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

Councillor Hugh Evans – Leader
Judith Greenhalgh – Chief Executive
Denbighshire County Council
County Hall
Wynnstay Road
Ruthin
LL15 1YN

Reference: 958A2018-19

Date issued: 30 November 2018

Dear Councillor Evans and Judith

Annual Audit Letter - Denbighshire 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 Denbighshire 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.

We received the draft financial statements 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 Corporate Governance Committee in my Audit of Financial Statements report on the 26 September 2018.

On 28 September 2018, I issued an unqualified audit opinion on the Council's financial statements 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 on the 28 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 Corporate Governance 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 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 local government funding settlement will see the Council's funding decrease by 0.5%.

In 2017-18 the Council reported a £1.1 million underspend, achieved in part through a £2.1 million budgeted contribution from earmarked reserves used to fund service pressures. As at 31 March 2018, the Council maintained its Council Fund reserve at £7.5 million and held £29.4 million in earmarked reserves (excluding the Housing Revenue Account).

In order to set a balanced budget for 2018-19, the Council had to identify efficiencies and savings of £4.6 million. As at October 2018, the Council reported that the majority of the required efficiencies and savings had been achieved and was on track to deliver the £4.6 million. Nevertheless, the Council was projecting a year-end overspend of £1.2 million on services and

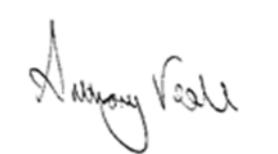
corporate budgets primarily due to continuing cost pressures within Highways and Environment and the Education and Children's Service. The Chief Finance Officer included commentary within the October 2018 Finance Report to Cabinet, emphasising the importance of services continuing to manage budgets both in the current financial year and beyond, particularly in light of the continuing financial pressures.

The Council's financial outlook remains very challenging and the latest published forward financial plan projected a revenue funding shortfall of £6.4 million in 2019-20. In response to the financial pressures, the Council established its 'Reshaping the Council Board' in January 2018 with responsibility for developing the next iteration of the Council's Medium Term Financial Strategy, supporting the delivery of Corporate priorities, driving the wider strategic direction of the Council but also ensuring there is an effective process in place to deliver a balanced budget annually.

The challenging financial position represents a significant risk to the Council. Managing the financial position in 2018-19 and setting a balanced budget for 2019-20 are key priorities coupled with updating its medium term financial strategy. We will continue to monitor progress.

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, reading "Anthony Veale", enclosed in a thin black rectangular border.

Anthony Veale
Engagement Director
For and on behalf of the Auditor General for Wales