-compliance with relevant laws and regulations?	No
3) If there have been instances of non-compliance what are they, and what oversight have those charged with governance had to ensure that action taken by management to address and gaps in control?	No.



## International Standard for Auditing (UK and Ireland) 550 – Related parties

### Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

As related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Audit Committee:

Enquiries of management	
Question	Response
1) What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Enquires made of relevant officers and members for details of any potential related party

	<p>transactions. Evidence subjected to audit by WAO.</p> <p>Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed.</p>
<p>2) Confirm that you have:</p> <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	<p>Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed</p>
<b>Enquiries of those charged with governance</b>	
<p>1) How do those charged with governance exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.</p>

**Y Pwyllgor Archwilio  
30 Medi 2016**

**Llythyr Cynrychiolaeth i Swyddfa Archwilio Cymru  
Cronfa Bensiwn Dyfed**

**Yr argymhellion / penderfyniadau allweddol sydd eu hangen:**

Er mwyn cydnabod y Llythyr Cynrychiolaeth oddi wrth y Cyfarwyddwr Gwasanaethau Corfforaethol a Chadeirydd y Pwyllgor Archwilio i Swyddfa Archwilio Cymru - Cronfa Bensiwn Dyfed

**Y Rhesymau:**

Mae angen cydnabyddiaeth ffurfiol y Pwyllgor am ymateb y Cyfarwyddwr Gwasanaethau Corfforaethol gan Swyddfa Archwilio Cymru

Angen ymgynghori â'r Pwyllgor Craffu perthnasol: Amh.

Angen i'r Bwrdd Gweithredol wneud penderfyniad : NAC OES

Angen i'r Cyngor wneud penderfyniad : NAC OES

(Dileer fel y bo'n briodol )

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:- Y Cyng. David Jenkins

Y Gyfarwyddiaeth :

Gwasanaethau Corfforaethol

Enw Pennaeth y Gwasanaeth:

Mr O Bowen

Swyddi:

Pennaeth Gwasanaethau  
Cyllidol

Rhif ffôn: 01267 224121

Cyfeiriadau E-bost:

OBowen@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30th September 2016**

**Letter of Representation to Wales Audit Office**  
**Dyfed Pension Fund**

In line with the Statement on Auditing Standards ( SAS440 - Management Representations), the Wales Audit Office require a "Letter of Representation" on an Annual Basis from the Director of Corporate Services.

The Wales Audit Office require that the Committee responsible for approving the Accounts under Regulation 8 of the Accounts and Audit Regulations formally acknowledge the Director of Corporate Resources' response.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

**IMPLICATIONS**

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **O Bowen** **Head of Financial Services**

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	ICT <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>	Physical Assets <b>NONE</b>
--	----------------------	------------------------	--------------------	---------------------------------------	--------------------------------------	--------------------------------

**CONSULTATIONS**

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below  
Signed: **O Bowen** **Head of Financial Services**

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

There are none



**EICH CYNGOR arleinamdani**  
[www.sirgar.llyw.cymru](http://www.sirgar.llyw.cymru)

**YOUR COUNCIL doitonline**  
[www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales)

Eich cyf / Your ref:

Gofynner am / Please ask for:

**Anthony Parnell**

Fy nghyf / My ref:

Llinell Uniongyrchol / Direct Line:

**01267 224180**

Dyddiad / Date: **30/09/2016**

E-bost / E-mail:

**AParnell@carmarthenshire.gov.uk**

## Final Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

30 September 2016

### Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

### Management representations

#### Responsibilities

I have fulfilled my responsibilities for:

The preparation of the financial statements in accordance with legislative requirements and the 2015-16 Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

Full access to:

– all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;



Eich cyf / Your ref:

Gofynner am / Please ask for:

Anthony Parnell

Fy nghyf / My ref:

Llinell Uniongyrchol / Direct Line:

01267 224180

Dyddiad / Date: 30/09/2016

E-bost / E-mail:

AParnell@carmarthenshire.gov.uk

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Our knowledge of fraud or suspected fraud that we are aware of and that affects Dyfed Pension Fund and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.

Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable. Whilst we recognise the subjective nature of determining the fair value of private property investments and pooled property investments, we confirm that the valuation received by the Pension Fund in respect of these investments has been properly accounted for and disclosed.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

Eich cyf / Your ref:

Gofynner am / Please ask for:

**Anthony Parnell**

Fy nghyf / My ref:

Llinell Uniongyrchol / Direct Line:

**01267 224180**

Dyddiad / Date: **30/09/2016**

E-bost / E-mail:

**AParnell@carmarthenshire.gov.uk**

## Representations by Carmarthenshire County Council as Administering Authority for the Dyfed Pension Fund

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 30 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

**Chris Moore**  
Director of Corporate Services  
Date: 30 September 2016

**Audit Committee Chairman**  
Date: 30 September 2016

Mae'r dudalen hon yn wag yn fwriadol



**Y Pwyllgor Archwilio  
30 Medi 2016**

**Ymholiadau archwilio ar gyfer y rheiny sy'n gyfrifol am  
lywodraethu a rheolaeth y Gronfa Pensiwn Dyfed**

**Yr argymhellion / penderfyniadau allweddol sydd eu hangen:**

1. Cymeradwyo'r ymatebion i'r ceisiadau a gyflwynwyd i'r rheolwyr ac i'r Pwyllgor Archwilio fel y nodwyd yn yr adroddiad.

**Y Rhesymau:**

Rhoi sicrwydd i Swyddfa Archwilio Cymru ynghylch nifer o feysydd llywodraethu sy'n effeithio ar yr archwiliad o'r datganiadau ariannol y Gronfa Pensiwn Dyfed.

Angen ymgynghori â'r Pwyllgor Craffu perthnasol: Amh.

Angen i'r Bwrdd Gweithredol wneud penderfyniad : NAC OES

Angen i'r Cyngor wneud penderfyniad : NAC OES

(Dileer fel y bo'n briodol )

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:- Y Cyng.**  
David Jenkins

Y Gyfarwyddiaeth :

Gwasanaethau Corfforaethol

Enw Pennaeth y Gwasanaeth:

Mr O Bowen

Swyddi:

Pennaeth Gwasanaethau  
Cyllidol

Rhif ffôn: 01267 224121

Cyfeiriadau E-bost:

OBowen@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30th September 2016**

**Audit enquiries to those charged with governance and management**

The Welsh Audit Office is required to conduct their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs they are required to formally seek the Authority's documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations are relevant to both the Dyfed Pension Fund's management and 'those charged with governance' (the Audit Committee).

The areas of governance on which they are seeking views:

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information provided informs their understanding of the Dyfed Pension Fund and its business processes and supports their work in providing an audit opinion on the 2015-16 financial statements.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **O Bowen** **Head of Financial Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below  
Signed: **O Bowen** **Head of Financial Services**

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

2015/16 accounts closure working papers

Corporate and HR Policies

Title of Document	File Ref No.	Locations that the papers are available for public inspection
2015/16 accounts working papers		County Hall, Carmarthen

Mae'r dudalen hon yn wag yn fwriadol

# Archwilydd Cyffredinol Cymru Auditor General for Wales

---

24 Heol y Gadeirfan / Cathedral Road  
Caerdydd / Cardiff CF11 9LJ  
Ffôn / Tel: 029 20 320500  
Ebost / Email: [info@wao.gov.uk](mailto:info@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

## Reference

Date 5<sup>th</sup> April 2016  
Pages 1 of 8

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council  
County Hall  
Carmarthen  
SA31 1JP

Dear Chris

## **Dyfed Pension Fund 2015-16**

### **Audit enquiries to those charged with governance and management**

As you will be aware I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both management and 'those charged with governance'.

I have set out below the areas of governance on which I am seeking your views.

#### 1. Management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance of the processes for identifying and responding to fraud.

#### 2. Management's awareness of any actual or alleged instances of fraud.

- 
3. How management gain assurance that all relevant laws and regulations have been complied with.
  4. Whether there is any potential litigation or claims that would affect the financial statements.
  5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Pension Fund's arrangements and business processes and support our work in providing an audit opinion on their 2015-16 financial statements.

I would be grateful if you could complete the attached table in Appendix 1, which should be formally considered and communicated to us on behalf of both management and those charged with governance by 31st August 2016. In the meantime, if you have queries, please contact me on (07792) 015416.

Yours sincerely

Jason Garcia  
Audit Manager

Appendix A

**International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements**

**Background**

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Pension Fund exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA?

The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

**What are we required to do?**

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and those charged with governance:

<b>Enquiries of management</b>	
Question	Response
1) What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principle reasons?	It is Management’s opinion that the risk of material misstatement of the financial statements due to fraud are low due to the checks and controls that are in place.

---

	<p>The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members</p> <p>The Authority has an Internal Audit team with responsibility for providing an ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>The Authority's Anti Fraud and Anti Corruption Strategy 2011/2015 was approved by Audit Committee in 30<sup>th</sup> September 2011 and is available on the Authority's Intranet. Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p> <p>The Authority participates in the "<b>National Fraud Initiative</b>", where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally</p>
--	---



	<p>across Local Authorities and other Public Sector Organisations was undertaken during 2013/14 and 2015/2016. Work will be completed for 2015/2016 matches.</p> <p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>Internal Audit continues to provide training to a range of staff. Fraud awareness is a key area covered as part of the training.</p>
<p>2) How can management assure those charged with governance that it has not been inappropriately influenced by external pressures?</p>	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members</p>

<p>3) Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>The global economy has been volatile and challenging over recent years which has impacted on the market value of the pension fund.</p> <p>Three year valuations are undertaken to ensure that the fund's value is scrutinised and any remedial timely action is undertaken.</p>
<p>4) What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p>
<p>5) How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>The Authority's Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in</p>

	<p>30<sup>th</sup> September 2011 and is available on the Authority's Intranet</p> <p>The Authority has an established Code of Conduct for Members and Staff, and a whistleblowing policy.</p> <p>All staff are required to make an annual declaration of personal interests and are reminded of the Officers code of Conduct.</p>
6) What arrangements are in place to report about fraud to those charged with governance?	<p>The Annual Report from the designated "Head of Audit" (Audit &amp; Risk Manager) to Audit Committee provides an opportunity to summarise issues relating to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.</p>
<b>Enquiries of those charged with governance</b>	
1) How do those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Pension Fund and the internal control that management has established to mitigate those risks?	<p>Approval of the Anti Fraud and Anti Corruption Strategy 2011-2015 approved by Audit Committee in 30<sup>th</sup> September 2011. The Strategy sets out the Framework for detecting and dealing with fraud matters within the</p>

	Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.
2) Have those charged with governance knowledge of any actual, suspected or alleged fraud since 1 April 2015?	<p>Audit Committee is a public meeting so individual cases of “suspected fraud” cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared “informally” with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting.</p> <p>No instances of “Non Benefit Fraud” under investigation during 2015/16. Instances relating to 2016/17 and subsequent years will be discussed with the Chair and Vice Chair.</p>
3) Have those charged with governance any suspicion that fraud may be occurring within the organisation?	<p>All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Audit, Risk and Procurement.</p> <p>Carmarthenshire County Council has a “Whistleblowing policy”, managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard</p>

	<p>their interests in line with the Public Interest Disclosure Act 1998.</p> <p>Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated “Fraud Hotline”.</p>
<p>4) Are those charged with governance satisfied that internal controls, including segregation of duties, exist and work effectively? If ‘yes’, please provide details. If ‘no’ what are the risk areas?</p>	<p>Yes</p> <p>Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits</p>
<p>5) How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?</p>	<p>The Authority’s Whistleblowing policy sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>

---

<p>6) From a fraud and corruption perspective, what are considered by those charged with governance to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?</p>	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc.</p> <p>The Pensions Administration section has an audit trail of all transactions via the workflow system in addition to the daily journals which record each key suppression. Staff members are restricted on access level by the software 'check pointing' facility. The pension fund participates in the NFI and additionally undertakes monthly mortality screening of pensioners and an annual screening of deferred members. The section has annual payroll and system audits by Carmarthenshire's audit team.</p> <p>Any fraud identified would immediately be reported to Head of Financial Services and the Local Pension Board.</p>
---	--

<p>7) Are those charged with governance aware of any related party relationships or transactions that could give rise to instances of fraud and how does they mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.</p>
<p>8) Are those charged with governance aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?·</p>	<p>No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions</p>
<p>9) Are those charged with governance aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>Three Elected Members sit on the pension panel and are kept abreast quarterly on the global financial outlook and the performance/value of the pension fund.</p>

---

## International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

### Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non compliance rests with both management and 'those charged with governance'. The ISA requires us, as external auditors, to obtain an understanding of how they gain assurance that all relevant laws and regulations have been complied with.

### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management those charged with governance.

<b>Enquiries of management</b>	
Question	Response
1) How have you gained assurance that all relevant laws and regulations have been complied with?	Local Government Pension Scheme training courses and conferences run by the Local Government Chronicle and National Association of Pension Funds. Regulatory documents from the Department for Communities and Local Government. WAO findings
2) Are there any potential litigations or claims that would affect the financial statements?	No – covered in the letter of representation. Enquiries are made of the Assistant Chief Executive (HR) and the monitoring officer at year end, and again pre-publication of the statement to identify any potential post balance sheet date events. All known actual or possible litigation and claims whose effects should be considered when preparing



	the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
<b>Those charged with governance response</b>	
1) How do those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	Reliance on Internal Audit, Letter of representation and WAO feedback
2) Are those charged with governance aware of any non-compliance with relevant laws and regulations?	No
3) If there have been instances of non-compliance what are they, and what oversight have those charged with governance had to ensure that action taken by management to address and gaps in control?	No

### **International Standard for Auditing (UK and Ireland) 550 – Related parties**

#### **Background**

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the

---

financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and those charged with governance:

<b>Enquiries of management</b>	
Question	Response
1) What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Enquires made of relevant officers and members for details of any potential related party transactions. Evidence subjected to audit by WAO.

	Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed.
<p>2) Confirm that you have:</p> <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed
<b>Enquiries of those charged with governance</b>	
1) How do those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transaction sand relationships?	Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.

Mae'r dudalen hon yn wag yn fwriadol

**Pwyllgor Archwilio  
30 Medi 2016**

**Cyfriflen 2015-2016**

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

1. Cymeradwyo'r Datganiad Cyfrifon 2015/2016 (Cyngor Sir Caerfyrddin a Chronfa Bensiwn Dyfed) ar ôl yr archwiliad.

**Y Rhesymau:**

Mae angen i'r Cyngor gymeradwyo Cyfrifon 2015/16 erbyn 30 Medi 2016 i gydymffurfio â Rheolau Cyfrifon ac Archwilio (Cymru) 2014.

Mae gan y Pwyllgor Archwilio bwer dirprwyedig i gymeradwyo'r Cyfrifon yn unol a'r Mesuriad Llywodreath Leol.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol NADDO**

Angen i'r Bwrdd Gweithredol wneud penderfyniad NAC OES

Angen i'r Cyngor wneud penderfyniad NAC OES

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-

Cyng. David Jenkins

**Y Gyfarwyddiaeth:**

**Gwasanaethau Corfforaethol**

**Enw Pennaeth y Gwasanaeth :  
Owen Bowen**

**Awdur yr Adroddiad:  
Owen Bowen**

**Swyddi:**

**Pennaeth Gwasanaethau  
Cyllidol**

**Rhif ffôn: 01267 224886**

**Cyfeiriadau E-bost:**

[Obowen@sirgar.gov.uk](mailto:Obowen@sirgar.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

**Statement of Account 2015-2016**

In line with the Accounts and Audit (Wales) Regulations 2014, the Statement of Accounts is now presented to Audit Committee for approval.

As noted in the earlier agenda item (Welsh Audit Office report) a number of amendments were made to the accounts, including clarification in some disclosure notes.

For the Council Fund, there has been no change to the balance on general reserves for the year, and similarly no change to the Housing Revenue Account balance at year end.

The Net Assets on the balance sheet has been re-stated to reflect the amendments to the valuations of schools and sports pitches as outlined in the WAO report.

All minor changes agreed have been reflected in the Statement of Accounts presented for approval.

Detailed report to follow due to audit being finalised.

DETAILED REPORT ATTACHED ?

YES

**IMPLICATIONS**

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed: Owen Bowen**

**Head of Financial Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	YES	YES	NONE	NONE	NONE	NONE

**1. Legal**

Compliance with the Accounts and Audit Regulations 2014

**2. Finance:**

Overall the Authority's Council Fund net expenditure for the year was below the original budget, resulting in a transfer of £279k to balances on the Council Fund as opposed to a budgeted transfer £138k from Council Fund Balances, and a transfer of £1,542k from the Housing Revenue Account balance.

At the balance sheet date the Council Fund General Balances stood at £8.779, the Housing Revenue Account £9.120m and the balances held by schools under LMS £3.677m

**CONSULTATIONS**

**I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below**

**Signed: Owen Bowen**

**Head of Financial Services**

**1.Scrutiny Committee – Not applicable**

**2.Local Member(s) – Not applicable**

**3.Community / Town Council – Not applicable**

**4.Relevant Partners – Not applicable**

**5.Staff Side Representatives and other Organisations – Not applicable**

**Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

THESE ARE DETAILED BELOW

<b>Title of Document</b>	<b>File Ref No.</b>	<b>Locations that the papers are available for public inspection</b>
Accounts and Audit (Wales) Regulations 2014		Resources Department, County Hall, Carmarthen
Code of Practice on Local Authority Accounting 2015		Resources Department, County Hall, Carmarthen

Mae'r dudalen hon yn wag yn fwriadol





**EICH CYNGOR arleinamdani**  
[www.sirgar.llyw.cymru](http://www.sirgar.llyw.cymru)

**YOUR COUNCIL doitonline**  
[www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales)

**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016**

**CHRIS MOORE FCCA**  
**DIRECTOR OF CORPORATE SERVICES**  
**COUNTY HALL**  
**CARMARTHEN**



---

**CONTENTS**

<b>Section</b>	<b>Page(s)</b>
<b>1</b> Narrative Report	1 - 6
<b>2</b> Statement of Responsibilities for the Statement of Accounts	7
<b>3</b> Annual Governance Statement	8 - 26
<b>4</b> Auditor General for Wales' Report to the Members of Carmarthenshire County Council	27 - 28
<b>5</b> <b>Financial Statements</b>	29
<b>5.1</b> Movement in Reserves Statement	30
<b>5.2</b> Comprehensive Income and Expenditure Statement	31
<b>5.3</b> Balance Sheet	32
<b>5.4</b> Cashflow Statement	33
<b>6</b> Notes to the Accounts	34 - 119
<b>7</b> Housing Revenue Account (HRA)	120 - 121
<b>8</b> Notes to the HRA Income and Expenditure Statement	122 - 126
<b>9</b> Dyfed Welsh Church Fund Account	127 - 130
<b>10</b> Trust Funds	131
<b>11</b> Notes to the Trust Funds	132
<b>12</b> Social Care/Children's Services - Client and Staff Accounts	133

---

**CONTENTS (continued)**

<b>Section</b>	<b>Page(s)</b>
<b>13</b> Dyfed Pension Fund Statement of Accounts	
Narrative Report	134
Fund Account	135
Net Assets Statement	136
Notes to the Accounts including Accounting Policies	137 - 162
Employing Bodies Contribution Rates and Contributions Receivable	163 - 165
Actuarial Statement	165 - 168
<b>14</b> Glossary of Terms	169 - 175

## 1 NARRATIVE REPORT

The following Statement of Accounts brings together in summary form the financial transactions of the Authority and of the Dyfed Pension Fund for the year 2015-16.

The Authority's Accounts for the year 2015-16 are set out on the following pages of this report, and have been produced in line with the 2015-16 Code of Practice on Local Authority Accounting (the Code).

### 1.1 The accounts consist of the following financial statements:

#### **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 other reserves. The Provision of Services line shows a deficit of £222.417m being the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

#### **Comprehensive Income and Expenditure Statement (CIES)**

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**

This shows the assets and liabilities of the Authority as at 31 March 2016.

#### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

#### **The Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement**

This shows the income and expenditure incurred on Council housing (which is included in the whole Authority income and expenditure statement) and how the surplus/deficit for the year reconciles to the movement on HRA balance for the year.

#### **Dyfed Welsh Church Fund and Other Trust Funds**

These accounts show the financial transactions and net assets relating to sums within the trusts.

The accounts are supported by the Statement of Accounting Policies (Note 6.1 - Notes to the Accounts).

## 1.2 Revenue Budget

The following table shows how the actual spend on services during 2015-16 compared with the budget set for the year.

Service	Working Budget				Actual				Variance For Year
	Expenditure	Income	Net Non Controllable	Net	Expenditure	Income	Net Non Controllable	Net	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	17,869	(5,384)	(300)	12,185	19,070	(6,881)	(300)	11,889	(296)
Education & Childrens Services	177,566	(39,179)	21,165	159,552	200,656	(61,534)	21,165	160,287	735
Corporate Services	89,703	(55,304)	(10,374)	24,025	92,514	(58,727)	(10,374)	23,414	(611)
Communities	122,902	(47,350)	15,488	91,040	125,724	(50,180)	15,488	91,032	(8)
Environment	108,780	(72,390)	11,875	48,265	114,368	(77,765)	11,875	48,478	213
<b>Departmental Expenditure</b>	<b>516,820</b>	<b>(219,607)</b>	<b>37,854</b>	<b>335,067</b>	<b>552,332</b>	<b>(255,087)</b>	<b>37,854</b>	<b>335,100</b>	<b>33</b>
Net Interest & Capital Accounting Adjustments				(11,241)				(12,640)	(1,399)
Pension Reserve Adjustment				(7,504)				(7,504)	0
Accumulated Leave				1,091				1,091	0
<b>Levies and Contributions:</b>									
Brecon Beacon Nat Parks				147				147	0
Fire Authority				9,067				9,067	0
<b>Net Expenditure</b>				<b>326,627</b>				<b>325,261</b>	<b>(1,366)</b>
Outcome Agreement Grant				(570)				(570)	0
Contribution to/(from) General Balances				(138)				280	418
Contribution to/(from) Earmarked Reserves				(1,060)				(1,060)	0
To/(from) Departmental Reserves				0				(381)	(381)
To/(from) Major Development Fund				0				2,789	2,789
<b>Net Budget</b>				<b>324,859</b>				<b>326,319</b>	<b>1,460</b>
Revenue Support Grant				(199,071)				(199,071)	0
Non Domestic Rates				(53,410)				(53,410)	0
Council Tax				(75,740)				(77,200)	(1,460)
				-3,362				-3,362	0

The financial position, at year end showed an over-spend at service level within the year of £33k.

The Education department was £735k over budget, due to school based EVR and redundancy costs. The Environment budget experienced pressures mainly within Property Services and Streetscene resulting in an overspend of £213k due to reduced income as a result of a reduction in the Carmarthenshire Housing Standard related work and proposed efficiencies not yet met. The under-spends in the other departments, plus the savings on capital financing costs and a higher than estimated collection level on Council Tax means that the Authority transferred £280k to general reserves for the 2015-16 financial year compared to a budgeted transfer from reserves of £138k.

HOUSING REVENUE ACCOUNT	Working Budget			Actual			Variance For Year
	Expenditure	Income	Net	Expenditure	Income	Net	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	40,133	(36,621)	3,512	38,699	(37,158)	1,541	(1,971)
Transfers to/from HRA balances	0	0	(3,512)	0	0	(1,541)	1,971

The Housing Revenue Account (HRA) reported an under spend of £1,971k for the year. The main variances were:

- reduced revenue Repairs and Maintenance -£167k due to poor weather conditions
- supervision and Management costs -£78k,
- interest applicable to existing borrowing and buy-out from HRAS +£142k.
- due to the HRA capital programme underspend arising from savings on some contracts (£1.9m) and the requirement to roll forward on other contracts due to adverse weather (£1.8m), this has impacted on the direct revenue funding anticipated in the budget monitoring by -£1.42m
- improvement in delivering savings on void turnaround times etc. -£439k.
- the requirement for provision for bad debt is -£394k based on current aged debt analysis and write offs.

### 1.3 Reserves

In the changeable and challenging environment currently facing Local Government the Authority is committed to maintaining a reasonable level of reserves. At the year end the general reserves amounted to the following:

	£'000	£'000
Council Fund:		
Held by Schools under Local Management of Schools		
Regulations (LMS)	3,677	
Generally available for new expenditure	8,779	12,456
Housing Revenue Account		9,120
		<u>21,576</u>

In addition to general reserves the Authority holds earmarked reserves of £66.131m for specific purposes.

### 1.4 Borrowing

£99m new borrowing was taken from the Public Works Loans Board (PWLb) in 2015-16. £79m of this new borrowing was to fund a one off payment to the Welsh Government under recent Housing Reform, which removed the Authority's obligation to the Housing Subsidy system.

As at the 31 March 2016 the Authority's total borrowing stood at £376m, which was within the Authority's authorised limit of £549m. Further detail is included in Note 6.46 to the Accounts.

The Authority's borrowing procedures and limits are outlined in the Treasury Management Policy and Strategy, which is approved annually.

### **1.5 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 debit balance on the Pensions Reserve of £265m 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.

### **1.6 Current Economic Climate**

The accounting statements are required to reflect the conditions applying at the end of the financial year.

All the assets of the Authority are re-valued on a cyclical basis and in many instances therefore the current valuation (last undertaken in past years) is likely to reflect current market value.

The funding for the public sector has had a consistent theme over recent years with the level of resources available to public services seeing significant reductions. The Authority's current three year Medium Term Financial Plan (MTFP) was agreed by Council in February 2016 and was based on estimates of known commitments and formulated in the context of the late financial settlement for 2016-17 with no indicative settlements available from WG for future years.

The result of the European Referendum was that the United Kingdom voted to leave the European Union. The full impact of this decision has yet to be determined. The Chancellor of the Exchequer's statement to the markets on Monday 27<sup>th</sup> June 2016 stated that the UK was ready to face the position 'from a position of strength' and he indicated that there would be no immediate emergency budget. The Chancellor did however state that there would still need to be an 'adjustment' in the UK economy, but added it was 'perfectly sensible to wait for a new prime minister' before taking any such action. Accordingly it is likely to the Autumn of 2016 before we know whether there will be any further reductions in funding for the public sector spending over and above that already reflected in the Comprehensive Spending Review.

Our overall financial standing has been maintained at a prudent level. Many of our reserves are earmarked for specific purposes – whether this is to address liabilities now or in the future e.g. Insurance reserves, or for financing specific capital schemes.

### **1.7 Capital**

In 2015-16 the Authority spent some £84.8m on capital projects and capitalised a further £79m relating to the buyout of the Housing Revenue Account (HRA) subsidy (see Note 8.6), a total to £163.8m. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions and direct revenue financing.



£98.4m was spent on Housing with the areas of spend being as follows:

**Public Sector**

Refurbishment & Redevelopment of Housing Stock £15.3m

HRA Subsidy Buyout £79.0m

**Private Sector**

Disability Facility Grants £2.2m

Energy Efficiency Works £1.4m

Other Improvements £0.5m

The non-housing capital programme involved expenditure on all services. The major areas of expenditure were as follows:

	£'m	
Education & Childrens Services	32.8	New Schools, Renovations and Improvements & Childrens Services projects
Leisure	0.2	Rights of Way, Sports & Leisure, Arts & Culture and Libraries
Infrastructure	8.2	Roads, Bridges, Cycle Paths, Road Safety, Car Parks, Waste Management and Fleet Management
Economic Development	15.5	Physical Regeneration Projects County Wide, Community Development and Joint Ventures
Social Services	3.1	Care Homes and Learning Disability Developments
Corporate	5.6	Capital Minor Works and IT Strategy Developments

**1.8 Accounting Standards that have been issued but have not yet been adopted.**

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The following changes will be required from 1 April 2016:

IAS 1 - Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. In addition to the changes to IAS1, the Telling the Story review of the presentation of local authority financial statements means there will be changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis.

Other standards introduced in the 2016/17 Code are amendments to IAS19 Employee Benefits, IFRS 11 Joint Arrangements, IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets. There are also changes due to Annual Improvement to IFRS cycles 2010-2012 and 2012-2014. These are not anticipated to have a material impact on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

**1.9 Changes in Accounting Policy**

Changes to the 2016/17 Code of Practice will require all Local Authorities to value their Highways Network Asset using a Depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost.

This change in accounting policy is likely to result in a significant increase in the value of these assets and retrospective restatement of the Council's Balance Sheet from 1 April 2015 would normally be required, however CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year.

In 2016/17 the Highways Network Asset category will need to be recognised on the Balance Sheet and in the notes and removed from the Property, Plant and Equipment category.

**1.10 Further Information**

Further information about the accounts is available from the Interim Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

## 2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority 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 these affairs. In this Authority, that officer is the Director of Corporate Services.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### Audit Committee Approval

Approval of Statement of Accounts post audit.

Chair of Audit Committee

Dated: 30 September 2016

### The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper and timely accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

### Certification of Accounts

I certify that the Statement of Accounts on pages 29 to 168 gives a true and fair view of the financial position of Carmarthenshire County Council and the Dyfed Pension Fund at 31<sup>st</sup> March 2016 and its income and expenditure for the year ended 31<sup>st</sup> March 2016.

Chris Moore FCCA  
Director of Corporate Services

Dated: 23 September 2016

### 3 ANNUAL GOVERNANCE STATEMENT

#### 3.1 Scope of Responsibility

Carmarthenshire County Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority also has a duty 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.

The Authority is responsible for putting in place proper arrangements for the Governance of its affairs and facilitating the effective exercise of its functions including having appropriate arrangements for the management of risk.

The Authority details how it deals with all aspects of Governance through its Constitution which defines the standards, roles and responsibilities of the Executive, its Members, Committees and its Officers. The Constitution includes a Scheme of Delegation outlining the decision making process, taking into account the relevant legislation.

A **Corporate Governance Group** comprising key Officers and 2 Executive Board Members is in place to inform and monitor progress on issues affecting Governance, including the **Code of Corporate Governance**, approved by Council in June 2012 and updated by Audit Committee in March 2016. The Chair of the Audit Committee is invited to the Corporate Governance Group meetings in an observer capacity. The Code of Corporate Governance recognises policies and processes that are consistent with the principles of the CIPFA / SOLACE Framework '**Delivering Good Governance in Local Government**'.

This Statement explains how the Authority has complied with the various elements of the Governance Framework

#### 3.2 The Governance Framework

The Governance Framework comprises the systems, processes, cultures and values by which the Authority is directed and controlled and also the way 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 that framework and is designed to manage risk to a reasonable level. It aims to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. It evaluates the likelihood and impact of identified risks being realised and to manage individual risks appropriately.

#### 3.3 The Governance Environment

The CIPFA/SOLACE Governance Framework sets out 6 fundamental principles of Corporate Governance being:-

**Principle 1** *Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area*

- Principle 2** *Members and officers working together to achieve a common purpose with clearly defined functions and roles*
- Principle 3** *Promoting values for the Authority and demonstrating the values of good Governance through upholding high standards of conduct and behaviour*
- Principle 4** *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- Principle 5** *Developing the capacity and capability of Members and officers to be effective*
- Principle 6** *Engaging with local people and other stakeholders to ensure robust public accountability*

The Authority addresses the 6 Fundamental Principles through the following:

### 3.3.1 **Purpose and Vision**

The Authority has a well established mechanism for acting with key partners within the Public Service Board, PSB (formerly the Carmarthenshire Local Service Board). The Integrated Community Strategy (ICS) was developed by the Carmarthenshire Local Service Board and sets out the vision and outcomes for the people of Carmarthenshire to be delivered by key organisations in the public and voluntary sectors. The Authority's strategic priorities and aspirations are aligned to the multi-agency county-wide outcomes identified through our ***Integrated Community Strategy for Carmarthenshire 2011/16***. This Strategy focuses on improving the economic, social and environmental well-being of the people of Carmarthenshire. No one organisation alone can achieve these outcomes and it is recognised that each partner has a role to play in achieving these outcomes through collaboration.

In September 2015 we refreshed our Corporate Strategy for 2015-20. This Strategy set out the Council's strategic priorities and aspirations and how we plan to deliver our contribution to the Integrated Community Strategy.

All partners are expected to cascade their Integrated Community Strategy commitments into their own plans and this is the approach we take with our Corporate Strategy and the Annual Improvement Plan. We published a combined Annual Report and Improvement Plan to provide comprehensive and balanced information to the public about our services, so that they can see how we are performing and the challenges we are facing. The Council identifies its Key Improvement Objective Priorities (KIOP) each year after an analysis of data, regulatory findings and customer satisfaction data. These priorities (which are reviewed by the Wales Audit Office) are then cascaded down into Divisional Business Plans with targets and actions being monitored via the Performance Information Management System (PIMS). These are monitored by Managers, Corporate Management Team, Executive Board and Scrutiny Committees.

Our Annual Report 2014/15 and Improvement Plan 2015/16 received certificate of compliance from the Wales Audit Office and positive findings in the Wales Audit Office Annual Improvement Report

### 3.3.2 **Core Values**

The Council's Core Values were refreshed during 2015/16 in conjunction with staff, elected members, senior management and the trades unions. They underpin the way in which the Council operates and delivers its services. They provide a foundation for service priorities and act as a guide to develop inclusive services, which are responsive to the needs of customers whilst supporting and valuing our staff.

Working as One Team we:

1. Focus on our **CUSTOMERS**
2. **LISTEN** to improve
3. Strive for **EXCELLENCE**
4. Act with **INTEGRITY**
5. Take personal **RESPONSIBILITY**

Work is now underway to develop an Overarching Behaviours Statement that will ensure the refreshed Core Values are embedded throughout the Authority.

### 3.3.3 **Leader's Annual Report and Forward Work Programme**

At County Council on the 18<sup>th</sup> May 2016 the Leader delivered his Annual Report reviewing 2015-16 and his Forward Work Plan 2016-17.

### 3.3.4 **Consulting and Engaging with Citizens and Service Users**

The Authority has a well established method of consulting and engaging with citizens and service users. There is a **Citizens Panel**, a **50 Plus Network** to consult older people, a **Youth Forum** and numerous specific consultation groups to seek the views of those with specified protected characteristics as recognised by the 2011 **Equality Act**. The Council also publishes all of its on-going consultations on the i-Local section of the Council website.

The Authority's sophisticated system for Performance Management is well used by Officers and Members and is used as a 'real-time' tool (via the Dashboard facility) by the Corporate Management Team and Executive Board for monitoring performance. Detailed information is extracted and used by the Authority's Scrutiny Committees and the data is used to identify specific topic areas where the Committees undertake more intensive studies to monitor performance and make policy recommendations. In a further development the Performance Management system has been developed into the dashboard style report and Executive Board, CMT and soon all Scrutiny Committees will monitor performance on their iPads.

The Authority also makes extensive use of the annual **National Survey for Wales** commissioned by Welsh Government. The results are used to help the Authority in its self-assessment of services and are included in the Annual Report and Improvement Plan.

The Authority has been webcasting all Full Council meetings since May 2013 and Planning Committee since November 2014 and Executive Board meetings from September 2015.



The Authority undertakes extensive consultation on its Budget annually, which includes seminars, budget road shows, Insight events for young people, on-line surveys, social media, and stake holder meetings with Town and Community Councils, the Youth Council and Unions. The results of the consultations are considered and presented to Executive Board and County Council as part of the Budget Strategy Report.

### 3.3.5 **Ensuring Effective External Communication**

The Authority has a centralised Marketing and Media team (newly integrated team of the former Press, Communications, Tourism and Translation teams) who are committed to deliver effective communications with our residents by pro-actively engaging and promoting openness to protect and enhance the reputation of the Council. The forthcoming **Marketing and Media Strategy Strategy** will focus on the importance of engaging and communicating with our audiences in a manner which provides a clear call to action and ensuring that we deliver messages that are asked of us.

The Authority has seen a clear increase in the use of Social Media and the Corporate Website as a way for our audience to communicate and engage with the Council. There are now some 4,070 followers on **Facebook**, (FB) 5,653 followers on **Twitter**. With an average post/tweet reaching 21,758 people on FB and 175,500 on Twitter. The **corporate website** receives on average 79,545 user sessions per month (stats: May 2016). The Council is responding to this by utilising Digital Marketing as a key communication tool via the Corporate Website, iLocal, Micro-Sites, Social Media and email marketing.

Traditional methods are also essential to ensure we reach the maximum audience. Methods such as local and national media (average 1500 press releases are sent per annum). Marketing campaigns such as "*Love your Local Market*", Recycling, Fostering and Housing Options are delivered alongside the newly designed '**Carms News**' which is delivered to every household in the County - a '*whole public service*' vehicle overseen by the Public Services Board.

### 3.3.6 **Managing Performance / Scrutiny Function**

The Authority's Elected Members are closely involved in managing performance, at both Executive Board and Scrutiny Committee level. Performance data often initiates in-depth studies by the Scrutiny Committees, usually via Task and Finish Groups, and these have contributed in a proactive way to policy development and service improvement on numerous occasions in recent years.

