

**LOCAL GOVERNMENT BOUNDARY COMMISSION FOR
WALES**

Commission's annual report and financial statements

31 March 2006

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ANNUAL REPORT
for the year ended 31 March 2006

REPORT OF THE SECRETARY AND ACCOUNTING OFFICER

History and Statutory Background

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

From 1 April 1995 the Commission became an advisory Non-Departmental Public Body funded by Grant-in-aid from the former Welsh Office and since 1 July 1999, an Assembly Sponsored Public Body (ASPB).

Commission Members, Secretary and Senior Staff

The Commission Members throughout 2005-06 were:

Mrs S G Smith LLB	(Chair)
Mr J E Davies ICOSA IPFA	(Deputy Chair)
Mr D H Roberts BSc DMS MBCS MCMI	(Member)

Senior managers throughout 2005-06 were:

Mr E H Lewis BSc DPM FRSA FCIPD	(Secretary and Accounting Officer)
Mr S R Halsall	

The terms of appointment of Commission Members and senior managers can be found in the Remuneration Report (on page 6).

Accounts Direction

The accounts have been prepared in accordance with an Accounts Direction issued by the National Assembly for Wales, with the agreement of the Treasury.

Register of Interests

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

www.lgbc-wales.gov.uk

Appointment of Auditors

The accounts of the Commission are audited by the Auditor General for Wales as required by the Government for Wales Act 1998 and Statutory Instrument 2003 number 749 made thereunder. On behalf of Welsh Assembly Government, the Auditor General for Wales also undertakes Additional Assurance work on the Commission's activities. Audit fees are disclosed in Note 4 to these accounts.

The Audit Committee is chaired by Mr J E Davies. Mrs S G Smith and Mr D H Roberts also serve as members of the Audit Committee. The Audit Committee's main duties are to consider the effectiveness of the Commission's overall internal control and risk management systems and to ensure adequate processes and mechanisms are in place for the assessment and management of risk. It considers the scope of audit coverage and adequacy of management responses to the audit recommendations and advises the Secretary on audit and compliance matters. The Audit Committee met on three occasions during the year 2005-06.

Disclosure of Audit Information

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

Payment Policy

The Commission's payment policy is to pay all invoices within 30 days of receipt. This policy is in accordance with the requirements laid down in Government Accounting and follows the Better Payment Practice Code issued by the Department of Trade and Industry. In 2005-06, the Commission received 190 invoices and paid 97% of these within 30 days.

Pension Scheme

Details of the Commission's pension scheme are disclosed in the Remuneration Report, at pages 6 to 8.

Post Balance Sheet Events

At the date of signing these accounts there were no post balance sheet events to report.

MANAGEMENT COMMENTARY

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

The main duties under statute are:

- i) To keep under review all local government areas in Wales for the purpose of considering whether or not to propose to the National Assembly for Wales changes appearing to the Commission desirable in the interests of effective and convenient local government;
- ii) To consider requests for reviews from local authorities as well as recommendations from principal councils arising out of their own community reviews;
- iii) To consider the results of reviews carried out by either the Commission or local authorities and make recommendations to the National Assembly for Wales;
- iv) To conduct a review of Wales as a whole, or of any one or more local government areas or parts of such areas in Wales, as directed by the National Assembly for Wales; and

- v) Under provisions of the new Section 64 inserted in the 1972 Act by Section 6 of the Local Government (Wales) Act 1994 as soon as practicable after the ordinary election of councillors for any of the Welsh principal areas as held in 1995 to:
 - a) Review the electoral arrangement for that area with a view to considering future electoral arrangements; and
 - b) Formulate proposals for these arrangements.

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

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

Review of Activities During 2005-06

Boundary reviews were the major part of the Commission's work during the year. The Commission completed their a review of the boundary between Pembrokeshire and Ceredigion in the area of Cilgerran, publishing their final proposals in May 2005.

Principal councils are responsible for undertaking reviews of community areas and community electoral arrangements. In 2005-06 the Commission completed their review of the boundary between the Communities of Brackla and Coity Higher in the County Borough of Bridgend, publishing their Draft Proposals in April 2005 and their Final Proposals in August 2005. In May 2005 the Commission commenced a review of the boundary between the Communities of Dyffryn Clydach and Blaenhonddan in the County Borough of Neath Port Talbot under direction from the National Assembly for Wales. Draft Proposals for this review were published in November 2005.

