



Councillor Aaron Shotton and Colin Everett
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

24 Cathedral Road / Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 20 320500
Fax / Ffacs: 029 20 320600
Email / Eboest: wales@wao.gov.uk
www.wao.gov.uk

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Dear Aaron and Colin

Annual Audit Letter –Flintshire County Council 2014-15

This letter summarises the key messages arising from the Auditor General for Wales' 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 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 30 September 2015, 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 Flintshire County Council in my Audit of Financial Statements report on 24 September 2015, and are summarised below:

- The Council changed its basis of for preparing the Consolidated Income and Expenditure Statement (CIES) which resulted in large unexplained variances and a significant number of errors that required correction.
- We identified some weaknesses in the strength of the Council's internal controls over payroll processing. These were consistent with the findings of Internal Audit. Whilst we were satisfied that these control weaknesses did not impact on our opinion on the financial statements, they are serious in nature as they increase the risk of error and fraud in the processing of pay.
- The level of scrutiny and review of the draft financial statements and recognition of the collective responsibility, for the preparation of the accounts and responding to the audit process, across the wider Council needs to be strengthened. This is essential if the Council is to meet the challenges resulting from the Welsh Government proposals to bring forward the timetable for the preparing and publishing the accounts of local government bodies in Wales.

As set out in my report, following the completion of the audit, it was agreed that we would hold a post project learning session with officers to identify any improvements that can be made. That meeting has already taken place and a number of actions have been agreed to improve processes and working methods relating to both the preparation and audit of the 2015-16 financial statements.

It is also worth noting, the Council lead on the preparation of the accounts of the North Wales Residual Waste Joint Committee and the Taith Regional Transport Consortia. On 30 September 2015, in respect of the North Wales Residual Waste Joint Committee, I confirmed that the information contained in its annual return was in accordance with proper practices, and in respect of the Taith Regional consortia I issued an unqualified opinion on its accounts confirming that they present a true and fair view of the Committee's financial position and transactions. The key matters arising from both these accounts audits were reported to the relevant committees. I do not need to bring anything further to your attention in this letter.

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 as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

Historically, I have taken the opportunity to comment on the Council's financial planning in my annual audit letter. However, we have recently undertaken a Financial Resilience Assessment on the Council and I will be issuing my report in December.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2015

I also issued a completion certificate for the joint committees on the same date.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems

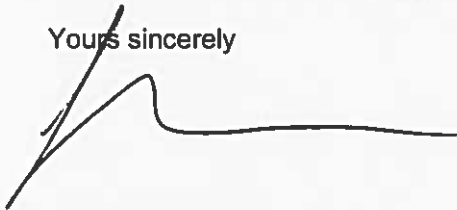
In June 2015, the Audit Committee considered my Certification of Grants and Returns 2013-14 report which confirmed that the Council had generally adequate arrangements in place for the preparation of submission of its grant claims. However, 53 per cent of the claims were qualified and a further 26 per cent were amended and the Council needed to further embed and improve the arrangements which had been adopted in previous years. The Audit Committee, rightly, expressed its disappointment and concerns at the report findings.

Prior to the commencement of the preparation of the 2014-15 claims, we worked with relevant officers to assist in identifying where previously agreed processes were not being consistently followed and to clarify audit expectations. We also delivered further grants training to officers involved in the preparation of grant returns. It is hoped that these actions, along with other actions taken by the Finance department, will result in an improvement in the quality of the grant claims submitted for audit.

My programme of audit work on the 2014-15 grant claims is currently underway and I will issue a more detailed report on my grant certification work in Spring 2016, once this year's programme of certification work is complete.

In my 2015 Audit Plan I set out that I expected the financial audit fee for 2014-15 to be £216,336. As a result of the issues identified and the resultant additional work in order to allow me to form my opinion on the accounts, the fee will be slightly higher than anticipated. We will discuss this with the Corporate Finance Manager in due course and report the position to the Audit Committee once all our work is complete. All other fees are in line with those set out in the plan.

Yours sincerely

A handwritten signature in black ink, consisting of a series of connected strokes that form a stylized, somewhat abstract shape.

John Herniman
For and on behalf of the Auditor General for Wales