During 2015/16 the Council implemented a new procedure whereby Heads of Service were challenged by Executive Board members on their Business Plans. This challenge programme was repeated in May/June 2016.

The Wales Audit Office (WAO) annually report to Full Council in relation to the discharge of duties of the Authority.

Performance data is held on the Council's computerised PIMS system (Performance Information Management System) and this is available to Directors, Heads of Service and Members on a 'real-time' basis. Again the development of a dashboard style of reporting makes this more accessible.

An exception based report on our key measures and actions are reported quarterly to both Corporate Management Team and the Executive Board and this enables any problem areas to be identified at an early stage and remedial action taken.

The Authority is a partner in the Public Service Board (PSB) and the Council's Policy and Resources Committee receives an Annual Performance Report from the incumbent Chair of the PSB.

### 3.3.7 **The Constitution**

The Authority adopted a new form of Constitution in the form promoted by the Welsh Assembly Government upon the modernisation of local government following the Local Government Act 2000, and this has been kept under constant review since then to ensure that it meets the needs of the Authority and its regulators in terms of transparency of Governance, accountability and decision making. A wholesale review of the Constitution was commenced by a politically balanced 10 member strong cross-party Constitutional Review Working Group (CRWG) of the Council in December 2014 following the commissioning and publication of a Report by a Peer Review Team of the Welsh Local Government Association. CRWG's recommendations were presented to an Extraordinary General Meeting of the Council on 17<sup>th</sup> June 2015 and the changes approved by the EGM adopted by Council on the 9<sup>th</sup> September 2015.

During 2015/16 the Authority implemented **modern.gov** as its system of meeting administration and Members were provided with Tablet Devices (ipads) for the conduct of their Council business.

The Constitution is published on the Council's website and essentially explains the way the Council operates and how it takes decisions. It comprises 8 parts, namely:

1. **Summary & Explanation** – a brief overview of the make up of the Council and its *decision making bodies*.
2. **The Articles** – a fuller description of the Council and its constituent parts.
3. **Functions / Delegations** - This Part explains which Members are responsible for which decisions, and in particular whether they are decisions which can only be taken by the Council, or only by the Executive Board, and the decisions which have been delegated to *officers to take under a Scheme of Delegation*.
4. **Rules of Procedure** - including the rules relating to the Conduct of Council and Committee meetings (commonly known as "**Standing Orders**"), rules relating to proceedings of the Executive Board and Scrutiny Committees, rules relating to access to information, **Contract Procedure Rules, Financial Procedure Rules and Officer Employment Rules**.
5. **Codes & Protocols** - Amongst the Codes included in this Part is the statutory **Code of Conduct for Members**. In this respect Members' conduct is strictly governed whether it be in respect of their role as Councillors or as decision makers. In particular Members having a personal and prejudicial interest in any business being transacted at meetings have to declare their interest and withdraw from the meeting (unless they have obtained a dispensation to participate).
- 6.1 **Councillors and Co-Opted Members' Scheme of Allowances** - which sets out the respective Job Profiles and Personal Specifications for Members, Executive Board Members, and Chairs and Vice-Chairs of Committees, as well as details of payments which Members are entitled to. In relation to payments to Members as of the 1<sup>st</sup> April 2012 the Independent Remuneration Panel for Wales, which is the body formed to determine Members' payments (now called "salaries"), used its new powers to actually prescribe the



amounts to be paid as opposed to prescribing maximum payments which could be made. The purpose of this prescription was to make payments more consistent across Wales.

**6.2 Management Structures**

**7. Names & Addresses of Councillors**

**8. Bilingual Composition of Executive Board and Committees**

As well as the wholesale review of the Constitution mentioned above, the Constitution is a living document and individual amendments are reported to Council for decision on an as and when required basis, following consideration by the Constitutional Review Working Group.

**3.3.8 Audit, Standards and Democratic Services Committees**

The Audit Committee is a key component of Corporate Governance, providing a source of assurance about the Authority's arrangements for managing risk, maintaining an effective control environment and reporting on financial as well as non-financial performance.

The Standards Committee (which includes a majority of External Members) promotes high standards of conduct for Members as well as maintaining an overview of the Authority's processes for complaints handling and its Whistleblowing Procedure.

The Authority also has a Democratic Services Committee (5 Elected Members) and a statutory designated Head of Democratic Services. The Committee's terms of reference as set by the Authority include securing the provision of reasonable training and development opportunities for Members, appointing a Member Development Champion and promoting and supporting good governance.

**3.3.9 Monitoring Officer**

The Monitoring Officer (Head of Administration & Law) is responsible for maintaining the Constitution to ensure that it reflects up to date legislative requirements and the Authority's Governance needs, and is also responsible for ensuring that the provisions are fully complied with at all levels of the Authority's activities. As Chief Legal Officer supported by the in-house legal team, the Monitoring Officer has access to all meetings of the Authority including the Executive Board and the Authority's Corporate Management Team. The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the Authority's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision making process.

The Monitoring Officer works closely with the Head of Paid Service and the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to Council or the Executive Board if she considers that any proposal will give rise to unlawfulness.

There is an All Wales Network of Monitoring Officers which meets on a quarterly basis to discuss topical issues and share best practice, which the Monitoring Officer attends.

### 3.3.10 **Financial Administration (Section 151 Officer)**

Up until 4<sup>th</sup> September 2015 the Head of Financial Services was the responsible officer for the administration of the Authority's affairs under Section 151 of the Local Government Act 1972 and carried overall responsibility for the financial administration of the County Council. This responsibility passed to the newly appointed Director of Corporate Services from 5<sup>th</sup> September 2015.

The Chartered Institute of Public Finance and Accountancy (CIPFA) previously published a "***Statement on the Role of the Chief Financial Officer in Local Government***". The Statement describes the role and responsibilities of the Chief Financial Officer (CFO) and sets out 5 Key Principles (see below) that define the core activities and behaviours that belong to the role of CFO in public service organisations and the organisational arrangements needed to support them. Carmarthenshire County Council through the appointment of the Director of Corporate Services fully complies with the Statement.

**Principle 1 - The CFO in a Local Authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest.**

**Principle 2 - The CFO in a Local Authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's overall financial strategy.**

**Principle 3 - The CFO in a Local Authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.**

**Principle 4 - The CFO in a Local Authority must lead and direct a finance function that is resourced to be fit for purpose.**

**Principle 5 - The CFO in a Local Authority must be professionally qualified and suitably experienced.**

The Financial Services Division provides support to Departments and determines the budget preparation and financial monitoring process.

The Authority operates to a defined set of Financial Procedure Rules which are maintained by the Corporate Services Department with any amendments approved by the Audit Committee.

### 3.3.11 **Risk Management**

The Authority has a well developed approach to managing risk and the ***Risk Management and Business Continuity Strategy 2012/15*** was approved by Audit Committee in March 2012. The Authority has a Risk Management Steering Group which reports directly to Executive Board, Audit Committee and Chief Officers' Management Team (CMT). The Risk Management Steering Group comprises an Executive Board Member Risk Champion (Executive Board Member for Resources), Departmental Risk Champions and is chaired by the Head of Audit, Risk & Procurement.

The Authority aims to embed good risk management into all its processes including a specific section in Committee Reports for the implications from a Risk Management perspective to be discussed and explained.

Corporate, Service and Project Risks are captured within a Risk Register. We use “**Web Based Risk Register Software**”, which allows Departments to input, access, maintain and manage Service and Project Risks.

### 3.3.12 **Corporate Governance Group**

As stated in Section 3.1, a Corporate Governance Group has been established to co-ordinate, manage and report on the Governance arrangements of the Authority. The Group comprised:

- Executive Board Member for Resources
- Executive Board Member for Communities
- Chair of Audit Committee (in an observer capacity)
- Director of Corporate Services (s.151 Officer from 5<sup>th</sup> September 2015) previously Head of Financial Services (interim s151 Officer to 4<sup>th</sup> September 2015)
- Head of Administration & Law (Monitoring Officer)
- Interim Head of Financial Services (from 14<sup>th</sup> September 2015)
- Assistant Chief Executive (Regeneration & Policy)
- Assistant Chief Executive (People Management)
- Head of Audit, Risk & Procurement
- Audit & Risk Manager
- HR Manager

The Group are responsible for updating the Code of Governance and developing the Annual Governance Statement.

In addition, the Group now oversees the work of the Information Management Group (see 3.3.15).

### 3.3.13 **Dealing with Complaints**

The Authority has a **Corporate Complaints Policy** and details of the complaints received are monitored by the Scrutiny Committees and annually by the Standards Committee. The Complaints Procedure is in line with the Model Procedure put forward by the Local Government Ombudsman.

The Authority has a centralised Complaints Team which will ensure compliance with the standards we set out in our Policy and ensure consistency of approach across the whole Authority.

Annual reports are provided to the Corporate Management Team, Executive Board and Scrutiny Committees with more detailed monthly reports provided to Departmental Management Teams in order to monitor trends, identify problem areas and generate service improvement based on customer experience. The Authority investigated and responded to 501 complaints during 2015/16 compared to 573 during 2014/15. The Complaints Team also addressed a further 520 enquiries and requests for assistance which offered the Team the opportunity to try and rectify difficulties before complaints arose.

### 3.3.14 **Managing our Workforce**

Carmarthenshire County Council has some 8,200 employees who each contribute to the achievement of our Corporate Priorities.

Our staff are supported by the People Management Division who maintain a range of Policies and Procedures to ensure that all staff are managed in a fair and consistent way. Key Policies and Procedures include:

- Health & Safety Policy
- Staff Recruitment and Selection Policy including safe recruitment
- Induction Procedure
- Whistleblowing Policy
- Grievance and Disciplinary Policies
- Officers' Code of Conduct
- Restructuring Policy
- People Strategy

Our Staff are encouraged to develop and this is consistent with our objectives as an organisation that has been accredited with ***Investors in People***. The development of our workforce is underpinned by the following:

- Appraisal Process
- Learning and Development Strategy
- Encouraging Continuous Professional Development (CPD)
- Effective Workforce Planning
- People Strategy

Following the implementation of the Single Status Agreement in 2011/12, a small officer group maintains an overview of the management of change, the NJC pay and grading structure and offers advice to managers regarding reward generally. This group aims to ensure that the integrity of the pay and grading structure is maintained.

The Authority conducted an Equal Pay Audit during 2015/16 the results of which do not suggest any evidence of discrimination within the pay structures nor the allowances paid. The pay gaps are generally as a result of segregation of the sexes between job types rather than application of the allowances.

The Authority will continue to gather data on all protected characteristics with a view to being able to include more characteristics in future audits and will undertake a further Equal Pay Audit for the financial year 2016/17 to monitor trends in any pay gaps, and continue to review allowances to ensure they are a) paid in a fair and consistent manner and b) remain relevant as the economic climate changes.

### 3.3.15 **Information Assets**

The Council's Assistant Chief Executive – Regeneration & Policy acts as the Authority's **Senior Information Risk Owner**. A Corporate Information Governance Group meets regularly in order to safeguard and secure the authority's information. Minutes of these meetings are provided for consideration to the Corporate Management Team.

There are various safeguards in place to guard against the loss or release of personalised information. These include encryption of laptops, memory storage media and other devices. The Authority employs:

- an Information Security Officer who advises on data security and external advisers and consultants are employed from time to time to test and advise on the Authority's security arrangements.
- a Data Protection Officer who advises on legal compliance and ensures that policies and procedures are in place and are being adhered to.

These safeguards are subject to ongoing review and include a combination of technical solutions and training for staff involved in managing and handling sensitive data.

Work is ongoing around the role and responsibilities of Information Asset Owners (IAOs). During 2015/16 training sessions were provided to third tier managers as IAO's to help them understand the importance of the assets for which they are responsible; to encourage responsible sharing of data where this will promote better service delivery; and to fully understand what is needed to ensure the integrity and security of data. The development and maintenance of an Information Asset Register has also begun and will continue as a key priority for 2016/17.

The Corporate Information Governance Group is also looking at ways to improve awareness and the dissemination of information, including a newsletter highlighting legislative changes, security priorities, best practice and potential risks and pitfalls.

### 3.4 **Review of Effectiveness**

A review of the effectiveness of our Governance arrangements (including the system of Internal Control) is undertaken regularly by the Corporate Governance Group through its work.

The review of effectiveness is informed by 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 (Wales Audit Office).

The effectiveness of the Governance framework draws on evidence and assurances from

- Council
- Leadership / Executive Board
- Executive Board Members
- Scheme of Delegation to Officers
- The Audit Committee / Scrutiny Committees / Risk Management Steering Group
- Standards Committee
- Internal Audit

- External Audit
- Public Services Ombudsman for Wales

#### 3.4.1 **Council**

The Council meets on a monthly basis and takes decisions on Council functions. Its Agendas are published at least 3 clear days in advance of meetings, and its meetings are open to the public (subject to exemptions). Its Minutes are published and are available to the Public.

The Wales Audit Office, Corporate Assessment Report 2015, published January 2016 concluded that:

- The Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles.
- Continue to improve Governance, decision making, openness and transparency and keep under review by the Constitutional Review Working Group

#### 3.4.2 **Leadership / Executive Board**

The Executive Board takes decisions on executive functions within the policy and budget framework set by the Council. The Agenda is published at least 3 clear days in advance of its meetings and meetings are held in public (subject to statutory exemptions). Its Minutes are published and its decisions are subject to call in by the relevant Scrutiny Committee (ref para 3.4.8 below)

The Administration of the Council changed in May 2015 and is now a Plaid / Independent Coalition as opposed to the previous Labour / Independent Coalition. As a result the Council's Full Forward Work programme is slightly delayed but will be published shortly.

The Authority meets with Town and Community Councils twice yearly in a formal Forum.

#### 3.4.3 **Executive Board Members**

The Executive Board Members have decision making powers in relation to their own portfolio areas. Their decisions are published and are subject to call in by the relevant Scrutiny Committees (ref para 3.4.8 below).

Following the change in Administration the portfolios have been slightly amended.

#### 3.4.4 **Scheme of Delegation to Officers**

The Scheme of Delegation itemises the decisions which are delegated to officers, whether by the Council or by the Executive Board. In exercising delegated powers Officers must comply with any statutory requirements and the Council's Policy and Budget Framework, amongst other requirements. Any significant decisions have to be recorded and be made available to the relevant Scrutiny Committee upon request.



### 3.4.5 **Audit Committee**

The Audit Committee meets throughout the year to provide independent assurance to the Authority in relation to the effectiveness of the Internal Control Environment and Risk Management Framework.

The Audit Committee are also responsible for approving the Authority's Statement of Accounts.

Under the **Local Government Wales Measure 2011** it is mandatory for Local Authorities to have an Audit Committee. The Measure provides that there must be an independent External Voting Member on the Audit Committee and an External Voting Member was appointed by the Council for a period of 3 years at its 12<sup>th</sup> June 2013 meeting. Following an external advertisement process a new external voting Member was approved by County Council on 8<sup>th</sup> June 2016.

Job Profiles are in place for both the Chair of Audit Committee and the Members of Audit Committee. In line with the Local Government Measure 2011, the Chair of Audit Committee is a Member from the Opposition Group.

### 3.4.6 **Democratic Services Committees**

This is a statutory Committee with terms of reference which include promoting and supporting good governance. An important aspect of that aim is secured by the provision of reasonable training and development opportunities for Members and the appointment of the Chair of the Committee as the Member Development Champion.

During 2015/16 the Group Leaders conducted one to one Personal Development Reviews with their Members to, amongst other things, ascertain their training and development needs.

### 3.4.7 **Scrutiny Committees**

As highlighted in Section 3.3.6, the Scrutiny Function plays a highly valuable role in ensuring performance improvement and challenge. The role of Scrutiny in "Task and Finish Groups" has clearly had a positive influence on policy development.

The Authority has a well developed system of performance management. Scrutiny Committees receive a detailed half-year report on performance which includes an update on all Performance Indicators and Key Actions contained within Divisional Business Plans.

All Scrutiny Committees have the constitutional power to call-in executive decisions, whether taken by the Executive Board collectively or by individual Executive Board Members on their own portfolio areas. In order to allow call in to be exercised no decision taken by the Executive Board or Executive Board Members shall take effect until 3 days after the decision is published and circulated via e-mail to Members of the relevant Scrutiny Committee.

In line with the Local Government Measure 2011, the respective Chairs of the Community Scrutiny Committee and Environment Scrutiny Committee are Members from the Opposition Group.

#### 3.4.8 **Standards Committee**

Standards Committee oversees standards of members conduct, arranges training for members of the Council and members of Town and Community Councils on the Code of Conduct, and considers applications for dispensations to participate in meetings where members identify personal and prejudicial interests in the business in hand.

The Committee also oversees the arrangements for providing a safe environment for Whistleblowing.

#### 3.4.9 **Dyfed Pension Fund Panel**

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. The Pension Fund Panel comprises 3 County Council Members plus a nominated substitute to act in the absence of a Member. The Pension Fund Panel has the following responsibilities:

- To review the performance of the Dyfed Pension Fund, decide on the strategic direction of all matters relating to the investment of the Fund and monitor all aspects of the investment function.
- To determine on Administering Authority Pension Fund matters.

During 2015-16 the Pension Fund Panel was supported by the Director of Corporate Services and Head of Financial Services, the Financial Services Division and an Independent Investment Adviser. The Head of Financial Services was the Section 151 Officer until his subsequent appointment as Director of Corporate Services from 5<sup>th</sup> September 2015.

The Fund's Governance Policy sets out in detail the Governance arrangements of the Fund.

During 2015/16 the Authority established a Local Pensions Board as required under Public Service Pension Act (PSPA) 2013. This Board has an oversight or scrutiny role and is intended to assist the Administering Authority in securing compliance with regulations and requirements imposed by the Pensions Regulator and the Department for Communities and Local Government.

#### 3.4.10 **Risk Management Steering Group**

The Risk Management Steering Group has been seen as a very good example of how Risk Management can be developed and ensure that Risk Management is embedded in decision making throughout the organisation. The Group meet quarterly and is supported by the work of its Sub Groups i.e. Property & Liability Risks, Motor Fleet Risks and Business Continuity Sub Groups.

#### 3.4.11 **Internal Audit**

The review of the effectiveness of the system of Internal Control and Governance arrangements is informed by the work of the Internal Auditors on which the Authority gains assurance. Internal Audit are required to undertake their work in accordance with the standards as set out in the **Public Sector Internal Audit Standards (PSIAS)** established in 2013 are the agreed professional standards for Internal Audit in Local Government.



As required by the Standards, the Head of Internal Audit prepares an Annual report for consideration by the Audit Committee. The format of the Annual Report complies with the requirements of the Code of Practice. For 2015/16, the Head of Internal Audit summarised her opinion as follows.

*It is the Head of Internal Audit's 'opinion that the Authority has an 'Adequate' control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place, Risk Management and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.'*

Fundamental Issues were brought to the Audit Committee's attention during 2015/16 audit year which related to Supporting People and Coastal Facilities. Progress on implementing actions are being monitored through regular reporting to the Audit Committee.

The Authority maintains an effective Internal Audit function. The **Strategic and Annual Audit Plans** are approved by Audit Committee annually and regular reports are made to the Audit Committee throughout the year on progress and any significant weaknesses identified.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work. The Authority reacts swiftly where concerns are identified, and there are currently two separate investigations underway, the outcome of which have yet to be finalised.

The Wales Audit Office have consistently been able to place reliance on the work of Internal Audit.

#### 3.4.12 **External Audit (Wales Audit Office)**

The Wales Audit Office as External Auditor to the Authority reviews and comments on the financial aspects of Corporate Governance which includes the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption.

The Annual Improvement Report is seen as a key driver for improvement.

In 2013-14 the Wales Audit Office began a four-year cycle of corporate assessments for the improvement authorities in Wales. This means that, in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority receives an in-depth corporate assessment once during a four-year period. In the autumn of 2015 Carmarthenshire was examined and in January 2016 the Wales Audit Office Report was received.

The Auditor General concluded that:

*"Carmarthenshire County Council, demonstrating ambition in its vision, with collective leadership and more robust and transparent governance, is delivering improved outcomes for its citizens although some out-dated approaches may limit the speed of progress."*

Overall the report was very favourable and made no recommendations for improvement. It did however make six proposals for improvement and these are addressed in the *Making Better Use of Resources* and *Being a Better Council* sections of this plan January 2016.

### **Wales Audit Office – Annual Improvement Report – March 2016**

The Annual Improvement Report largely repeated the Corporate Assessment findings and added further comments on our Annual Report and Improvement Plan (ARIP) approach:

*“The combined review of past performance with the actions the Council plans to take next within a single document allows the reader to form a balanced picture of how well the Council is performing. The ARIP is lengthy and detailed and there is also a useful summary, together they provide all the information the reader could need. The ARIP and summary are published in Welsh and English, with appropriate arrangements for publicity. The report is easy to find on the Council’s website.”*

We also maintain a log of regulatory reports and recommendations.

#### **3.4.13 Public Services Ombudsman For Wales**

The Public Services Ombudsman for Wales considers complaints from Members of the public in relation to Members’ conduct and maladministration. His Report is published annually.

S.16 Ombudsman’s Reports (i.e. Public interest reports) are reported to County Council as required by law.

### **3.5 Governance Issues to be Addressed**

Maintaining good Governance is an ongoing task. Undoubtedly the reduced revenue and capital funding from the Welsh Government will have a significant impact on the ability of the Authority to maintain and develop services and will impact upon issues of Governance.

Key issues of Governance which were identified in previous years’ Annual Governance Statements are shown in Appendix 1 together with an update of progress made in managing each of the issues.

The following additional Governance issues need to be considered and addressed during the next 12 months:

1. Respond to the Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners
2. Monitor Compliance with Welsh Language Standards
3. To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored
4. Develop Members Training Programme to ensure that suitable arrangements are in place for May 2017 onwards following the Local Government Elections
5. Review Governance Arrangements for Partnership agreements and Regional working
6. Develop effective relationships with the new Police Commissioner, Welsh Government Assembly Members and Town and Community Councils to ensure maximum co-operation
7. Assess and monitor the impact of the Partnership City Deal on the Authority
8. Develop and maintain an Information Asset Register
9. Develop a new Risk and Business Continuity Strategy

- 
10. Review the WAO Grant Certification Report 2014/15 issued by WAO in May 2016 and implement any agreed actions

We propose over the coming year to take steps to address the above matters to further enhance our Governance arrangements. An Action Plan summarising the above Actions, Responsible Officers and Target Dates is attached in Appendix 2. We are satisfied that these steps will address the need for improvements and will monitor their implementation and operation as part of our next annual review.

**Approval**

**Leader of Council**

**Date 23 September 2016**

**Chief Executive**

**Date 23 September 2016**

**APPENDIX 1***UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS*

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2012/13 No. 1	Governance of Partnerships and Commissioning The Corporate Governance Group is committed to increasing its focus on governance of partnerships and commissioning to ensure that the arrangements in place are appropriate and robust.	Assistant Chief Executive (Regeneration & Policy)	A major review of all Partnerships and Commissioning has taken place and the PSB (former LSB) has agreed to its recommendations. The findings now form part of the new partnership structures reporting to the PSB.	Completed
AGS 2013/14 No. 3	Review Constitution and consider adopting "Modular Constitution"	Head of Administration and Law	CRWG presented its recommendations to Full Council 17 <sup>th</sup> June 2015 and the changes agreed by Council were adopted at its meeting of the 9 <sup>th</sup> September 2015.	Completed
AGS 2013/14 No. 5	Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities	Head of Audit, Risk & Procurement  Head of Financial Services	Budget Manual, Grants Project Manual and Managing Capital Manual reviewed and updated version approved by Audit Committee (11 July & 26 September 2014)  Contract Procedures and Financial Procedure Rules update to be approved by Audit Committee 2016/2017	Ongoing
AGS 2014/15 No. 1	Working with the new Administration to develop a 5 Year Forward Work Programme and priorities for the Council	Assistant Chief Executive (Regeneration and Policy)	As there are Council elections in 2017 Cllr Dole as Leader presented a 12 month forward work programme in May 2016	Completed (Key Issue for new Council in 2017)

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2014/15 No. 2	Responding to the Corporate Assessment to be undertaken by Wales Audit Office during 2015/16	Assistant Chief Executive (Regeneration and Policy)	Action plan has been produced and approved by Executive Board May 2016.	Completed
AGS 2014/15 No. 3	Implement the Governance Review decisions approved by Council	Head of Administration and Law	Council agreed changes on 17 June 2015 and approved the drafting for the implementation on 9 September 2015.	Completed
AGS 2014/15 No. 4	Ensure that 100% of Managers complete the Whistleblowing E-learning module	Head of Administration and Law	By the deadline of October 2015 all People Managers have completed the e-learning module.	Completed
AGS 2014/15 No. 5	Implement new Pensions Board	Head of Financial Services	Pensions Board implemented by the deadline of August 2015	Completed
AGS 2014/15 No. 6	Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998)	Assistant Chief Executive (Regeneration and Policy)	No guidance had come through during 15/16 to address the new legislation which was delayed and only became live on May 26 <sup>th</sup> 2016	Ongoing
AGS 2014/15 No. 7	Review the WAO Grant Certification Report 2013/14 and implement any agreed actions	Head of Financial Services /Grants Panel	All actions reviewed and followed up with departments.	Completed
AGS 2014/15 No. 8	Monitor progress with implementing improvements in the management of Supporting People Grant	Head Of Housing & Public Protection	Monitoring in place through quarterly reporting to the Audit Committee. Progress has been positive and changes have been implemented.	Ongoing

**APPENDIX 2**

<b>GOVERNANCE ISSUES ACTION PLAN</b>			
<b>NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT</b>			
<b>ISSUE REF</b>	<b>ACTION</b>	<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
AGS 2015/16 No. 1	Respond to the new Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 2	Monitor compliance with Welsh Language Standards.	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 3	To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 4	Develop Members Training Programme to ensure that suitable arrangements are in place for May 2017	Assistant Chief Executive (People Management and Performance)	March 2017
AGS 2015/16 No. 5	Review governance arrangements for Partnership agreements and Regional working.	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 6	Develop effective relationships with the new Police Commissioner, Welsh Government Assembly Members and Town & Community Councils to ensure maximum co-operation	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 7	Assess and monitor the impact of the Partnership City Deal on the Authority	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 8	Develop and maintain an Information Asset Register	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 9	Develop a new Risk & Business Continuity Strategy	Head of Audit, Risk and Procurement	December 2016
AGS 2015/16 No. 10	Review the WAO Grant Certification Report 2014/15 issued by WAO in May 2016 and implement any agreed actions	Interim Head of Financial Services	March 2017



#### 4 **AUDITOR GENERAL FOR WALES' REPORT TO THE MEMBERS OF CARMARTHENSHIRE COUNTY COUNCIL**

I have audited the accounting statements and related notes of:

- Carmarthenshire County Council; and
- Dyfed Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Dyfed Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

#### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, including Dyfed Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Carmarthenshire County Council and Dyfed Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### **Opinion on the accounting statements of Carmarthenshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

**Opinion on the accounting statements of Dyfed Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

**Opinion on other matters**

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Carmarthenshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

**For and on behalf of Huw Vaughan Thomas**  
**Auditor General for Wales**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

**Date: 30 September 2016**



## 5 FINANCIAL STATEMENTS

The financial statements comprise of the following:

### 5.1 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 other 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 Council 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 Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

### 5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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.

### 5.3 BALANCE SHEET

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 is 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 that which 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'.

### 5.4 CASH FLOW STATEMENT

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.

**5.1 MOVEMENT IN RESERVES STATEMENT**

	Council Fund Balance £'000	Earmarked Council Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
<b>Balance at 31 March 2014</b>	<b>(8,675)</b>	<b>(77,683)</b>	<b>(15,110)</b>	<b>(19,347)</b>	<b>0</b>	<b>(1,325)</b>	<b>(122,140)</b>	<b>(847,075)</b>	<b>(969,215)</b>
<b>Movement in reserves during 2014/15</b>									
Surplus or (deficit) on the provision of services	28,723	0	8,028	0	0	0	36,751	0	36,751
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	35,572	35,572
<b>Total Comprehensive Income and Expenditure</b>	<b>28,723</b>	<b>0</b>	<b>8,028</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,751</b>	<b>35,572</b>	<b>72,323</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(26,820)	0	(3,824)	(7,165)	0	50	(37,759)	37,759	0
<b>Net (Increase)/Decrease before Transfers to/from Earmarked Reserves</b>	<b>1,903</b>	<b>0</b>	<b>4,204</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>(1,008)</b>	<b>73,331</b>	<b>72,323</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	(1,728)	1,484	244	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>175</b>	<b>1,484</b>	<b>4,448</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>(1,008)</b>	<b>73,331</b>	<b>72,323</b>
<b>Balance at 31 March 2015</b>	<b>(8,500)</b>	<b>(76,199)</b>	<b>(10,662)</b>	<b>(26,512)</b>	<b>0</b>	<b>(1,275)</b>	<b>(123,148)</b>	<b>(773,744)</b>	<b>(896,892)</b>
<b>Movement in reserves during 2015/16</b>									
Surplus or (deficit) on the provision of services	10,139	0	208,916	0	0	0	219,055	0	219,055
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(49,746)	(49,746)
<b>Total Comprehensive Income and Expenditure</b>	<b>10,139</b>	<b>0</b>	<b>208,916</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>219,055</b>	<b>(49,746)</b>	<b>169,309</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(3,987)	0	(207,414)	7,879	0	412	(203,110)	203,110	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>6,152</b>	<b>0</b>	<b>1,502</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>153,364</b>	<b>169,309</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	(6,431)	6,391	40	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(279)</b>	<b>6,391</b>	<b>1,542</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>153,364</b>	<b>169,309</b>
<b>Balance at 31 March 2016</b>	<b>(8,779)</b>	<b>(69,808)</b>	<b>(9,120)</b>	<b>(18,633)</b>	<b>0</b>	<b>(863)</b>	<b>(107,203)</b>	<b>(620,380)</b>	<b>(727,583)</b>

**5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

2014-15 Total Gross Expenditure £'000 (Restated)	2014-15 Total Gross Income £'000 (Restated)	2014-15 Total Net Expenditure £'000 (Restated)		2015-16 Total Gross Expenditure £'000	2015-16 Total Gross Income £'000	2015-16 Total Net Expenditure £'000
			<b>Expenditure on Services</b>			
19,467	(2,642)	16,825	Central Services to the Public	18,793	(1,999)	16,794
23,076	(7,391)	15,685	* Cultural and Related Services	17,168	(6,525)	10,643
			Environmental and Regulatory			
23,673	(5,895)	17,778	Services	24,977	(5,548)	19,429
20,225	(13,465)	6,760	Planning Services	17,846	(11,671)	6,175
258,823	(39,567)	219,256	Education and Children's Services	209,944	(39,601)	170,343
34,932	(13,207)	21,725	Highways and Transport Services	33,968	(13,700)	20,268
			Housing Services:			
65,069	(62,425)	2,644	Council Fund Housing	66,768	(64,379)	2,389
45,199	(35,590)	9,609	Housing Revenue Account	242,168	(36,889)	205,279
112,663	(38,087)	74,576	Adult Social Care	116,015	(35,911)	80,104
6,734	(333)	6,401	Corporate and Democratic Core	6,187	(203)	5,984
7,056	(3,752)	3,304	* Non Distributed Costs	6,777	(2,047)	4,730
<b>616,917</b>	<b>(222,354)</b>	<b>394,563</b>	<b>Cost of Services</b>	<b>760,611</b>	<b>(218,473)</b>	<b>542,138</b>
			Precepts and Levies:			
		152	Brecon Beacons National Park			147
		8,877	Mid & West Wales Fire Authority			9,067
		4,878	Community Councils			5,017
		14,722	Dyfed Powys Police Authority			14,080
		(7,010)	(Gains)/losses on the disposal of non-current assets			146
		<b>21,619</b>	<b>Other Operating Expenditure</b>			<b>28,457</b>
			(Surpluses)/Deficits on Trading Activities not included			
		(1,473)	* in Net Cost of Services		Note 6.5	(533)
		13,871	Interest Payable and Similar Charges			17,639
		8,350	Net interest on the net defined benefit liability (asset)			9,185
		(473)	Interest Receivable and Similar Income			(450)
			Income and expenditure in relation to investment properties			
		(157)	* and changes in their fair value		Note 6.10	1,149
		<b>20,118</b>	<b>Financing and Investment Income and Expenditure</b>			<b>26,990</b>
		(202,696)	Revenue Support Grant		Note 6.38	(199,071)
		(787)	General Government Grants		Note 6.38	(565)
		(92,674)	Council Tax		Note 6.6	(96,297)
		(58,163)	Net Proceeds of Non-Domestic Rates		Note 6.7	(53,410)
		(45,229)	Capital Grants and Contributions		Note 6.38	(29,187)
		<b>(399,549)</b>	<b>Taxation and Non-specific Grant Income</b>			<b>(378,530)</b>
		<b>36,751</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>219,055</b>
			(Surplus) or deficit on revaluation of Property, Plant			
		(44,416)	and Equipment assets			(21,274)
		79,988	Actuarial (gains)/losses on pension assets/liabilities			(28,472)
		<b>35,572</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(49,746)</b>
		<b>72,323</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>169,309</b>

\* 2014-15 figures have been restated – see note 6.5

**5.3 BALANCE SHEET**

31/03/15 £'000			31/03/16 £'000
		<b>Notes</b>	
1,395,252	Property, Plant & Equipment	6.8	1,310,097
2,248	Heritage Assets	6.9	2,246
26,374	Investment Property	6.10	22,927
1,164	Long Term Investments	6.11	1,110
5,784	Long Term Debtors	6.12	7,148
<u>1,430,822</u>	<b>Long Term Assets</b>		<u>1,343,528</u>
27,048	Short Term Investments	6.13	8,038
133	Assets Held for Sale	6.14	410
1,066	Inventories	6.15	1,006
53,369	Short Term Debtors	6.16	46,370
11,267	Cash and Cash Equivalents	6.17	34,851
<u>92,883</u>	<b>Current Assets</b>		<u>90,675</u>
(7,677)	Short Term Borrowing	6.18	(9,013)
(62,632)	Short Term Creditors	6.19	(55,541)
(2,447)	Provisions	6.20	(3,601)
<u>(72,756)</u>	<b>Current Liabilities</b>		<u>(68,155)</u>
(3,214)	Provisions	6.20	(3,526)
(274,692)	Long Term Borrowing	6.21	(370,425)
(276,151)	Other Long Term Liabilities	6.44	(264,514)
<u>(554,057)</u>	<b>Long Term Liabilities</b>		<u>(638,465)</u>
<u><b>896,892</b></u>	<b>Net Assets</b>		<u><b>727,583</b></u>
8,500	Council Fund		8,779
10,662	Housing Revenue Account	7.2	9,120
72,258	Earmarked Council Fund Reserves	6.22	66,131
3,941	Held by Schools under LMS	6.22	3,677
26,512	Capital Receipts Reserve	6.23	18,633
1,275	Capital Grants Unapplied	6.24	863
<u>123,148</u>	<b>Usable Reserves</b>		<u>107,203</u>
323,284	Revaluation Reserve	6.25	333,733
731,974	Capital Adjustment Account	6.26	555,560
(870)	Financial Instruments Adjustment Account	6.27	(986)
348	Deferred Capital Receipts Reserve	6.28	342
(276,151)	Pensions Reserve	6.29	(264,514)
(4,841)	Accumulated Absences Account	6.30	(3,755)
<u>773,744</u>	<b>Unusable Reserves</b>		<u>620,380</u>
<u><b>896,892</b></u>	<b>Total Reserves</b>		<u><b>727,583</b></u>

**5.4 CASH FLOW STATEMENT**

<b>2014-15</b>		<b>Note</b>	<b>2015-16</b>
<b>£'000</b>			<b>£'000</b>
120,893	Taxation		123,679
342,830	Grants		336,657
12,055	Rents		13,615
326	Interest received		330
69,274	Other receipts from operating activities		83,684
<b>545,378</b>	<b>Cash inflows generated from operating activities</b>		<b>557,965</b>
(216,838)	Cash paid to and on behalf of employees		(207,905)
(34,544)	Housing benefit paid out		(28,414)
(45,341)	NNDR payments to national pool		(47,250)
(19,600)	Precepts paid		(19,097)
(13,840)	Interest paid		(16,774)
(196,668)	Other payments for operating activities		(209,381)
<b>(526,831)</b>	<b>Cash outflows generated from operating activities</b>		<b>(528,821)</b>
<b>18,547</b>	<b>Net cash flows from operating activities</b>	6.48	<b>29,144</b>
(77,914)	Purchase of property, plant & equipment, investment property and intangible assets		(63,694)
(142,800)	Purchase of short term and long term investments		(152,700)
(20,897)	Other payments for investing activities		(99,945)
13,333	Proceeds from Sale of property, plant & equipment, investment property and intangible assets		2,295
115,816	Proceeds of short term and long term investments		171,762
58,946	Other receipts from investing activities		41,783
<b>(53,516)</b>	<b>Net cash flows from investing activities</b>		<b>(100,499)</b>
28,000	Cash receipts of short and long term borrowing		101,461
(7,800)	Repayments of short term and long term borrowing		(5,262)
747	Other payments for financing activities		(1,260)
<b>20,947</b>	<b>Net cash flows from financing activities</b>		<b>94,939</b>
<b>(14,022)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>23,584</b>
25,289	Cash and cash equivalents at the beginning of the reporting period		11,267
<b>11,267</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	6.17	<b>34,851</b>

## 6 NOTES TO THE ACCOUNTS

### 6.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council and of the Dyfed Pension Fund for the 2015-16 financial year and their position at the year ended 31 March 2016.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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.

