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Please contact us in Welsh or English.
Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Cllr Emlyn Dole
Leader
Carmarthenshire County Council
County Hall
Jail Hill
Carmarthen
SA31 1JP

Reference: 943A2018-19

Date issued: 7 December 2018

Dear Cllr Dole

Annual Audit Letter – Carmarthenshire County Council and Dyfed Pension Fund 2017-18

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

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 a Statement of Accounts 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 accounting 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 28 September 2018 I issued unqualified audit opinions on the Council's and Dyfed Pension Fund's accounting statements confirming that they present a true and fair view of the Council's and Pension Fund's financial position and transactions. I issued a certificate confirming that the audit of both sets of financial statements had been completed on the same date. My report and certificate are contained within the individual Statement of Accounts.

The key matters arising from both accounts audits were reported to members of the Audit Committee on 28 September 2018.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, but significant financial challenges remain

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 has highlighted areas where the effectiveness of these arrangements could be improved in his Annual Improvement Report 2017-18 which was issued to the Council in August 2018.

Local authorities in Wales face significant financial challenges.

Austerity funding remains the most significant challenge facing all local government bodies in Wales and these financial pressures are likely to continue for the medium term. There will continue to be uncertainty over the UK's relationship with Europe and this will have an impact on Welsh Public Services following Brexit.

In 2017-18 the Council set a net expenditure revenue budget of £334.4 million. The 2017-18 financial statements showed an out-turn position for 2017-18 of £331.9 million. The surplus of £2.5 million was put into reserves, with £2 million set aside for a new Swansea Bay city deal reserve. This continues a trend of the Council delivering year-end underspends and to achieve these the Council has demonstrated that it has consistently delivered on its cost reduction plans that have been in place in recent years.

The 2017-18 financial statements confirm that the Council's general fund had increased by £479,000 to £9.7 million as at 31 March 2018 and since 1 April 2016 earmarked reserves had increased by £15 million to £81.1 million. This increase in reserve levels places the Council in a relatively strong financial position for the future financial challenges and these reserves will be used to help support the capital expenditure programme the Council has approved.

For 2018-19, the Council has set a budget of £351.5 million. This assumes the achievement of efficiency savings totalling £8.3 million and a 4.45% Council Tax increase. At 30 June 2018 the Council was forecasting a revenue budget overspend of £3 million for the financial year after allowing for a drawdown from departmental reserves of £600,000. In February 2018 the Council approved a five-year capital programme totalling £199 million, of which £62.2 million was to be incurred in 2018-19.

Financial challenges remain over the coming years across the Local Government sector and the Council's Medium Term Financial Plan agreed in February 2018 identifies a total of £17.2 million of savings for 2019-20 and 2020-21. In 2019 we will undertake a more detailed review of the Council's continuing work on meeting their financial challenges.

My work to date on certification of grant claims and returns has not identified any issues that would impact on the accounts 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 in 2019 once this year's programme of certification work is complete.

The financial audit fees for 2017-18 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 2018-19 and will report the out-turn to you in the Audit Plan.

Yours sincerely



Richard Harries
For and on behalf of the Auditor General for Wales

cc. Mark James, Chief Executive
Chris Moore, Chief Finance Officer