In October 2005 the Commission held their eighth Annual Open Meeting, on this occasion in the National Library of Wales, Aberystwth.

The Commission discharged their corporate management obligations in accordance with their Management Statement and Financial Memorandum, the Commissioners' Code of Best Practice and the Welsh Language Scheme. The post of Secretary continued as part-time to reflect the level of work being undertaken following the completion of the programme of electoral reviews.

From 1 January 2002 the Commission's Secretariat undertook responsibility of providing a Secretariat to the Boundary Commission for Wales for its Fifth General Review of the Parliamentary constituencies in Wales under a Memorandum of Agreement between the Commission, the National Assembly for Wales, the Department for Transport, Local Government and the Regions and the Office of National Statistics. The Boundary Commission for Wales' Fifth General Review started in December 2002 and was completed on 31st January 2005. The Commission continued to provide a Secretariat to the Boundary Commission for Wales during 2005-06.

Under the Memorandum of Agreement expenditure incurred by the Secretariat of the Boundary Commission for Wales will be met by the Commission's Grant-in-Aid and reclaimed from the Office of the Deputy Prime Minister by the National Assembly for Wales. During 2005-06 the Commission's expenditure relating to the Boundary Commission for Wales was £36,944 (2004-05; £77,011), as disclosed in notes 3 and 4 to these accounts.

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

The Commission's Freedom of Information (FoI) Policy requires all requests for information covered by the Freedom of Information Act to be met within 15 days. In 2005-06 there were 24 requests for information covered by the FoI Act, 100% of which were provided within 15 days of receipt of the request.

Future Developments

Further reviews of electoral arrangements will be dependent upon any directions, which may be issued by the National Assembly for Wales or requests from principal councils. It is expected that the Commission will commence their next all-Wales review of electoral arrangements for principal councils by 2008. The increase in the Commission's workload resulting from this review will necessitate an increase in Secretariat staff. It is also expected that the status of the Commission's Secretary will change from part time to full time for the duration of the review.

The Commission also have an ongoing obligation to keep under review the areas of principal councils and to give consideration to any recommendations made by principal councils in respect of community area reviews undertaken by them. It is expected that the Commission will assist several principal councils in the conduct of community reviews during 2006-07.

The Commission's Secretariat were due to cease providing a Secretariat to the Boundary Commission for Wales on 31 March 2006 when it was expected that the responsibility would pass to the Electoral Commission. However, this transfer of responsibility has been delayed. The Parliamentary Committee on Standards in Public Life published on the 15th February 2006, a consultation paper setting out the key issues and questions on which it intends to focus during its Eleventh Inquiry into the mandate, governance and accountability of the Electoral Commission. The Secretary of State for Constitutional Affairs who is responsible for the Boundary Commission for Wales has decided, in the light of the above events, to suspend the transfer plans for the functions from the Boundary Commission to the Electoral Commission. Accordingly the Boundary Commission for Wales will continue in being for the immediate future until a decision is made on the long term future of the Commission's work in the light of the Parliamentary Committee on Standards in Public Life Eleventh Inquiry. Given that the Boundary Commission for Wales

completed their Fifth Periodic Review in January 2005, it is likely that the impact on the Commission of retaining the secretariat responsibilities will be minimal.

The Commission has made a commitment to undertake refurbishment of the Commission's offices in 2006-07 at a budgeted cost of £34,375. A commitment has also been made to undertake the next stage of the community ward boundary mapping data project in 2006-07 at a budgeted cost of £19,350.

The Commission's offices at Caradog House are leased by the National Assembly until 2012 with lease costs being met by the Commission. The Commission's information technology system is largely provided and maintained by the National Assembly as part of their Merlin partnership contract for which the Commission pays a monthly charge in line with the terms and conditions of the contract. The Commission's other assets comprise office furniture and small items of IT equipment. The Commission also uses Geographical Information System software to assist it in carrying out its functions.