Areas within the accounts that do not comply with the above publication have been suitably noted where necessary.

#### 6.1.1 Accruals of Income and Expenditure

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

- 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.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- 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 payable on borrowings and receivables on investments is accounted for 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.



- An exception to this principle is when certain revenue payments are made quarterly (e.g. electricity, gas) where the revenue accounts are charged with four payments. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### 6.1.2 Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement:** Assets are initially measured at cost, comprising the purchase price and/or any expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the Balance Sheet on the basis recommended by CIPFA and in accordance with The Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting on the following basis:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value

With the exception of infrastructure and community assets, revaluations of fixed assets are carried out on the basis of a five-year rolling programme with any material change to asset values being adjusted in the accounts in the year it arises.

The historic timetable of assets revaluations is given below:

Social Care, Regeneration & Environment Assets	2011-12
Corporate Assets	2012-13
Chief Executives, Regeneration & Leisure	2013-14
Schools	2014-15
Housing Stock & Depreciated Replacement Costs valued assets	2015-16

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

**Impairment:**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Disposals and Assets Held for Sale**

When it becomes highly probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, 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 Statement also 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. These can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – either a straight-line allocation over the useful life of the asset or as a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Component Accounting**

Component accounting is used when a single asset has one or more constituent parts with a significantly different economic life to the main asset. Components within the main asset would therefore be depreciated at different rates.

In order to determine whether there is a material difference in the depreciation charge, the Authority carries out a sensitivity analysis on its largest capital projects. A charge is calculated based on the asset as a whole compared to a charge based on the component parts. The component based charge will be used if there is a material difference between the two calculations.

### 6.1.3 **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.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 6.1.4 **Heritage Assets**

There are different types of Heritage Assets which have been accounted for as follows.

- **Former Community Assets**

Those heritage assets which were formerly included within community assets have been transferred to the new Heritage Assets category. They are recorded at historic cost and include Carmarthen Castle, civic regalia and works of art.

- **Infrastructure Artwork**

These assets were previously included as infrastructure and were either part of a larger capital project or standalone artworks on roundabouts or in town centres. As former infrastructure assets they are recorded at historic cost.

- **Museum Exhibits/Archive Records**

The Authority holds a large collection museum exhibits and archive material which have not been included in the Balance Sheet. Cost information is not readily available for these items and the Authority believes that the benefits of obtaining a valuation for these items would not justify the cost.

### 6.1.5 **Intangible Assets**

These are assets that do not have a physical substance but will provide future economic benefits to the Authority such as software licences or internally generated assets which have been capitalised.

The Authority does not currently hold any intangible assets. Enhancements are categorised each year and any intangible assets would be identified as part of this annual exercise.

#### 6.1.6 **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund balance (MRP or Loans Fund Principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### 6.1.7 **Revenue Expenditure Funded from Capital under Statute (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Council Fund Balance so there is no impact on the level of Council Tax.

#### 6.1.8 **Cash and Cash Equivalents**

Cash Equivalents are investments that are readily convertible to known amounts of cash with no change in value. Cash is withdrawn and deposited depending on a deficit or surplus of cash on the day. All call accounts are classified for this purpose. Cash Equivalents also includes fixed term investments that mature within three months or less from the date of acquisition.

#### 6.1.9 **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### 6.1.10 **Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

A review of all leases held by the Authority (both as Lessee and Lessor) has been undertaken. All leases are currently treated as operating leases. A few small leases have been identified that could potentially be reclassified as finance leases. These relate to equipment and are insignificant both in terms of value and term length. The reclassification adjustments would not materially affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Authority.

#### **The Authority as Lessee – operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

#### **The Authority as Lessor – operating leases**

Where the Authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate service in the Comprehensive Income and Expenditure statement.

#### 6.1.11 **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and

interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### 6.1.12 **Financial Assets**

##### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Authority has made loans at less than market rates (soft loans), any material loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.



Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### 6.1.13 **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### 6.1.14 **Cost of Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Cost of Services.

#### 6.1.15 **Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured on the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### 6.1.16 **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves statement so that there is no net charge against council tax for the expenditure.

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

### 6.1.17 **Employee Benefits**

#### **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. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual 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 accrual 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.

#### **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.

## Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Carmarthenshire County Council.

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

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

## The Dyfed Pension Fund

The Fund is accounted for as a defined benefit scheme.

The liabilities of the Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (based on the indicative rate of return on high quality corporate bond [AA Corporate Bond]).

The assets of the Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – bid price value
- unquoted securities – professional estimate
- unitised securities – bid price value
- property – market value.

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

Service cost comprising:

- current service cost – the increase in liabilities as 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
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Fund – cash paid as employer's contributions to the 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.

#### **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 Fund.

#### **6.1.18 Interests in Companies and other Entities**

The Council has material interests in CWM Environmental that has the nature of a subsidiary that require the preparation of group accounts. Group Accounts have not been prepared, as the consolidation would not materially affect the Authority's financial position,

or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

#### 6.1.19 **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 the 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 that 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 or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only 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 its interest in the joint venture and income that it earns from the venture.

We have identified the following arrangement that could fall within the above definition for accounting purposes:-

- ERW - the regional education consortium for Mid and South West Wales

	<b>ERW</b>	
	<b>2015-2016</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	262	54
Income	(322)	(67)
Surplus/Deficit for the year	<u>(60)</u>	<u>(13)</u>
Current Assets	488	101
Current Liabilities	(16)	(3)
Long Term Liabilities	(93)	(19)
Total assets less liabilities	<u>379</u>	<u>79</u>
Reserves	<u>379</u>	<u>79</u>
Total Financing	<u>379</u>	<u>79</u>

The above is not an exhaustive list – other potential arrangements include the Welsh Purchasing Consortium amongst others. For the purposes of the accounts no actual entries have been made for these arrangements other than the direct expenditure and income applicable to each scheme. The adjustments are not material and would not affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

#### 6.1.20 **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.

#### 6.1.21 **VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them.

#### 6.1.22 **Carbon Reduction Commitment Energy Efficiency Scheme**

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### 6.2 **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 6.1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government, as well as uncertainty about the implications of the vote to leave the European Union. However, the Authority has a robust three year budget strategy with efficiency and service rationalisation proposals to deliver a balanced budget and has therefore determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4m plus interest invested in Kaupthing, Singer and Friedlander (KSF) at that time. By the end of 2015-2016 £3.35m plus interest had been repaid by the administrators. See note 6.46.

Voluntary Controlled and Voluntary Aided schools are currently excluded from the Authority's balance sheet and have been since 2009-10 as although the Authority has liabilities and risks in terms of property costs such as repairs and maintenance, it does not own the schools nor does it have any rights to the future economic benefits inherent in the assets.

Council Dwellings have been revalued using a Beacon Approach (Adjusted Vacant Possession) methodology. The Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') states that : "The fair value of council dwellings shall be measured using existing use value–social housing (EUV–SH)." An Adjustment Factor is

applied, and is the discount which, when applied to the vacant possession value, gives a figure for the Existing Use Value – Social Housing, this factor is based on the ratio of private and public sector rents and yields. The resultant adjustment factor for 15/16 was 49%.

### 6.3 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 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 balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2016 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
Pensions Liability	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 Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.3m for 2015-16.</p> <p>The carrying amount of the net pensions liability at 31<sup>st</sup> March 2016 was £264.5m.”</p> <p>However, the assumptions interact in complex ways. During 2015-16, the Authority's actuaries advised that net pensions liability had decreased by £61.5m attributable to the updating of adjustments.</p>

#### 6.4 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.

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,591)	(11,173)	0	0	0	37,764
Revaluation losses on Property Plant and Equipment	(1,657)	(134,490)	0	0	0	136,147
Movements in the market value of Investment Properties	(1,485)	0	0	0	0	1,485
Capital grants and contributions applied	22,430	291	0	0	0	(22,721)
Revenue expenditure funded from capital under statute	(4,105)	(78,991)	0	0	0	83,096
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	(1,831)	(472)	0	0	0	2,303
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,217	2,684	0	0	0	(12,901)
Capital expenditure charged against the Council Fund and HRA balances	12,468	8,493	0	0	0	(20,961)

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	300	0	0	0	(300)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	712	(712)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,699	458	(2,157)	0	0	0
Statutory Capital Receipts	53	0	(131)	0	0	78
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	10,027	0	0	(10,027)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	23	0	0	(23)
Capital Receipts Set Aside	0	0	123	0	0	(123)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(6)	0	0	6

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	6,166	0	(6,166)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,166	0	(6,166)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	(83)	(33)	0	0	0	116
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45)	(40,454)	(794)	0	0	0	41,248
Employer's pensions contributions and direct payments to pensioners payable in the year	23,960	453	0	0	0	(24,413)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
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	1,092	(6)	0	0	0	(1,086)
<b>Total Adjustments</b>	<b>(3,987)</b>	<b>(207,414)</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>203,110</b>



	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,754)	(17,635)	0	0	0	44,389
Revaluation losses on Property Plant and Equipment	(51,071)	(4,315)	0	0	0	55,386
Movements in the market value of Investment Properties	(168)	0	0	0	0	168
Capital grants and contributions applied	38,056	643	0	0	0	(38,699)
Revenue expenditure funded from capital under statute	(2,932)	(56)	0	0	0	2,988
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	(4,052)	(2,121)	0	0	0	6,173
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,167	2,592	0	0	0	(12,759)
Capital expenditure charged against the Council Fund and HRA balances	8,436	8,986	0	0	0	(17,422)



	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	340	0	0	0	(340)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	390	(390)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,045	2,139	(13,184)	0	0	0
Statutory Capital Receipts	73	0	(127)	0	0	54
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,641	0	0	(4,641)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	56	0	0	(56)
Capital Receipts Set Aside	0	0	1,471	0	0	(1,471)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(22)	0	0	22

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	6,190	0	(6,190)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,190	0	(6,190)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	77	(40)	0	0	0	(37)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45)	(33,297)	(666)	0	0	0	33,963
Employer's pensions contributions and direct payments to pensioners payable in the year	23,762	455	0	0	0	(24,217)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
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	(502)	4	0	0	0	498
<b>Total Adjustments</b>	<b>(26,820)</b>	<b>(3,824)</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>37,759</b>

## 6.5 Trading Operations

The Authority undertakes various trading operations, as listed in the table below. These trading activities mainly derive their turnover from rents, fees and charges and are either undertakings with the public and other third parties or are internal trading operations, which were originally set up as DSOs. Social Services residential homes are not operated as a trading activity within the Authority. At present all costs attributable to the operation of these homes are charged direct to the Social Services budget. The actual outturn figures in respect of these trading operations are detailed below:

2014-15 Total Gross Expenditure	2014-15 Total Gross Income	2014-15 Total Net (Income)/ Expenditure		2015-16 Total Gross Expenditure	2015-16 Total Gross Income	2015-16 Total Net (Income)/ Expenditure
£'000 (Restated)	£'000 (Restated)	£'000 (Restated)		£'000	£'000	£'000
			<b>Activities/Section</b>			
38,706	(40,037)	(1,331)	Property Services and			
			Hydrology	32,445	(33,088)	(643)
			Vehicle Repair &			
1,326	(1,655)	(329)	Maintenance	1,352	(1,675)	(323)
3,466	(3,287)	179	Building Cleaning	3,675	(3,373)	302
5,199	(5,181)	18	Fleet Management	5,227	(5,117)	110
1,062	(1,235)	(173)	Civil Design	1,315	(1,457)	(142)
692	(307)	385	Rural Estate	578	(296)	282
826	(601)	225	Provision Markets	831	(620)	211
1,074	(1,521)	(447)	Industrial Sites	1,295	(1,625)	(330)
<b>52,351</b>	<b>(53,824)</b>	<b>(1,473)</b>		<b>46,718</b>	<b>(47,251)</b>	<b>(533)</b>

### Restated Amounts

A review of Trading Operations and Investment Properties has resulted in the reclassification of certain transactions and the restatement of some figures relating to 2014-15.

Commercial Properties (2014-15 Net Income £42k) and Livestock Markets (2014-15 Net Income £182k) previously included in Trading Operations have been reclassified as Investment Properties (see Note 6.10).

### CIES – Note 5.2

The Net Surplus on Trading Activities for 2014-15 has been restated from (£1,696k) to (£1,473k). Culture and Related Services Gross Income has been restated from (£7,538k) to (£7,391k) and Net Expenditure from £15,538k to £15,685k. Gross Expenditure for Non Distributed Costs has been restated from £7,101 to £7,056 and Net Expenditure from £3,349 to £3,304k. Income and Expenditure in Relation to Investment Properties has been restated from £168k to (£157k).

**6.6 Council Tax**

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by dividing the amount of income required for Carmarthenshire County Council and the Dyfed-Powys Police Authority for the forthcoming year by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts - £70,376 for 2015-16 (£69,905 for 2014-15). The Council Tax payable by a household is calculated by multiplying the basic amount for a band D property (£1,076.22 for Carmarthenshire County Council) by the proportion specified for the particular band.

Council Tax bills are based on multipliers for bands A to I. The following table shows the multiplier applicable to each band together with the equivalent number of Band 'D' properties within each band. In addition there is one lower band (A-) designed to offer the appropriate discount in respect of disabled dwellings where legislation allows a reduction in banding to that one below the band in which the property is actually valued.

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Dwellings	15	4,763	15,953	13,651	12,157	13,839	8,037	3,164	506	96

Analysis of the net proceeds from Council Tax:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	93,185	96,955
	<hr/>	<hr/>
	93,185	96,955
Less:		
Movement in Impairment Allowance	(511)	(658)
<b>Net Proceeds from Council Tax (including Precepts)</b>	<hr/> <b>92,674</b>	<hr/> <b>96,297</b>

**6.7 National Non Domestic Rates (NNDR)**

NNDR is organised on a national basis. The government specifies an amount for the rate (48.2p for rateable values in 2015-16 and 47.3p for rateable values in 2014-15) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value (which had been re-valued with effect from the 1 April 2010) by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the National Assembly for Wales. The National Assembly for Wales redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income after relief and provisions of £46,962 for 2015-2016 was based on an average rateable value of £120,806,537 (£119,724,923 for 2014-2015). As at 31<sup>st</sup> March 2016 the total non domestic rateable value was £121,288,415 (£120,324,658 as at 31<sup>st</sup> March 2015).

Analysis of the net proceeds from Non-Domestic rates:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Non Domestic Rates Collectable	45,454	47,725
Less		
Amount Paid into NNDR Pool	(45,341)	(47,250)
Cost of Collection	(377)	(382)
Movement in Impairment Allowance	(107)	(196)
	<u>(371)</u>	<u>(103)</u>
Receipts from Pool	58,534	53,513
<b>Net Proceeds from NNDR</b>	<b><u>58,163</u></b>	<b><u>53,410</u></b>

**6.8 Property, Plant & Equipment**

Movements in 2015-16	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
<b>Gross Book Value 01/04/15</b>	<b>562,449</b>	<b>639,100</b>	<b>17,547</b>	<b>270,648</b>	<b>3,583</b>	<b>19,673</b>	<b>65,723</b>	<b>1,578,723</b>
Additions	15,266	35,194	1,117	5,458	32	152	9,779	<b>66,998</b>
Revaluation Increases Recognised in the Revaluation Reserve	3,426	46,137	0	0	84	100	0	<b>49,747</b>
Revaluation Losses Recognised in the Revaluation Reserve	(26,852)	(1,262)	0	0	0	(359)	0	<b>(28,473)</b>
Revaluation Increases Recognised in the Provision of Services	1,908	8,613	0	0	0	0	0	<b>10,521</b>
Revaluation Losses Recognised in the Provision of Services	(136,398)	(7,864)	(1,508)	0	0	(896)	0	<b>(146,666)</b>
Derecognition of Disposals	(10)	0	(270)	0	0	0	0	<b>(280)</b>
Reclassifications: to & from Assets Held for Sale	(381)	(200)	0	0	(4)	(1,961)	0	<b>(2,546)</b>
Reclassifications: to & from Investment Properties	0	155	0	0	88	2,820	0	<b>3,063</b>
Reclassifications: from Assets Under Construction	477	53,016	0	284	(1)	2,561	(56,337)	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(93,413)	(21,060)	(1,989)	0	0	(277)	0	<b>(116,739)</b>
<b>Gross Book Value 31/03/16</b>	<b>326,472</b>	<b>751,829</b>	<b>14,897</b>	<b>276,390</b>	<b>3,782</b>	<b>21,813</b>	<b>19,165</b>	<b>1,414,348</b>
<b>Accumulated Depreciation and Impairment at 01/04/15</b>	<b>(81,944)</b>	<b>(27,246)</b>	<b>(9,881)</b>	<b>(64,005)</b>	<b>(372)</b>	<b>(23)</b>	<b>0</b>	<b>(183,471)</b>
Depreciation Charge	(11,173)	(19,256)	(1,234)	(6,058)	(23)	(20)	0	<b>(37,764)</b>
Depreciation Written Out to Revaluation Reserve	93,413	21,060	1,989	0	0	277	0	<b>116,739</b>
Depreciation Written Out to Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of Disposals	0	0	245	0	0	0	0	<b>245</b>
Reclassifications: to/ from AHFS	0	0	0	0	0	0	0	<b>0</b>
Other Movements in Depreciation and Impairments	0	250	0	0	0	(250)	0	<b>0</b>
<b>Cumulative Depreciation to 31/03/16</b>	<b>296</b>	<b>(25,192)</b>	<b>(8,881)</b>	<b>(70,063)</b>	<b>(395)</b>	<b>(16)</b>	<b>0</b>	<b>(104,251)</b>
<b>Net Book Value at 31/03/16</b>	<b>326,768</b>	<b>726,637</b>	<b>6,016</b>	<b>206,327</b>	<b>3,387</b>	<b>21,797</b>	<b>19,165</b>	<b>1,310,097</b>

Movements in 2014-15	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
<b>Gross Book Value 01/04/14</b>	<b>542,781</b>	<b>680,040</b>	<b>18,230</b>	<b>264,699</b>	<b>2,830</b>	<b>20,942</b>	<b>51,063</b>	<b>1,580,585</b>
Additions	24,583	19,042	680	7,122	26	234	30,300	81,987
Revaluation Increases Recognised in the Revaluation Reserve	172	84,202	0	1	0	216	0	84,591
Revaluation Losses Recognised in the Revaluation Reserve	(483)	(39,130)	0	0	0	(562)	0	(40,175)
Revaluation Increases Recognised in the Provision of Services	46	1,115	0	0	0	154	0	1,315
Revaluation Losses Recognised in the Provision of Services	(4,360)	(51,088)	0	(565)	0	(688)	0	(56,701)
Derecognition of Disposals	0	0	(452)	0	0	(1,586)	0	(2,038)
Reclassifications: to & from Assets Held for Sale	(1,578)	(38)	0	0	0	(1,489)	0	(3,105)
Reclassifications: to & from Investment Properties	0	0	0	0	32	280	0	312
Reclassifications: from Assets Under Construction	1,677	11,269	16	(437)	695	2,420	(15,640)	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(389)	(66,312)	(927)	(172)	0	(248)	0	(68,048)
<b>Gross Book Value 31/03/15</b>	<b>562,449</b>	<b>639,100</b>	<b>17,547</b>	<b>270,648</b>	<b>3,583</b>	<b>19,673</b>	<b>65,723</b>	<b>1,578,723</b>
<b>Accumulated Depreciation and Impairment at 01/04/14</b>	<b>(64,697)</b>	<b>(74,378)</b>	<b>(9,467)</b>	<b>(58,405)</b>	<b>(332)</b>	<b>(241)</b>	<b>0</b>	<b>(207,520)</b>
Depreciation Charge	(17,635)	(19,173)	(1,728)	(5,817)	(23)	(13)	0	(44,389)
Depreciation Written Out to Revaluation Reserve	388	66,312	927	172	0	248	0	68,047
Depreciation Written Out to Provision of Services	0	0	0	0	0	0	0	0
Derecognition of Disposals	0	0	387	0	0	3	0	390
Reclassifications: to/ from AHFS	0	0	0	0	0	1	0	1
Other Movements in Depreciation and Impairments	0	(7)	0	45	(17)	(21)	0	0
<b>Cumulative Depreciation to 31/03/15</b>	<b>(81,944)</b>	<b>(27,246)</b>	<b>(9,881)</b>	<b>(64,005)</b>	<b>(372)</b>	<b>(23)</b>	<b>0</b>	<b>(183,471)</b>
<b>Net Book Value at 31/03/15</b>	<b>480,505</b>	<b>611,854</b>	<b>7,666</b>	<b>206,643</b>	<b>3,211</b>	<b>19,650</b>	<b>65,723</b>	<b>1,395,252</b>

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

<b>Asset</b>	<b>Life (Years)</b>
Council Dwellings	30
Land <i>(including Community Assets)</i>	infinite
Buildings <i>(including Community Assets)</i>	30
Plant, Furniture & Equipment	5 to 10
Vehicles	1 to 10
Infrastructure	40

**Non Enhancing Expenditure**

As in 2014-15, non-enhancing expenditure has been included within the additions in the year and then written off as a revaluation loss. In preceding years this expenditure was written off directly to the CIES.

**Revaluations**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on a depreciated historic cost basis.

**Statement of Non-Current Assets Carried at Current Value 2015-16**

The following statement shows the progress of the Authority's rolling programme for revaluation of fixed assets. The valuations are carried out in house by the Authority's Valuers who are Fellows of the Royal Institute of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies.

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>TOTAL £'000</b>
Valued at fair value as at:					
31 March 2016	(235,977)	112,729	(2,650)	2,140	(123,758)
31 March 2015	19,668	(40,940)	(683)	(1,269)	(23,224)
31 March 2014	19,476	(19,640)	1,851	(2,612)	(925)
31 March 2013	20,711	18,174	(4,093)	432	35,224
31 March 2012	12,351	(13,051)	(5,373)	403	(5,670)
Previous Years	490,243	694,557	25,845	22,719	1,233,364
<b>Gross Book Value at 31/03/16</b>	<b>326,472</b>	<b>751,829</b>	<b>14,897</b>	<b>21,813</b>	<b>1,115,011</b>



**Capital Commitments**

As at 31 March 2016 the Council was contractually committed to capital works which amounted to approximately £16 million. Major contracts included the following schemes:

	<b>£'000</b>
<b><u>HOUSING</u></b>	
Public Sector Housing	810
<b><u>ENVIRONMENT</u></b>	
Trebeddrod Reservoir	297
Carmarthen West Link Road	3,907
Llanstephan Pumping Station and Outfall	39
<b><u>EDUCATION AND CHILDREN</u></b>	
<b>Modernising Education Programme</b>	
Dyffryn Amman	97
Maes Y Gwendraeth	308
Bro Dinefwr	358
Coedcae	1,350
Strade	151
Ffwrnes	203
Carreg Hirfaen	115
Burry Port	75
Gorslas (Demountable)	67
Brynamman (Demountable)	104
Llangennech Infants	167
Seaside	7,292
Bryngwyn (Llanelli Vocational Village)	517
<b><u>ECONOMIC DEVELOPMENT</u></b>	
Parry Thomas Centre - Pendine	96
<b><u>CORPORATE</u></b>	
Llanelli Market	391
Eastgate Street	153
	<b><u><u>16,497</u></u></b>

**6.9 Heritage Assets**

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archives	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation Gross Carrying Amount 01/04/14</b>	<b>30</b>	<b>16</b>	<b>64</b>	<b>722</b>	<b>1,274</b>	<b>30</b>	<b>3</b>	<b>2,139</b>
Additions	0	0	7	39	63	0	0	109
Revaluation Losses	0	0	0	0	0	0	0	0
<b>Cost or Valuation Gross Carrying Amount 31/03/15</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>3</b>	<b>2,248</b>
Additions	0	0	0	0	0	0	0	0
Revaluation Losses	0	0	0	0	0	0	(2)	(2)
<b>Cost or Valuation Gross Carrying Amount 31/03/16</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

**Heritage Assets: Five Year Summary of Additions & Valuations**

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archive	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2015-16	0	0	0	0	0	0	(2)	(2)
2014-15	0	0	7	39	63	0	0	109
2013-14	0	0	31	2	1	0	0	34
2012-13	0	0	(40)	0	0	30	0	(10)
2011-12	0	0	30	12	0	0	0	42
Previous Years	<b>30</b>	<b>16</b>	<b>43</b>	<b>708</b>	<b>1,273</b>	<b>0</b>	<b>3</b>	<b>2,073</b>
<b>Cost or Valuation Gross Carrying Amount 31/03/16</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

**Heritage Assets: Archives collections**

The archive service was established in 1959 to collect historically important records. Since then it has accrued 8785 deposits of records – each deposit may be as small as one item or as large as several thousand. All the items are unique. The records held are categorised under various headings.

**Records under the Public Records Act 1958:**

Land Tax 1797, Hearth Tax 1670, Survey of Crown lands 1560 and Census for Carmarthenshire 1841-1911.

Carmarthenshire Quarter Sessions: Order/minute books 1748-1752, 1794-1813, and 1820 -1971. Case files and papers 1833-1971; Judges' notebooks, jury books, justices' roll, registers of convictions and appeal books, 19th and 20th centuries. Public Records deposited with the Clerk of the Peace.

Carmarthenshire electoral registers from 1851 (Carmarthenshire and Llanelli constituencies from 1918 to date)

Plans of railways, roads, canals, harbours and other public undertakings 1808-1950

Enclosure acts and awards 1810-1873

Turnpike Trust records relating to Carmarthenshire

Petty Sessions: minutes and registers in Carmarthenshire 19th and 20th centuries

Hospital Records: minutes, reports, financial records and plans for various hospitals.

Territorial Association: Carmarthen Territorial and Auxiliary Forces Association minutes.

Shipping Records: Crew agreements and official logbooks of ships registered in Llanelli 1863-1913; Registers of ships and fishing boats in the ports of Llanelli 1824-1957 and Carmarthen 1839-1849.

Land Valuation Records: Valuation lists made under the Finance Act 1910 by the Commissioners of Inland Revenue: this includes detailed valuations of properties in every parish in Carmarthenshire.

**OFFICIAL RECORDS**

County Council: Carmarthenshire County Council 1889-1974, motor vehicle licensing records 1907-1974; Dyfed County Council minutes 1973-1996; Carmarthenshire County council minutes 1997-2011.

Education Records: Log Books of various schools 1862-1976; school board minutes 1871-1903; school managers' minutes 1872-1973; some admission registers 19th and 20th centuries.

Board of Guardians and the Workhouse: Minutes and financial records of the Guardians for Carmarthenshire Union 19th century-1948; Llandeilo Union 1836-1948; Llandovery Union 1840-1950; Llanelli Union c. 1840-1948; Workhouse records from Penlan Carmarthen 1866-1975; Abercennen Llandeilo 1839-1969; Llanelli 1913-1950.

Borough Records: Records for Carmarthen, Kidwelly, Laugharne, Llandovery and Llanelli Borough including minutes, rate books, title deeds, rentals, accounts and other material.

District Councils: Minutes, rate books, financial records, correspondence and plans for Llandeilo RDC / UDC, Cwmamman UDC c.1860-1974 and Ammanford UDC 1903-1974.

Water Authority: Minutes, reports, accounts and correspondence of the Towy Fishery Board 1867-1951.

Parish Councils: Minutes, title deeds, rate books, financial records and correspondence from many parishes 1894-1974.

Ecclesiastical Records: Church in Wales: registers of baptisms, marriages and burials of all Carmarthenshire parishes 16th-20th centuries; vestry minutes, churchwardens' accounts, overseers' papers, rate books and tithe maps for some parishes 18th-20th centuries. Tithe Apportionments and tithe maps 1848-c.1920. Nonconformist: microfilms of non-parochial registers in the Public Record Office; some original chapel records 18th-20th centuries.

**DEPOSITED PRIVATE COLLECTIONS:**

Many of the following are still owned by the original depositor and are on indefinite loan to the archive service. A few notable items include the Vaughan of Golden Grove pedigree created in 1641, and regarded as one of the finest examples of its kind; the Golden Grove Books – four volumes of Welsh family pedigrees compiled in c.1703, but relating to sources dating back to the eleventh century; Rebecca Riots letters.

Family and Estate records: 14-20th centuries' collections relating to many estates across the county. These contain title deeds, rentals, correspondence, financial records, maps, diaries, political and personal records.

Solicitors: Records accumulated by the firms within Carmarthenshire including deeds, rentals, correspondence and maps covering many large estates.

Business Records: John Francis and son, estate agents: records include deeds, wills, rentals and maps relating to various estates together with a collection of over 1,000 sale catalogues. Others business records include Waddle Engineering Llanelli, Buckleys Brewery Llanelli, the woollen industry in the Teifi Valley, Emlyn Anthracite Colliery and Llanelli Harbour Trust records.

Societies: Carmarthenshire Antiquarian Society collection includes borough records; police records; ecclesiastical records; poor law records; education records; maps; railway plans and a series of scrapbooks containing title deeds, cuttings, pictorial and antiquarian material, 13th – 20th centuries. Also, other records include Carmarthenshire Women's Institutes, United Counties Hunters' Society, Llanelli Constituency Labour Party, Ferryside RNLI and the Carmarthen branch of ASLEF 20th century and other trade union records.

Ordnance Survey Maps: Including various maps relating to Carmarthenshire dating back to the Nineteenth Century.

Newspapers: Carmarthen Journal 1810 - present, The Welshman 1846 -1950, South Wales Guardian and the Amman Valley Chronicle.

All the above records are normally available for use by the public, however at present due to fungal contamination in the strong rooms, they have had to be removed for restoration works, so are currently unavailable. Before the collections are returned it will be necessary to ensure that suitable accommodation is available or otherwise to look at alternative solutions such as working with other bodies to provide the service. The exact timescales are unknown at present but in the meantime it is planned that some collections will be deposited with Glamorgan Archives and Swansea University Archives during the calendar year 2016 in order to make them available to researchers.

### **Heritage Assets: Further information on Carmarthenshire County Council's museums' collections**

Carmarthenshire Museums Services consist of five museums and one heritage room.

While the collections of Carmarthenshire County Museum and Parc Howard Museum & Art Gallery are analysed separately, those of the Museum of Speed, Carmarthen Town Museum and Bro Aman Museum are included within the information about Carmarthenshire County Museum.

#### **Parc Howard**

Parc Howard was opened in 1912. Its collections have been drawn together mainly by donation. They reflect Llanelli's past. The Parc Howard collection is stored within the museum.

#### **Material Culture: including all material in the collection other than Fine Art and Ceramics**

This collection has a broad range of material culture reflecting the history of Llanelli from the 18<sup>th</sup> century. Notable items are an example of the Stepney Spare Wheel, products of the local iron, tin and steel industries and an example of the first tin beer can, which were made for the local Felinfoel Brewery. The collection also reflects local sport, brewing, religion, costume, WW2, and the town's civic history and notable figures. Of the 3,000 material culture objects in Parc Howard's collection, approximately 11% are on display at one time.

### Fine Art Collection

This collection consists of nearly 500 works of art, including oil paintings, works of art on paper and sculptures. The core of the collection's most important paintings came from the collection of Lady Stepney, who originally leased the museum and park to Llanelli Borough Council. The collection contains works by Llanelli born artists James Dickson Innes and Charles William Mansel Lewis and a large scale work by Hubert von Herkomer. Paintings by John Bowen and Tony Evans, two significant 20th century local artists, are also held. Of the 491 works of art, some 8.5%, including the collections' most significant works, are on display at one time. The remaining items are held in a secure store but can be made accessible to scholars and are shown in rotating exhibitions.

### Ceramics Collection

This collection contains the largest collection of Llanelly Pottery in public ownership. Nearly 80% of this collection of 721 items is on display at any one time. The Llanelly Pottery collection has been brought together since 1912 by a mixture of purchase and donation. The collection ranges from wares produced during the earliest years of manufacturing in 1840s until its final years during the 1920s. Among the earliest wares of significance are the collection of lithophanes and a bust of John Wesley, as well as examples of transfer printed ware patterns and forms. Approximately 30% of these are on display at any one time. Ceramics not on display are held in secure stores but can be made accessible to scholars.

### Carmarthenshire County Museum

The collections were begun by the Carmarthenshire Antiquarian Society and opened in 1908, being one of Wales' oldest museums. The County Museum collections not on display are stored at the museum and in a large store at Kidwelly Industrial Museum.

### Material Culture: this includes all material except Archaeology, Natural Sciences, Ethnography and Fine Art.

Carmarthenshire's post-medieval history encompasses both rural and industrial urban life and the collections reflect this dichotomy. The collections contain furniture, such as dressers, local ceramics, agricultural and industrial tools and machinery (including the anthracite coal industry), costume, samplers, quilts, lovespoons, photographs, militaria, numismatics, sports, education, tradition, the contents of a local cottage, faith, folk belief, education, memorabilia and commercial life. Of particular significance are the frieze from the Picton Monument, militia material, the cottage interior and a copy of the first translation of the New Testament into Welsh, as well as Carmarthenshire dressers with their original crockery. Of the collection of material culture of nearly 30,000 objects, approximately 9% of the collection is on display at any one time but objects not on display are held in secure stores but can be made accessible to scholars. Carmarthen Guildhall holds significant pieces of fixed and portable furniture made for it by David Morley of Carmarthen, and portraits of notable local people and other paintings.

### Archaeology Collection

Archaeology is a major regional collection containing items of local, regional, Welsh, UK and international significance. It can be viewed in two parts, material primarily acquired by the Carmarthenshire Antiquarian Society (1907 – 1939) and acquisitions of large archives from controlled excavations (1967 – present), mainly from the Dyfed Archaeological Trust and CADW. These archives include the paper, photographic and digital records. The date range is from Middle Palaeolithic to 20<sup>th</sup> century.

Significant items include: Middle Palaeolithic/late Neanderthal chert tools from Coygan Cave (50,000 ya) (international importance), Mesolithic shale figurines and pierced beads from Nab Head (international importance), Bronze Age metalwork hoards (regional importance), Romano-British wooden figurine from Strata Florida (international importance), Romano-British brooch from Carmarthen (national importance), Romano-

British gold pendant from Dolaucothi (national importance), excavation archives from Roman Carmarthen and Dolaucothi/Pumsaint (both national importance), early medieval inscribed standing stones (international importance), excavation archives from Dryslwyn and Laugharne castles and Carmarthen Greyfriars (national importance), Whitland floor tiles (national importance). The ceramics sequence from Laugharne Castle and Greyfriars combined provides a good reference collection for most of the medieval period in south-west Wales. There are over 30,000 items. At any time, 1.3% of the collection is on display.

### **Natural History and Geology Collection**

This is a small collection of mainly local flora and fauna, rocks, fossils and minerals which has developed very slowly since the museum's inception.

Early natural history acquisitions include vertebrate skeletal material, taxidermy specimens, collections of eggs and invertebrates and a few examples of pressed plants. A significant item is an 17<sup>th</sup>/18<sup>th</sup> herbarium. Later acquisitions (1970s) are mainly stuffed animals used in display.

The geological collection dates from the early years of the museum and perhaps from the 1970s/80s when some local collections appear to have been acquired.

There are 1700 geological items of which 67 are on display, representing 4% of this collection.

### **Ethnography**

This is a small collection of 300 objects was acquired from families associated with the Carmarthenshire Antiquarian Society. The various provenances reflect the activities of these families and individuals within the late Victorian/Edwardian empire. None of the collection is currently on display but has been exhibited in the recent past.

### **Fine Art**

This collection consists of oil paintings, works on paper and sculpture. It has one of the largest collections of oil paintings in a local museum in Wales. Notable works of art include the portraits of Sir Richard Vaughan of Golden Grove, Madam Bevan and David Morley. Works by 20<sup>th</sup> century Carmarthenshire artists are well represented, particularly those by Edward Morland Lewis, B. A. Lewis and Stanley Lewis. Of the 2000 or so works of art, approximately 216 or 11% are on display either at the county museum or in public buildings.

### **Kidwelly Industrial Museum**

This museum consists of an industrial complex, including buildings, machinery and displays. It is owned by Carmarthenshire County Council but is leased to an independent trust. The site also accommodates a large store of Carmarthenshire Museums Service.



