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

Mr Rob Thomas
Managing Director
Vale of Glamorgan Council
Civic Offices
Holton Road
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Reference: 941A2018-19

Date issued: 30 November 2018

Dear Rob

Annual Audit Letter – Vale of Glamorgan 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.

Vale of Glamorgan 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 their 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 2018 I issued an unqualified audit opinion on the accounting statements 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 accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 19 September 2018, and to Full Council on 26 September 2018.

I am satisfied that the Council have 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. The Auditor General has highlighted areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made in his Annual Improvement Report published in September 2018 which can be accessed via the [Annual Improvement Report](#)

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2018

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2017-18 accounts 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 Council has a track record of managing its finances, but the financial challenge will continue over the medium term

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. The latest local government funding settlement will see the Council's settlement decrease by 0.5%.

In 2017-18, the Council operated within its budget and increased its usable reserves by £4.4 million. This was achieved despite experiencing a shortfall of £1.017 million in meeting its £4.017 million savings target for the year.

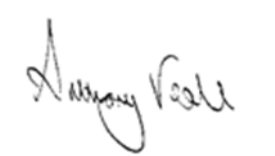
As at 31 March 2018, the Council had closing usable reserves of £92.635 million, including Earmarked Reserves of £69.1 million and a Council Fund balance of £9.6 million.

For 2018-19, the Council, as at October 2018, projects that it will report an overspend against its revenue budget of £0.6 million, which will be funded from earmarked reserves and savings which are yet to be identified. It is not anticipated that there will be any further drawdown from the Council Fund for the 2018-19 financial year. The Council is projecting that it will achieve the majority of its 2018-19 savings target – the savings target for the year was set at £6.298 million and it is projecting that £5.574 million of savings will be achieved.

Within the Council's latest Medium Term Financial Plan (MTFP), the Council projects a revenue shortfall of £15.714 million across the period 2018-19 to 2021-22. It is projected that an element of this shortfall will be funded through savings already identified, but the funding for a significant element of the shortfall (£12.087 million) is yet to be identified. The Council recognises that its ability to bridge the shortfall hinges on the success of its 'Reshaping Services' programme. There is no planned use of council fund balances during the MTFP period, although the Council is planning to use £34.4 million of its Earmarked Reserves on specific planned projects.

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.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Anthony Veale', is enclosed within a thin black rectangular border.

Anthony Veale

For and on behalf of the Auditor General for Wales

cc Councillor John Thomas, Leader
Carys Lord, Head of Finance