Risks and uncertainties

Risks faced by the Commission relate largely to operational and information areas. Operational risks are managed by the establishment of clear desk instructions for staff and the legal vetting of all reports and documents issued. Information requirements are limited to specialised areas including the use Geographical Information System software. Independent checks and site visits to locations under review are undertaken as necessary to reduce the risk of inaccurate information affecting the Commission's decision making process. There are also elements of risk in the areas of health and safety and fraud/theft. Periodic health and safety checks are carried out by senior management and acted upon by the Commission. Integral to the Commission's internal system of control, it has independent accountants which considerably reduces the risk of fraud and money laundering. The Commission's internal auditors produce an annual report which is considered by the Audit Committee and the recommendations made are acted upon.

Risks are also managed by the establishment of a risk management policy together with a risk register which is reviewed annually. In addition to this the Commission maintains a Business Continuity Plan which is updated as necessary.

I have noted the deficit for 2005-06 and the net current liabilities as at 31 March 2006 contained within these accounts. This financial position has occurred as a result of the Commission's cash based draw down of grant in aid in accordance with HM Treasury guidelines on the funding of ASPBs. I am taking the action necessary to ensure that the position improves in 2006-07.

Financial Results

The deficit for the period amounted to £13,422 (2004-05; surplus £569) and was funded by reserves. Government funds at 31 March 2006 amounted to £13,398 (2004-05; £20,945).

EDWARD H LEWIS
Secretary and Accounting Officer
2 June 2006

REMUNERATION REPORT

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

The appointments for current Commission Members were renewed on 1st January 2005. The appointment of the Chair is for a fixed term of 4 years and runs until 31st December 2008. The appointment of the Member is for a fixed term of 3 years and runs until 31st December 2007. The appointment of the Deputy Chair is for a fixed term of 2 years and runs until 31st December 2006.

The Secretary to the Commission, Mr Edward Lewis, is directly employed by the Commission and took office on 1 April 2001 under a two and one half year, fixed term contract (renewable), based upon a three-day working week. His contract was renewed as open ended from 1 October 2003.

The Commission's other senior manager, Mr Steve Halsall, is seconded from the National Assembly for Wales (Band D).

The Commission's Chair and Members act as the Remuneration Committee for senior managers. During 2005-06 the Commission changed its policy on remuneration of senior managers. At a meeting of the Remuneration Committee held on 10 October 2006 it was agreed that, with the approval of the sponsor department, the Commission's remuneration of senior managers would be analogous to that of the National Assembly for Wales. The Commission's Secretary is deemed to be the equivalent of the National Assembly's Grade 7. Annual increases in salary are applied in accordance with those agreed for staff of the National Assembly and no performance bonuses are applicable.

Since the change to the status of the Secretary was made, the Commission has been in the process of drafting suitable performance assessment procedures for senior management and it is expected that these will be in place for 2006-07.

Commission Members' Remuneration

	2005-06	2004-05
Name	Salary	Salary
	£'000	£'000
Mrs S G Smith (Chair)	4	3
Mr J E Davies (Deputy Chair)	4	4
Mr D H Roberts (Member)	4	4

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

Salaries

The Commission's senior staff are not Company Directors within the meaning of the Companies Acts, to which the "Greenbury Code" on disclosure of remuneration, etc. is addressed. The Commission's senior staff have signed standard Assembly employment contracts which do not provide for publication of private information on their remuneration, etc. Furthermore, all Commission employees have statutory rights to privacy under the Data Protection Acts and Human Rights legislation. Consequently, the senior staff have withheld their consent to publication of their private details, as allowed by HM Treasury's instruction DAO (GEN) 12/00.

Pensions

The Secretary is an ordinary member of the Principal Civil Service Pension Scheme. The employer's contributions to the scheme amounted to 22.3% of the Secretary's salary. Senior Staff have withheld their consent to disclose their pension details.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office : Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £20,449 were payable to the PCSPS (2004-05 £13,684) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. Rates will change from 2006-07. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes, (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Classic Scheme : Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium Scheme : Benefit accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum of up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum

benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme : This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

Of the Commission's staff three are members of the Classic Scheme and two are members of the Classic-Plus Scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. Annual increases in CETV are effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Benefits-in-Kind and Gifts Register

None of the Commission's Members or staff received any benefits-in-kind during the year. The Commission operates a gifts register, no gifts were received during the year.