**6.10 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:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
	<b>(Restated)</b>	
Rental income from investment properties	(945)	(940)
Direct operating expenses arising from investment property	177	185
Net gain/(loss)	<u>(768)</u>	<u>(755)</u>
Indirect Expenditure	443	419
Net Gains/(Losses) from Fair Value Adjustments	168	1,485
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	<u><u>(157)</u></u>	<u><u>1,149</u></u>

A review of Trading Operations and Investment Properties has resulted in the reclassification of certain transactions and the restatement of some figures relating to 2014-15 (see note 6.5).

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

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	26,385	26,374
Additions:		
Enhancements	1,269	1,101
Disposals	(800)	0
Net Gains/(Losses) from fair value adjustments	(168)	(1,485)
Transfer:		
(To)/From Property, Plant and Equipment	(312)	(3,063)
	<u><u>26,374</u></u>	<u><u>22,927</u></u>

**6.11 Long Term Investments**

	31 March 2015 £'000	31 March 2016 £'000
2.5% Consols	1	0
Cwm Environmental Ltd.	329	329
Banks and 100% Wholly Owned Subsidiaries	834	781
	<u>1,164</u>	<u>1,110</u>

CWM Environmental Ltd. is a wholly owned subsidiary company of the Authority. The company has been set up in accordance with the Environmental Protection Act 1990 for the purpose of Waste Disposal.

The company was vested with the Welsh Office on 10 March 1997 and the following represents the Authority's Interest at 31 March 2016:

	£'000
Share Capital	<u>329</u>

The investment has been included in Long-Term Investments within the Balance Sheet and the Authority has given no commitment to this company to meet any accumulated deficits or losses.

CWM Environmental Ltd operate two wholly owned subsidiaries with the following shareholding:

Pembrokeshire Recycling Company Ltd	£1.00
Carmarthenshire Recycling Company Ltd	£1.00

Pembrokeshire Recycling Company Ltd and Carmarthenshire Recycling Company Ltd are registered in England and Wales and are dormant.



The Company has produced separate Annual Reports for the year ended 31 December 2015, which includes an unqualified audit opinion by its Auditors Broomfield & Alexander Limited. Detailed below is a summary of the trading results for the year ended 31 December 2015 and net assets as at that date for CWM Environmental Ltd:

	Year ended 31 December 2015
	£'000
Turnover	12,989
Less: Cost of Sales	(10,238)
<b>Gross Profit</b>	<b>2,751</b>
Overheads	(3,010)
<b>Net Profit before taxation</b>	<b>(259)</b>
Taxation on (loss) / profit	83
<b>Retained Profit/(Loss)</b>	<b>(176)</b>
Net Assets as at 31 December 2015	<b>5,842</b>

A copy of the Annual Report can be obtained from the Registered Office at the following address:

MRF Unit, Alltynap Road  
Cillefwr Industrial Estate  
Johnstown, Carmarthen  
SA31 3RA

Whilst CWM Environmental has the nature of subsidiaries which require the preparation of group accounts, Group Accounts have not been prepared as the consolidation would not materially affect the Authority's financial position or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

## 6.12 Long Term Debtors

	31 March 2015	31 March 2016
	£'000	£'000
Mortgages raised on Council House Sales	16	9
Houses into Homes Longer than One Year	0	119
Charges against estates of persons in residential homes (Carmarthenshire County Council)	620	523
Charges against estates of persons in residential homes (External Providers)	704	1,032
Capital Contribution to the loans of 1st time homebuyers	1,289	1,232
Dwr Cymru Welsh Water	50	15
Car Loans	171	125
Loan National Botanic Garden of Wales	0	1,190
Loan Scarlets	2,616	2,616
Loan Towy Community Church	239	223
Other	79	64
	<b>5,784</b>	<b>7,148</b>

The Welsh Government's initiative Houses into Homes provides interest free loans to bring back empty properties into use. These payments to landlords will create a recyclable loan fund usable during the term of the scheme which ends 31/03/2030.

During 2015-16 it was agreed by Executive Board to extend the Authority's interest free loan to the Botanic Garden for a further 3 years to 31<sup>st</sup> March 2018. The transaction has been recognised as a 'soft loan', where the interest rate charged is at below market rates. An adjustment has been made in the Comprehensive Income and Expenditure Statement to take account of the interest foregone which effectively reduces the amount outstanding to an amortised cost, thereby reducing the recorded amount outstanding. This balance is intended to be representative of what the loan could be traded for. Over the duration of the loan the amortised cost will increase back to the full amount outstanding of £1.350m at maturity date, as a result writing back foregone interest. It has been reclassified in the accounts as a long term debtor.

The County Council, as part of the Development Agreement entered into with Llanelli Rugby Football Club Limited (the club), advanced a sum of £2.4m for a term of 15 years to the club. The County Council has obtained indemnities from three of the original funding directors of the club which guarantee the interest obligations due under the terms of the loan for the first five years. In October 2010, the County Council agreed to a variation in the terms of the loan whereby interest payments of £216,000 were deferred to the end of the loan period in 2023. In October 2013, the Executive Board agreed to a variation in the terms of the loan whereby the interest charged will be reduced from the fixed rate of 7% to a variable rate of 3.5% plus the base interest rate (currently 0.5%) and capped at a maximum rate of 10%.

A 15 year annuity loan of £270k at a variable interest rate of 2.5% above base rate (currently 0.5%) was entered into with the Towy Community Church in December 2012 to assist in the implementation of the Xcel project.

### 6.13 Short Term Investments

This represents investments repayable within twelve months and is analysed as follows:

	31 March 2015 £'000	31 March 2016 £'000
Banks and 100% Wholly Owned Subsidiaries	7,028	8,038
Local Authorities	20,020	0
	<u>27,048</u>	<u>8,038</u>

**6.14 Assets Held for Sale**

	<b>Current Assets</b>	
	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	752	133
<b>Assets newly classified as held for sale:</b>		
- Property, Plant and Equipment	3,104	2,546
Assets sold	(3,723)	(2,269)
<b>Balance at year end</b>	<b>133</b>	<b>410</b>

**6.15 Inventories**

	<b>Education &amp; Children</b>				<b>Total</b>
	<b>Environment</b>	<b>Services</b>	<b>Leisure</b>	<b>Other</b>	
<b>2014-15</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 31 March 2014</b>	782	100	160	18	1,060
Purchases	2,245	1,917	189	9	4,360
Recognised as an expense in the year	(2,222)	(1,921)	(194)	(10)	(4,347)
Written off balances	0	(2)	0	0	(2)
Other net movements in year	(4)	0	0	(1)	(5)
<b>Balance as at 31 March 2015</b>	<b>801</b>	<b>94</b>	<b>155</b>	<b>16</b>	<b>1,066</b>
<b>2015-16</b>					
Purchases	1,712	1,955	149	0	3,816
Recognised as an expense in the year	(1,715)	(1,966)	(186)	0	(3,867)
Written off balances	(1)	0	0	0	(1)
Other net movements in year	(2)	0	0	(6)	(8)
<b>Balance as at 31 March 2016</b>	<b>795</b>	<b>83</b>	<b>118</b>	<b>10</b>	<b>1,006</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation.

**6.16 Short Term Debtors**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
HM Revenue & Customs	4,918	1,691
Central Government	24,164	20,566
Police, Fire, National Park and Local Authorities	4,875	4,162
NHS Bodies	2,622	2,802
Council Tax Payers	3,871	4,410
Housing Tenants	1,504	1,357
Employee Related	147	141
Other	11,268	11,241
	<b>53,369</b>	<b>46,370</b>

**6.17 Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
831	Cash held by the Authority	764
(2,588)	Bank current accounts	(2,921)
	Short-term deposits with banks and money	
8,021	market funds	27,008
5,003	Short-term deposits with Local Authorities	10,000
<b>11,267</b>	<b>Total Cash and Cash Equivalents</b>	<b>34,851</b>

**6.18 Short Term Borrowing**

This represents borrowing repayable within twelve months and is analysed as follows:

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Public Works Loan Board	7,366	8,700
Market Loan	64	63
Salix	247	250
	<b><u>7,677</u></b>	<b><u>9,013</u></b>

**6.19 Short Term Creditors**

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
HM Revenue & Customs	(3,849)	(3,700)
Central Government	(4,860)	(2,513)
Police, Fire, National Park and Local Authorities	(5,898)	(4,589)
NHS Bodies	(827)	(340)
Housing Tenants	(384)	(386)
Council Tax Payers	(2,679)	(2,550)
Employee Related	(7,389)	(6,486)
Other	(36,746)	(34,977)
	<b><u>(62,632)</u></b>	<b><u>(55,541)</u></b>

**6.20 Provisions**

The summary below shows the movement in the level of provisions during 2015-16:

	<b>1 April</b>				<b>31 March</b>
	<b>2015</b>	<b>Reversal</b>	<b>Addition</b>	<b>Utilisation</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Services Department	723	(408)	40	0	355
Environment Department	115	0	0	(101)	14
Education & Children's Services	95	(25)	0	(70)	0
Chief Executive Department	616	(31)	391	(535)	441
Communities Department	1,226	(985)	1,428	(28)	1,641
Single Status	436	0	0	0	436
Losses on Investments	855	(53)	0	0	802
Municipal Mutual Insurance (MMI)	284	0	123	(265)	142
Landfill Site - Aftercare Provision	1,311	0	0	(163)	1,148
Insurance	0	0	2,148	0	2,148
	<b>5,661</b>	<b>(1,502)</b>	<b>4,130</b>	<b>(1,162)</b>	<b>7,127</b>

	<b>Current</b>	<b>Long</b>	
	<b>Liabilities</b>	<b>Term</b>	
	<b>(&lt; 1 year)</b>	<b>Liabilities</b>	
	<b>£'000</b>	<b>(&gt; 1 year)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balances as at 31 March 2016</b>			
Corporate Services Department	355	0	355
Environment Department	0	14	14
Chief Executives Department	441	0	441
Communities Department	238	1,403	1,641
Single Status	218	218	436
Losses on Investments	21	781	802
Municipal Mutual Insurance (MMI)	31	111	142
Landfill Site - Aftercare Provision	149	999	1,148
Insurance	2,148	0	2,148
	<b>3,601</b>	<b>3,526</b>	<b>7,127</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation.

**Purpose of Main Provisions****Corporate Services Department**

Provision of £180k is made in respect of potential bad debts on rental income from properties, £135k for remedial works on vacated buildings, plus provision for overtime for the closure of the accounts.

**Environment Department**

Provision is made for remedial works due to subsidence in car parks.

**Chief Executive Department**

Provision of 40k is made for potential legal challenge on the right to charge for personal search fees and £401k for the Carbon Reduction Commitment allowances in respect of the emissions generated in 2015-16.

**Communities Department**

Provision of £728k is made for the potential write off of residents contribution debt, £488k for potential payments on homecare balances and £171k for a potential shortfall in Health Board income.

**Single Status**

During 2011-12, the authority implemented single status, and settled the majority of Equal pay claims received. In 2013-14 the 'Red Book' staff were transferred to Single Status terms and conditions. The provision reflects outstanding costs of completing the exercise and meeting the working time directive.

**Losses on Investments**

In October 2008 the Icelandic banking sector defaulted on its obligations. Provision has been made in the accounts for the estimated non-recoverable amounts. See note 6.46.

**Municipal Mutual Insurance (MMI)**

For the policy years before 1992/93, each local authority insured by MMI is exposed to a potential insurance liability relating to the closure of MMI on 30th September 1992. In January 2012 the Directors of MMI triggered the "MMI Scheme of Arrangement" with the levy notice being issued on 1st January 2014. The initial levy was for 15% and was increased to 25% at the end of 2015-16. Whilst there remains a net liability position on MMI's balance sheet the Schemes Administrator continues to monitor the claims position and will advise the scheme creditors if an adjustment to the levy is required. As the matter is on-going, the provision is retained in the accounts.

**Landfill Site - Aftercare**

Entities that operate landfill sites have a duty to carry out restoration works and undertake appropriate aftercare, including the monitoring and control of gas and leachate production at the sites. This provision recognises the estimated aftercare costs for the Wernddu and Nantycaws closed landfill sites.

**Insurance Provision**

Funds were previously set aside in an Insurance Reserve (see Note 6.22) to meet the cost of claims and other losses that could fall on the Authority (see Note 6.37). Potential claims included those that had been registered (ie were known about) and those that are not known as at the end of the financial year. The cost of registered claims should properly be treated as a provision so an amount was transferred from the reserve to this provision (via an appropriation from the reserve and a charge to services).

**6.21 Long Term Borrowing**

<b>Total Outstanding as at</b>	<b>31st March 2015 £'000</b>	<b>31st March 2016 £'000</b>	<b>Maturity Dates</b>
<b>Sources of Borrowing</b>			
Public Works Loan Board	270,623	364,115	2016-2063
Market Loans (Note i)	3,117	3,116	2016-2055
Interest Free Loans (Note ii)	952	3,194	2016-2031
	<b>274,692</b>	<b>370,425</b>	

(i) The FMS Wertmanagement AoR Bank loan is a Lenders Option Borrowers Option (LOBO) loan. It is shown at the Equivalent Interest Rate (EIR). It is a stepped interest rate loan, with a current rate of 4.72 %. The lender has the option to vary the interest rate at each interest payment date. If the lender exercises the option the Authority then has the option as to either accept the new interest rate or repay the loan back to the lender. In the accounts an adjustment has to be made to equalise the difference between the rate charged and the rate paid to show the true cost of the loan over the loan period.

(ii)

<b>Interest Free Loans</b>		
<b>Total Outstanding as at</b>	<b>31st March 2015 £'000</b>	<b>31st March 2016 £'000</b>
SALIX	515	284
Invest-2-Save	0	918
Home Improvement Loans Scheme	437	1,292
Town Centre Loans	0	700
	<b>952</b>	<b>3,194</b>

The Home Improvement Loan Scheme (HILS) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to owner occupiers and the private rented sector to improve properties or to bring empty properties back into use. The term of the funding is until 31st March 2030, with advances to third parties repayable interest free.

The Town Centre Loans (TCL) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to reduce the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of the town centres by encouraging more sustainable uses for empty sites and premises, such as residential, leisure and for key services. The term of the funding is until 31st March 2031, with advances to third parties repayable interest free.



**6.22 Earmarked Reserves**

A summary of the earmarked reserves set up by this Authority or its predecessor Authorities is set out below:

	1 April 2014 £'000	Transfers In £'000	Transfers Out £'000	31 March 2015 £'000	Transfers In £'000	Transfers Out £'000	31 March 2016 £'000
Insurance	10,458	1,983	(2,815)	9,626	1,949	(3,689)	7,886
Capital Investment Fund	176	0	(90)	86	0	0	86
Development Fund	1,013	166	(280)	899	302	(6)	1,195
Outcome Agreement Fund	4,866	0	(1,620)	3,246	0	(1,909)	1,337
Local Authority Business Growth							
Incentive Grant	446	0	(213)	233	38	(43)	228
Major Development Fund	18,137	1,732	(146)	19,723	13,915	(1,720)	31,918
Schools Organisation Fund	1,074	0	(464)	610	0	(610)	0
Financial Management System	273	0	0	273	0	(200)	73
Corporate Retirement Fund	2,554	3,000	(1,395)	4,159	0	(1,016)	3,143
Human Resources System	534	0	(481)	53	0	(23)	30
Derelict Land	127	0	(8)	119	0	0	119
Youth Support Services Scheme	21	0	0	21	0	0	21
Parc Dewi Sant /St David's Park	850	107	0	957	107	(618)	446
Joint Ventures	1,416	179	(3)	1,592	199	(276)	1,515
Redundancy	919	294	(183)	1,030	94	(236)	888
Fleet Management	3,132	876	(9)	3,999	168	(3,855)	312
Regeneration - Externally							
Funded Schemes	1,368	436	(425)	1,379	712	(290)	1,801
Council Tax/Housing Benefit	955	676	0	1,631	0	0	1,631
MEP Capital Funding	8,547	3,430	(3,507)	8,470	3,689	(9,995)	2,164
IT Infrastructure	1,854	555	(499)	1,910	3	(820)	1,093
Salix Fund	523	190	(324)	389	208	(346)	251
Support Carmarthenshire Business	143	0	0	143	0	0	143
Llanelly House	135	0	(45)	90	0	(30)	60
National Botanic Garden	0	200	0	200	0	(70)	130
Employee Development	308	251	(121)	438	0	(54)	384
Ty Elwyn Refurbishment	424	0	(424)	0	0	0	0
Local Authority Mortgage Scheme	200	0	0	200	0	(200)	0
Job Evaluation	6,563	277	(3,378)	3,462	0	(2,060)	1,402
Highways Capital Charges	368	380	0	748	50	0	798
Community Asset Transfer Fund	253	0	0	253	0	(14)	239
Housing Services Schemes	0	0	0	0	782	(117)	665
Departmental Reserves	5,775	1,021	(553)	6,243	2,704	(2,877)	6,070
Other	86	16	(26)	76	87	(60)	103
	<b>73,498</b>			<b>72,258</b>			<b>66,131</b>

	1 April 2014 £'000	Transfers In	Transfers Out	31 March 2015 £'000	Transfers In	Transfers Out	31 March 2016 £'000
<b>Held by Schools under LMS</b>	<u>4,185</u>	1,321	(1,565)	<u>3,941</u>	1,708	(1,972)	<u>3,677</u>
	<u><b>4,185</b></u>			<u><b>3,941</b></u>			<u><b>3,677</b></u>
<b>HRA:</b>							
Major Repairs	<u>0</u>	6,190	(6,190)	<u>0</u>	6,166	(6,166)	<u>0</u>
Total	<u><b>0</b></u>			<u><b>0</b></u>			<u><b>0</b></u>

### Insurance

Funds have been set aside to meet the cost of claims and other losses that could fall on the Authority (see note 6.37). This reserve previously included amounts in respect of known claims that had yet to be settled by the Authority. In 2015-16, it was decided that these claims should be recognised as a provision so an amount of £2,148k was transferred to an insurance provision set up for this purpose (see note 6.20).

### Capital Investment Fund

The fund was set up with aim of providing a means of supporting the Authority's Capital Programme. The remaining balance will be used in 2016-17.

### Development Fund

The aim of this fund is to assist the Authority in its long term planning by allocating resources to projects that, due to lack of funding, could not be carried out within normal budgetary allocations.

### Outcome Agreement Fund

This is the balance of the Outcome Agreement Grant received from the Welsh Government based upon the Policy Agreement and is earmarked to support the Three Year Capital Programme.

### Local Authority Business Growth Incentive Grant

This is the balance of the Local Authority Business Growth Incentive grant received for both the 2006-07 and the 2007-08 financial years which had been used to support the development of 'Y Ffwrnes'. The utilisation of the remaining balance will be reviewed during 2016-17.

### Major Development Fund

This fund has been created to support major capital development projects in the County and is reflected in the 5 year capital programme.

### Financial Management System

Set up to meet the funding of the significant investment in the provision and development of the new Financial Management System. The balance will be utilised in 2016-17.

### Corporate Retirement Fund

This Fund has been set up to support the Authority's redundancy and early retirement policy, enabling the Authority to provide for the actuarial strain on the Pension Fund which arises from any early retirement or redundancy.

**Human Resources System**

Set up to meet the funding of the significant investment in the provision of the Payroll/Human Resources System.

**Derelict Land**

This fund was set up to allow the Authority to react quickly when areas of derelict land are identified and there is opportunity for the Authority to deal with the problem areas. The use of this reserve is expected to generate replacement funds to enable further projects to be undertaken.

**Youth Support Services Scheme**

This will be used for match funding to extend Youth Support Services.

**Parc Dewi Sant/St David's Park**

This fund has been established to finance the ongoing programme of refurbishment works that are required to allow the buildings to be used as office accommodation. Income generated from these buildings has been set aside into this reserve to allow funding of these works.

**Joint Ventures**

The Authority has entered into various Joint Venture agreements with the Welsh Government. Rental income received in relation to these is set aside to meet future obligations.

**Redundancy**

This fund has been established by Departments to meet potential redundancy costs that may be incurred at the termination of fixed term contracts for staff at the end of externally funded schemes.

**Fleet Management**

This reserve has been established to equalise the whole of life cost of operating and maintaining Council's vehicles to the service users over agreed durations.

**Regeneration - Externally Funded Schemes**

To provide match funding for ongoing projects or externally funded schemes in future years.

**Council Tax/Housing Benefits**

This reserve has been earmarked to meet the potential costs falling on Carmarthenshire arising from the annual reductions in the Housing Benefits Administration grant and Welfare reform.

**MEP Capital Funding**

Sum set aside to meet the cost of prudential borrowing to finance the Modernising Education Provision programme. This will now be utilised during 2016-17.

**IT Infrastructure**

This fund has been established to support the planned replacement of the Authorities servers and IT infrastructure.

**Salix Fund**

Salix, which is an independent social enterprise that provides funding for proven technologies which are cost effective in saving CO<sub>2</sub>, have provided the Authority with a grant to allow loans to be made to schools/ departments to fund energy saving schemes.

These loans are repaid from the resultant savings and the fund is replenished for other schools/ departments to benefit from the scheme.

**Support Carmarthenshire Business**

Reserve set aside to provide financial support to ratepaying businesses in Carmarthenshire experiencing difficulties in the economic recession providing short term loans for a maximum of 18 months.

**Llanelly House**

To meet the agreed funding support over a 5-year period to the Llanelly House project, in order to assist with the start up and sustainability of this new facility which is seen as being integral to the long term regeneration plans for the town centre

**National Botanic Garden**

Reserve set aside to provide financial support to the National Botanic Garden over a three year period from 2015-16.

**Employee Development Fund**

Reserve set aside to provide 4 tiers of work placement and training within the Council as a means of assisting local people, including young people with limited or no employment history to gain qualifications and employment in order to enhance their employment prospects.

**Job Evaluation**

The Authority has implemented the outcome of the Job Evaluation exercise and has set up this reserve to assist with the cost of implementation.

**Highways Capital Funding (Local Government Borrowing Initiative LGBI)**

The fund has been established to meet the cost of borrowing to finance the Highways capital improvement and maintenance programme.

**Community Assets Transfer Fund**

The authority recognised that there are some services or local facilities that could be operated more effectively if run by Community Groups or Community Councils. This fund was established to undertake improvements to facilities or give financial incentives to enable these projects to be taken forward.

**Housing Services Schemes**

This reserve has been set up to support Housing projects including Supporting People and bringing empty houses back into use.

**Departmental Reserves**

The Authority has a policy that allows departments to carry forward up to 50% of any year end underspend that can be allocated towards specific projects/services within the departments.

**6.23 Capital Receipts Reserve**

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	19,347	26,512
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,184	2,157
Statutory Capital Receipts	127	131
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	22	6
	<u>32,680</u>	<u>28,806</u>
Capital Receipts Set Aside	(1,471)	(123)
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,641)	(10,027)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(56)	(23)
<b>Closing Balance</b>	<u><u>26,512</u></u>	<u><u>18,633</u></u>

The capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans. The major repairs allowance received from the Welsh Assembly Government was applied in full during the year. There was no balance carried forward in respect of this grant.

**6.24 Capital Grants Unapplied**

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	1,325	1,275
Additions	340	300
	<u>1,665</u>	<u>1,575</u>
Grants and Contributions applied	(390)	(712)
<b>Closing Balance</b>	<u><u>1,275</u></u>	<u><u>863</u></u>

**6.25 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.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>290,994</b>	<b>Balance at 1 April</b>	<b>323,284</b>
84,591	Upward revaluation of assets	49,747
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
<u>(40,175)</u>	Provision of Services	<u>(28,473)</u>
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	
44,416		21,274
	Difference between fair value depreciation and historical cost depreciation	
(11,313)		(9,949)
<u>(813)</u>	Accumulated gains on assets sold or scrapped	<u>(876)</u>
(12,126)	Amount written off to the Capital Adjustment Account	(10,825)
<b><u>323,284</u></b>	<b>Balance at 31 March</b>	<b><u>333,733</u></b>

**6.26 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 6.4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>747,378</b>	<b>Balance at 1 April</b>	<b>731,974</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(33,076)	Charges for depreciation and impairment of non-current assets	(27,815)
(55,386)	Revaluation losses on Property, Plant and Equipment	(136,147)
(2,988)	Revenue expenditure funded from capital under statute	(83,096)
	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	
<u>(6,173)</u>		<u>(2,303)</u>
649,755		482,613
<u>813</u>	Adjusting amounts written out of the Revaluation Reserve	<u>876</u>
	Net written out amount of the cost of non-current assets consumed in the year	
650,568		483,489
1,471	Capital Receipts Set Aside	123
(54)	Additional in Year Movements	(78)
4,641	Use of the Capital Receipts Reserve to finance new capital expenditure	10,027
56	Use of Capital Receipts to finance Cost of Sales	23
6,190	Use of the Major Repairs Reserve to finance new capital expenditure	6,166
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
38,699		22,721
	Application of grants to capital financing from the Capital Grants Unapplied Account	
390		712
	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	
12,759		12,901
	Capital expenditure charged against the General Fund and HRA balances	
<u>17,422</u>		<u>20,961</u>
732,142		557,045
	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	
(168)		(1,485)
<u><b>731,974</b></u>	<b>Balance at 31 March</b>	<u><b>555,560</b></u>



**6.27 Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the Council Fund over the next 7 years.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>(907)</b>	<b>Balance at 1 April</b>	<b>(870)</b>
	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	
37		(116)
<u><b>(870)</b></u>	<b>Balance at 31 March</b>	<u><b>(986)</b></u>

**6.28 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.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>370</b>	<b>Balance at 1 April</b>	<b>348</b>
	Transfer to the Capital Receipts Reserve upon receipt of cash	
(22)		(6)
<u><b>348</b></u>	<b>Balance at 31 March</b>	<u><b>342</b></u>



**6.29 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.

2014-15 £'000		2015-16 £'000
<b>(186,417)</b>	<b>Balance at 1 April</b>	<b>(276,151)</b>
(79,988)	Remeasurements of the net defined benefit liability/(asset)	28,472
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
(33,963)	in the Comprehensive Income and Expenditure Statement	(41,248)
	Employer's pensions contributions and direct payments to pensioners payable in the year	
24,217		24,413
<b><u>(276,151)</u></b>	<b>Balance at 31 March</b>	<b><u>(264,514)</u></b>

**6.30 Accumulated Absences Account**

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

2014-15 £'000		2015-16 £'000
<b>(4,343)</b>	<b>Balance at 1 April</b>	<b>(4,841)</b>
	Settlement or cancellation of accrual made at the end of the preceding year	
4,343		4,841
<b><u>(4,841)</u></b>	<b>Amounts accrued at the end of the current year</b>	<b><u>(3,755)</u></b>
	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	
(498)		1,086
<b><u>(4,841)</u></b>	<b>Balance at 31 March</b>	<b><u>(3,755)</u></b>

**6.31 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 Authority's Executive 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. The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure 2015-16	Chief Executive £'000	Education and Children's Services £'000	Corporate Services £'000	Communities £'000	Environment £'000	Housing Revenue Account £'000	TOTAL £'000
Employee expenses	13,022	141,934	16,129	43,487	31,337	3,513	249,422
Other service expenses	14,956	36,395	72,749	96,820	30,282	91,722	342,924
Support service recharges	6,373	4,810	8,196	5,418	4,921	1,270	30,988
Depreciation & similar charges	125	15,953	2,708	1,056	8,406	145,663	173,911
<b>Total Expenditure</b>	<b>34,476</b>	<b>199,092</b>	<b>99,782</b>	<b>146,781</b>	<b>74,946</b>	<b>242,168</b>	<b>797,245</b>
Fees, charges and other service income	(14,384)	(11,613)	(26,474)	(35,152)	(19,331)	(36,754)	(143,708)
Government grants	(8,265)	(26,769)	(51,143)	(20,997)	(7,552)	(135)	(114,861)
<b>Total Income</b>	<b>(22,649)</b>	<b>(38,382)</b>	<b>(77,617)</b>	<b>(56,149)</b>	<b>(26,883)</b>	<b>(36,889)</b>	<b>(258,569)</b>
<b>Net Expenditure</b>	<b>11,827</b>	<b>160,710</b>	<b>22,165</b>	<b>90,632</b>	<b>48,063</b>	<b>205,279</b>	<b>538,676</b>

<b>Departmental Income and Expenditure 2014-15</b>	<b>Chief Executive £'000</b>	<b>Education and Children's Services £'000</b>	<b>Corporate Services £'000</b>	<b>Communities £'000</b>	<b>Environment £'000</b>	<b>Housing Revenue Account £'000</b>	<b>TOTAL £'000 (Restated)</b>
Employee expenses	14,665	140,872	15,437	43,188	30,989	3,539	248,690
Other service expenses	17,748	37,740	73,115	96,879	32,835	18,406	276,723
Support service recharges	6,572	5,089	8,109	5,508	5,008	1,304	31,590
Depreciation & similar charges	259	64,511	1,969	4,150	6,935	21,950	99,774
<b>Total Expenditure</b>	<b>39,244</b>	<b>248,212</b>	<b>98,630</b>	<b>149,725</b>	<b>75,767</b>	<b>45,199</b>	<b>656,777</b>
Fees, charges and other service income	(17,221)	(11,649)	(26,982)	(35,085)	(20,788)	(35,370)	(147,095)
Government grants	(9,289)	(26,743)	(50,530)	(23,363)	(7,944)	(220)	(118,089)
<b>Total Income</b>	<b>(26,510)</b>	<b>(38,392)</b>	<b>(77,512)</b>	<b>(58,448)</b>	<b>(28,732)</b>	<b>(35,590)</b>	<b>(265,184)</b>
<b>Net Expenditure</b>	<b>12,734</b>	<b>209,820</b>	<b>21,118</b>	<b>91,277</b>	<b>47,035</b>	<b>9,609</b>	<b>391,593</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation. Services previously included in the Regeneration and Leisure Department have been reallocated to the Chief Executive, Communities and Environment Departments.

Amounts have also been restated to reflect the changes referred to in Note 5.2.

Two departments have been renamed - Corporate Services was formerly Resources and Communities was formerly Social Care & Housing.

### Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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.

	2014-15 £'000 (Restated)	2015-16 £'000
Net expenditure in the Departmental Analysis	391,593	538,676
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis:		
Corporate Insurance Liability Claims Income & Expenditure	1,172	2,593
Amounts in the Analysis not included in Cost of Services in the Comprehensive Income and Expenditure Statement:		
Surpluses/(Deficits) on Trading Activities	1,473	533
Income & Expenditure Relating to Investment Properties	325	336
	<hr/>	<hr/>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>394,563</u></b>	<b><u>542,138</u></b>

**Reconciliation to Subjective Analysis**

This reconciliation 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.

2015-16	Departmental Analysis £'000	Other amounts included in the CIES Amounts not reported to management for decision making £'000	£'000	TOTAL £'000
Employee expenses	249,423	0	2,571	251,994
Other service expenses	342,924	0	125	343,049
Support service recharges	30,988	0	0	30,988
Depreciation & similar charges	173,911	0	0	173,911
Interest Payable & Similar Charges	0	17,639	0	17,639
Investment Losses / (Gain)	0	0	0	0
Pensions interest cost & expected return on Pensions Assets	0	9,185	0	9,185
Precepts & Levies	0	28,311	0	28,311
(Gain) or Loss on disposal of Non Current Assets	0	146	0	146
Changes in the fair value of investment properties	0	1,485	0	1,485
<b>Total Expenditure</b>	<b>797,246</b>	<b>56,766</b>	<b>2,696</b>	<b>856,708</b>
Fees, charges and other service income	(143,709)	0	(103)	(143,812)
Interest and Investment Income	0	(450)	0	(450)
Government grants and contributions	(114,861)	0	0	(114,861)
Taxation & Non Specific Grant Income	0	(378,530)	0	(378,530)
<b>Total Income</b>	<b>(258,570)</b>	<b>(378,980)</b>	<b>(103)</b>	<b>(637,653)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>538,676</b>	<b>(322,214)</b>	<b>2,593</b>	<b>219,055</b>

<b>2014-15</b>	<b>Departmental Analysis £'000</b>	<b>Other amounts included in the CIES £'000</b>	<b>Amounts not reported to management for decision making £'000</b>	<b>TOTAL £'000</b>
Employee expenses	248,689	0	1,172	249,861
Other service expenses	276,723	0	0	276,723
Support service recharges	31,590	0	0	31,590
Depreciation & similar charges	99,775	0	0	99,775
Interest Payable & Similar Charges	0	13,871	0	13,871
Investment Losses / (Gain)	0	0	0	0
Pensions interest cost & expected return on Pensions Assets	0	8,350	0	8,350
Precepts & Levies	0	28,629	0	28,629
(Gain) or Loss on disposal of Non Current Assets	0	(7,010)	0	(7,010)
Changes in the fair value of investment properties	0	168	0	168
<b>Total Expenditure</b>	<b>656,777</b>	<b>44,008</b>	<b>1,172</b>	<b>701,957</b>
Fees, charges and other service income	(147,096)	0	0	(147,096)
Interest and Investment Income	0	(473)	0	(473)
Government grants and contributions	(118,088)	0	0	(118,088)
Taxation & Non Specific Grant Income	0	(399,549)	0	(399,549)
<b>Total Income</b>	<b>(265,184)</b>	<b>(400,022)</b>	<b>0</b>	<b>(665,206)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>391,593</b>	<b>(356,014)</b>	<b>1,172</b>	<b>36,751</b>

**6.32 Pooled Budgets**

The Authority has entered into a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. The Authority and the Board have an agreement in place from 1st October 2009, with the partners contributing funds to the agreed budget of £148,768 and £381,960 respectively. Any additional funding together with any deficit or surplus arising on the pooled budget at the end of each financial year is agreed between partners.

	2014-15	2015-16
	£'000	£'000
Funding provided to the pooled budget:		
the Authority	155	128
the Local Health Board	<u>382</u>	<u>382</u>
	537	510
Expenditure met from the pooled budget:	(564)	(515)
Net surplus/(deficit) arising on the pooled budget during the year	<u>(27)</u>	<u>(5)</u>
Authority share of the net surplus/ (deficit) arising on the pooled budget	<u>(14)</u>	<u>(3)</u>

**6.33 Members Allowances**

The Authority paid the following amounts to Members of the Council during the year:

	2014-15	2015-16
	£	£
Allowances	1,238,307	1,244,592
Expenses	46,262	47,686
<b>Total</b>	<b><u>1,284,569</u></b>	<b><u>1,292,278</u></b>

Further information on Members Allowances is available on the Authority's website [www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales) under Councillors Allowances.

**6.34 Employee Emoluments**

The numbers of employees whose remuneration excluding pension contributions was £60,000 or more were:

Remuneration Band	No. of Employees 2014-15	No. of Employees 2015-16	Left During 2015-16
60,000 to 64,999	22	27	2
65,000 to 69,999	16	16	3
70,000 to 74,999	10	8	1
75,000 to 79,999	8	6	4
80,000 to 84,999	2	4	0
85,000 to 89,999	13	10	2
90,000 to 94,999	2	2	0
95,000 to 99,999	3	4	1
100,000 to 104,999	2	2	0
105,000 to 109,999	3	2	0
110,000 to 114,999	1	0	0
<b>Total No. of Employees :</b>	<b>82</b>	<b>81</b>	<b>13</b>

Remuneration value includes redundancy/termination payments.

Included in the bandings above are three teachers who are employed by voluntary aided schools.

The bandings above exclude the senior officers of the Authority's Management Team that are listed in detail in the following tables.

**Senior Officers emoluments where salary is £150,000 or more per year**

The following table sets out Senior Officers emoluments where salary is £150,000 or more, including pension contributions or equivalent payments.

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Mr M V James Chief Executive & Returning Officer	14/15	168,938	0	201
	15/16	169,025	0	222



**Senior Officers emoluments where salary is between £60,000 & £150,000 per year**

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Director of Regeneration & Leisure (i)	14/15	106,295	0	0
	15/16	5,488	0	0
Director of Environment (ii)	14/15	72,474	0	983
	14/15	26,612	3,506	0
	15/16	27,780	3,621	0
	15/16	56,133	7,241	0
	15/16	44,283	5,048	0
Director of Communities (iii)	14/15	48,316	0	0
	14/15	46,638	6,088	0
	15/16	120,790	15,582	0
Director of Corporate Services (iv)	14/15	55,027	7,183	0
	15/16	64,865	8,368	0
Head of Financial Services (iv)	14/15	58,801	7,676	0
	15/16	43,177	5,570	0
Director of Education & Children's Services	14/15	120,790	15,769	0
	15/16	120,790	15,582	0
Head of Education Services	14/15	97,088	12,674	0
	15/16	97,860	12,618	0

For the purpose of putting a value on the pension contributions relating to senior officers, the Common Contribution Rate of 12.9% of pensionable pay has been used. This rate does not allow for the Deficit Recovery which is a liability of the Authority and does not relate specifically to the employee.

