



24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)

[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Councillor Rob Stewart  
Leader  
City & County of Swansea  
The Guildhall  
Swansea  
SA1 4PE

**Reference:** 631A2016

**Date issued:** November 2016

Dear Councillor Stewart

## Annual Audit Letter – City & County of Swansea and Pension Fund 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare Financial Statements in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the Financial Statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United

Kingdom. This Code is based on International Financial Reporting Standards. On 29 September 2016 I issued an unqualified audit opinion on the Financial Statements confirming that they present a true and fair view of the Council's and Pension Fund's financial position and transactions. My report is contained within the Financial Statements. The key matters arising from the audit of the Financial Statements were reported to Members at the Council Meeting on 22 September 2016, in my Audit of Financial Statements report.

Overall, the Financial Statements and associated working papers provided for audit were of a good standard. Your officers were helpful and supplied us with all the information we requested. I reported to you the more significant issues arising from our audit, which are summarised below:

- **C&CS Financial Statements** - further work is required to improve the Council's arrangements for accounting for fixed assets including the accounting treatment of non-enhancing capital expenditure, investment assets and council house land. The Council also needs to review its journal authorisation controls and limits and ensure that authorised signatory lists are up to date.
- **C&CS Pension Fund Financial Statements** - a number of amendments were made to the draft Financial Statements which increased the value of investments by £1,513,000. Controls over manual journals, the recording of pensioner numbers, year-end reconciliations between payroll and the pensions systems and compliance with the Statement of Investment Principles also need to be improved.

Since completion of the audit we have held a joint Post Project Learning exercise with your Finance officers. We have identified areas where we can both learn from this year, and make improvements for the future. We have set up regular meetings to take these issues forward and to start preparations for the challenges that will be brought about by future requirements to bring forward the accounts preparation and audit.

### **I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. We will also shortly be issuing a report on the Council's financial resilience which will consider whether the Council's financial savings planning arrangements support financial resilience.

### **I issued a certificate confirming that the audit of the Financial Statements has been completed on 29 September 2016**

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 financial statements or key financial systems.

A more detailed report on my grant certification work will follow early in 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the fee set out in the Annual Audit Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Herniman', with a long horizontal flourish extending to the right.

**John Herniman**

**For and on behalf of the Auditor General for Wales**

cc. Phil Roberts, Chief Executive  
Mike Hawes, Head of Finance & Delivery