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

Councillor Huw David
The Leader
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Reference: 907A2018-19

Date issued: 19 November 2018

Dear Councillor David

Annual Audit Letter – Bridgend County Borough Council 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 and use of resources

It is Bridgend County Borough 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 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 statement of accounts in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards.

On 12 September 2018 I issued an unqualified audit opinion on the statement of accounts confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the statement of accounts. The key matters arising from the audit were reported to members of the Audit Committee in my 'Audit of Financial Statements' report on the 6 September 2018. In this report I confirmed that the quality of the draft accounts and associated records presented for audit had been prepared to a generally high standard, reflecting the Council's continued improvement over recent years.

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. The recent provisional local government funding settlement for 2019-20 will see the Council settlement decrease by £1.22 million or 0.6%. This percentage decrease is larger than the all-Wales figure of 0.3%.

For 2017-18 the Council underspent its net revenue expenditure by £6.5 million (before transfers to earmarked reserves). As at the 31 March 2018 the Council had usable reserves of £77.9 million, being £2.8 million lower than the previous year. The useable reserves of £77.9 million consisted of earmarked reserves of £48.1 million, a capital receipts reserve of £21.2 million, a council-fund balance of £8.3 million, and a capital grants unapplied reserve of £0.3 million.

For the current 2018-19 financial year, the Council forecasts within its latest management accounts that it will deliver an operational underspend of £4.5 million (before the forecast transfer to earmarked reserves). The Council's 'Medium Term Financial Strategy 2018-19 to 2021-22' sets out budget reduction proposals of £32.6 million. Within this figure £6.1 million of the reductions relate to 2018-19, for which the Council has identified proposals. For the remaining figure of £26.5 million for the three years to 31 March 2022, the Council has identified reductions of £7.1 million and is yet to identify reductions for the remaining £19.4 million.

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.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, although in September 2018 I set out in my 'Annual Improvement Report'² the areas where improvements could be made.

¹ Dated February 2018

²

http://www.audit.wales/system/files/publications/bridgend_council_annual_improvement_report_2017_18_english.pdf

On 12 September 2018 I issued a certificate confirming that the audit of the 2017-18 accounts was completed.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the annual accounts or key financial systems

This audit work is ongoing with no significant issues thus far. In early 2019 I will issue my grant report on the audit of the Council's 2017-18 grant claims and returns. This report is considered each year by the Council's Audit Committee.

Financial audit fees

The financial audit fee for 2017-18 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan. The final fee for my audit of the Council's 2017-18 grant claims and returns will be set out in my grant report.

Yours sincerely



Derwyn Owen

For and on behalf of the Auditor General for Wales

Cc: Darren Mepham, Chief Executive Officer
Gill Lewis, Section 151 Officer