- (i) The post of Director of Regeneration & Leisure was deleted in April 2015. Prior to this date, the Director worked 4 days per week.
- (ii) The role of Director of Environment (formerly Technical Services) was undertaken by two individuals during 2014/15 due to retirement and by three individuals during 2015/16 due to resignation and interim arrangements.
- (iii) The Director of Communities (formerly Social Care & Housing) retired in September 2014 with a new Director being appointed in November 2014.
- (iv) The Director of Corporate Services (formerly Resources) retired in September 2014. The Head of Financial Services was subsequently appointed section 151 officer until September 2015 when the postholder was appointed to the post of Director.

The ratio of the Chief Executive's pay to the median pay in Carmarthenshire County Council was as follows:

	2014/15	2015/16
Chief Executive's pay	8.21	8.07
Median pay	1	1

### 6.35 Exit Packages

During 2015-16 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs. During this period the authority operated a voluntary severance scheme to support the delivery of its required efficiencies.

All costs relating to termination benefits have been included as part of service definitions within the Comprehensive Income and Expenditure Statement.

The above costs are detailed in the table below.

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £	2015/16 £
£0 - £20,000	90	52	50	60	140	112	965,758	804,773
£20,000 - £40,000	5	4	39	35	44	39	1,274,876	1,057,547
£40,000 - £60,000	2	0	10	8	12	8	606,300	380,596
£60,000 - £80,000	0	0	5	5	5	5	360,833	357,427
£80,000 - £100,000	0	1	6	6	6	7	554,835	650,502
£100,000 - £150,000	1	0	0	0	1	0	125,960	0
<b>TOTAL</b>	<b>98</b>	<b>57</b>	<b>110</b>	<b>114</b>	<b>208</b>	<b>171</b>	<b>3,888,562</b>	<b>3,250,845</b>

### 6.36 Audit Costs

In 2015-16 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

	2014-15 £'000	2015-16 £'000
Financial Audit Services	184	184
Local Government Measure	116	116
Certification of Grant Claims & Returns	188	90
Burry Port Harbour Inspection	2	2
<b>Total</b>	<b>490</b>	<b>392</b>

**6.37 Insurance Cost**

The insurance reserve is used to meet the cost of claims and other losses that could fall on the Authority. Whilst the Authority purchases a range of insurance cover, part of the risk remains with the Authority through the acceptance of "Policy Excesses" and through the setting of "Indemnity Limits".

On Liability and Property Policies there is a "Stop Loss" which is the aggregate maximum exposure that the Authority could face provided the Indemnity Limit is not breached (see below).

The Insurer may set a limit at the maximum exposure they are contracted to cover and this is termed the "Indemnity Limit".

The Table below illustrates the Authority's potential exposure by identifying the main policies, the relevant excess per claim, the overall Stop Loss and the Indemnity Limit that applied for the period 1<sup>st</sup> July 2015 to 30<sup>th</sup> June 2016:

Description	Policy Excess (per claim/ event)	Stop Loss	Indemnity Limit
Liability	Public Liability £250,000	£3,150,000	£30,000,000
	Employers' Liability £130,000		
Property	Education Properties - £250,000	£1,000,000	Sum Insured £1,925,625,471
	General Properties - £50,000		
	Housing Properties - £50,000		
Motor	£1,000 per claim (own damage i.e. Council Vehicle)  No excess applies for 3 <sup>rd</sup> Party Property Damage or Personal Injury Claims	Not Applicable	* Damage to Own Vehicle – Market Value * 3 <sup>rd</sup> Party Vehicle or Property Damage - £5m any one claim * 3 <sup>rd</sup> Party Death or Injury – Unlimited

**6.38 Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2014-15 £'000	2015-16 £'000
<b>Credited to Services</b>		
<b>Education &amp; Children's Services:</b>		
DCELLS Post 16 & ACL Funding	6,648	6,348
Flying Start	3,251	3,782
Cymorth Grant	2,244	1,994
Education Improvement Grant*	8,453	8,159
Deprivation Grant	3,348	3,931
<b>Adult Social Services:</b>		
Supporting People	6,870	6,465
Continuing Health Care Grant	923	1,284
Intermediate Care Fund	6,504	2,295
Work Choice	516	401
Wanless Grant	800	700
Houses into Homes	817	758
General Capital Grant	3,548	2,605
Improvement Agreement Grant	1,227	0
Specific Grant for Renewals	654	206
Community Team Learning Disabilities	0	2,487
ARBED Energy Efficiency	0	1,368
<b>Highways &amp; Transport Services:</b>		
Concessionary Fares Subsidy	1,791	1,987
Local Transport Services Grant	695	740
Convergence (European)	415	30
<b>Cultural, Environmental, Regulatory &amp; Planning Services:</b>		
Sustainable Waste Management Grant	4,015	3,968
Convergence (European)	4,269	3,589
Rural Development Plan	2,924	445
Strategic Regeneration Area Grant	0	2,631
Workways	424	0
Communities First Cluster	742	709
Sports Council for Wales	567	513
<b>Central Services to the Public:</b>		
Housing Benefit	50,236	51,044
Other Grants - WAG funded	4,704	3,677
Other Grants	6,547	4,772
Total	<u>123,132</u>	<u>116,888</u>

\*In 2015-16 the Foundation Phase, 14-19 funding, School Effectiveness and Welsh in Education grants were combined to form the Education Improvement Grant.

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue Support Grant</b>	<b>202,696</b>	<b>199,071</b>
<b>General Government Grants</b>		
Outcome Agreement Grant	565	565
Other	222	0
<b>Total</b>	<b>787</b>	<b>565</b>
<b>Capital Grants and Contributions</b>		
21st Century Schools Grant/School Building Improvement Grant	29,831	11,291
Major Repairs Allowance	6,190	6,166
Flying Start	814	1,287
Improvement Agreement Grant	100	1,342
Transport Grants	1,364	3,799
General Capital Grant	0	940
Targeted Match Funding	305	11
ERDF Convergence	5,024	640
Intermediate Care Fund	518	0
Vibrant & Viable Places VVP*	300	998
ARBED Energy Efficiency	0	265
Other Grants & Contributions*	783	2,448
<b>Total</b>	<b>45,229</b>	<b>29,187</b>

\*The 'Other Grants and Contributions' 2014-2015 comparator has been restated by - £280k. This reflects a significant increase in Vibrant & Viable Places (VVP) which is now shown separately (£300k) and includes 3 other small balances (£20k).

The Authority 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 will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue Grants Receipts in Advance</b>		
Houses into Homes Grant	758	0
Communities various	127	75
Environment various	140	51
Chief Executive's various	25	0
Education various	136	114
	<b>1,186</b>	<b>240</b>

### **6.39 Related Party Transactions**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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.

#### **Central Government**

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 6.38.

#### **Other Public Bodies**

The Authority has a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. Transactions are detailed in Note 6.32

#### **Dyfed Pension Fund**

The Dyfed Pension Fund is administered by Carmarthenshire County Council. Transactions between the two bodies are detailed in Note 6.43. Short Term Creditors (Note 6.19) includes an amount of £2.3m owed to the Dyfed Pension Fund at 31<sup>st</sup> March 2016. (£3.6m at 31<sup>st</sup> March 2015).

#### **CWM Environmental Limited**

CWM Environmental Limited is a wholly owned subsidiary company of Carmarthenshire County Council. Details of investments are included in Note 6.11 under Long Term Investments.

#### **Members' Interests**

The Authority has arrangements in place requesting members and Officers to identify and disclose related party transactions.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015-16 is shown in Note 6.33.

The Authority paid grants totalling £70k to organisations in which twelve members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

**Officers' Interests**

During 2015-16, the Assistant Chief Executive (Focus & Policy) continued the position representing Carmarthenshire County Council on the Board of Coleg Sir Gar.

A summary of Carmarthenshire County Council's transactions with Coleg Sir Gar is set out below:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	564	428
Income	1,194	1,002
	<b>2015</b>	<b>2016</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	407	3
Debtor	411	310

Expenditure includes payment to Coleg Sir Gar for the provision of 14-19 vocational courses.

Income includes funding from Coleg Sir Gar for the College Transport Contract and the provision of Adult Community Learning Courses.

**6.40 Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below 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.

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	81,987	66,998
Investment Properties	1,269	1,101
Heritage Assets	109	0
Long Term Loans	0	6
Revenue Expenditure Funded from Capital under Statute	16,704	16,723
Buyout of HRA Subsidy	0	78,969
	<u>100,069</u>	<u>163,797</u>
<b>Sources of Finance</b>		
Capital Receipts	4,697	10,050
Government grants and other contributions	58,605	41,483
Sums set aside from revenue	7,751	11,682
Direct revenue contributions	10,061	9,990
Borrowing	18,955	90,592
	<u>100,069</u>	<u>163,797</u>
<b>Opening Capital Financing Requirement</b>	<b>369,097</b>	<b>373,821</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	2,635	2,525
Increase in underlying need to borrow (unsupported by government financial assistance)	2,089	77,979
Increase/(decrease) in Capital Financing Requirement	4,724	80,504
<b>Closing Capital Financing Requirement</b>	<b><u>373,821</u></b>	<b><u>454,325</u></b>



**6.41 Leases****Authority as Lessee***Operating Leases*

The Authority leases in 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 due under non-cancellable leases in future years are:-

	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Not later than one year	662	810
Later than one year and not later than five years	1,928	2,567
Later than five years	5,488	5,093
	<u><b>8,078</b></u>	<u><b>8,470</b></u>

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

	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Minimum Lease payments	1,231	1,081

**Authority as 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 income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Not later than one year	1,176	1,046
Later than one year and not later than five years	3,288	3,028
Later than five years	24,189	23,925
	<u><b>28,653</b></u>	<u><b>27,999</b></u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2015/16 £104,391 contingent rents were receivable by the Authority. (£181,602 in 2014/15).

The Authority also holds various capital assets, principally vehicles, plant and office equipment financed under the terms of operating leases and accounted for as such, the rentals being charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

#### **6.42 Impairment Losses**

An assessment has been made at the year end which indicates that there are no instances of impairment to the Authority's assets.

#### **6.43 Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the 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 a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

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 2015-16 Carmarthenshire County Council paid £9.63m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay. The figures for 2014-15 were £8.85m and 14.1%. There were no contributions remaining payable at year-end. The contributions due to be paid in the next financial year are estimated to be £10.2m.

In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2015-16 these amounted to £0.480m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described above.

#### **6.44 Defined Benefit Pension Schemes**

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. Liabilities for these payments need to be disclosed at the time employees earn their future entitlement.

The Dyfed Pension Fund (the Fund) is a member of the Local Government Pension Scheme (LGPS). It is administered by Carmarthenshire County Council and is a funded defined benefit 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.

The Dyfed Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Dyfed Pension Fund Panel. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Panel and are advised by an Independent Investment Adviser and officers of Carmarthenshire County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

#### **Transactions relating to Post-employment benefits**

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	22,647	28,207
Past Service Costs	47	18
Settlements and Curtailments	2,919	3,838
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	8,350	9,185
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>33,963</b>	<b>41,248</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets	(76,898)	34,687
Actuarial gains and losses arising on changes in financial assumptions	156,886	(63,159)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>113,951</b>	<b>12,776</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for Provision of Services for Post Employment Benefits in the accordance with the code	(33,963)	(41,248)
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	24,217	24,413

**Assets and Liabilities in Relation to Post-employment Benefits****Carmarthenshire County Council**

Reconciliation of present value of the scheme liabilities:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	(926,948)	(1,126,044)
Current Service Cost	(22,647)	(28,207)
Interest cost	(41,081)	(36,611)
Contributions by scheme participants	(7,360)	(7,220)
Actuarial gains and losses arising on changes in financial assumptions	(156,886)	63,159
Curtailments	(2,919)	(3,838)
Benefits paid	31,844	34,839
Past service costs	(47)	(18)
Balance as at 31 March	<u>(1,126,044)</u>	<u>(1,103,940)</u>
	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	740,531	849,893
Interest on plan assets	33,318	27,994
Experience gain on assets	76,898	(34,687)
Administration expenses	(587)	(568)
Employer contributions	24,217	24,413
Contributions by scheme participants	7,360	7,220
Benefits paid	(31,844)	(34,839)
Balance as at 31 March	<u>849,893</u>	<u>839,426</u>
<b>Net Scheme Liabilities</b>	<b><u>(276,151)</u></b>	<b><u>(264,514)</u></b>

The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Equities	UK	Yes	200,489	200,119
	Overseas Pooled Funds	No	168,279	174,013
	US	Yes	97,483	88,895
	Canada	Yes	4,249	3,190
	Japan	Yes	29,661	33,409
	Pacific Rim	No	25,412	23,504
	Emerging Markets	No	55,073	56,913
Bonds	UK Index linked	Yes	90,174	80,165
	UK Corporate	No	85,414	82,180
Property	Property Funds	No	87,369	93,512
Cash	Cash instruments	Yes	425	0
	Cash accounts	Yes	3,315	1,679
	Net current assets	No	2,550	1,847
<b>Total</b>			<b><u>849,893</u></b>	<b><u>839,426</u></b>

### Scheme History

	<b>2011-12</b> <b>£'000</b>	<b>2012-13</b> <b>£'000</b>	<b>2013-14</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Present value of liabilities in the Local Government Pension Scheme	(827,233)	(978,044)	(926,948)	(1,126,044)	(1,103,940)
Fair value of assets in the Local Government Pension Scheme	601,309	685,882	740,531	849,893	839,426
<b>Surplus/(deficit) in the scheme</b>	<b><u>(225,924)</u></b>	<b><u>(292,162)</u></b>	<b><u>(186,417)</u></b>	<b><u>(276,151)</u></b>	<b><u>(264,514)</u></b>

The liabilities show the underlying commitments that the Authority has in the long-run to pay post-employment benefits. The total net liability of £265m 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 with the deficit on the Fund made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2017 is £19.7m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, returns on investments, future inflation etc. The Fund's assets and liabilities within the Balance Sheet and the current and past service costs included within the Comprehensive Income and Expenditure Statement have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in its calculations are shown below:

	2014-15	2015-16
	%	%
<b>Financial Assumptions:</b>		
Rate of CPI inflation	2.0	2.0
Rate of increase in salaries	3.50	3.50
Rate of increase in pensions	2.0	2.0
Rate for discounting Fund liabilities	3.3	3.6

	2014-15	2015-16
	%	%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	23.3	23.4
Women	25.8	25.9
Longevity at 65 for future pensioners:		
Men	25.5	25.7
Women	28.1	28.2

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation  
of the Scheme**

	<b>Increase in assumption £'000</b>	<b>Decrease in assumption £'000</b>
Longevity (increase or decrease of 1 year)	22,168	(22,168)
Rate of inflation (increase or decrease by 0.1% p.a.)	20,678	(20,678)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	5,427	(5,427)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	20,678	(20,678)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(20,295)	20,295

#### **6.45 Contingent Liabilities**

The Authority acts as a collection agent on behalf of Dwr Cymru in respect of Housing Revenue Account (HRA) Tenants water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling during 2015-16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. In order to clarify the intent of the arrangement and to limit this potential liability, the Council will be entering into a new agreement with the water supplier which ensures that it is acting as an agent.



**6.46 Financial Instruments****Disclosure Notes for Financial Liabilities, Financial Assets and Risk****Financial Instruments Balances**

The borrowings and investments disclosed in the Balance Sheet include the following categories of financial instruments:

	Long Term		Current	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Financial liabilities (principal amount)	274,575	370,309	5,262	5,727
Accrued Interest	0	0	2,415	3,286
Other accounting adjustments	117	116	0	0
Financial liabilities at amortised cost				
<b>Total borrowings</b>	<b>274,692</b>	<b>370,425</b>	<b>7,677</b>	<b>9,013</b>
Loans and receivables (principal amount)	680	630	27,020	8,020
Accrued Interest	154	151	28	18
Loans and receivables at amortised cost	834	781	27,048	8,038
Unquoted equity investment at cost	330	329	0	0
<b>Total investments</b>	<b>1,164</b>	<b>1,110</b>	<b>27,048</b>	<b>8,038</b>
Soft loans provided (Note i)	0	1190	0	0

- (i) The Council made a loan to the National Botanic Garden of Wales at less than market rates (soft loans). This loan is for £1.35m at 0% interest and was awarded in 2015/16 with the expectation it will be repaid in 2017/18. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

	<u>Soft Loans</u>	
	31-Mar-15	31-Mar-16
Opening Balance	0	0
+ New loans granted	0	1,350
- Fair value adjustment	0	232
+ Loans repaid	0	72
<b>Balance carried forward</b>	<b>0</b>	<b>1,190</b>
<b>Nominal value carried forward</b>	<b>0</b>	<b>1,350</b>

### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing, 5%, and adding an allowance for the risk that the loan might not be repaid.

### Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets		Totals	
	Liabilities measured at amortised cost		Loans and Receivables			
	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000
Interest expense	(13,871)	(17,639)	0	0	(13,871)	(17,639)
Impairment Losses	0	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(13,871)</b>	<b>(17,639)</b>	<b>0</b>	<b>0</b>	<b>(13,871)</b>	<b>(17,639)</b>
Interest Income	0	0	473	450	473	450
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>473</b>	<b>450</b>	<b>473</b>	<b>450</b>
<b>Net gain/(loss) for the year</b>	<b>(13,871)</b>	<b>(17,639)</b>	<b>473</b>	<b>450</b>	<b>(13,398)</b>	<b>(17,189)</b>

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB Debt	277,989	408,034	372,815	542,509
Non - PWLB debt	4,380	5,590	6,623	8,198
<b>Total Financial Liabilities</b>	<b>282,369</b>	<b>413,624</b>	<b>379,438</b>	<b>550,707</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Money market loans < 1year	27,048	27,048	8,038	8,038
Money market loans > 1year	834	834	781	781
Total investments	27,882	27,882	8,819	8,819
Trade Debtors	13,042	13,042	12,030	12,030
<b>Total Loans and Receivables</b>	<b>40,924</b>	<b>40,924</b>	<b>20,849</b>	<b>20,849</b>

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The fair value of Public Works Loan Board (PWLB) loans of £542.509m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, the PWLB redemption interest rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB, the PWLB Certainty rates. If a value is calculated on this basis, the carrying amount of £372.815m would be valued at £469.804m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £542.509m, comprising £369.591m principal; £3.223m accrued interest and a penalty of £169.695m.

### Disclosure of nature and Extent of Risk Arising from Financial Instruments

#### Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

#### Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Revised editions of the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice in 2009 and 2011.
- by the adoption of a Treasury Policy Statement and treasury management clauses;

- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures of the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management policy and strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported quarterly to Members. These policies are implemented by the Treasury and Pension Investments Section.

The annual Treasury Management strategy which incorporates the prudential indicators was approved by Council on 24<sup>th</sup> February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £549m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £500m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £480m and £48m based on the Council's net debt.

The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### **Credit Risk**

### **Investments**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy (which forms part of the Authority's Treasury Management Policy and Strategy Report), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Policy and Strategy report also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's Schedule of Approved Counterparties shows the minimum criteria for investment counterparties. This is as follows:

- An Upper Limit where Credit ratings of Short Term of F1, P-1 or A-1 apply together with Credit Ratings for Long Term AA-, Aa3 and AA-.  
Maximum Investment of £10m.
- A Middle Limit where Credit ratings of Short Term of F1, P-1 or A-1.  
Maximum Investment £7m.
- UK Banks Part Nationalised included as investment counterparties, as long as they continue to have appropriate UK Government support  
Maximum Investment £7m
- Other Limits
  - Local Authority. Maximum Investment £10m
  - AAA Rated Money Market Fund. Maximum Investment £5m
  - Debt Management Office £40m

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £18k 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 Authority's deposits, but excepting the £4m KSF deposit (detailed at the end of this note), there was no evidence at the 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2016 £'000	Historical Experience of default %	Adjustment for market conditions at 31 March 2016 %	Estimated maximum exposure to default £'000
<u>Deposits with banks and financial institutions</u>				
AAA rated counterparties	25,000	0.00	0.00	0
A rated counterparties	20,000	0.09	0.09	18
Trade debtors	12,030	3.50	3.50	421
	<u>57,030</u>			<u>439</u>

The investment of £0.65m in Kaupthing, Friedlander and Singer (KSF) has been excluded from the above figures with full details being provided at the end of this note.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any other losses from non-performance by any of its counterparties in relation to deposits and bonds.

### Trade Debtors

The trade debtors figure of £12.030m shown above includes £7.916m which is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31st March 2015 £'000</b>	<b>31st March 2016 £'000</b>
Less than three months	2,151	1,547
Three to six months	647	830
Six months to one year	942	991
More than one year	3,660	4,548
	<u>7,400</u>	<u>7,916</u>

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31<sup>st</sup> March 2016 was £716k.

### Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management policy and strategy), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

### Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury management policy and strategy addresses the main risks and the treasury management team addresses the operational risks within the approved parameters. This includes:



- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is shown below together with the maximum and minimum exposures.

	2014-2015			2015 -2016		
	Approved	Approved	31st March	Approved	Approved	31st March
	Maximum	Minimum	2015	Maximum	Minimum	2016
	Limit	Limit	£'000	Limit	Limit	£'000
	%	%		%	%	
Less than one year	15	0	7,677	15	0	9,013
Between one and two years	25	0	5,723	25	0	9,970
Between two and five years	50	0	21,663	50	0	24,668
Between five and ten years	50	0	44,472	50	0	41,348
More than ten years	100	25	202,834	100	25	294,439
			282,369			379,438

The maturity analysis of financial assets is as follows:

	2014-2015	2015-2016
	£'000	£'000
Less than one year	27,048	8,038
Greater than one year	834	781
	27,882	8,819

All trade and other payables are due to be paid in less than one year and trade debtors of £12.030m are not shown in the table above.

### Market Risk

**Interest rate risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).



Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movements in Reserves Statement, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Policy and Strategy Report and the 3 year Capital Programme Report draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(296)
Increase in Government grant receivable for financing costs	(164)
Impact on Surplus or Deficit on the Provision of Services	(460)
Share of overall impact debited to the HRA*	214
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	(246)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	78,291

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

**Price risk** - The Authority, excluding the pension fund, does not invest in equity shares. It therefore has no exposure to loss arising from movements in price.

**Foreign exchange risk** - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### **Kaupthing Singer and Friedlander Ltd (KSF)**

Early in October 2008, the Icelandic bank Kaupthing collapsed and the UK subsidiary of the bank, Kaupthing Singer and Friedlander went into administration. The Authority had £4m deposited, with varying maturity dates and interest rates.

The Authority made a provision in 2008/09 in respect of the expected future impairment in anticipation of the regulations ceasing on 31 March 2016 and the Council Fund bearing the impact of the impairment. During 2015-16 £53k of the provision has been released and £802k is being maintained as a contingency against future changes.

All money within this institution is currently subject to the administration and receivership process. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators/receivers.

For Kaupthing, Singer & Friedlander Ltd a total repayment of £3.350m was received (83.75%) to 2015-16. An estimated further 1.75% is expected to be received by the end of 2017-18, taking total dividends expected to be paid to 85.5%.

The current position on actual payments received and estimated future payouts is as shown in the table.

<b>Date</b>	<b>Repayment</b>
Received to date	83.75%
Qtr 4 2016-17	0.50%
Qtr 4 2017-18	1.25%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7<sup>th</sup> October 2008.

#### 6.47 **Burry Port Harbour**

Carmarthenshire County Council has been given a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000. In accordance with the Harbours Act 1964, statutory harbour authorities are required to prepare annual statement of accounts relating to the harbour activities. Currently, the harbour activities are included in the Authority's statement of accounts, with the relevant figures being:

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>	<b><u>Expenditure</u></b>	<b>£'000</b>
66	Employee Costs	34
25	Premises Related Costs	28
0	Transport Related Costs	0
45	Supplies and Services	78
33	Central Recharges	35
10	Divisional and Departmental Recharges	5
176	Capital Costs	170
<b>355</b>	<b><u>Total Expenditure</u></b>	<b>350</b>
	<b><u>Income</u></b>	
(125)	Fees and Costs Recoverable	(119)
(16)	Other Income	(1)
<b>(141)</b>	<b><u>Total Income</u></b>	<b>(120)</b>
<b>214</b>	<b><u>Net Cost</u></b>	<b>230</b>

2014-15		2015-16
£'000	<u>Assets held:</u>	£'000
3,326	Infrastructure, Land & Buildings	3,223
804	Plant / Vehicles / Equipment	737
<u>4,130</u>		<u>3,960</u>

A separate annual income and expenditure account and statement of balances has been prepared for Burry Port Harbour as required under the 'smaller body' threshold as defined by the Accounts and Audit (Wales) Regulations 2014. The separate statement is available from the Interim Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

#### 6.48 Reconciliation of Net Deficit to Net Cashflows from Operating Activities

2014-15		2015-16
£'000		£'000
(36,751)	Surplus/(Deficit) for Year:	(219,055)
44,389	Depreciation	37,764
55,386	Impairment & Downward Valuations	136,147
4,018	Increase in Creditors	(7,091)
(8,420)	Increase in Debtors	5,635
(6)	Decrease in Inventories	60
(9,746)	Movement in Pension Liability	(16,835)
(30,323)	Other non-cash transactions	92,519
<u>18,547</u>	<b>Net Cash Flow from Operating Activities</b>	<u>29,144</u>

**7 HOUSING REVENUE ACCOUNT (HRA)****7.1 HRA Income and Expenditure Statement**

2014-15 £'000		Note	2015-16 £'000
	<b>Expenditure</b>		
	Repairs and Maintenance		
1,743	- Responsive		2,158
4,279	- Planned/Cyclical		4,102
2,125	- Voids		2,674
6,825	Supervision and Management		6,698
1,446	Central Support Charges		1,354
235	Rents, Rates Taxes and other charges		279
414	Movement in the allowance for Bad Debts		258
6,255	HRA Subsidy payable	8.6	0
21,950	Depreciation and Impairment of non current assets	8.12	145,663
	Revenue Expenditure funded from Capital under		
56	Statute		78,992
33	Debt Management Costs		62
<u>45,361</u>	<b>Total Expenditure</b>		<u>242,240</u>
	<b>Income</b>		
(33,542)	Dwelling rents	8.1	(34,971)
(90)	Non-Dwelling Rents	8.1	(93)
(177)	Leaseholders	8.2	6
(839)	Service Charges	8.2	(937)
(220)	Grants	8.7	(135)
(632)	Other Income		(622)
(508)	Commission - Water Rates	8.8	(492)
<u>(36,008)</u>	<b>Total Income</b>		<u>(37,244)</u>
	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>204,996</b>
9,353	HRA services' share of Corporate and Democratic Core		283
256			
<b>9,609</b>	<b>Net (Income)/cost for HRA Services</b>		<b>205,279</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(17)	(Gain) or loss on the sale of HRA Non Current		14
5,166	Interest Payable and similar charges		9,942
(76)	Interest and Investment Income		(56)
180	Net interest on the net defined benefit liability (asset)		194
(6,834)	Capital grants and contributions receivable		(6,457)
<u><b>8,028</b></u>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<u><b>208,916</b></u>

**7.2 Movement on the HRA Statement**

The overall objectives for Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

<b>2014-15</b>		<b>Note</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>
(15,110)	Balance on the HRA at the end of the previous year			(10,662)
8,028	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		208,916	
(3,824)	Adjustments between accounting basis and funding basis under statute	7.3	(207,414)	
4,204	Net Increase or (decrease) before transfers to or from reserves		1,502	
244	Transfers (to) or from reserves	7.4	40	
4,448	(Increase) or decrease in year on the HRA			1,542
<b>(10,662)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(9,120)</b>

**7.3 Adjustments between accounting basis and funding basis under statute**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(40)	Amortisation of Premiums and Discounts	(33)
4	Transfers to / (from) Accumulated Absences Account	(6)
17	Gain or loss on sale of HRA noncurrent assets	(14)
(211)	HRA share of contributions to or from the Pensions Reserve	(341)
8,986	Capital expenditure funded by the HRA	8,493
(12,580)	Transfer to / from the Capital Adjustment Account	(215,513)
<b>(3,824)</b>		<b>(207,414)</b>

**7.4 Transfers to or (from) Earmarked Reserves**

<b>2014-15</b>			<b>2015-16</b>		
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trfs from	Trfs to	Net	Trfs from	Trfs to	Net
215	(42)	173	211	(213)	(2)
37	0	37	41	0	41
34	0	34	1	0	1
<b>286</b>	<b>(42)</b>	<b>244</b>	<b>253</b>	<b>(213)</b>	<b>40</b>

**8 NOTES TO THE HRA INCOME AND EXPENDITURE STATEMENT****Introduction**

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the Council Fund, so that rents cannot be subsidised from council tax (or vice versa).

**8.1 Gross Rent Income**

This is the total rent income due for the year after allowance is made for voids etc. For 2015-16 this totalled £35m (£33.5m for 2014-15). At the 31<sup>st</sup> March 2016 2.17% of lettable properties were vacant (2.12% in 2014-15). Average rents were £76.30 a week in 2015-16 (£73.02 in 2014-15).

**8.2 Service Charges and Leaseholders**

This represents the income of the Authority from charges for services and facilities etc in connection with the provision of houses and other property within the HRA - £937k in 2015-16 (£839k in 2014-15).

Leaseholders charges were identified separately in 2014-15 being the first full year of data. In 2015/16 there was significantly less income due to very few repairs and there was a need to write off some prior year's debt.

**8.3 Rebates**

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. This totalled £21.6m in 2015-16 (£21.1m for 2014-15). 65.3% of the Council's tenants receive some help with the cost of rent and Council Tax (66.2% in 2014-15).

**8.4 Housing Stock**

The Council was responsible for managing on average 8,993 dwellings during 2015-16 (8,997 in 2014-15). The stock at 31 March 2016 was as follows:

	<b>2014-15</b>	<b>2015-16</b>
Houses	4,854	4,858
Flats / Maisonettes / Bedsits	2,167	2,174
Bungalows	1,962	1,970
	<b>8,983</b>	<b>9,002</b>
	<b>8,983</b>	<b>9,002</b>

The change in stock can be summarised as follows:

	<b>2014-15</b>	<b>2015-16</b>
Opening Stock as at 1 April	9,010	8,983
Sales	(35)	(4)
Demolitions/Deactivated	(9)	0
New Building/Acquisitions/Conversions	17	23
Closing Stock as at 31 March	<b>8,983</b>	<b>9,002</b>
	<b>8,983</b>	<b>9,002</b>

**8.5 Rent Arrears**

	<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2016 £'000</b>
Arrears	2,360	2,115
Arrears as a Percentage of Gross Rent Income	6.91%	5.93%

There is a 0.5% year on year decrease of current tenants rent arrears as a percentage of gross collectable rent debit. Performance is outside margins of what is considered good practice level (2%) at 3.12%. There is a 0.48% year on year decrease in former tenants rent arrears as a percentage of gross collectable rent debit however allowing for the £419k write-offs there is a 0.39% deterioration in performance.

Provision for Bad Debts at 31 March 2016 was £1,052,587 for rent (£1,158,599 inclusive of water rates). The comparative figures for 2014-15 are £1,198,170 for rent (£1,318,119 inclusive of water rates).

**8.6 HRA Subsidy (HRAS)**

Welsh local housing authorities exited the HRAS on 01/04/15 resulting in Carmarthenshire taking on of additional debt of £79m. Previously we paid Welsh Government for the surplus on our notional HRA, in 2014/15 this was £6.255m. The agreement to exit also placed a limit on the borrowing we could undertake in relation to our HRA activities.

**8.7 Grants**

Supporting People Grant £135k (£220k in 2014-15) was received from the Welsh Government during 2015-16 as a result of the de-pooling of tenants support service costs.

**8.8 Commission**

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2015-16 this amounted to £492k (£508k in 2014-15) net of void loss on properties. The value of water rates was £3.8m in 2015-16 (£3.9m in 2014-15).

**8.9 Capital Expenditure**

Capital Expenditure in 2015-16 on HRA land and dwellings totalled £15.269m (£25.151m in 2014-15). £78.969m was also spent on exiting the Housing Revenue Account Subsidy system.

	2014-15 £'000	2015-16 £'000
<b>Funded by :</b>		
Major Repairs Allowance	6,190	6,166
Borrowing	8,666	78,969
Grants	644	194
Miscellaneous Income	32	98
Direct Revenue Financing	8,986	8,493
Capital Receipts - Sales of Dwellings/Land	628	316
Capital Receipts - Mortgage Principal	5	2
	<b>25,151</b>	<b>94,238</b>
<b>Spent on:</b>		
Houses	25,036	94,238
Land	37	0
Other	78	0
	<b>25,151</b>	<b>94,238</b>

**8.10 Capital Receipts**

Capital Receipts in 2015-16 totalled £0.4m (£2.1m in 2014-15). The table below shows the type of receipt and how much was used to finance capital expenditure and how much was used to repay debt.

	Financing Expenditure 2014-15 £'000	Repayment of Debt 2014-15 £'000	Total 2014-15 £'000	Financing Expenditure 2015-16 £'000	Repayment of Debt 2015-16 £'000	Total 2015-16 £'000
Sales of Council Dwellings	442	1,443	1,885	17	118	135
Sale of Land	173	0	173	300	0	300
Mortgage Principal	5	16	21	2	5	7
Other	13	12	25	0	0	0
	<b>633</b>	<b>1,471</b>	<b>2,104</b>	<b>319</b>	<b>123</b>	<b>442</b>



**8.11 IAS19 Accounting For Pensions Costs**

Actual deductions for pensions contributions and any adjustment for current service cost are shown in the net cost of service. Net interest costs are included in the surplus/deficit on HRA services and then adjusted in the Movement in Reserves Statement, to ensure that only prescribed statutory debits/credits calculated in accordance with the LG&H act 1989 are applied to the HRA.

The following transactions have been made during the year:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>HRA Income &amp; Expenditure Statement</u></b>		
<b>Cost of Service:</b>		
Current Service Cost	487	599
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	<u>883</u>	<u>776</u>
<b>Total Post Employment Benefit charged to the Surplus or (Deficit) for the year on HRA Services</b>	<u><u>1,370</u></u>	<u><u>1,375</u></u>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or (Deficit) for the year on HRA Services for Post Employment Benefits in the accordance with the code	(666)	(794)
<b>Actual amount charged against the HRA Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	<u>455</u>	<u>453</u>
	<u><u>(211)</u></u>	<u><u>(341)</u></u>

**8.12 Depreciation**

Authorities are required to charge depreciation and impairment losses on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. There is no specification in the Item 8 Determination that depreciation should be debited to the HRA Income and Expenditure Statement (or equally that it should be reversed out in the Statement of Movement on the HRA Balance). However, it has become generally accepted since the introduction of resource accounting into the HRA in 2005/06 that statutory requirements can be satisfied on a 'no net impact' basis - debits and credits expected by proper practices (but not specified in legislation) can be made to the HRA provided that they are subsequently reversed out and replaced by statutory amounts in the calculation of the HRA Balance.

Depreciation and Impairment losses have therefore been debited to the Income and Expenditure Statement in accordance with the general provisions of the Code and reversed out in the Movement on the HRA Balance. The depreciation charge has then been replaced with the HRA Minimum Revenue Provision via a credit from the Capital Adjustment Account to avoid having an effect on rent levels.

HRA dwellings are revalued on a 5 year cycle, which was last undertaken on the 1 April 2015.

Depreciation and Impairment Losses:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation on dwellings	17,635	11,174
Revaluation losses & impairments	4,315	134,489
	<u>21,950</u>	<u>145,663</u>

Revaluation losses and impairments were incurred on:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Houses	4,200	134,489
Land	37	0
Other	78	0
	<u>4,315</u>	<u>134,489</u>

## 9 DYFED WELSH CHURCH FUND ACCOUNT

The Dyfed Welsh Church Fund is a scheme that mainly awards grants towards the costs of maintaining places of worship. However, registered charities which benefit residents may apply for help towards running costs, or the cost of a specific project or purchasing a piece of equipment. Besides nationally recognised charities, the Fund supports local charities responsible for providing recreational facilities or other services which are of benefit to the Community.

At Local Government Reorganisation 1996 the fund was split among the new Unitary Authorities with the amount available to each new authority being calculated on the following agreed percentages:

Carmarthenshire County Council	41%
Ceredigion County Council	25%
Pembrokeshire County Council	34%

It was agreed that Carmarthenshire County Council would take responsibility for administering the investment portfolio.

The following accounts provide a report of the financial transactions during the year and the disposition of its assets at the year end for the Fund in total, that is administered by Carmarthenshire County Council and then the second set of accounts details Carmarthenshire County Council's share of the Dyfed Welsh Church Fund when the LGR percentage split has been applied.

