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Cllr. Ieuan Williams
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Pages	1 of 3

Dear Cllr. Williams

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor 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 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 27 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 27 September 2013.

The departure of the finance manager in early September resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant final draft of the Statement of Accounts.

I identified a material misstatement through the course of the audit fieldwork of £61.6m which occurred as a result of a member of the finance team reversing internal recharges incorrectly. Whilst it had no effect on the Net Cost of Services, Income and Gross Costs of Services were materially overstated in the draft accounts presented to the audit team. Additionally, several immaterial errors of a similar nature were identified where opening accruals were incorrectly reversed, or grants income and expenditure were duplicated in error. These issues could have been identified by a more detailed review during the production of the accounts.

It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

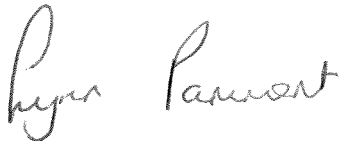
My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. 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. I would like to highlight the following specific areas in this letter:

- the financial outlook for the Council remains challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required in the short term to secure the savings required; and
- 38% of the grant claims certified by PwC in respect of 2011/12 were subject to a qualification letter (50% in 2010/11). 39% of the grant claims were submitted by the Council after the submission deadline, compared with 10% for 2010/11.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2013.

The financial audit fee for 2012/13 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning, accruals and the production of the final draft of the financial statements.

Yours sincerely

A handwritten signature in black ink that reads "Lynn Pamment". The signature is written in a cursive style with a large initial 'L'.

Lynn Pamment
For and on behalf of the Appointed Auditor

29 November 2013

CC. Richard Parry-Jones
Bethan Jones
Clare Williams