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

Councillor Aaron Shotton – Leader
Colin Everett – Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: 963A2018-19

Date issued: 30 November 2018

Dear Aaron and Colin

Annual Audit Letter - Flintshire County 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 Flintshire County 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 financial statements 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.

The draft financial statements were shared with us on 15 June 2018, two weeks earlier than the statutory deadline. Despite the shorter timescale, 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 and Council in my Audit of Financial Statements report on the 12 September 2018.

On 14 September 2018, I issued an unqualified audit opinion on the group financial statements of the Council confirming that they present a true and fair view of the Council's financial position and transactions. I issued the certificate confirming that the audit of the accounts had been completed 17 September 2018.

I also received draft financial statements for the Clwyd Pension Fund on 15 June 2018, two weeks ahead of the statutory deadline. The draft financial statements were also prepared to a good standard and I issued an unqualified opinion on the Clwyd Pension Fund financial statements on 7 September 2018.

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. The Auditor General published his Annual Improvement Report in September 2018 and concluded that the Council was meeting its statutory requirements in relation to continuous improvement.

My work to date on 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 Audit Committee in my annual Grants Certification report once this year's programme of certification work is complete.

The Council has a track record of managing its finances, but the significant 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 recent provisional local government funding settlement will see the Council's Aggregate External Finance (AEF) decrease by 1.0%.

In 2017-18 Council spend was £1.6 million less than budgeted which was mainly due to the change in the Council's Minimum Revenue Provision which had a positive impact of £1.4 million. In addition, the Council reported a greater net yield from council tax of £0.5 million, resulting in an

overall Council Fund underspend of £2.1 million. At 31 March 2018, the Council had useable reserves of £28.6 million, £13.7 million in the Council Fund reserve and a further £14.9 million in earmarked and locally managed schools' reserves.

In setting its 2018-19 budget, the Council identified the need to make efficiencies and savings of £5.5 million to address its annual funding gap. As at September 2018, the Council reported that it anticipated achieving £5.3 million of the identified savings and was projecting a year-end overspend of £0.2 million without any new actions to reduce cost pressures which the Council is looking to mitigate by the end of the financial year. The Council has reported social services cost pressures, largely due to continuing pressures with Out of County placements, and an overspend in Streetscene and Transportation of £1.1 million.

Since 2008, the Council has reported nearly £85 million of efficiencies and savings. Additional efficiencies and savings will be required in the future, with the Council's latest forward financial plan projecting a revenue funding shortfall of £15.2 million in 2019-20. The Council recognises the significance of its financial position and has adopted a three-stage approach for meeting the challenge, firstly identifying solutions from corporate finance budget and secondly from service budgets. The Council approved Stage 1 and 2 solutions in November 2018, leaving a remaining shortfall of £6.7million.

The Council is now working on Stage 3 of the approach which predominantly revolves around campaigning for additional funding from Welsh Government and considerations around the required increase in Council Tax. This represents a significant challenge to the Council in being able to meet its statutory responsibility to set a balanced budget. We will continue to monitor progress over the coming months.

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



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