### 9.1 Fund Accounts administered by Carmarthenshire County Council

#### Revenue Account

2014-15 £'000 31/03/15		2015-16 £'000 31/03/16
	<b>Income</b>	
(14)	Rent of Buildings/Land	(14)
(67)	Investment Income	(72)
0	Other Income	(6)
(81)		(92)
	<b>Expenditure</b>	
83	Grants to Voluntary & Other Organisations	195
18	Management and Administration	17
20	<b>Revenue Account (Surplus)/Deficit for the Year</b>	120
(35)	Net Profit on Sales of Investments	(39)
(290)	Change in unrealised (Gains)/Losses on investments	162
	Change in unrealised (Gains)/Losses on Non- Current	
1,232	Assets	0
927	<b>Net (Surplus)/Deficit for the Year</b>	243

**Net Assets Statement**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/15</b>		<b>31/03/16</b>
3,396	Investments	3,195
950	Other Land & Buildings	950
4,346		4,145
14	Debtors	0
641	Cash	729
(97)	Creditors	(213)
4,904	<b>Net Assets</b>	4,661
<b>Represented by</b>		
431	Capital Adjustment Account	431
500	Revaluation Reserve	500
2,269	Capital Fund	2,229
558	Revenue Fund	516
1,146	Unrealised Profit/(Loss) Reserve	985
4,904	<b>Closing Balance of Fund</b>	4,661

**Reconciliation of the Movement in Fund Net Assets**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
5,831	Opening Net Assets	4,904
(20)	Revenue Account Surplus/(Deficit) for the Year	(120)
35	Net Profit on Sale of Investments	38
290	Unrealised Profit/(Loss) Reserve - Investments	(161)
(1,232)	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
4,904	<b>Closing Net Assets of the Fund</b>	4,661

**9.2 Fund Accounts for Carmarthenshire County Council  
Revenue Account**

2014-15 £'000 31/03/15		2015-16 £'000 31/03/16
	<b>Income</b>	
(6)	Rent of Buildings/Land	(6)
(27)	Investment Income	(28)
0	Other Income	(6)
(33)		(40)
	<b>Expenditure</b>	
54	Grants to Voluntary & Other Organisations	122
7	Management & Administration	6
28		88
	<b>Revenue Account (Surplus)/Deficit for the Year</b>	
(14)	Net Profit on Sales of Investments	(15)
(119)	Change in unrealised (Gains)/Losses on Investments	66
505	Change in unrealised (Gains)/Losses on Non-Current Assets	0
400	<b>Net (Surplus)/Deficit for the Year</b>	139

**Net Assets Statement**

2014-15 £'000		2015-16 £'000
1,393	Investments	1,310
389	Other Land & Buildings	389
1,782		1,699
6	Debtors	0
158	Cash	185
(72)	Creditors	(149)
1,874	<b>Net Assets</b>	1,735
	<b>Represented by</b>	
177	Capital Adjustment Account	177
205	Revaluation Reserve	205
931	Capital Fund	914
91	Revenue Fund	35
470	Unrealised Profit/(Loss) Reserve	404
1,874	<b>Closing Balance of Fund</b>	1,735

**Reconciliation of the Movement in Fund Net Assets**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
2,274	Opening Net Assets	1,874
(28)	Revenue Account Surplus (Deficit) for the Year	(88)
14	Net Profit on Sales Reinvested	15
119	Unrealised Profit/(Loss) Reserve - Investments	(66)
(505)	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<u>1,874</u>	<b>Closing Net Assets of the Fund</b>	<u>1,735</u>

**10 TRUST FUNDS 2015-2016****10.1 Receipts & Payments Account for the Year Ended 31 March 2016**

<b>Total</b>		<b>Education Services</b>	<b>Social Services</b>	<b>Cultural Services</b>	<b>Total</b>
<b>2014-15</b>		<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Receipts</b>				
(308)	Dividends/Interest/Sales/Contributions	(92)	(4)	(187)	(283)
304	<b>Payments</b>	120	11	174	305
<u>(4)</u>	<b>(Surplus)/Deficit</b>	<u>28</u>	<u>7</u>	<u>(13)</u>	<u>22</u>

**10.2 Balance Sheet as at 31 March 2016**

<b>Total</b>		<b>Education Services</b>	<b>Social Services</b>	<b>Cultural Services</b>	<b>Total</b>
<b>2014-15</b>		<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Assets</b>				
264	Investments	239	24	0	263
21	Stocks	0	0	19	19
5	Debtors	0	0	1	1
552	Cash	271	59	208	538
<u>842</u>	<b>Total Assets</b>	<u>510</u>	<u>83</u>	<u>228</u>	<u>821</u>
	<b>Liabilities</b>				
(2)	Creditors	0	0	(3)	(3)
<u>(2)</u>	<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>
<u>840</u>	<b>NET ASSETS</b>	<u>510</u>	<u>83</u>	<u>225</u>	<u>818</u>

Investments are shown at Book Value, however their Market Value as at 31<sup>st</sup> March 2016 was £720,125 (£758,223 as at 31<sup>st</sup> March 2015).

**11 NOTES TO THE TRUST FUNDS****11.1 Background**

Carmarthenshire County Council is currently responsible for the administration of sixty one separate trust funds.

**11.2 Education Services**

The Council administers fifty one education related trusts, the majority of which are registered charities. The breakdown of the purposes for which the education trusts were established is as follows:

Prizes to Pupils in recognition of Academic Achievement	16
Provision of Further and or Higher Education Scholarships	18
School Funding ( <i>including special needs schools</i> )	10
Other	7

**11.3 Cultural Services**

The Council administers two cultural trust funds, one which was established specifically for the funding of an art gallery at "Oriol Myrddin", Carmarthen and one for Carmarthen Museum known as "George Arbour Stephens Trust Fund."

**11.4 Social Services**

During the financial year the Council was responsible for the administration of eight trusts on behalf of social services clients. Five are for the benefit of residents at specific residential homes throughout the County. Three relate to funds administered on behalf of individuals. Owing to the sensitive nature of these three trusts and the need to maintain privacy, details about the purpose for which each is administered is not published.



## **12 SOCIAL CARE / CHILDREN'S SERVICES – SAFEKEEPING, SAFE CUSTODY, AMENITY FUNDS & STAFF BENEFIT ACCOUNTS**

### **12.1 Residents Safekeeping**

People in residential homes are allowed a personal allowance payable to them each week. If the resident does not wish to spend all of this allowance in any given week, the balance is paid into the Residents Safekeeping account. The balance as at 31<sup>st</sup> March 2016 was £341,392 (£324,512 as at 31<sup>st</sup> March 2015) and this reflects the amount of personal allowances held by the Authority on behalf of its residents.

### **12.2 Safe Custody Accounts**

The Communities Department maintains individual Safe Custody accounts for service users living in the community who are unable to deal with their financial affairs due to their mental incapacity. The Director of Communities is appointee with The Department of Work and Pensions for each of these service users. The balance as at 31<sup>st</sup> March 2016 was £1,043,271 (£1,379,015 as at 31<sup>st</sup> March 2015) and this reflects the amount of money held by the Authority on behalf of its service users.

### **12.3 Amenity Funds**

Amenity funds represent funds held on behalf of establishments such as day centres and residential homes. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31<sup>st</sup> March 2016 was £74,717 (£74,381 as at 31<sup>st</sup> March 2015).

Amenity funds also represent funds held on behalf of establishments such as childrens centres/playgroups. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31<sup>st</sup> March 2016 was £2,298 (£4,989 as at 31<sup>st</sup> March 2015).

### **12.4 Staff Benefit Accounts**

Staff Benefit Accounts represent funds held on behalf of staff working within particular establishments. Income is derived from donations received from families of clients and bequests from the estate of deceased clients. Payments are for items that benefit all staff working in a particular establishment. The balance as at 31<sup>st</sup> March 2016 was £8,431 (£5,541 as at 31<sup>st</sup> March 2015).

**13 DYFED PENSION FUND STATEMENT OF ACCOUNTS****NARRATIVE REPORT**

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2015-16. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Revised May 2007) published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2015-16, reference should be made to the Annual Report and Accounts 2015-16 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account
- The Net Assets Statement
- The Statement by the Consulting Actuary

**Fund Account for the Year Ended 31 March 2016**

2014-15 £'000		<u>Note</u>	2015-16 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions			
Employer			
37,244	Normal		36,503
7,465	Augmentation		7,082
6,368	Deficit		7,508
Member			
17,750	Normal		17,484
56	Additional voluntary		177
1,317	Transfers in from other pension funds	13.6	1,986
<u>70,200</u>			<u>70,740</u>
Benefits payable			
(56,527)	Pensions payable		(59,798)
(14,764)	Commutation and lump sum retirement benefits		(13,392)
(1,214)	Lump sum death benefits		(1,400)
(2,421)	Payments to and on account of leavers	13.7	(4,027)
<u>(74,926)</u>			<u>(78,617)</u>
<b>(4,726)</b>	<b>Net Additions (Withdrawals) from dealings with Members</b>		<b>(7,877)</b>
<b>Returns on Investments</b>			
26,383	Investment Income	13.9	28,061
106	Other Income		57
(33)	Taxes on Income (Irrecoverable Withholding Tax)	13.10	(32)
Changes in the market value of investments			
103,751	Unrealised	13.11.2	(78,090)
122,088	Realised	13.11.3	49,974
(4,856)	Management Expenses	13.8	(5,305)
<u>247,439</u>	<b>Net Return on Investments</b>		<u>(5,335)</u>
<b>242,713</b>	<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>		<b>(13,212)</b>
1,670,908	Opening Net Assets of Scheme		1,913,621
<u><b>1,913,621</b></u>	<b>Closing Net Assets of Scheme</b>		<u><b>1,900,409</b></u>

**Net Assets Statement**

<b>31/03/15</b>		<b><u>Note</u></b>	<b>31/03/16</b>
<b>£'000</b>			<b>£'000</b>
1,905,698	Investment Assets		1,894,613
2,774	Cash deposits		1,715
(16)	Investment liabilities		(948)
<u>1,908,456</u>		13.11.1	<u>1,895,380</u>
9,926	Current assets	13.16	9,227
(4,761)	Current liabilities	13.17	(4,198)
<u>5,165</u>	Net Current Assets/(Liabilities)		<u>5,029</u>
<u><b>1,913,621</b></u>	<b>Total Net Assets</b>		<u><b>1,900,409</b></u>

**Reconciliation of the Movement in Fund Net Assets**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
1,670,908	Opening Net Assets	1,913,621
16,873	Net New Money Invested	14,904
225,840	Profit and losses on disposal of investments and changes in the market value of investments	(28,116)
<u><b>1,913,621</b></u>	<b>Closing Net Assets of Fund</b>	<u><b>1,900,409</b></u>

## NOTES TO THE PENSION FUND ACCOUNTS

### 13.1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2015-16 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### 13.1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Panel (the Panel).

#### 13.1.2 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 Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 66 employer organisations within the Dyfed Pension Fund as at 31<sup>st</sup> March 2016 and these are detailed in Note 13.21. The membership details of these organisations are summarised below:

<b>31/03/15</b>		<b>31/03/16</b>
19,451	Number of active contributors in the Fund	18,970
10,906	Number of pensioners	11,462
13,854	Number of deferred pensioners	14,499
<u><b>44,211</b></u>	<b>Total membership</b>	<u><b>44,931</b></u>
49	Number of employers with active members	49

These figures reflect the recorded position as at 31<sup>st</sup> March 2016 but are always subject to some movement post year end for notifications from employing bodies received after this date.

### 13.1.3 **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2013. Currently, employer contribution rates range from 7.4% to 27.7% of pensionable pay as detailed in Note 13.21.

### 13.1.4 **Benefits**

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

	<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	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.

From 1<sup>st</sup> April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is uprated annually in line with the Consumer Price Index (CPI).

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk)

### **13.2 Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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 after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

### **13.3 Summary of significant accounting policies**

#### **Fund Account – revenue recognition**

#### **13.3.1 Contributions**

Normal contributions, both from 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.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

#### **13.3.2 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.

Individual transfers in/out are accounted for when received/paid, 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 to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

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

### 13.3.3 Investment income

#### 13.3.3.1 Interest income

Interest income is recognised in the fund 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 (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

#### 13.3.3.2 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 financial asset.

#### 13.3.3.3 Distributions from pooled funds

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 financial asset.

#### 13.3.3.4 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.

### 13.3.4 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.

### 13.3.5 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.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

### 13.3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff, management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.



All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.34m in 2015-2016 (2014-2015: Fee was £0.11m).

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-2016, £0.4m of fees is based on such estimates (2014-2015: £1m).

The costs of the council's pension investments team are charged direct to the fund and 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**

#### **13.3.7 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 the asset are recognised by the Fund.

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

- 13.3.7.1 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.
- 13.3.7.2 Fixed interest securities  
Fixed interest securities are recorded at net market value.
- 13.3.7.3 Unquoted investments  
Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.
- 13.3.7.4 Limited partnerships  
Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

**13.3.7.5 Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

**13.3.8 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 value of overseas investments and purchases and sales outstanding at the end of the reporting period.

**13.3.9 Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

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.

The Fund has its own bank accounts which deal with the transactions of the Fund since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

**13.3.10 Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset 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.

**13.3.11 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 reference in the accompanying actuarial report.

**13.3.12 Additional voluntary contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only – Note 13.18.

### **13.4 Critical judgements in applying accounting policies**

#### **13.4.1 Fund liability**

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 13.22. This estimate is subject to significant variances based on changes to the underlying assumptions.

#### **13.4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership**

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2016 was £33.3m (31 March 2015: £27.2m).

### 13.5 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 2016 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 effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.3m for 2015-16. However, the assumptions interact in complex ways. During 2015-16, the Authority's actuaries advised that the net pensions liability had decreased by £61.5m attributable to updating of the assumptions.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £33.3m. There is a risk that this investment may be under or overstated in the accounts.

### 13.6 Transfers in from other pension funds

2014-15 £'000		2015-16 £'000
1,317	Individual transfers in from other schemes	1,986
<u>1,317</u>		<u>1,986</u>

**13.7 Payments to and on account of Leavers**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(126)	Refunds to members leaving service	(103)
(26)	Payments for members joining state scheme	(28)
(2,269)	Individual transfers to other schemes	(3,896)
<u><b>(2,421)</b></u>		<u><b>(4,027)</b></u>

**13.8 Management Expenses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(1,155)	Administrative costs	(1,213)
(3,544)	Investment management expenses (Note 13.13)	(3,966)
(157)	Oversight and governance costs	(126)
<u><b>(4,856)</b></u>		<u><b>(5,305)</b></u>

2015-16 Audit fees of £26,874 included within Oversight and governance costs. This amount includes £1,934 credit note in respect of 2013-14 audit. (2014-15 £24,006)

**13.9 Investment Income**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
764	Fixed interest securities	0
17,494	Equity dividends	18,819
5,177	Pooled property investments	6,253
580	Pooled investments - Unit trust and other manager funds	1,031
2,360	Property	1,707
13	Interest on cash deposits	(1)
(5)	Other	252
<u><b>26,383</b></u>		<u><b>28,061</b></u>

**13.10 Taxation**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(33)	Withholding tax - equities	(32)
<u><b>(33)</b></u>		<u><b>(32)</b></u>

**13.11 Investments****13.11.1 Net investment assets**

Fair value 31/03/2015 £'000		Fair value 31/03/2016 £'000
	<b><u>Investment assets</u></b>	
	<b>Fixed interest securities</b>	
	UK Corporate Bonds	
185,611	- BlackRock	178,145
	Indexed Linked Securities	
185,896	- BlackRock	177,109
	<b>Equities</b>	
	UK Quoted Equities	
463,834	- BlackRock	450,678
	<b>Pooled Investments</b>	
	Overseas equities	
487,701	- BlackRock	479,667
	Global equities	
200,810	- Baillie Gifford	199,874
189,948	- Columbia Threadneedle	194,866
	<b>Pooled property investments</b>	
156,975	- Schroders	175,362
20,164	- Partners Group	27,001
	<b>Property</b>	
4,364	- Schroders	1,047
7,085	- Partners Group	6,334
	<b>Cash deposits</b>	
2,534	- BlackRock	736
240	- Schroders	979
	<b>Investment income due</b>	
2,974	- BlackRock	2,973
	<b>Tax reclaims due</b>	
299	- BlackRock	276
21	- Schroders	88
	<b>Amounts receivable for sales</b>	
16	- BlackRock	1,193
<b>1,908,472</b>	<b>Total investment assets</b>	<b>1,896,328</b>
	<b><u>Investment liabilities</u></b>	
	<b>Amounts payable for purchases</b>	
(16)	- BlackRock	(948)
<b>(16)</b>	<b>Total investment liabilities</b>	<b>(948)</b>
<b>1,908,456</b>	<b>Net investment assets</b>	<b>1,895,380</b>

**13.11.2 Reconciliation of movements in investments**

During the year, investments purchased totalled £156m whilst sales totalled £90m. The sales realised a net gain of £66m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2015 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2016 £'000
Fixed interest securities	371,507	24,567	(33,544)	0	(7,276)	355,254
Equities	463,834	50,445	(27,173)	0	(36,428)	450,678
Pooled investments	878,458	45,195	(6,401)	0	(42,845)	874,407
Pooled property investments	177,139	35,385	(19,996)	0	9,835	202,363
Property	11,449	0	(3,073)	0	(995)	7,381
	<b>1,902,387</b>	<b>155,592</b>	<b>(90,187)</b>	<b>0</b>	<b>(77,709)</b>	<b>1,890,083</b>
<b>Other investment balances</b>						
Cash deposits	2,774	0	0	(1,059)	0	1,715
Amount receivable for sales investments	16	0	0	1,177	0	1,193
Investment income due	2,974	0	0	380	(381)	2,973
Tax reclaims due	321	0	0	43	0	364
Amounts payable for purchases investments	(16)	0	0	(932)	0	(948)
	<b>1,908,456</b>	<b>155,592</b>	<b>(90,187)</b>	<b>(391)</b>	<b>(78,090)</b>	<b>1,895,380</b>

	Fair value 31/03/2014 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2015 £'000
Fixed interest securities	323,051	43,709	(17,321)	0	22,068	371,507
Equities	651,730	66,008	(244,804)	0	(9,100)	463,834
Pooled investments	518,792	395,186	(110,746)	0	75,226	878,458
Pooled property investments	152,720	25,838	(17,170)	0	15,751	177,139
Property	12,671	0	(648)	0	(574)	11,449
	<b>1,658,964</b>	<b>530,741</b>	<b>(390,689)</b>	<b>0</b>	<b>103,371</b>	<b>1,902,387</b>
<b>Other investment balances</b>						
Cash deposits	4,623	0	0	(1,849)	0	2,774
Amount receivable for sales investments	541	0	0	(525)	0	16
Investment income due	3,402	0	0	(808)	380	2,974
Tax reclaims due	399	0	0	(78)	0	321
Amounts payable for purchases investments	(489)	0	0	473	0	(16)
	<b>1,667,440</b>	<b>530,741</b>	<b>(390,689)</b>	<b>(2,787)</b>	<b>103,751</b>	<b>1,908,456</b>

Transaction costs are included in the cost of purchase and sale proceeds. Identifiable transaction costs incurred during the year amounted to £0.71m (2014-15 restated: £0.65m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled vehicles. The amount of indirect costs is not separately provided to the scheme.

**13.11.3 Realised gains and losses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
31,875	Fixed Interest Securities	11,441
23,607	Equities	1,336
65,472	Pooled Investments	32,948
1,189	Pooled property investments	4,971
(55)	Property	(722)
<b><u>122,088</u></b>		<b><u>49,974</u></b>

**13.11.4 Geographical analysis of investments**

<b>Fair</b>	<b>Geographical</b>	<b>Fair</b>
<b>value</b>	<b>analysis</b>	<b>value</b>
<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
1,052,607	UK	1,032,530
99,724	Europe (excl UK)	99,498
396,901	North America	407,341
81,563	Japan	78,408
95,570	Pacific Rim	89,054
182,091	Emerging Markets	188,549
<b><u>1,908,456</u></b>		<b><u>1,895,380</u></b>

**13.11.5 Fund manager analysis**

<b>Fair</b>	<b>Fund manager</b>	<b>Fair</b>
<b>value</b>	<b>analysis</b>	<b>value</b>
<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
1,328,850	BlackRock	1,289,830
161,600	Schroders	177,476
27,248	Partners Group	33,334
200,810	Baillie Gifford	199,874
189,948	Columbia Threadneedle	194,866
<b><u>1,908,456</u></b>		<b><u>1,895,380</u></b>



**13.12 Concentration of Investments**

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2016:

	<b>Value as at 31/03/2016</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Blackrock Ascent Life US Equity Fund	201,830	10.65
Baillie Gifford Global Alpha Fund	199,381	10.55
Columbia Threadneedle Global Equity Fund	194,866	10.28
Blackrock Active Selection Fund UK	178,145	9.34
Aquila Life over 5yr UK index linked	177,109	9.40
Blackrock active selection fund - Emerging Market Index Fund	100,694	5.31

**13.13 Investment Management Expenses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>Restated</b>		
(3,387)	Management fees	(3,579)
(47)	Custody fees	(49)
(110)	Performance related fees	(338)
<u><b>(3,544)</b></u>		<u><b>(3,966)</b></u>

2014-15 Restated in accordance with CIPFA guidance

**13.14 Financial Instruments****13.14.1 Classification of financial instruments**

Accounting policies describe how different asset classes 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.

2014-15				2015-16			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>Financial assets</b>							
371,507	0	0	371,507	355,254	0	0	355,254
463,834	0	0	463,834	450,678	0	0	450,678
878,459	0	0	878,459	874,407	0	0	874,407
Pooled property							
177,139	0	0	177,139	202,363	0	0	202,363
11,449	0	0	11,449	7,381	0	0	7,381
0	6,360	0	6,360	0	4,041	0	4,041
Other investment							
3,310	0	0	3,310	4,530	0	0	4,530
0	6,340	0	6,340	0	6,901	0	6,901
<b>1,905,698</b>	<b>12,700</b>	<b>0</b>	<b>1,918,398</b>	<b>1,894,613</b>	<b>10,942</b>	<b>0</b>	<b>1,905,555</b>
<b>Financial liabilities</b>							
Other investment							
(16)	0	0	(16)	(948)	0	0	(948)
0	0	(4,761)	(4,761)	0	0	(4,198)	(4,198)
<b>(16)</b>	<b>0</b>	<b>(4,761)</b>	<b>(4,777)</b>	<b>(948)</b>	<b>0</b>	<b>(4,198)</b>	<b>(5,146)</b>
<b>1,905,682</b>	<b>12,700</b>	<b>(4,761)</b>	<b>1,913,621</b>	<b>1,893,665</b>	<b>10,942</b>	<b>(4,198)</b>	<b>1,900,409</b>

13.14.2 **Net gains and losses on financial instruments**

<b>2014-15</b>	<b>2015-16</b>
<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>	
225,840 Fair value through profit and loss	(28,116)
<b>225,840 Total Financial assets</b>	<b>(28,116)</b>
<b>0 Total Financial liabilities</b>	
<b>225,840 Total</b>	<b>(28,116)</b>

13.14.3 **Fair value of financial instruments and liabilities**

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

<b>Carrying value</b>	<b>Fair value</b>		<b>Carrying value</b>	<b>Fair value</b>
<b>31/03/15</b>	<b>31/03/15</b>		<b>31/03/16</b>	<b>31/03/16</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
1,413,591	1,905,698	Fair value through profit and loss	1,480,598	1,894,613
12,700	12,700	Loans and receivables	10,942	10,942
<b>1,426,291</b>	<b>1,918,398</b>	<b>Total financial assets</b>	<b>1,491,540</b>	<b>1,905,555</b>
<b>Financial liabilities</b>				
(16)	(16)	Fair value through profit and loss	(948)	(948)
(4,761)	(4,761)	Financial liabilities at amortised cost	(4,198)	(4,198)
<b>(4,777)</b>	<b>(4,777)</b>	<b>Total financial liabilities</b>	<b>(5,146)</b>	<b>(5,146)</b>
<b>1,421,514</b>	<b>1,913,621</b>	<b>Total</b>	<b>1,486,394</b>	<b>1,900,409</b>

#### 13.14.4 **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 interest securities, quoted index linked securities and certain 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 would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

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

Fair values at 31 March 2016	Quoted market	Using	With significant	Total
	price	observable	unobservable	
	Level 1	inputs	inputs	
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	811,788	1,049,491	33,334	1,894,613
Loans and receivables	10,942	0	0	10,942
<b>Total financial assets</b>	<b>822,730</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,905,555</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(948)	0	0	(948)
Financial liabilities at amortised cost	(4,198)	0	0	(4,198)
<b>Total financial liabilities</b>	<b>(5,146)</b>	<b>0</b>	<b>0</b>	<b>(5,146)</b>
<b>Net financial assets</b>	<b>817,584</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,900,409</b>

Fair values at 31 March 2015	Quoted market	Using	With significant	Total
	price	observable	unobservable	
	Level 1	inputs	inputs	
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	843,579	1,034,870	27,249	1,905,698
Loans and receivables	12,700	0	0	12,700
<b>Total financial assets</b>	<b>856,279</b>	<b>1,034,870</b>	<b>27,249</b>	<b>1,918,398</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(16)	0	0	(16)
Financial liabilities at amortised cost	(4,761)	0	0	(4,761)
<b>Total financial liabilities</b>	<b>(4,777)</b>	<b>0</b>	<b>0</b>	<b>(4,777)</b>
<b>Net financial assets</b>	<b>851,502</b>	<b>1,034,870</b>	<b>27,249</b>	<b>1,913,621</b>

### **13.15 Nature and extent of risks arising from financial instruments**

#### **13.15.1 Risk and risk management**

The Fund has developed a formal risk assessment process and maintains a formal risk register. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk).

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 portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit 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 Authority 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 Panel. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

#### **13.15.2 Market risk**

Market risk is the risk of loss from fluctuations in equity prices and, interest and foreign exchange rates. The Fund is exposed to market risk from 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 Panel and its independent adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.
- by investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing.

#### **13.15.3 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 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. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

#### 13.15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
Cash	0.01%
UK Equities	10.66%
Overseas Equities	10.25%
Global Pooled Equities inc UK	10.08%
UK Corporate Bonds	6.23%
Index Linked Securities	9.45%
Property	1.96%

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

<b>Asset Type</b>	<b>Value as at</b>		<b>Value on Increase</b>	<b>Value on Decrease</b>
	<b>31 March 2016</b>	<b>Change</b>		
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Cash	1,715	0.01%	1,715	1,714
UK Equities	450,678	10.66%	498,720	402,636
*Overseas Equities	479,667	10.25%	528,833	430,501
*Global Pooled Equities incl UK	394,740	10.08%	434,530	354,950
UK Corporate Bonds	178,145	6.23%	189,243	167,046
Index Linked Gilts	177,109	9.45%	193,846	160,373
Property	209,744	1.96%	213,855	205,633
Sales receivable	1,209	0.00%	1,209	1,209
Purchases payable	(964)	0.00%	(964)	(964)
Income receivables	3,337	0.00%	3,337	3,337
<b>Total Assets</b>	<b>1,895,380</b>		<b>2,064,324</b>	<b>1,726,435</b>

Asset Type	Value as at	Change	Value on	Value on
	31 March		Increase	Decrease
	2015	%	£'000	£'000
	(Restated)		(Restated)	(Restated)
Cash	2,774	0.02%	2,775	2,774
UK Equities	463,833	10.35%	511,840	415,826
*Overseas Equities	487,702	9.50%	534,032	441,367
*Global Pooled Equities inc Uk	390,758	9.50%	427,880	353,638
UK Corporate Bonds	185,611	6.10%	196,933	174,289
Index Linked Gilts	185,896	9.66%	203,853	167,938
Property	188,587	2.30%	192,925	184,250
Sales receivable	16	0.00%	16	16
Purchases payable	(16)	0.00%	(16)	(16)
Income receivables	3,295	0.00%	3,295	3,295
<b>Total Assets</b>	<b>1,908,456</b>		<b>2,073,533</b>	<b>1,743,377</b>

\* Restated to separately identify the Global Equities market movement percentages

#### 13.15.5 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 by the Panel in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/15	Asset type	31/03/16
£'000		£'000
2,774	Cash and cash equivalents	1,715
3,586	Cash held at CCC	2,326
371,507	Fixed interest securities	355,254
<b>377,867</b>	<b>Total</b>	<b>359,295</b>



**13.15.6 Interest rate risk sensitivity analysis**

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

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	Value as at 31/03/16 £'000	Change in year in the net assets available to pay	
		+1% £'000	-1% £'000
Cash and cash equivalents	1,715	17	(17)
Cash held at CCC	2,326	23	(23)
Fixed interest securities	355,254	3,553	(3,553)
<b>Total change in available assets</b>	<b>359,295</b>	<b>3,593</b>	<b>(3,593)</b>

Asset type	Value as at 31/03/15 £'000	Change in year in the net assets available to pay	
		+1% £'000	-1% £'000
Cash and cash equivalents	2,774	28	(28)
Cash held at CCC	3,586	36	(36)
Fixed interest securities	371,507	3,715	(3,715)
<b>Total change in available assets</b>	<b>377,867</b>	<b>3,779</b>	<b>(3,779)</b>

**13.15.7 Discount Rate**

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 fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

**13.15.8 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 (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2016 and as at 31 March 2015:

Fair value 31/03/15 £'000	Asset type	Fair value 31/03/16 £'000
827,540	Overseas Equities	833,807
28,208	Property	29,011
100	Cash	32
<u>855,848</u>	<b>Total overseas assets</b>	<u>862,850</u>

### 13.15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2016 was 6.23%. (2014-15: 6.04%)

This analysis assumes that all other variables, in particular interest rates, remain constant.

An 6.23% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay Benefits as follows:

Asset type	Fair value 31/03/16 £'000	Change in year in the net assets available to pay benefits	
		+6.23% £'000	-6.23% £'000
Overseas equities	833,807	885,753	781,861
Property	29,011	30,818	27,204
Cash	32	34	30
<b>Total change in available assets</b>	<u>862,850</u>	<u>916,605</u>	<u>809,095</u>

Asset type	Fair value 31/03/15 £'000	Change in year in the net assets available to pay benefits	
		+6.04% £'000	-6.04% £'000
Overseas equities	827,540	877,524	777,556
Property	28,208	29,911	26,504
Cash	100	106	94
<b>Total change in available assets</b>	<u>855,848</u>	<u>907,541</u>	<u>804,154</u>

### 13.15.10 **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 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. 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.

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 Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

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

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

### 13.15.11 **Liquidity risk**

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

**13.16 Current assets**

31/03/15 £'000		31/03/16 £'000
	Contributions due from employer	
3,906	- Employer	4,956
1,457	- Employee	1,432
3,586	Cash Balances	2,326
977	Debtors	513
<u>9,926</u>		<u>9,227</u>

**13.16.1 Analysis of Current assets**

31/03/15 £'000		31/03/16 £'000
0	HMRC	2
8,302	Other local authorities	8,016
1	NHS bodies	1
1	Public corporations and trading funds	1
1,622	Other entities and individuals	1,207
<u>9,926</u>		<u>9,227</u>

**13.17 Current liabilities**

31/03/15 £'000		31/03/16 £'000
(3,273)	Unpaid benefits	(2,206)
<u>(1,488)</u>	Creditors	<u>(1,992)</u>
<u>(4,761)</u>		<u>(4,198)</u>

**13.17.1 Analysis of Current liabilities**

31/03/15 £'000 (Restated)		31/03/16 £'000
(572)	HMRC	(586)
(258)	Other local authorities	(454)
(630)	Public corporations and trading funds	(670)
<u>(3,301)</u>	Other entities and individuals	<u>(2,488)</u>
<u>(4,761)</u>		<u>(4,198)</u>

For 31 March 2015 £258k included in Other local authorities was previously classified as Central government bodies.

**13.18 Additional Voluntary Contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value, as at the balance sheet date, of these investments are shown below:

<b>AVC Provider</b>	<b>Value as at 31/03/15 £ '000</b>	<b>Contributions £ '000</b>	<b>Expenditure £ '000</b>	<b>Change in Market Value £ '000</b>	<b>Value as at 31/03/16 £ '000</b>
Prudential	2,660	878	(694)	14	2,858
Equitable Life	671	26	(112)	0	585
Standard Life	3,435	559	(567)	8	3,435
<b>Total</b>	<b>6,766</b>	<b>1,463</b>	<b>(1,373)</b>	<b>22</b>	<b>6,878</b>

**13.19 Funding arrangements**

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation is due as at 31 March 2016.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2015-16.

**13.20 Related Party Transactions**

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.889 million (2014-15: £0.843 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £31.102 million to the Fund in 2015-16 (2014-15: £31.308 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2016, the Fund had an average investment balance of £4.73 million (2014-2015: £5.62 million) earning interest of £26,180 (2014-15: £32,317).

### 13.20.1 **Governance**

#### Pension Panel

There are three members and one substitute member of the Pension Panel. During 2015-16 these were Councillor Wyn Evans, Councillor Siân Thomas (active member), Councillor Terry Davies (active member) and the substitute was Councillor Philip Hughes (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Panel members, and the Senior Officers that advise the Panel, are required to declare their interest at each meeting.

The Panel members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

#### Pension Board

A local Pension Board was approved by County Council on the 11<sup>th</sup> February 2015 effective from 1<sup>st</sup> April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2015-16.

**13.21 Employing bodies contribution rates, contributions receivable and benefits payable**

2014-15				2015-16				
Contri- bution rate %	Deficit				Contri- bution rate %	Deficit		
	Contri- bution £'000 (Restated)	Contri- butions £'000 (Restated)	Benefits payable £'000			Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
<b>Scheduled bodies</b>								
12.9	4,106	27,203	29,970	Carmarthenshire County Council	12.9	4,690	26,459	31,650
13.5	1,063	13,812	14,502	Pembrokeshire County Council	13.5	1,107	13,776	14,600
13.6	702	10,131	10,084	Ceredigion County Council	13.6	730	10,008	10,792
				Office for the Police & Crime				
11.6	374	3,484	2,306	Commissioner for Dyfed-Powys	11.6	389	3,455	2,048
13.5	123	1,378	1,063	Mid & West Wales Fire Authority	13.5	133	1,167	930
14.7	0	253	202	Coleg Ceredigion	15.2	(1)	275	224
13.7	0	1,247	818	Coleg Sir Gar	14.3	139	1,244	1,046
				Pembrokeshire Coast National				
13.6	0	593	825	Park Authority	15.1	(24)	592	681
13.2	0	908	250	Pembrokeshire College	12.8	55	851	258
	6,368	59,009	60,020			7,218	57,827	62,229
<b>Designated (Resolution) bodies</b>								
24.7	0	7	5	Aberystwyth Town Council	20.0	2	3	53
9.9	0	1	0	Aberaeron Town Council	12.6	0	1	0
18.1	0	62	66	Carmarthen Town Council	18.6	13	71	123
14.2	0	4	0	Cwmamman Town Council	18.7	0	6	0
22.6	0	4	1	Gorslas Community Council	27.7	1	5	5
24.4	0	9	30	Haverfordwest Town Council	24.4	0	9	30
30.5	0	9	14	Kidwelly Town Council	27.6	7	9	14
21.9	0	2	1	Llanbadarn Fawr Community	17.3	0	2	1
17.5	0	1	1	Llanarthney Community Council	21.2	0	1	1
14.9	0	175	168	Llanelli Rural Council	14.6	11	196	136
15.3	0	46	74	Llanelli Town Council	17.8	8	52	74
12.7	0	6	0	Llangennech Community Council	12.8	0	6	0
17.1	0	17	6	Llannon Community Council	18.2	4	21	7
19.9	0	22	7	Pembrey & Burry Port Town	23.5	3	25	7
9.3	0	5	13	Tenby Town Council	13.0	(1)	6	12
12.0	0	8	0	Pembroke Town Council	12.0	0	9	3
8.5	0	7	0	Pembroke Dock Town Council	8.5	0	7	0
0.0	0	0	0	Pontyberem Community Council	24.9	0	3	0
	0	385	386			48	432	466

(continued overleaf)

2014-15				2015-16			
Contri- bution rate %	Deficit		Benefits payable £'000	Contri- bution rate %	Deficit		Benefits payable £'000
	Contri- bution £'000	Contri- butions £'000			Contri- bution £'000	Contri- butions £'000	
	(Restated)	(Restated)					
<b>Admission bodies</b>							
<b>Community Admission Body (CAB)</b>							
0.0	0	2	0	26.1	(12)	1	26
15.7	0	50	16	13.2	13	31	17
14.2	0	1,055	1,033	13.3	40	937	892
11.9	0	52	32	11.7	6	38	38
11.8	0	8	0	26.5	(5)	11	0
14.5	0	33	7	17.9	0	34	84
44.2	0	5	15	20.0	5	3	16
22.1	0	37	21	18.1	5	32	37
6.2	0	54	0	7.8	3	60	0
11.9	0	35	27	11.5	15	35	28
5.6	0	13	0	7.4	0	15	0
16.5	0	8	0	23.7	1	12	40
18.6	0	10	2	16.0	1	10	2
13.0	0	104	91	14.5	4	60	33
11.6	0	90	47	12.6	7	57	40
13.2	0	90	32	13.4	0	1	26
11.3	0	281	141	14.2	(41)	301	179
17.5	0	622	494	16.5	101	582	529
46.8	0	29	236	22.5	74	10	189
14.4	0	216	339	15.1	22	254	374
16.6	0	30	39	13.8	6	32	40
16.9	0	57	86	17.8	1	56	44
0.0	0	0	0	13.5	0	3	0
	0	2,881	2,658		246	2,575	2,634
<b>Transferee Admission Body (TAB)</b>							
12.5	0	0	3	14.9	0	0	0
17.8	0	41	54	19.3	(4)	87	70
21.5	0	21	0	21.5	0	25	45
20.3	0	96	37	20.3	0	219	93
	0	158	94		(4)	331	208

(continued overleaf)



2014-15				2015-16				
Contri- bution rate %	Deficit		Benefits payable £'000	Contri- bution rate %	Deficit		Benefits payable £'000	
	Contri- bution £'000	Contri- butions £'000			Contri- bution £'000	Contri- butions £'000		
	(Restated)	(Restated)						
<b>Bodies with no pensionable employees</b>								
0.0	0	6	7	DVLA	0.0	0	6	7
0.0	0	52	344	Dyfed Powys Magistrates Courts	0.0	0	51	352
0.0	0	0	5	Carmarthen Family Centre	0.0	0	1	6
0.0	0	0	2	Milford Haven Town Council	0.0	0	1	5
0.0	0	0	2	Mencap	0.0	0	0	2
0.0	0	0	8,918	Dyfed County Council	0.0	0	0	8,615
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	10	11	NHS	0.0	0	8	8
0.0	0	13	42	Welsh Water	0.0	0	13	42
0.0	0	0	8	Cwm Environmental	0.0	0	0	7
0.0	0	0	5	Cartrefi Cymru	0.0	0	0	5
0.0	0	1	1	Rent Officer Service	0.0	0	1	1
	0	82	9,347			0	81	9,052
	<b>6,368</b>	<b>62,515</b>	<b>72,505</b>	<b>Total</b>		<b>7,508</b>	<b>61,246</b>	<b>74,589</b>

For 2014-15, an amount of £262k was included in Deficit Contributions in error. Also, amounts reported in Deficit Contributions were also included in the Contributions figures. The total Deficit Contributions for 2014-15 have therefore been restated from £6,630k to £6,368k and the Contributions total from £68,882k to £62,515k to correct this.