EDWARD H LEWIS
Secretary and Accounting Officer
2 June 2006

STATEMENT OF THE COMMISSION'S AND THE SECRETARY'S RESPONSIBILITIES

Under the Government of Wales Act 1998, the National Assembly for Wales has directed the Commission to prepare for each financial year a statement of accounts in the form and on the basis determined by the National Assembly for Wales with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, recognised gains and losses, and cash flows for the financial year.

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

- i) Observe the accounts direction issued by the National Assembly for Wales with the consent of the Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) Make judgements and estimates on a reasonable basis;
- iii) State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- iv) Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The Accounting Officer for the National Assembly for Wales has designated the senior official, the Secretary, as the Accounting Officer for the Commission. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the National Assembly for Wales Accounting Officers' Memorandum issued by the Treasury.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, set by the Assembly Minister, whilst safeguarding the public funds and Commission's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Commission's risk management register is reviewed regularly by the Audit Committee. The Commission liaises with their sponsor division in the National Assembly for Wales also. As Accounting Officer, I meet regularly with the Permanent Secretary of the Assembly providing me with the opportunity to raise any issue of concern with him.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer, I lead the risk management process through regular internal reviews and through maintaining a risk register. Staff are trained or equipped to manage risk in a way appropriate to their authority and duties. The guidance issued is in the form of comprehensive desk instructions, which are periodically updated. Audit reviews are examined to identify any improvements that can be made to working practices.

The risk and control framework

The key elements of the risk management strategy are through a local assessment of risks. The way in which the Commission's risks are identified, evaluated and controlled are by maintaining a risk register with risk appetites and risk priorities being determined by discussion with the Audit Committee. The key ways in which risk management is embedded in the activity of the organisation are through regular team meetings.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Key factors in the process are:-

- The establishment of key risk indicators;
- The maintenance of a risk register;
- Reports from the Accounting Officer to the Audit Committee on internal control activities;
- An Audit Committee which meets three times per annum;
- Management meetings held monthly to consider plans and strategic direction of the Secretariat.

In 2003 the Commission's information technology system was replaced by that used by the National Assembly for Wales. This system is maintained by National Assembly for Wales contractors thereby reducing the risk of system failure.

EDWARD H LEWIS
Secretary and Accounting Officer
2 June 2006

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements on pages 14 to 22 in accordance with the Government of Wales Act 1998 and Statutory Instrument 2003/749. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Commission, the Secretary and Auditor

As described on page 9 the Commission and Secretary are responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. The Commission and Secretary are also responsible for the preparation of the Annual Report.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland) which I have chosen to adopt as the basis of my approach to the audit of financial statements.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Statutory Instrument 2003/749 and directions made thereunder by the National Assembly for Wales and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the annual report is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 10 and 11 reflects the Commission's compliance with Treasury's guidance on 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Operating and Financial Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Secretary in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- i) the financial statements give a true and fair view of the state of affairs of the Local Government Boundary Commission for Wales at 31 March 2006 and of the deficit, total recognised losses and cash flows for the year then ended and have been properly prepared in accordance with Statutory Instrument 2003/749 and directions made thereunder by the National Assembly for Wales;
- ii) the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Statutory Instrument 2003/749 and National Assembly for Wales directions made thereunder; and
- iii) in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
7 June 2006

Wales Audit Office
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LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2006

	Notes	2006	2005
		£	£
GROSS INCOME			
Grant-in-aid	2	314,272	288,365
Transfer from Government Grant Reserve	8	11,835	8,329
		<u>326,107</u>	<u>296,694</u>
EXPENDITURE			
Staff costs	3	152,453	133,725
Depreciation	5	11,835	8,329
Notional cost of capital charge		648	675
Other operating charges	4	174,471	154,384
		<u>339,407</u>	<u>297,113</u>
Operating deficit		(13,300)	(419)
Interest received		300	221
(Loss)/profit on disposal of fixed assets		(734)	278
Reversal of notional cost of capital charge		648	675
Amount surrendered to National Assembly for Wales		(336)	(186)
(Deficit)/surplus for the year transferred to reserves		<u>(13,422)</u>	<u>569</u>
STATEMENT OF RETAINED RESERVES			
Retained surplus brought forward		5,366	4,797
(Deficit)/surplus for the year		(13,422)	569
Retained (deficit)/surplus carried forward		<u>(8,056)</u>	<u>5,366</u>

