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Cysylltwch â ni'n Gymraeg neu'n Saesneg.

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

Reference: 509A2017

Date issued: 30 November 2017

Dear Councillor Stewart

Annual Audit Letter – City & County of Swansea and Pension Fund 2016-17

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 Financial Statements.

Local authorities in Wales prepare their financial 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 2017 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 28 September 2017, in my Audit of Financial Statements reports. I issued a certificate confirming that the audit of the financial statements has been completed on 29 September 2017.

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** - during 2016-17, the Council has continued to make progress in improving its arrangements for capital accounting. However, there are a number of areas where further work is required in 2017-18.
- **C&CS Pension Fund financial statement** – our audit identified a number of amendments to the draft financial statements. These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £2.3 million. We also identified that controls over year-end reconciliations between payroll and the pensions systems need to be improved.

The Council has made good progress in bringing forward the production of the financial statements. This year the financial statements were available for audit in mid-June. The Council is therefore making good progress towards achieving the 31 May deadline in 2020-21.

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 financial statements 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 but the financial outlook is very challenging

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.

In 2016-17, the Council underspent by some £2 million after the planned use of £3 million of reserves. Current forecasts for 2017-18 suggest that the Council will overspend by some £7 million at the year-end - mainly due to overspends in Social Services. The overspend is not helped by the fact that the Council does not generally have a good track record in identifying and delivering against financial savings plans.

The likely year-end overspend will therefore have an impact on the level of the Council's reserves. The Council held some £99 million in useable reserves at the end of 2016-17 (£110 million in 2015-16) with the majority of this being set aside to meet future spending commitments. The unallocated general fund balance is some £12 million.

The Council needs to ensure that it has a clear medium term financial plan including robust financial plans to deliver the financial savings in both current and future years. This plan needs to include the capital budget as the anticipated capital programme requires a significant level of borrowing which will increase long-term liabilities and have an impact on revenue expenditure. During 2017-18, and beyond, the Council will need to make some difficult decisions as the financial outlook is very challenging.

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

My ongoing work to date on certification of grant claims and returns has not identified significant issues that would impact on the financial statements or key financial systems. A more detailed report on my grant certification work will follow early in 2018 once this year's programme of certification work is complete.

The financial audit fees for 2016-17 are currently expected to be slightly less than those set out in the Annual Audit Plans and we will consider this as part of our planning for 2017-18 and will report the out-turn to you in the Audit Plan.

Yours sincerely



John Herniman
For and on behalf of the Auditor General for Wales

cc. Phil Roberts, Chief Executive