### 13.21.1 Bodies with No Pensionable Employees

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

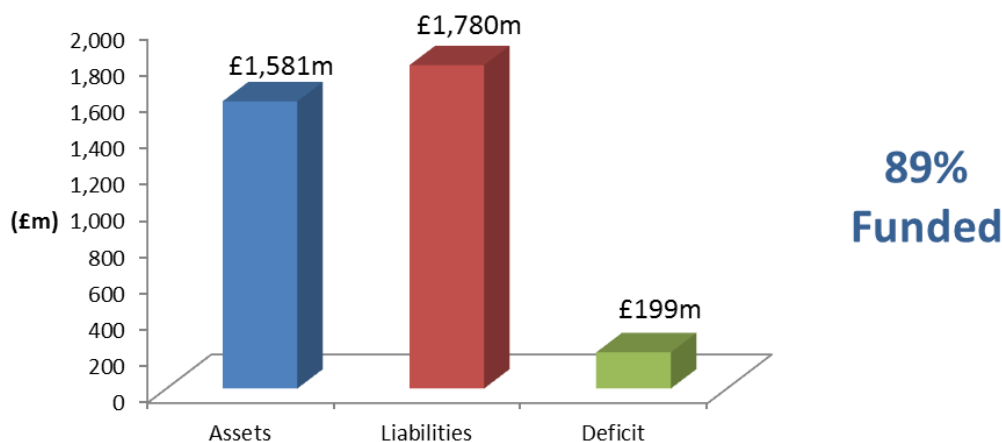
	<b>Proportion to be recharged %</b>
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

### 13.22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,581 million represented 89% of the Fund's past service liabilities of £1,780 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £199 million.



The valuation also showed that a common rate of contribution of 12.9% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 94% with a resulting deficit of £103 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £7 million per annum increasing at 4.1% per annum (equivalent to approximately 2.7% of projected Pensionable Pay at the valuation date) for 17 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### **Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	<b>31 March 2015</b>	<b>31 March 2016</b>
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum *	3.5% per annum *
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,360 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£78 million. The net effect of allowing for benefits accrued/paid over the period increases the liabilities by a further c£17million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,337 million.

***John Livesey***

***Fellow of the Institute and Faculty of Actuaries***

***Mercer Limited***

**June 2016**

### **13.23 Events after the balance sheet date**

There have been no events since 31st March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 14 GLOSSARY OF TERMS

The following section attempts to explain the meaning of some of those technical terms that are used in the Statements. The section is split into General and those terms relating to the Pension Fund Accounts.

### **General**

#### ***Accrual***

An accrual is a sum shown in our accounts to cover income or expenditure for the accounting period that was not paid at the date of the balance sheet.

#### ***Assets Held for Sale***

These are assets which are no longer being used to provide a service and are being actively marketed with the likelihood of sale being highly probable within 1 year.

#### ***Audit***

An audit is an independent examination of our activities.

#### ***Balance***

The surplus or deficit on any account at any point in time.

#### ***Balance Sheet***

This is a statement of our assets, liabilities and other balances at the end of the financial year.

#### ***Bid Price***

The price that a third party would pay the scheme in an arm's length transaction for the investment.

#### ***Billing Authority***

A local authority responsible for collecting the council tax and non-domestic rates.

#### ***Budget***

A budget is a spending plan, usually for the following financial year.

#### ***Capital Expenditure***

Capital expenditure is spending on non-current assets such as Property, Plant and Equipment, Investment Properties and Heritage Assets. This would include the purchase or construction of new assets, together with subsequent expenditure on major maintenance or development work.

#### ***Capital Receipt***

These are the sales proceeds from the disposal of land and buildings which are restricted in their use by statute. They can only be used to fund new capital expenditure or set aside to finance historic capital expenditure.

#### ***Council Fund***

The main revenue fund of the local authority. Day to day spending on services is met from this fund.

#### ***Council Tax***

The main source of local taxation to local authorities. Council tax is levied on households within its area by the Billing Authority and the proceeds are used to meet the Billing Authority's council tax requirement and to pay the precepting authorities.

**Creditor**

A creditor is someone to whom money is owed at the end of the financial year for work done, goods received or services rendered.

**Current Assets**

These are short-term assets that are available for us to use in the following accounting year.

**Current Liabilities**

These are short-term liabilities that are due for payment by us in the following accounting year.

**Debtor**

A debtor is someone who owes money to us at end of the financial year.

**Depreciation**

Depreciation is a method of allocating the cost of Property Plant and Equipment assets over their useful lives.

**Direct Revenue Financing**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

**Earmarked Reserves**

These are reserves that have been set aside for a specific purpose.

**Fees And Charges**

Income raised by charging users of services for the facilities, e.g. charges for the use of leisure facilities, car parking, the collection of trade refuse etc.

**Financial Year**

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March in the following year.

**Finance Leases**

A means by which capital items are bought. (When we use finance leases we take on most of the risks (and rewards) of owning the assets.)

**Gross Expenditure**

The total cost of providing the council's services before taking into account income, such as fees and charges for services etc.

**Heritage Assets**

Heritage Assets are defined as those that are held and maintained principally for their contribution to knowledge and culture.

**Housing Benefit**

An allowance to persons on low income (or none) to meet in whole or part their rent. Benefit is allowed or paid by local authorities but central government refunds part of the costs of the benefits and of the running costs of the service to local authorities. Benefit paid to the Authority's own tenants is known as 'rent rebate' and that paid to private sector tenants as 'rent allowance'.

**Housing Revenue Account (HRA)**

This account contains all our housing income and expenditure.

**IFRS**

International Financial Reporting Standard.

**IFRIC**

International Financial Reporting Interpretations Committee.

The above two are accounting standards which provide a guideline for financial accounting.

**Investment Properties**

These are properties that are being held solely to earn rentals or for capital appreciation or both, rather than for the provision of services

**Liability**

A liability is an amount due and payable at some time in the future.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside to repay loans.

**National Non-Domestic Rates (NNDR)**

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local Authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split among individual authorities in proportion to their adult populations.

**Net Realisable Value**

The selling price of the asset reduced by the relevant costs of selling it.

**Operating Leases**

A means by which capital items are bought.

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

**Pensions Assets/Liabilities (Notes to the Movement in Net Pension Liabilities)**

**The Current Service Costs - the value of the increase in liabilities for active members as a result of their** service increasing by one year (i.e. from the start of the year to the end of the year), less any employee contributions.

**Employer Contributions** - The employer contributions are the amounts actually paid by the employer during the year. They include any amounts paid in respect of early retirement strains and any recharges in respect of compulsory added years benefits.

**Past Service Costs** - Past service costs arise when the employer makes a commitment to provide a higher level of benefit than previously promised, for example the creation of a pension benefit for a spouse where such a benefit did not previously exist or a grant of early retirement with added-on years of service.

**Interest Costs** - The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period. Another way of viewing the "interest on liabilities" is the unwinding of 1 year's discounting in relation to the liabilities.

**Interest on Pension Assets** – This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

**Remeasurements (assets)** – This is the return on plan assets net of administration expenses and interest income. It replaces actuarial gains and losses on assets. For the LGPS, any change as a result of reviewing an employer's allocation of assets as at an actuarial valuation will also be included within remeasurements.

**Remeasurements (liabilities)** – Remeasurements (liabilities) can be sub-divided into 'Changes in actuarial assumptions' and 'Experience (gains) losses on liabilities'. 'Changes in actuarial assumptions' is not shown as its own separate entry but instead the changes in demographic and financial assumptions are shown separately.



**Gains or Losses on Settlements or Curtailment** - Where under the scheme rules the employees have the option to retire early or transfer out of the scheme, the resulting settlements and curtailments are allowed for in the normal demographic assumptions made by the actuary and any gains and losses arising are actuarial gains and losses. Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and recognised in the profit and loss account covering that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the profit and loss account covering that date.

**Pension Fund**

The fund maintained to meet pension payments on the retirement of participants.

**Precepting Authorities**

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rates. For Carmarthenshire County Council the precepting authorities are Dyfed Powys Police and the Town & Community Councils.

**Precepts**

This is the amount that we levy/pay to a Non-Billing Authority (for example a Community Council) so that it can cover its expenses (after allowing for its income).

**Property, Plant and Equipment**

These are assets with a physical substance that are held for use in the production or supply of goods and services, for rental to others (as part of a service) or for administrative purposes. Any asset included in this category is expected to be used for more than one financial year.

**Provision**

Provisions are amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

**Prudential Code**

The Prudential Code is a professional code of practice to support local authorities in making capital investment decisions.

**Public Works Loan Board (PWLB)**

This is a Government agency that provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which the Government itself can borrow.

**Reserve**

Reserves are amounts set aside that do not fall within the definition of provisions and include general reserves (or 'balances') which every Authority must maintain as a matter of prudence.

**Revenue Account**

This is an account that records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Revenue Support Grant**

The main grant paid by Welsh Government to support the local authority budget.

**Securities**

These are investments such as stocks, shares and bonds.



**SeRCoP**

Service Reporting Code of Practice - establishes proper practices with regard to consistent financial reporting for services – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations. It is also expected that CIPFA members will comply with all the discretionary requirements of SeRCoP as it defines best practice in terms of financial reporting.

**Inventories**

Inventories are raw materials purchased for day-to-day use. The value of those items not used at the end of the financial year is shown within current assets in the balance sheet.

**Subjective Analysis**

An analysis of income and expenditure according to type. Such expenditure headings include employee, premises and transport expenses. Income includes government grants and fees and charges.

**Variance**

The difference between actual expenditure and budget - expressed in cash or percentage terms.

**Wales Audit Office**

An independent body lead by the Auditor General for Wales who is responsible for the appointment of external auditors to local authorities.

**Pension Fund****Active Management**

A style of Investment Management which seeks to provide out performance of a relevant Benchmark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

**Actuary**

An independent consultant who advises on the viability of the Fund. Every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering Authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

**Asset Class**

A specific area/type of Investment e.g. UK Equities, overseas Equities, Fixed Income, Property, Cash.

**Benchmark Return**

The aim of the Fund Manager is to outperform the Benchmark return by 1%. The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Statement of Investment Principles.

**Corporate Governance**

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

**Deficit Funding**

Contributions payable for example, for a limited period or as a single payment, to improve the funding of a defined benefit scheme, often arising from a scheme funding recovery plan.

**Equities**

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

**Fixed Interest Securities**

Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock Exchange in the meantime.

**Fund Manager**

A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

**Investment**

An asset acquired for the purpose of producing income and Capital Gain for its owner.

**Investment Adviser**

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

**Market Indicators**

- (i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
- (ii) Change in the rates at which currencies can be exchanged.

**Market Value**

The price at which an investment can be sold at a given date.

**Out performance/Under performance**

The difference in Returns gained by a particular fund against an "Average" Fund or an Index over a specified time period i.e. a Target for a fund may be out performance of a Benchmark over a 3-year period.

**Passive Management (also called Indexation/Index Tracking)**

A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

**Performance**

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the "Average" Fund or a particular Benchmark.

**Performance Measurement**

A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a Universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

**Portfolio**

A collective term for all the investments held in a fund, market or sector.

**Preserved Benefits**

The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

**Return**

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

**Risk**

Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more "stable" investments before investors will buy them.

**Transfer Value**

Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

**Unit Trusts**

These are investment companies that accept money from many different investors. The money is pooled and used to buy investments.

**Unrealised Increase/(Decrease) In Market Value**

The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.

Mae'r dudalen hon yn wag yn fwriadol

**Pwyllgor Archwilio  
Medi 30ain 2016**

**Pwnc: Datganiad Ariannol Awdurdod Harbwr Porth Tywyn 2015-16**

**Y Pwrpas:** I gyflwyno'r cyfriflen ar ôl archwiliad am y flwyddyn 2015-16

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I dderbyn Datganiad Ariannol Awdurdod Harbwr Porth Tywyn am y flwyddyn 2015-16 ar ôl yr archwiliad.

**Y Rhesymau:**

Mae angen i'r Cyngor gymeradwyo cyfriflen Awdurdod Harbwr Porth Tywyn am y flwyddyn 2015-16, cyn yr archwiliad, i gydymffurfio â Rheolau Cyfrifon ac Archwilio (Cymru) 2014.

Mae gan y Pwyllgor Archwilio bwr dirprwyedig i gymeradwyo'r Cyfrifon yn unol a'r Mesuriad Llywodraeth Leol.

**Ymgynghorwyd â'r pwyllgor craffu perthnasol NADDO**

Angen i'r Bwrdd Gweithredol wneud penderfyniad NAC OES

Angen i'r Cyngor wneud penderfyniad NAC OES

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-

Cyng. D Jenkins

**Y Gyfarwyddiaeth:**

**Enw Pennaeth y Gwasanaeth:**

Owen Bowen

**Awdur yr Adroddiad:**

Owen Bowen

**Swyddi:**

Pennaeth Gwasanaethau Cyllidol  
Dros Dro

**Rhif ffôn:** 01267 224886

**Cyfeiriad E-bost:**

Obowen@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

**Burry Port Harbour Financial Statement 2015-16**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

Carmarthenshire County Council has been given a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000.

In accordance with the Harbours Act 1964, statutory harbour authorities are required to prepare annual statement of accounts relating to the harbour activities. In compliance with the Accounts and Audit (Wales) Regulations 2014, these accounts are in the form of a separate annual income and expenditure account and statement of balances.

The net cost of the Harbour Activities in 2015-16 was £230k, and all activities are fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March 2016 total £3,960k.

**DETAILED REPORT ATTACHED ?**

**YES**

**IMPLICATIONS**

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed:** O Bowen

**Head of Finance**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

**Legal**

Compliance with the Accounts and Audit (Wales) Regulations 2014

**Finance**

The net cost of the Harbour activities in 2015-16 was £230k, which has been fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March 2016 total £3,960k.



**EICH CYNGOR arleinamdani**  
[www.sirgar.llyw.cymru](http://www.sirgar.llyw.cymru)

**YOUR COUNCIL doitonline**  
[www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales)

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: O Bowen

Head of Finance

1. **Scrutiny Committee:** Not applicable
2. **Local Member(s):** Not applicable
3. **Community / Town Council:** Not applicable
4. **Relevant Partners:** Not applicable
5. **Staff Side Representatives and other Organisations:** Not applicable

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Accounts and Audit (Wales) Regulations 2014		Corporate Services Department, County Hall, Carmarthen.

Mae'r dudalen hon yn wag yn fwriadol

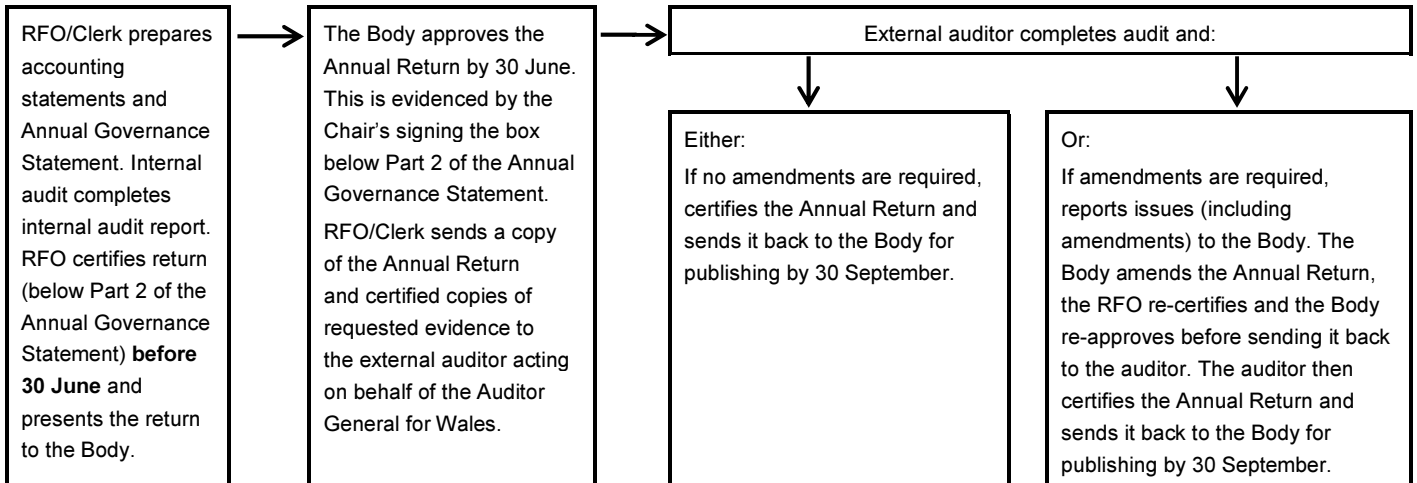


## Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2016

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners’ Guide** (the Practitioners’ Guide). The Practitioners’ Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

### The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



**Please complete all sections highlighted in red.** Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. **Please note that copies of all documents provided for the purposes of the audit must be certified as true copies of the originals by the Clerk and Chair.** Unless requested, please **do not** send any original financial or other records to the external auditor.

Bodies should note the changes to the Annual Governance Statement. This is to be completed in full by all Bodies.

Audited and certified returns are sent back to the Body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales’ certificate and report.

### Completion checklist

'No' answers mean that you may not have met requirements		Done?	
		Yes	No
<b>Initial submission to the external auditor</b>			
<b>Accounts</b>	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2016?	<input type="checkbox"/>	<input type="checkbox"/>
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	<input type="checkbox"/>	<input type="checkbox"/>
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	<input type="checkbox"/>	<input type="checkbox"/>
	Does the bank reconciliation as at 31 March 2016 agree to line 9?	<input type="checkbox"/>	<input type="checkbox"/>
<b>All sections</b>	Have all red boxes been completed and explanations provided where needed?	<input type="checkbox"/>	<input type="checkbox"/>
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Supporting evidence</b>	Have all items and pages of supporting evidence provided to the audit been certified as a true copy of the original by the Clerk and Chair?	<input type="checkbox"/>	<input type="checkbox"/>

# Accounting statements 2015-16 for:

Name of body: Burry Port Harbour Authority

	Year ending		Notes and guidance for compilers
	31 March 2015 (£)	31 March 2016 (£)	
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	214,301	230,141	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	140,462	119,670	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	65,624	33,707	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	176,085	169,997	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	113,054	146,107	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors and stock balances	57,576	65,394	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	-51,476	-59,101	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	6,100	6,293	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	4,129,759	3,959,762	The <b>original</b> asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
14. Trust funds disclosure note	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).

## Annual Governance Statement (Part 1)

We acknowledge as the members of the Council, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref		
	Yes	No*				
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	x	<input checked="" type="checkbox"/>	Prepared its accounting statements in the way prescribed by law.	6, 12		
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	x	<input checked="" type="checkbox"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7		
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Harbour Authority to conduct its business or on its finances.	x	<input checked="" type="checkbox"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6		
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	x	<input checked="" type="checkbox"/>	Has given all persons interested the opportunity to inspect and to ask questions about the Body's accounts.	6, 23		
5. We have carried out an assessment of the risks facing the Harbour Authority and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	x	<input checked="" type="checkbox"/>	Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly.	6, 9		
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	x	<input checked="" type="checkbox"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Body.	6, 8		
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council, and, where appropriate, have included them on the accounting statements.	x	<input checked="" type="checkbox"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6		
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	x	<input checked="" type="checkbox"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23		
9. Trust funds – in our capacity as trustee, we have: <ul style="list-style-type: none"> <li>Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit.</li> </ul>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	N/A	x	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We calculated and approved the Harbour Authority's budget requirement for the 2015-16 financial year in accordance the Local Government Finance Act 1992 and proper practices [and issued the precept in accordance with Sections 39 to 42 of the Local Government Finance Act 1992.]*	x	<input type="checkbox"/>	Properly planned its financial activities for the year and set a budget in accordance with statutory requirements.	13
2. We have received detailed financial reports setting out the [income and expenditure* receipts and payments*] and a summary of the Harbour Authority's financial position on a regular bimonthly basis throughout the year.	x	<input type="checkbox"/>	Effectively monitored its financial position, income and expenditure against that budget throughout the financial year.	13
3. We have ensured that the Council's internal audit is independent of its day-to-day decision-making process and maintenance of the accounting records and have agreed appropriate terms of reference for the internal audit.	x	<input type="checkbox"/>	Ensured that its internal audit function is able to undertake its work without potential conflicts of interest and with sufficient scope to provide an adequate and effective service.	8

\* Please delete as appropriate.

## Audit Committee approval and certification

The Council is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

<b>Certification by the RFO</b> I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Harbour Authority, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.	<b>Approval by the Audit Committee</b> I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:  Insert minute reference and date of meeting
<b>RFO signature:</b> signature required	<b>Chair signature:</b> signature required
<b>Name:</b> name required	<b>Name:</b> name required
<b>Date:</b> dd/mm/yyyy	<b>Date:</b> dd/mm/yyyy

## Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<b>Certification by the RFO</b> I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Harbour Authority, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.	<b>Approval by the Audit Committee</b> I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:  Insert minute reference and date of meeting
<b>RFO signature:</b> signature required	<b>Chair signature:</b> signature required
<b>Name:</b> name required	<b>Name:</b> name required
<b>Date:</b> dd/mm/yyyy	<b>Date:</b> dd/mm/yyyy

## Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2016 of:

--

### External auditor's report

[Except for the matters reported below]\* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]\* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated \_\_\_\_\_.]

### Other matters and recommendations

On the basis of our review, we draw the Body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the Body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

\* Delete as appropriate.

## Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange ([www.audit.wales/good-practice/finance/community-council-money](http://www.audit.wales/good-practice/finance/community-council-money)) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the Body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2015) equals the balance brought forward in the current year (line 1 of 2016). Explain any differences between the 2015 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in section 1. More help on bank reconciliation is available in the Practitioners' Guide\*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

## Annual internal audit report to:

Name of body: Burry Port Harbour Authority

The Council's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2016.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	As a service within Carmarthenshire CC the Main Accounting System is used. MAS review found to be satisfactory
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Testing of individual transactions concluded that all payments tested were accounted for in the correct period and were supported. However, it is to be noted that issues have been raised for the wider Coastal Facilities Review that improvements are required in following financial procedure rules.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Burry Port Harbour as a service within Carmarthenshire CC prepare and monitor Business Plans
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Budget monitoring reviewed for Carmarthenshire CC, which Burry Port Harbour is a service within this arrangements. Overall budget monitoring arrangements are satisfactory
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.		✓	<input type="checkbox"/>	<input type="checkbox"/>	Issue identified through the wider Coastal Facilities Review where improvements are required for recording and reconciling income. Arrangements are in place to review the procedures at all Coastal Facilities and improvements to be implemented From testing carried out income charges have not always been made at the maximum fee rate for mooring fees. Evidence of approval was not provided for these variances identified. From the sample tested the income

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
					amount is potentially understated by £1,700.
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	✓	<input checked="" type="checkbox"/>	There is no petty cash advance in relation to Burry Port Harbour.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	✓	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Burry Port Harbour being a service within the County the staff are paid through Carmarthenshire CC Payroll system. Payroll system reviewed and arrangements for paying salaries are considered satisfactory
8. Asset and investment registers were complete, accurate, and properly maintained.	✓	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Investment is carried out County wide and there is no specific investment programme for Burry Port Harbour. Investments review was found to be satisfactory.</p> <p>The sample testing carried out proved satisfactory, however it is to be noted that there is an issue to be addressed by the wider Coastal Facilities Review in updating and maintaining a complete inventories list of equipment held.</p>



	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	As Burry Port Harbour is a service within Carmarthenshire CC the arrangements for Carmarthenshire's are Bank reconciliations arrangements were reviewed. Procedures found to be satisfactory
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sample testing carried out, all accounted for in the correct period
11. Trust funds (including charitable trusts). The Council has met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>	

**For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:**

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

\* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\* If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

### Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2014-15 and 2015-16. I also confirm that there are no conflicts of interest surrounding my appointment.

**Name of person who carried out the internal audit:** H Pugh

**Signature of person who carried out the internal audit:** signature required

**Date:** 12/09/2016



**Y Pwyllgor Archwilio**  
**30<sup>ain</sup> Medi 2016**

**Y Pwnc: ADRODDIAD CRYNO YNGHYLCH CWBLHAU CYNLLUNIAU A GYLLIDWYD GAN YR UNDEB EWROPEAIDD O DAN Y RHAGLEN GYDGYFEIRIO (2017-2013).**

**Y Pwrpas: Adroddiad cau ynghylch cynlluniau'r Grant Cydgyfeirio.**

**Yr Argymhellion / Penderfyniadau Allweddol sydd eu hangen:**  
Derbyn yr adroddiad.

**Y Rhesymau:**

Diben yr adroddiad hwn yw rhoi crynodeb o'r cynlluniau a gwblhawyd yn Sir Gaerfyrddin a gyllidwyd yn allanol gan Swyddfa Cyllid Ewropeaidd Cymru o dan y Rhaglen Gydgyfeirio Ewropeaidd (2007-2013), ynghyd â chanlyniadau archwiliadau ac unrhyw newidiadau yn ystod 2014-15 a 2015-16.

**Angen ymgynghori â'r pwyllgor craffu perthnasol:**

Amherthnasol

**Angen i'r Bwrdd Gweithredol wneud penderfyniad** Amherthnasol

**Angen i'r Cyngor wneud penderfyniad** Amherthnasol

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-**

**Y Gyfarwyddiaeth**

Enw Pennaeth y Gwasanaeth:

Owen Bowen

Awdur yr Adroddiad:

Emma Powell

Swyddi:

Pennaeth Cyllid

Cyfrifydd Technegol

Rhif ffôn: 01267 224886

[OBowen@sirgar.gov.uk](mailto:OBowen@sirgar.gov.uk)

Rhif ffôn: 01267 228644

Cyfeiriad e-bost:

[EPowell@sirgar.gov.uk](mailto:EPowell@sirgar.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**30<sup>th</sup> September 2016**

**Summary report on the completion of EU funded schemes under the Convergence programme (2007-2013).**

The purpose of this report is to provide a summary of completed externally funded schemes within Carmarthenshire funded by Wales European Funding Office (WEFO) under the European Convergence Funding Programme (2007-2013), together with the results of audits and any amendments during 2014-15 and 2015-16.

The Property Development Fund and Carmarthenshire Physical Regeneration scheme were both grant schemes funded by Wales European Funding Office (WEFO) under the Convergence programme (2007-13). Both schemes were due to receive their final audit in 2014-15. The final audits of both these projects were not undertaken by Wales Audit Office. These projects were instead audited directly by WEFO and the attached report summarises their comments, feedback, adjustments to grant payable and future recommendations.

DETAILED REPORT ATTACHED ?

YES

**IMPLICATIONS**

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed: O Bowen**

**Head of Finance**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

**1. Finance**

All payments of eligible grants due from the closed schemes have been received.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Owen Bowen

Head of Finance

1. **Scrutiny Committee** Not applicable
2. **Local Member(s)** Not applicable
3. **Community / Town Council** Not applicable
4. **Relevant Partners** Not applicable
5. **Staff Side Representatives and other Organisations** Not applicable

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Grant Certification reports		5. Spilman St, Carmarthen

Mae'r dudalen hon yn wag yn fwriadol

## **Audit Committee**

### **Summary report on the completion of all EU funded schemes under Convergence Programme 2007-2013**

**30<sup>th</sup> September 2016**

The purpose of this report is to provide a summary of completed externally funded schemes within Carmarthenshire funded by Wales European Funding Office (WEFO) under the European Convergence Funding Programme (2007-2013) together with the results of audits and any amendments during 2014-15 and 2015-16.

#### **Background**

The Authority was involved in a total of 23 projects over the whole Convergence period (2007-2013), with a total scheme value of £113.3m and grant value of £55.5m. Of these projects, Carmarthenshire were directly leading on 9 projects and were a partner organisation on 14 projects.

#### **Audit: 2014-15 to 2015-16.**

During 2014-15 and into 2015-16, 8 Convergence schemes were in existence and subsequently finalised.

#### **Summary**

Number of Convergence projects: 8

Total period: 7 yrs 5 months

Total eligible project cost: £89.6m (£73.9m Capital / £15.7m Revenue)

Grant received from WEFO: £41.3m

Other income: £48.3m

Other income received consists of: Private sector investment £23.0m, Welsh Government £11.8m and other sources £1.3m with £12.2m provided by Carmarthenshire County Council.

## **Wales Audit Office – audit findings**

<b>Scheme</b>	<b>Claim Value</b>	
	<b>2014-15</b>	<b>2013-14</b>
	<b>£</b>	<b>£</b>
The Works - Final claim	3,393,896	-
Collaborative Communities - Final claim	1,709,660	1,709,660
Business Finance/ LIF - Final claim	1,388,730	4,059,167
Bwcabus - Final claim	635,508	604,707
Crosshands East - Final claim	5,802,625	2,705,264
Regional Learning Partnership	-	734,295
Property Development Fund	Not audited	2,797,659
Carmarthenshire Physical Regeneration	Not audited	3,188,263

In 2015-16, 5 EU funded claims relating to 2014-15 were certified by Wales Audit Office. All 5 claims audited were qualified of which 4 claims were amended. The total amendment to the claims was £20k which represents 0.16% of the total claim value in the period. Reasons for the amendments were predominantly as a result of insufficient evidence to support apportionments and costs within the claims.

In 2014-15, 7 EU funded claims relating to 2013-14 were certified by Wales Audit Office. All 7 claims audited were qualified of which 4 claims were amended. The total amendment to the claims was £22k which represents 0.14% of the total claim value in the period. The largest amendment was for £20k which was as a result of insufficient evidence to support match funding included in the claim. Despite initial agreements being in place relating to charging methodologies by internal service providers to EU funded projects, at programme end these methodologies and their application were further reviewed by WEFO, which resulted in adjustments being made across all projects.

### **Property Development Fund and Carmarthenshire Physical Regeneration schemes**

The Property Development Fund and Carmarthenshire Physical Regeneration schemes were both due to receive their final audit in 2014-15. However, these final audits were not



undertaken by the Wales Audit Office (WAO) as previous audits on these projects had raised a number of significant issues and their findings were not accepted nor agreed by the Council. WEFO undertook an independent assessment on these projects to understand the position and reach a conclusion on any actions required. This report summarises their comments, feedback, adjustments and recommendations made.

#### **a) Property Development Fund (PDF)**

The purpose of the South West Wales Property Development Fund Project was to provide financial assistance for the construction of development buildings for industrial or commercial use. The primary aim was to create capacity for employment in selected areas of South West Wales by developing commercial properties to a BREEAM Excellent rated standard.

Carmarthenshire County Council was the lead sponsor for this Project.

#### **Scheme Value:**

Cumulative Gross Expenditure: £22.8m

Eligible Expenditure: £22.8m

Grant: £11.1m

#### **Final Claim**

Audited claim Expenditure: £12.1m

Total grant paid to date: £5.3m

Grant payable this claim: £5.8m

#### **Scope of review**

The final claim audit was undertaken by the Welsh European Funding Office (WEFO) Management and Verification team. This review was limited to the review of expenditure, match funding and procurement activities only. Internal controls were not assessed and reliance was placed upon previous accountants' reports. The WEFO European Funds Audit Team (EFAT) also undertook a review of the project to date in light of concerns raised by Wales Audit Office in previous accountant's reports. Both reviews were conducted within a similar time period.

#### **WEFO feedback**

Both reviews were conducted successfully with sufficient results and no qualifications. The overall management and operational arrangements in place were categorised as "Effective".

#### **Procurement**

No issues were identified with the procurement process. It was deemed that the Council had complied fully with the terms and operating agreement with Welsh Government, and

with third party due diligence. However, going forward WEFO recommended that there was scope to improve and strengthen the procurement process in relation to providing a clear basis for approval of tenders.

Within the final claim audit, of the 4 contracts let in the claim period, 2 were tested being “The Old Dairy – Tai Dinefwr” and “Hayston Road”. Both exercises had followed procedures agreed by the lead sponsors, the tenders submitted were deemed to provide value for money and contracts were awarded.

The EFAT audit involved the review of 2 end beneficiaries – R&A Properties and Deryn Properties receiving £281k and £2,951k grant respectively. No issues were identified.

#### Other recommendations made:

WEFO concluded that the procedures for the recording and management of conflicts of interest could be improved and the Authority should provide evidence of how conflicts are managed.

It was also advised that the Council needed to improve how decisions are recorded to ensure a sufficient audit trail is in place, specifically in relation to revisions to grant and contract awards, and any tenders relating to them.

These recommendations are learning issues for future schemes and have been accepted by the Authority and will be taken forward into future funding programmes. Where necessary, procedures have been amended to incorporate this learning.

#### Good practice

Several instances of good practice were observed by WEFO EFAT in their report being that:

- Carmarthenshire County Council have effective systems and processes in place to monitor and oversee the end beneficiaries delivery of agreed outputs;
- Financial controls were effective in ensuring that only eligible expenditure was included in the claims under review
- Full and open procurement processes undertaken for large contracts.

#### Claim adjustments

The only adjustment to the scheme was as a result of minor amendments relating to corporate ineligible items being corrections by WEFO on the flat rate claimed on overheads, for WWEC fees and Design and Management fees, as a result of a corporate exercise by WEFO. This applied to all projects. Total adjustment £200 (£0.2k).

### **b) Carmarthenshire Physical Regeneration Package (Adref)**

#### **Scheme Value:**

Cumulative Gross Expenditure: £10.9m

Eligible Expenditure: £10.7m

Eligible Income: £7.9m

Grant: £2.8m

### Final claim

Audited claim expenditure: £2.0m

Total grant paid to date: £2.5m

Grant payable this claim: £0.3m

### Scope of review

The final claim audit was undertaken by the Welsh European Funding Office (WEFO) Management and Verification team.

In reviewing the final claim, the control environment assessment was based on the previous Wales Audit Office claim report, and as there were significant concerns raised by Wales Audit, WEFO elected to increase the sample size to 20% from 10% (representing 55% of the audited claim expenditure value at £1.1m) and test all 3 of the procurement exercises that started and completed within the claim period.

### WEFO feedback

The procurement of the frameworks in existence during the timeframe of the project was reviewed with no issues noted. However, on 2 of the procurement exercises, although the lowest bid was selected, no mini tender exercise had been undertaken which is a requirement of EU funds and consequently a 25% correction penalty of the total contract value was applied.

### Claim adjustments

An adjustment for £20,484 was made to the claim due to a 25% correction penalty of the total contract value of £81,934 being applied by WEFO following issues with the procurement process.

