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Dilwyn Williams
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Dear Dilwyn and Dyfrig

Annual Audit Letter - Gwynedd Council 2017-18

This letter summarises the key messages arising from the Auditor General for Wales's (Auditor General's) 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 Gwynedd Council's (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 the Auditor General 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.

The draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers. The key matters arising from the audit of the financial statements were reported to members of the Audit Committee in my Audit of Financial Statements report on the 27 September 2018.

On 28 September 2018, the Auditor General issued an unqualified audit opinion on the financial statements confirming that they present a true and fair view of the Council's financial position and transactions.

It is also worth noting that the Council lead on the preparation of the accounts of the GwE Joint Committee and also prepared Annual Returns for the Gwynedd Harbours, and the Joint Planning Policy Joint Committee (JPP). On 28 September 2018:

- The Auditor General issued an unqualified opinion on GwE Joint Committee's accounts confirming that they present a true and fair view of the Committee's financial position and transactions; and
- The Auditor General confirmed that the information contained in the annual returns for Gwynedd Harbours and JPP Joint Committees was in accordance with proper practices.

The key matters arising from these audits were reported to the relevant committees where appropriate.

The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Auditor General's 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.

To date my work on behalf of the Auditor General on the certification of grant claims and returns has not identified significant issues that would impact on the 2018-19 accounts or key financial systems.

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. I will report any key issues to the Council once this year's programme of certification work is complete.

The Council has a track record of managing its finances but the financial challenge will continue over the medium term

In 2017-18, the Council reported an overspend of £0.573m in respect of its net expenditure and decreased its useable reserves by £1.088m. As at 31 March 2018, the Council had useable reserves of £56.220m of which £42.476m was held in earmarked reserves and £4.018m held by schools.

Austerity funding remains the most significant challenge facing local government bodies in Wales and these financial pressures are likely to continue for the medium term. In setting its 2018-19 budget, the Council identified the need to make savings of £5.90m. The recent provisional local government funding settlement will see the Council's settlement decrease by 0.8% for the 2019/20 financial year.

To respond to these pressures, the council has had to make tough decisions about where to devote scarce resource and consider new ways to deliver services to people. In its medium term financial plan it has identified the following targets and savings to achieve those targets.

Short Term: To reduce the funding gap of £5.90m through a total of £2.75m of efficiency savings and approved budget cuts and a Council Tax increase of 4.5% creating £3.20m of additional income.

Medium Term: Plans to save £20m over the years from 2018/19 - 2020/21 through continuing with the savings strategy. As part of its medium term plan, the authority expects to apply its usable reserves from a specific fund to finance £1.51m of one-off bids which are required to ensure continuation of basic services but does not intend to use general balances in 2018/19.

The financial audit fee for 2017-18 is expected to be in accordance with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Ian Howse
For and on behalf of the Auditor General for Wales