All activities are classed as continuing

The notes on pages 18 to 22 form part of these accounts.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

BALANCE SHEET as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
FIXED ASSETS					
Tangible Fixed Assets	5		21,454		15,579
CURRENT ASSETS					
Prepayments	6	1,223		1,882	
Cash at bank and in hand		<u>9,818</u>		<u>35,442</u>	
		11,041		37,324	
CREDITORS					
Amounts falling due within one year	7	<u>(19,097)</u>		<u>(31,958)</u>	
NET CURRENT (LIABILITIES)/ASSETS			(8,056)		5,366
TOTAL NET ASSETS			<u>13,398</u>		<u>20,945</u>
FINANCED BY					
Government Grant Reserve	8		21,454		15,579
Income and Expenditure Account	8		(8,056)		5,366
GOVERNMENT FUNDS			<u>13,398</u>		<u>20,945</u>

The notes on pages 18 to 22 form part of these accounts.

EDWARD H LEWIS
Secretary and Accounting Officer
2 June 2006

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

CASH FLOW STATEMENT for the year ended 31 March 2006

	Notes	2006	2005
Net cash (outflow)/inflow from operating activities	9	(24,854)	16,705
Returns on investment		300	221
Servicing of finance		(336)	(186)
Capital expenditure	5	(18,444)	(918)
Receipts from the disposal of fixed assets		-	278
Grant-in-aid applied for capital expenditure and disposals	8	17,710	918
(Decrease)/increase in cash		(25,624)	17,018
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash for the period		(25,624)	17,018
Net funds at 1 April		35,442	18,424
Net funds at 31 March		9,818	35,442

The notes on pages 18 to 22 form part of these accounts.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2006

	2006	2005
	£	£
(Deficit)/surplus for the financial year	(13,422)	569
Movement in Government Grant Reserve	5,875	(7,411)
Total recognised losses for the year	<u>(7,547)</u>	<u>(6,842)</u>

The notes on pages 18 to 22 form part of these accounts.

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

1. ACCOUNTING POLICIES

1.1 Accounting Convention

The accounts are prepared under the historical cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. The Commission is exempt from the requirement to produce a note of historical cost profits and losses under Financial Reporting Standard No. 3.

1.2 Valuation of fixed assets

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

1.3 Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation over their estimated useful lives. All fixed assets are depreciated over five years.

1.4 Government Grants

Grant of a revenue nature are credited to income in the year that it is received.

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

1.5 Value Added Tax (VAT)

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

1.6 Pensions

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

1.7 Notional Cost of Capital

As directed by the National Assembly for Wales, a notional capital charge reflecting the cost of capital employed is included in operating costs and calculated at 3.5% of average capital employed.

1.8 Management of Financial Risk

The Commission has no borrowings and relies primarily on National Assembly grants for its cash requirements. It also has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. While these accounts report a deficit for 2005-06 and net current liabilities as at 31 March 2006 the Commission has put arrangements in place to ensure that the financial results improve in 2006-07.

2. GRANT-IN-AID

	2006 £	2005 £
Grant-in-aid received from the National Assembly for Wales	331,982	289,283
Grant-in-aid applied for capital expenditure and disposals	(17,710)	(918)
	<u>314,272</u>	<u>288,365</u>

3. STAFF AND MEMBERS' COSTS

	2006 £	2005 £
i) Staff and Members' Costs		
Commission Members' Remuneration	11,802	12,049
Salaries	110,260	99,775
Employers National Insurance	9,942	8,217
Other Pension costs	20,449	13,684
Total	<u>152,453</u>	<u>133,725</u>
Average number of staff employed during the financial year	<u>5</u>	<u>5</u>

The emolument of the Chair of the Commission was £3,765 (2004-05: £3,227). The other two Members received less than £5,000 each. Further details of remuneration can be found in the Remuneration Report, at pages 6 to 8.

The above costs include £9,220 (2004-05: £44,361) in respect of staff resources expended on behalf of the Boundary Commission for Wales.