A Town Improvement Grant for £15k was also made ineligible. This issue was originally raised in the Wales Audit Office claim audit in January 2015 resulting in an adjustment.

Other adjustments applied totalled £6k. These were in relation to a lack of evidence and adequate audit trail to support various costs (£4k), and the remaining £2k being corrections by WEFO on the flat rate claimed on overheads, and for WWEC fees and Design and Management fees, as a result of a corporate exercise by WEFO. This has been applied to all projects.

### Recommendations implemented

The recommendations received from WEFO are learning issues for future schemes and have been accepted by the Authority and will be taken forward into future funding programmes.

The original process for Third Party Procurement in place since 2012 has been reviewed and the new process recently presented to Grants Panel. The revisions are in the main to reflect current Procurement and European directives going forward, and to provide clear instructions to applicants on the minimum requirements, actions and supporting evidence required for different limits. i.e. From under £5k spend to above £4,104k. Guidance is included on avoiding conflicts of interest and actions required in the event of changes to specification of contracts.

The Authority has strengthened the role of Grants Panel by including the Chairs' of the 4 departmental Project Working Groups as members. The Project Working Groups have the responsibility for monitoring grants within their service area and their minutes are presented to Audit Committee.

### **Conclusion**

Following the audits WEFO have issued their final reports and made final payment on these schemes. All recommendations and feedback will be taken forward and applied to any new schemes within the new 2014-2020 programme.

The Authority is continuing to review and improve its grant management processes on an ongoing basis.

## Minutes of the Corporate Governance Group

**10<sup>th</sup> June 2016 @ 2:00pm**

**Democratic Services Committee Room, County Hall**

<b>Present:</b>	
Cllr Pam Palmer (PP)	Executive Board Member (Communities)
Cllr David Jenkins (DJ)	Executive Board Member (Resources)
Chris Moore (CM)	Director Corporate Services
Paul Thomas (PT)	Assistant Chief Executive
Phil Sexton (PS)	Head of Audit, Risk & Procurement
Linda Rees Jones (LRJ)	Head of Administration and Law
Owen Bowen (OB)	Acting Head of Financial Services
Helen Morgan (HM)	Development Manager
Noelwyn Daniel (ND)	Performance & Information Manager
Gareth Miller (GM)	Business Support Manager (Communities Department)
Helen Pugh (HP)	Audit & Risk Manager

<b>Apologies:</b>	
Cllr Calum Higgins (CH)	Chair of Audit Committee (Observer)
Wendy Walters (WW)	Assistant Chief Executive
Alison Wood (AW)	HR Manager

<b>Item No</b>	<b>Discussion / Action</b>	<b>Responsible Officer</b>
1	<p><b>Apologies</b> As noted above</p> <p>PS to Chair meeting on the request of the Councillors The Chair welcomed GM to the meeting. GM is currently carrying out the CIPFA Certificate in Corporate Governance.</p>	
2	<p><b>Minutes of Last Meeting / Matters Arising</b> The Minutes of the last Meeting held on 10th March 2016 were approved as correct.</p> <p><b>Matters arising / outstanding from previous minutes:</b></p> <p><b>Grants Panel</b> – Follow up on Audit Committee’s request that Chair of Audit should attend the Grants Panel as an Observer. The request stemmed from the concerns about the grants issues reported by WAO.</p> <ul style="list-style-type: none"> <li>• LRJ has considered the proposal with reference to the Constitution – LRJ advised that as the Grants Panel is an Officer Group set up to deal with operational matters, Officers should deal with the issues. To have the Chair of Audit Committee on the Group would compromise the</li> </ul>	

	<p>role of the Audit Committee, and the roles should be kept separate.</p> <ul style="list-style-type: none"> <li>The Corporate Governance Group's supported the Monitoring Officer's view and agreed that the Audit Chair should not sit as an observer on the Grants Panel Group. The Minutes of the Grants Panel will continue to be submitted to the Audit Committee.</li> </ul> <p><b>AOB</b> – Previous request that this Group's minutes and papers should use moderngov.com. HP followed this up with Democratic Services and was informed that this facility is not currently available to roll out to all meetings yet.</p> <p>Action:</p> <ul style="list-style-type: none"> <li>Once moderngov.com is available for wider use Corporate Governance Group minutes and Agendas will be processed through moderngov.com</li> </ul> <p>It was queried whether the Audit Committee Vice Chair could attend this Group as a substitute of the Audit Chair. Membership of the Corporate Governance Group is fixed by the Council and it currently allows the Chair of Audit Committee to attend without any arrangements for substitutions. Any changes need to be approved by Council.</p> <p>The arrangements for the operation of the Audit Committee may change as a result of the proposals in the Local Government Wales Bill.</p> <p>Action:</p> <ul style="list-style-type: none"> <li>Follow up when new Bill to be addressed</li> </ul>	<p>HP</p> <p>LRJ</p>
3	<p><b>Code of Corporate Governance / Terms of Reference</b></p> <p>The Code of Corporate Governance and the Terms of Reference for the Corporate Governance Group was presented to the Audit Committee on 22<sup>nd</sup> March 2016. The Audit Committee resolved:</p> <ol style="list-style-type: none"> <li><b>that the updated Code of Corporate Governance be endorsed;</b></li> <li><b>that the Terms of Reference for the Corporate Governance Group be endorsed subject to the following amendment under Principle 2 of the Schedule: 'having protocols in place which ensure that the Leader and Chief Executive negotiate and agree their respective roles early in the relationship and which maintain a shared understanding of the roles'.</b></li> </ol> <p>The Corporate Governance Group agreed to accept the Audit Committee's proposed amendment.</p>	

4	<p><b>4.1 AGS – Action Plan Update</b></p> <p>2012/13 No 1 – Governance of Partnerships and Commissioning. COMPLETED - A major review of all Partnerships and Commissioning has taken place and the PSB has agreed to its recommendations. The findings now form part of the new partnership structures reporting to the PSB.</p> <p>2013/14 No 3– Modular Constitution – this is considered each time a change is required. Consistent approach to other LAs Assessment is carried out each time and approach agreed. COMPLETED.</p> <p>2013/14 No 5 – Financial Procedure Rules to be update. To be taken to Audit Committee 2016/17</p> <p>2014/15 No1 Working with the new Administration to develop a 5 Year Forward Work Programme and priorities for the Council – Prelim Executive Board to agree on forward planning programme. As there are Council elections in 2017 the Leader presented a 12 month forward work programme in May 2016. COMPLETED. However, 5 year Froward Work Programme will be a key issue for the new Council in 2017.</p> <p>2014/15 No 2 Responding to the Corporate Assessment to be undertaken by Wales Audit Office during 2015/16 – Report due January 2016, Action plan produced and approved by Executive Board in May 2016. COMPLETED. WAO due back in Oct 2016 to follow up</p> <p>2014/15 No 4 - Ensure that 100% of Managers complete the Whistleblowing E-learning module – All People Managers have completed the e-learning module. COMPLETED</p> <p>2014/15 No 6 - Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998) – No guidance had come through during 15/16 to address the new legislation which was delayed and only became live on 26<sup>th</sup> May 2016. Ongoing</p> <p>2014/15 No 7 - Review the WAO Grant Certification Report – 2013/14 and implement any agreed actions – Grants Panel has followed up the issues with relevant project managers. COMPLETED</p> <p>2014/15 No 8 - Monitor progress with implementing improvements in the management of Supporting People Grant – Quarterly update reports continue to be presented Audit Committee – Ongoing</p>	<p>PS / HP</p> <p>WW</p> <p>WW</p>
---	---	------------------------------------

	<p><b>4.2 Annual Governance Statement for 2015/16</b>  The draft AGS for 2015/16 was discussed and the Action Plan for New Governance Issues discussed and approved. The Actions Update noted above in 4.1 to be reflected in Appendix 1 of the 2015/16 AGS.</p>	
5	<p><b>Corporate Assessment Update</b></p> <p>6 proposals for improvement. Action plan in place. Report presented to EB 21 March 2016. Quarterly updates to CMT and half yearly updates to EB. All actions noted on PIMS. HM and her team are meeting regularly with responsible Heads of Service to monitor progress.  Monthly meetings held with WAO. WAO due back to carry out follow up in October 2016.</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• Continue to received updates</li> </ul>	HM
6	<p><b>Information Governance Update</b></p> <p>ND informed the group that:</p> <ul style="list-style-type: none"> <li>- a report on Automated Monitoring was presented to the last P&amp;R Committee</li> <li>- 65 Mangers have attended the Information Asset Ownership training</li> </ul> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>• Continue to received updates</li> </ul>	ND
7	<p><b>Any Other Business</b></p> <p>Update provided on Teachers DBS checks – PT informed the Group that HR have been out to various schools and confirmed that all schools are now compliant</p> <p>Meeting closed: 4pm</p>	



**MINUTES OF THE GRANTS PANEL MEETING HELD ON  
12<sup>th</sup> JULY 2016 IN THE RESOURCES CONFERENCE ROOM, COUNTY  
HALL**

**DATE: 27<sup>th</sup> July 2016**

**PRESENT:** Helen Pugh, Audit & Risk Manager  
 Stuart Walters, Interim Economic Development Manager  
 Rhian Phillips, European Programmes Manager  
 Delyth Thomas, Grants Compliance Officer (GCO)  
 Simon Davies, Chair of PWG, Education & Children’s Services  
 Les James, Chair of PWG, Community Services  
 Julie Owens, Financial Audit Team Leader, Wales Audit Office (WAO)

**APOLOGIES:** Owen Bowen, Interim Head of Financial Services  
 Helen Morgan, Interim Economic Development Manager  
 Alan Howells, Chair of PWG, Environment

	<b>SUBJECT</b>	<b>ACTION</b>
1.0	<p><b><u>Minutes of the last meeting</u></b></p> <ul style="list-style-type: none"> <li>The minutes were agreed.</li> </ul>	
2.0	<p><b><u>Matters Arising</u></b></p> <ul style="list-style-type: none"> <li>A proposal to be presented to CMT for consideration for the approval of grants awarded to Third Parties to be actioned. Project approvals for Third Parties under the LEADER programme will be agreed by the Local Action Group.</li> <li>The summary report from WAO on the Certification of Grants &amp; Returns 2014/15 was presented to Audit Committee on 8<sup>th</sup> July 2016. A report on the Convergence projects that have ended is due to be presented in the next Audit Committee meeting. Outstanding responses from the Chairs of the PWG to the detailed report provided by WAO to be followed up.</li> </ul>	<p>All</p> <p>OB</p> <p>DT</p>
3.0	<p><b><u>Wales Audit Office - Update</u></b></p> <ul style="list-style-type: none"> <li>An update was received from WAO on the audits of grants/returns for the financial year 2015/2016:                     <ul style="list-style-type: none"> <li>There has been a delay in the audit of the Pooled Budgets Return due to the Health Authority accounts audit. WAO informed us that the audit deadline was not met and that the work commenced after the Health Accounts Audit. The audit is now almost complete and there are some minor adjustments to be reported.</li> </ul> </li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>○ WAO has audited information relating to the Housing Benefits Return as part of the Authority's closure of accounts. This work will help towards the actual audit work of the return which will commence in September.</li> <li>○ The Joint Protocol for the Certification of Grant Claims and Returns is to be updated by WAO and forwarded to the Authority for review and agreement.</li> </ul>	WAO/All
4.0	<p><b><u>Review of LSB Report</u></b></p> <ul style="list-style-type: none"> <li>● The final report on the lessons learnt exercise for the Carmarthenshire Local Service Board (LSB) funded projects was discussed in detail. <ul style="list-style-type: none"> <li>○ An action plan is to be presented in the next meeting to respond to the lessons learnt exercise and any training requirements that needs to be put in place</li> <li>○ Grant Register for 2016/2017 to be completed by the next meeting</li> <li>○ The review of the Project Grants Manual to be complete prior to the Grants Panel meeting in November 2016</li> </ul> </li> </ul>	<p>RP</p> <p>DT</p> <p>RP/DT</p>
5.0	<p><b><u>Internal Audit (IA) - Update</u></b></p> <ul style="list-style-type: none"> <li>● The audit of the final claim for the Education Improvement Grant (EIG) 2015/16 has been completed. The audit of the quarterly claims for 2016/2017 is still continuing at the request of Pembrokeshire County Council (PCC) as the lead Authority on ERW.</li> <li>● The audit of the Pupil Deprivation Grant for 2015/16 is due to be completed by end of September 2016. The Authority is waiting for instruction from PCC being the lead Authority on ERW.</li> <li>● Draft audit reports have been issued for the following grants: <ul style="list-style-type: none"> <li>○ Pooled Budgets</li> <li>○ Major Repairs Allowance</li> <li>○ NRW Grants</li> </ul> </li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>The audit report for Building our Heritage is currently being drafted.</li> </ul>	
6.0	<p><b><u>Project Working Groups – Update</u></b></p> <p>Minutes of PWG meeting were circulated to Grants Panel members for :</p> <ul style="list-style-type: none"> <li>Education &amp; Children’s Services (Revenue) – 21<sup>st</sup> June 2016</li> </ul> <ul style="list-style-type: none"> <li>Due to the timing of the PWG meetings no other minutes were available.</li> </ul>	
7.0	<p><b><u>Potential Impact of BREXIT</u></b></p> <ul style="list-style-type: none"> <li>Advice received from various sources is that it is business as normal.</li> <li>WG have agreed to honour the current arrangements for the Rural Development Programme</li> </ul>	
8.0	<p><b><u>New Funding Programmes</u></b></p> <ul style="list-style-type: none"> <li>Following the approval by WEFO of the Swansea Bay Regional Engagement Team (RET) project, interviews are currently being undertaken to appoint the project manager.</li> <li>Approval has also been received from WEFO for Cynnydd, which is being led by PCC. Total spend on the project is approx £19m with approximately £3m spend in this Authority. Part of the team for Carmarthenshire have already been appointed.</li> <li>The Authority is currently developing the business plan for the Pendine Visitor Attractor Project under the Rural Community Development Fund (RCDF).</li> </ul>	
9.0	<p><b><u>Grant Income Outstanding</u></b></p> <ul style="list-style-type: none"> <li>There is still a balance owing to the Authority in respect of the Convergence Projects. This needs to be continually monitored to ensure full receipt of grant monies due to Carmarthenshire. There are a number of instances where the Authority needs to challenge WEFO/Lead Body regarding the final</li> </ul>	<p>Chair persons of PWGs</p> <p>Tudalen 439</p>

	<b>SUBJECT</b>	<b>ACTION</b>
	<p>payment received and this should be made a priority.</p>	
10.0	<p><b><u>AOB</u></b></p> <ul style="list-style-type: none"> <li>• The Terms and Conditions for grants awarded by WG state: <p style="margin-left: 20px;"><b><u>Retain this letter and all original documents relating to the Funding until we inform you in writing that it is safe to destroy them.</u></b></p> <p>Advice to be sought from Legal Services on how the Authority should manage this in order to meet both the WG and the Authority's retention requirements.</p> </li> <li>• Information was presented to Grants Panel regarding an opportunity to vire monies between projects involved in the WG Poverty Programme. These projects include: <ul style="list-style-type: none"> <li>○ Flying Start</li> <li>○ Families First</li> <li>○ Supporting People</li> <li>○ Community First Cluster</li> </ul> <p>There is a requirement in the Terms and Conditions of Grant that the Local Authority Anti Poverty Champion should countersign the request.</p> <p>As the projects cover three service areas within the Authority it was agreed that, any request to vire monies would need to be approved by the Heads of Service involved prior to it being countersigned.</p> <p>This is to be communicated back to the respective Project Managers.</p> </li> </ul>	<p style="text-align: center;">DT</p> <p style="text-align: center;">SD/LJ/SW</p>
11.0	<ul style="list-style-type: none"> <li>• Date of next meeting – 13<sup>th</sup> September 2016 9:30am in the Resources Conference Room, County Hall</li> </ul>	

DYDD GWENER, 8FED GORFFENNAF, 2016

**YN BRESENNOL:** Y Cynghorydd C.P. Higgins [Cadeirydd]

**Cynghorwyr:**

J. James, J.D. James, D. Price (yn lle H.A.L. Evans), E.G. Thomas, G.B. Thomas, W.G. Thomas a D.E. Williams

Mrs J. James – Aelod Allanol â Phleidlais

**Hefyd yn bresennol fel sylwedydd:**

Y Cynghorydd D.M. Jenkins – yr Aelod o'r Bwrdd Gweithredol dros Adnoddau

**Yn bresennol o Swyddfa Archwilio Cymru:**

Mr R. Harries

**Roedd y Swyddogion canlynol hefyd yn bresennol:**

Mr C. Moore	-	Cyfarwyddwr y Gwasanaethau Corfforaethol
Mr O. Bowen	-	Pennaeth y Gwasanaethau Ariannol
Mr I. Jones	-	Pennaeth Hamdden
Mr P. Sexton	-	Pennaeth Archwilio, Risg a Chaffael
Miss H. Pugh	-	Rheolwr Archwilio a Risg
Mr N. Edwards	-	Rheolwr Diogelu a Chomisiynu
Mr A. Jones	-	Swyddog Caffael a Chontractio
Mrs M. Evans Thomas	-	Swyddog Gwasanaethau Democraataidd

**Siambr, Neuadd y Sir, Caerfyrddin : 10.00 am - 12.50 pm.**

**1. YMDDIHEURIADAU AM ABSENOLDEB**

Derbyniwyd ymddiheuriadau am absenoldeb gan y Cynghorwyr H.A.L. Evans ac A.G. Morgan.

**2. DATGANIADAU O FUDDIANNAU PERSONOL**

Enw	Rhif y Cofnod	Natur y Buddiant
Mrs J. James	12 – Datganiad o Gyfrifon 2015/16	Mae'n un o Ymddiriedolwyr Gardd Fotaneg Genedlaethol Cymru

**3. PENODI CADEIRYDD AR GYFER BLWYDDYN Y CYNGOR 2016/17**

**PENDERFYNWYD YN UNFRYDOL** y byddai'r Cynghorydd C.P. Higgins yn cael ei benodi'n Gadeirydd y Pwyllgor ar gyfer blwyddyn ddinesig 2016/17

**4. PENODI IS-GADEIRYDD AR GYFER BLWYDDYN Y CYNGOR 2015/16**

**PENDERFYNWYD YN UNFRYDOL** y byddai'r Cynghorydd A.G. Morgan yn cael ei benodi'n Is-gadeirydd y Pwyllgor ar gyfer blwyddyn ddinesig 2016/17.

## 5. YMDEITHIAD CYNLLUN ARCHWILIO MEWNOL

Rhoddodd y Pwyllgor ystyriaeth i adroddiad a oedd yn rhoi diweddariad ar y cynnydd a oedd wedi cael ei wneud o ran gweithredu'r Cynllun Archwilio Mewnol. Roedd Rhan A o'r adroddiad yn darparu adroddiad cynnydd ar y Cynllun Archwilio 2015/16 a 2016/17 a matrices sgorio argymelledig tra bo Rhan B yn rhoi crynodeb o'r adroddiadau terfynol a oedd wedi'u cwblhau ar gyfer 2015/16 mewn perthynas â systemau ariannol allweddol (hyd yma, ers mis Ebrill 2015).

Codwyd y mater canlynol mewn perthynas â'r adroddiad:-

- Gofynnwyd i'r swyddogion sut y mae materion lle nad oes cynnydd yn cael ei wneud yn cael eu cyflwyno'n ôl i'r Pwyllgor dan y System Rheoli Gwybodaeth am Berfformiad (PIMS) newydd. Eglurodd y Rheolwr Archwilio a Risg fod neges e-bost atgoffa a grëwyd gan gyfrifiadur yn cael ei hanfon at y swyddogion cyfrifol a bod y mater yn cael ei uwchgyfeirio at y Pennaeth Gwasanaeth ac yna at y Cyfarwyddwr os oes diffyg cynnydd o hyd.

**PENDERFYNWYD, at ddibenion monitro, derbyn y diweddariad ar Gynllun Archwilio Mewnol 2015/16.**

## 6. ADRODDIAD BLYNYDDOL ARCHWYLIAD MEWNOL 2015/16

Cafodd y Pwyllgor Adroddiad Blynyddol y Rheolwr Archwilio a Risg (Pennaeth Archwilio Mewnol dynodedig yr Awdurdod) i'w ystyried. Roedd yr adroddiad yn darparu barn am ddigonolrwydd ac effeithiolrwydd amgylchedd rheoli'r Cyngor am y flwyddyn rhwng mis Ebrill 2015 a mis Mawrth 2016, yn seiliedig ar waith a wnaed yng Nghynllun Archwilio Mewnol 2015/16 fel a gytunwyd gan y Pwyllgor Archwilio.

Nododd y Pwyllgor fod yr adroddiad wedi cael ei lunio yn unol â gofynion Safonau Archwilio Mewnol y Sector Cyhoeddus (PSIAS).

Barn gyffredinol y Rheolwr Archwilio a Risg oedd bod amgylchedd rheoli digonol ac effeithiol yn weithredol yn yr Awdurdod. Roedd trefniadau llywodraethu eglur gyda chyfrifoldebau rheoli diffiniedig a strwythurau pwyllgor yn eu lle, trefniadau addas i reoli risg ac roedd y fframwaith rheoli'n gadarn ar y cyfan ac yn gweithredu'n weddol gyson. Roedd gan yr Awdurdod Gyfansoddiad sefydledig, ac roedd wedi datblygu polisiau a chymeradwyo Rheolau Gweithdrefn Ariannol sy'n rhoi cyngor ac arweiniad i'r holl staff ac aelodau. Roedd y Rheolwr Archwilio a Risg yn fodlon bod digon o waith sicrwydd wedi cael ei wneud i'w galluogi i ddod i gasgliad rhesymol ynghylch digonolrwydd ac effeithiolrwydd amgylchedd rheolaeth fewnol yr Awdurdod.

**PENDERFYNWYD YN UNFRYDOL, yn unol â gofynion statudol, derbyn yr adroddiad.**

## 7. BLAENRHAGLEN GWAITH 2016/17

Rhoddodd y Pwyllgor ystyriaeth i'w Flaenraglen Waith ar gyfer blwyddyn ddinesig 2016/17.

**PENDERFYNWYD cymeradwyo'r Flaenraglen Waith ar gyfer 2016/17**

## 8. CEFNOGI POBL

Cafodd y Pwyllgor adroddiad cynnydd i'w ystyried ar weithrediad y Cynllun Gweithredu Cefnogi Pobl. Roedd yr adroddiad yn crynhoi'r gwaith a oedd wedi cael ei wneud hyd yma gan y tîm Cefnogi Pobl i barhau i wella'i brosesau rheoli grantiau a chontractau, fel a nodwyd gan y Rheolwr Archwilio a Risg yn y cyfarfod ar 10 Gorffennaf 2015.

Ystyriwyd fod cynnydd da'n cael ei wneud ac y byddai'n cael ei fonitro gan y Grŵp Cynllunio Cefnogi Pobl a oedd yn cael ei gadeirio gan Gyfarwyddwr y Gwasanaethau Cymunedol.

Codwyd y materion canlynol mewn perthynas â'r adroddiad:-

- pwysleisiwyd pwysigrwydd sicrhau bod rhyw fath o system dracio'n bodoli i fonitro gweithdrefnau newydd er mwyn sicrhau eu bod yn cael eu dilyn a gofynnwyd i swyddogion a fyddai'n bosibl cael adroddiad cynnydd mewn cyfarfod yn y dyfodol.

## PENDERFYNWYD

**8.1 nodi'r cynnydd gyda'r Cynllun Gweithredu Cefnogi Pobl;**

**8.2 y byddai'r Pwyllgor yn cael adroddiad cynnydd yn ei gyfarfod ym mis Rhagfyr.**

## 9. CYFLEUSTERAU ARFORDIROL

Cafodd y Pwyllgor adroddiad cynnydd i'w ystyried ar weithrediad y Cynllun Gweithredu Cyfleusterau Arfordirol. Roedd yr adroddiad yn crynhoi'r gwaith a oedd wedi cael ei wneud hyd yma gan y tîm Cyfleusterau Arfordirol i barhau i wella'i brosesau fel a nodwyd gan y Rheolwr Archwilio a Risg yn y cyfarfod ar 22 Mawrth 2016.

Codwyd y materion canlynol mewn perthynas â'r adroddiad:-

- Cyfeiriwyd at y methiannau difrifol a oedd wedi dod i'r amlwg ym Mharc Gwledig Pen-bre a gofynnwyd am sicrwydd bod gwersi wedi cael eu dysgu a'u rhoi ar waith. Tynnodd y Pennaeth Hamdden sylw at y ffaith bod cyfradd y newid yn y gwasanaeth dros y 4/5 mlynedd ddiwethaf wedi bod yn sylweddol. Ychwanegodd mai'r her oedd darparu gwasanaethau gan gael incwm ar yr un pryd. Y wers yr oeddent wedi'i dysgu oedd pwysigrwydd bod â'r strwythur cywir yn ei le. Sicrhaodd y Pwyllgor fod prosesau a gweithdrefnau'n cael eu rhoi ar waith a chynnydd yn cael ei wneud;
- Mynegwyd pryder ynghylch y defnydd o'r gair "should" yn lle "shall" yn yr argymhellion a oedd yn argymhell bod gweithredu'r argymhellion o bosibl yn ddewisol. Eglurodd Cyfarwyddwr y Gwasanaethau Corfforaethol fod y gair "should" yn cael ei ddefnyddio yn y Crynodeb o Faterion ac Argymhellion gan mai argymhellion a gynigiwyd gan y tîm Archwilio Mewnol oedd y rhain. Mater i'r adran oedd ystyried pob argymhelliad, cytuno ar gamau gweithredu penodol gyda'r tîm Archwilio Mewnol a'u gweithredu. Mae gan y tîm Archwilio Mewnol

gyfrifoldeb i wneud gwaith dilynol ac adrodd ar unrhyw argymhellion gan gynnwys i ba raddau y maent wedi cael eu gweithredu. Ychwanegodd y Pennaeth Archwilio, Risg a Chaffael bod derbyniad cyffredinol bod angen i rywbeth gael ei wneud os yw'r tîm Archwilio Mewnol yn dweud y dylid ei wneud; fodd bynnag, roedd yn derbyn y pryderon a fynegwyd a chytunodd i adolygu'r geiriad wrth gwblhau'r fersiwn derfynol o'r Cynllun Gweithredu;

- Pan ofynnwyd iddo a oedd yr archwiliad wedi gosod unrhyw gyfyngiadau ariannol ar y Parc, eglurodd y Pennaeth Hamdden nad oes ganddynt darged ar gyfer elw; fodd bynnag, mae'n rhaid iddynt gyflawni arbedion effeithlonrwydd. Tynnodd sylw at y ffaith mai'r realiti llwm oedd bod yn rhaid iddynt naill ai godi incwm neu gau cyfleusterau ac ailddatganodd bwysigrwydd sefydlu'r strwythur cywir. Ychwanegodd Cyfarwyddwr y Gwasanaethau Corfforaethol ei bod yn wir bod y parc yn creu incwm sylweddol, ond bod angen seilwaith gwell er mwyn creu mwy o incwm.

### **PENDERFYNWYD nodi'r cynnydd gyda'r Cynllun Gweithredu Cyfleusterau Arfordirol.**

[SYLWER: Yn unol â Rheol Weithdrefn y Cyngor 16.5, roedd y Cynghorydd W.G. Thomas am iddo gael ei gofnodi yn y cofnodion ei fod ef wedi pleidleisio yn erbyn y cynnig i nodi'r eitem hon.]

## **10. ADRODDIADAU GAN SWYDDFA ARCHWILIO CYMRU**

Croesawodd y Cadeirydd Mr Richard Harries o Swyddfa Archwilio Cymru i'r cyfarfod.

### **10.1. DIWEDDARIAD PWYLLGOR ARCHWILIO CYNGOR SIR GAERFYRDDIN - GORFFENAF 2016**

Rhoddodd y Pwyllgor ystyriaeth i adroddiad a oedd yn rhoi diweddariad ar y gwaith archwilio a wnaed/a fydd yn cael ei wneud ar yr Awdurdod gan Swyddfa Archwilio Cymru ers y cyfarfod diwethaf.

### **PENDERFYNWYD YN UNFRYDOL derbyn yr adroddiad.**

### **10.2. ARDYSTIAD GRANTIAU - CYNGOR SIR GAERFYRDDIN 2014-15**

Rhoddodd y Pwyllgor ystyriaeth i adroddiad a baratowyd gan SAC a oedd yn nodi ei ardystiad i Hawliadau a Ffurflenni Grant gan Gyngor Sir Caerfyrddin am y cyfnod 2014-15.



Hysbyswyd y Pwyllgor fod SAC wedi ardystio 26 o hawliadau grant yn ystod 2014-15 a'i bod hefyd wedi adolygu'r trefniadau rheoli grantiau o fewn y Cyngor trwy ddogfennu a cherdded drwy'r system a rheolaethau allweddol fel rhan o'i gwaith archwilio ariannol.

Daeth SAC i'r casgliad, er bod gwelliannau wedi bod yn nhrefniadau'r Cyngor o ran creu a chyflwyno hawliadau grant yn 2014-15, bod rhai meysydd lle gellid gwneud gwelliannau pellach o hyd. Nododd y Pwyllgor fod y casgliad yn seiliedig ar y canfyddiadau cyffredinol canlynol:-

- bod y mwyafrif o'r hawliadau wedi'u cyflwyno ar amser;
- nad oedd unrhyw ddiwygiadau sylweddol wedi cael eu gwneud i unrhyw hawliadau (28% wedi'u diwygio y llynedd);
- bod bron i hanner yr hawliadau a archwiliwyd wedi'u diwygio;
- bod gostyngiad wedi bod yn y gyfran o'r hawliadau yr oedd gofyn eu hamodi yn 2014-15 (50% eleni, o'i gymharu â 61% wedi'u hamodi y llynedd);
- o ystyried y gwelliannau hyn, roedd ffi SAC am ardystio hawliadau a ffurflenni grantiau nad oeddent yn ymwneud â chyllid yr UE ar gyfer 2014-15 wedi gostwng o £97,200 yn 2013-14 i £81,700 yn 2014-15;

#### **PENDERFYNWYD derbyn yr adroddiad.**

### **11. CYFRIFLEN 2015-2016**

Rhoddodd y Pwyllgor ystyriaeth i Ddatganiad o Gyfrifon yr Awdurdod ar gyfer 2015/16 a oedd yn cynnwys Cronfa Bensiwn Dyfed, yn unol â Rheoliadau Cyfrifon ac Archwiliadau (Cymru) 2014.

Roedd y Datganiad yn dwyn ynghyd holl drafodion ariannol yr Awdurdod a'r Gronfa Bensiwn am y flwyddyn a hefyd yn nodi asedau a rhwymedigaethau'r Awdurdod a'i Gronfa Bensiwn ar 31 Mawrth 2016.

Adroddwyd fod yr Awdurdod wedi cadw'r gwariant net cyffredinol o Gronfa'r Cyngor o fewn y gyllideb yn ystod 2015/16 ac roedd y Datganiad ar Symudiad mewn Cronfeydd yn adrodd ar y canlyniadau canlynol:-

- Cronfa'r Cyngor (ar gael fel rheol ar gyfer gwariant newydd) – trosglwyddiad i'r balans £279k;
- Balansau a ddelir gan ysgolion dan gynlluniau rheoli lleol – trosglwyddiad o'r balansau £264k;
- Cyfrif Refeniw Tai – gostyngiad yn y balans £1,542k

Er bod nifer o feysydd gwasanaeth ar draws yr Awdurdod wedi profi pwysau a achoswyd gan y galw yn ystod y flwyddyn, roedd y rhain wedi cael eu gwrthbwyso gan danwariant mewn meysydd gwasanaeth eraill, yn benodol ar gostau cyllido cyfalaf a lefel uwch nag a amcangyfrifwyd o ran casglu'r Dreth Gyngor.

Roedd yr alldro canlyniadol yn golygu bod yr Awdurdod wedi trosglwyddo £279k i'w gronfeydd cyffredinol, o'i gymharu â throsglwyddiad y cyllidebwyd ar ei gyfer o £138k o'r cronfeydd.

Tynnwyd sylw'r Pwyllgor at y symudiadau canlynol i ac o gronfeydd a glustnodwyd:-

*Y Gronfa Datblygiadau Mawr* – trosglwyddiad o £2.793m i gefnogi datblygiadau mawr yn y dyfodol;

*Cronfa Gyfalaf Moderneiddio'r Ddarpariaeth Addysg* - £3.689m wedi'i neilltuo yng nghyllideb 2015-2016 i gwrdd â chost benthyca darbodus i ariannu rhaglen Moderneiddio'r Ddarpariaeth Addysg. Bydd hwn yn awr yn cael ei ddefnyddio yn 2016-2017.

Gofynnwyd i'r Pwyllgor gymeradwyo'r symudiadau hyn yn ôl-weithredol.

Nodwyd fod y Pwyllgor wedi bod mewn sesiwn friffio ar y Datganiad o Gyfrifon yn ystod yr wythnos a oedd wedi rhoi'r cyfle iddynt geisio eglurhad a.y.b. mewn perthynas â phob agwedd ar y Datganiad o Gyfrifon.

## **PENDERFYNWYD YN UNFRYDOL**

**11.1 derbyn y Datganiad o Gyfrifon 2015/16 (Cyngor Sir Caerfyrddin a Chronfa Bensiwn Dyfed);**

**11.2 cymeradwyo'r symudiadau i ac o'r Cronfeydd a Glustnodwyd yn ôl-weithredol, yn enwedig trosglwyddiadau i'r canlynol:-**

- **Y Gronfa Datblygiadau Mawr;**
- **Cronfa Gyfalaf Rhaglen Moderneiddio'r Ddarpariaeth Addysg.**

## **12. DATGANIAD ARIANNOL AWDURDOD HARBWR PORTH TYWYN 2015-16**

Rhoddodd y Pwyllgor ystyriaeth i Ddatganiad Ariannol Harbwr Porth Tywyn 2015-16 a oedd wedi cael ei baratoi yn unol â Deddf Harbyrau 1964 sy'n ei gwneud yn ofynnol i awdurdodau harbwr statudol baratoi datganiad blynyddol o gyfrifon mewn perthynas â gweithgareddau'r harbwr.

Gan gydymffurfio â Rheoliadau Cyfrifon ac Archwiliadau (Cymru) 2014, roedd y cyfrifon hyn ar ffurf cyfrif incwm a gwariant blynyddol ar wahân a datganiad o falansau. £230k oedd cost net y gweithgareddau harbwr yn 2015-16 a chafodd yr holl weithgareddau eu hariannu'n llawn gan Gyngor Sir Caerfyrddin. Roedd yr asedau sefydlog a oedd yn cael eu dal ar 31 Mawrth 2015 yn gyfanswm o £3,960k.

Nodwyd fod Cyngor Sir Caerfyrddin wedi cael ystod o bwerau a dyletswyddau statudol at ddibenion gwella, cynnal a chadw a rheoli harbwr Porth Tywyn trwy Orchymyn Diwygio Harbwr Porth Tywyn 2000.

**PENDERFYNWYD YN UNFRYDOL derbyn y Datganiad Cyfrifyddu ar gyfer Awdurdod Harbwr Porth Tywyn 2015-16.**

## **13. COFNODION GRWPIAU PERTHNSAOL IR PWYLLGOR ARCHWYLIO**

**13.1. GRWP LLYWODRAETHU CORFFORAETHOL - 10FED MAWRTH,**

2016

**PENDERFYNWYD** derbyn cofnodion cyfarfod y Grŵp Llywodraethu Corfforaethol a gynhaliwyd ar 10 Mawrth 2016.

**13.2. GRWP LLYWIO RHEOL RISG - 13EG EBRILL, 2016**

**PENDERFYNWYD** derbyn cofnodion cyfarfod y Grŵp Llywio Rheoli Risg a gynhaliwyd ar 13 Ebrill 2016.

**13.3. PANEL GRANTIAU - 10FED MAWRTH, 2016**

**PENDERFYNWYD** derbyn cofnodion cyfarfod y Panel Grantiau a gynhaliwyd ar 10 Mawrth 2016.

**13.4. PANEL GRANTIAU - 12FED MAI, 2016**

**PENDERFYNWYD** derbyn cofnodion cyfarfod y Panel Grantiau a gynhaliwyd ar 12 Mai 2016.

**14. COFNODION**

**15.1. 22AIN MAWRTH, 2016**

**PENDERFYNWYD** llofnodi cofnodion y Pwyllgor Archwilio a gynhaliwyd ar 22 Mawrth fel cofnod cywir.

**15.2. 16EG MAI, 2016**

**PENDERFYNWYD** llofnodi cofnodion y Pwyllgor Archwilio a gynhaliwyd ar 16 Mai fel cofnod cywir.

---

**CADEIRYDD**

---

**DYDDIAD**

Mae'r dudalen hon yn wag yn fwriadol