4. OTHER OPERATING COSTS

	2006	2005
	£	£
Travel and Subsistence:		
Staff	4,426	4,195
Commission members	7,076	7,165
Course Fees and Staff Training	2,669	1,705
Auditor General for Wales – annual audit fee	6,500	5,800
– other audit fees	588	588
Other Audit Fees	3,986	3,986
Advertising	13,236	1,887
Translation	4,563	2,838
Printing, postage and stationery	7,063	7,810
Telephone and contracts	730	1,042
Accommodation costs	105,711	80,949
Hire of office machinery	809	956
Legal and professional	4,905	5,177
Non-capital computer costs	11,488	14,142
Mapping Development Costs	-	15,100
Other	721	1,044
	<u>174,471</u>	<u>154,384</u>

The above costs include £27,724 (2004-05; £32,649) in respect of travel and subsistence, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales. Costs for the Boundary Commission for Wales are calculated as the percentage of staff time spent on parliamentary issues, with the exception of accommodation costs which are set at a fixed rate of 36%. Other operating costs for the Boundary Commission for Wales have not therefore fallen to the same extent as those in respect of staff costs (Note 3).

5. TANGIBLE FIXED ASSETS

	Computer Equipment £	Office Furniture & Equipment £	Total £
Cost or Valuation			
At 1 April 2005	50,245	18,904	69,149
Additions	3,937	14,507	18,444
Disposals	(918)	(6,510)	(7,428)
At 31 March 2006	<u>53,264</u>	<u>26,901</u>	<u>80,165</u>
Depreciation			
At 1 April 2005	34,850	18,720	53,570
Provided during the year	8,749	3,086	11,835
Eliminated on disposal	(184)	(6,510)	(6,694)
At 31 March 2006	<u>43,415</u>	<u>15,296</u>	<u>58,711</u>
Net Book Value			
At 31 March 2006	<u>9,849</u>	<u>11,605</u>	<u>21,454</u>
At 1 April 2005	<u>15,395</u>	<u>184</u>	<u>15,579</u>

6. PREPAYMENTS

	2006 £	2005 £
Prepayments	<u>1,223</u>	<u>1,882</u>
	<u><u>1,223</u></u>	<u><u>1,882</u></u>

At 31 March 2006 the Commission did not hold any prepayment balances with other public sector bodies.

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	8,390	7,203
Taxation and social security	2,637	2,579
Accruals	8,070	22,176
	<u>19,097</u>	<u>31,958</u>
	<u><u>19,097</u></u>	<u><u>31,958</u></u>

At 31 March 2006 the Commission did not hold any creditor balances with other public sector bodies.

8. MOVEMENTS IN GOVERNMENT FUNDS

	Government Grant Reserve	Income & Expenditure Account	Total
	£	£	£
Deficit for the year	-	(13,422)	(13,422)
Grant applied to capital expenditure and disposals	17,710	-	17,710
Grant released to operating income	(11,835)	-	(11,835)
Movement in Government Funds for the year	5,875	(13,422)	(7,547)
Government Funds at 1 April 2005	15,579	5,366	20,945
Government Funds at 31 March 2006	<u>21,454</u>	<u>(8,056)</u>	<u>13,398</u>
	<u><u>21,454</u></u>	<u><u>(8,056)</u></u>	<u><u>13,398</u></u>

9. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Operating deficit	(13,300)	(419)
Adjustment for notional charge – cost of capital	648	675
Depreciation	11,835	8,329
(Increase)/decrease in debtors	659	(1,192)
Increase/(decrease) in creditors	(12,861)	17,641
Transfer from Government Grant Reserve	(11,835)	(8,329)
Net cash (outflow)/inflow from operating activities	<u>(24,854)</u>	<u>16,705</u>

10. OPERATING LEASES

The annual cost of the Commission's accommodation rental lease was £72,292 (2004-05 £71,215).

11. SPECIAL PAYMENTS AND LOSSES

The Commission did not make any special payments in 2005-06. It did incur two losses in 2005-06 due to theft. The purchase cost of the two stolen items was £1,042.

12. RELATED PARTY TRANSACTIONS

The National Assembly for Wales is regarded as a related party. During the year, the Commission has had various material transactions with the National Assembly for Wales.

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

The Commission has no other related party transactions.

None of the Commission members, key managerial staff or other related parties has undertaken any material transactions with the Commission during the year.