

REPORT OF CHIEF EXECUTIVE

SUBJECT: ANNUAL AUDIT LETTER 2017-18

The Auditor General for Wales' Annual Audit letter details his statutory responsibilities under the Public Audit (Wales) Act 2004 and the Code of Audit Practice.

Recommendation

Members are asked to NOTE the Annual Audit Letter.

Background Documents

None

(For further information, please contact Richard Griffiths Ext 4815)



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Mr Tegryn Jones – Chief Executive
Pembrokeshire Coast National Park Authority
Llanion Park
Pembroke Dock
Pembrokeshire
SA72 6DY

Reference: 964A2018-19

Date issued: 30 November

Dear Tegryn

Annual Audit Letter Pembrokeshire Coast National Park Authority 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 Authority complied with its responsibilities relating to financial reporting and use of resources

It is the Authority'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 Authority'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.

I issued an unqualified audit opinion on 14 August 2018

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 14 August 2018 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Authority's financial position and transactions. The key matters arising from the accounts audit were reported to the Authority in my Audit of Financial Statements report on 13 August 2018.

From 2018-19, the statutory deadline for publication of audited accounts will be brought forward to 31 July. We have worked with the Authority's finance team over the past few years to bring forward the completion of our audit work and anticipate meeting the earlier deadline for 2018-19. We will discuss the target completion and approval timetable with the finance team as part of our planning for the 2018-19 audit.

I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on:

- audit work undertaken on the annual accounts;
- audit work completed by the Auditor General under the Local Government (Wales) Measure 2009 (the Measure);
- audit work undertaken in response to questions or objections to the accounts raised by electors under the Public Audit (Wales) Act 2004; and
- a review of the Authority's overall financial position.

Work undertaken under the Local Government (Wales) Measure 2009

The Auditor General reports on his responsibilities under the Measure in his Annual Improvement Report. He published the 2018 report on 7 March 2018. This report highlights areas where the effectiveness of these arrangements and where improvements could be made. Although no formal recommendations for improvement were made, the Auditor General highlighted some proposals for improvement that need to be progressed in the current year.

Electors' questions and objections

I received no formal questions or objections to the 2017-18 accounts.

Overall financial position

The Authority's retained reserves have increased significantly, over the past two years, as a consequence of unexpected additional Welsh Government grants received at the year-end. The challenge for the Authority, in the medium term, is application of these grants within the context of reduced core funding. Careful consideration of reserves balances and how they might be used to support financial plans is particularly important as it is not sustainable to rely on reserves to support ongoing costs. Once reserves have been depleted, other sources of funds or efficiencies must be identified. Further detail of my analysis is included in the appendix to this letter.

I issued a certificate confirming that the audit of the accounts has been completed on 14 August 2018

I received no electors' questions or objections in relation to the 2017-18 audit. Having given an audit opinion on the financial statements and concluded on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, I was able to certify that the audit was complete when I issued my audit opinion.

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', enclosed in a thin black rectangular border.

Anthony Veale

For and on behalf of the Auditor General for Wales

cc Richard Griffiths, Finance Manager

Appendix: Overall financial position

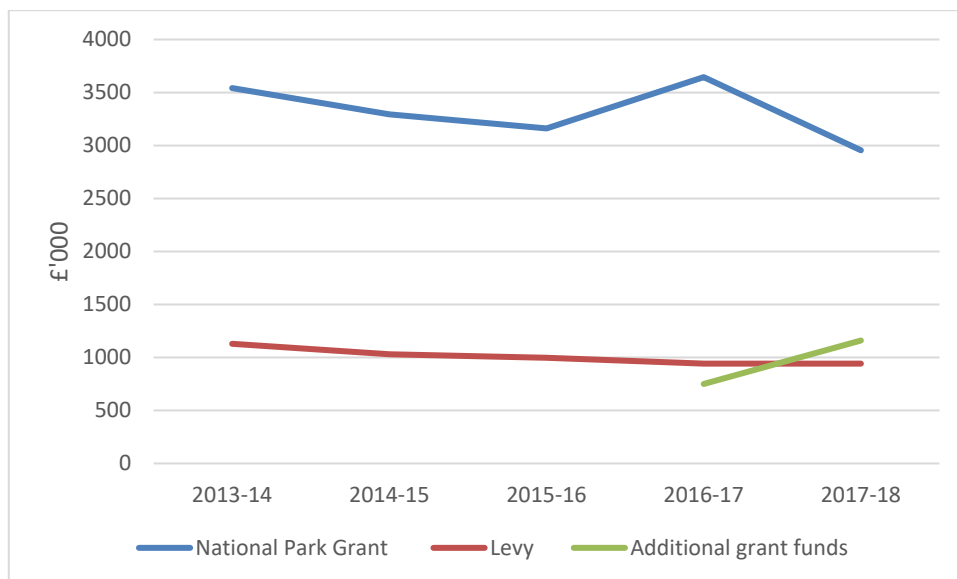
Austerity funding remains the most significant challenge facing all national park authorities in Wales. Although the Welsh Government announced in July 2018 that funding for national parks would continue at the same level as 2017-18, these financial pressures are likely to continue for the medium term.

In 2017-18, the Authority generated a surplus on the provision of services of £648,000 (2016-17 £153,000).

Exhibit 1 below identifies that the Authority's core funding of national park grant and levy has reduced significantly since 2013-14. The impact of the annual reductions has been offset in 2016-17 and 2017-18 by additional Welsh Government grant awards received at the end of the financial year.

Exhibit 1 Core funding and additional grants

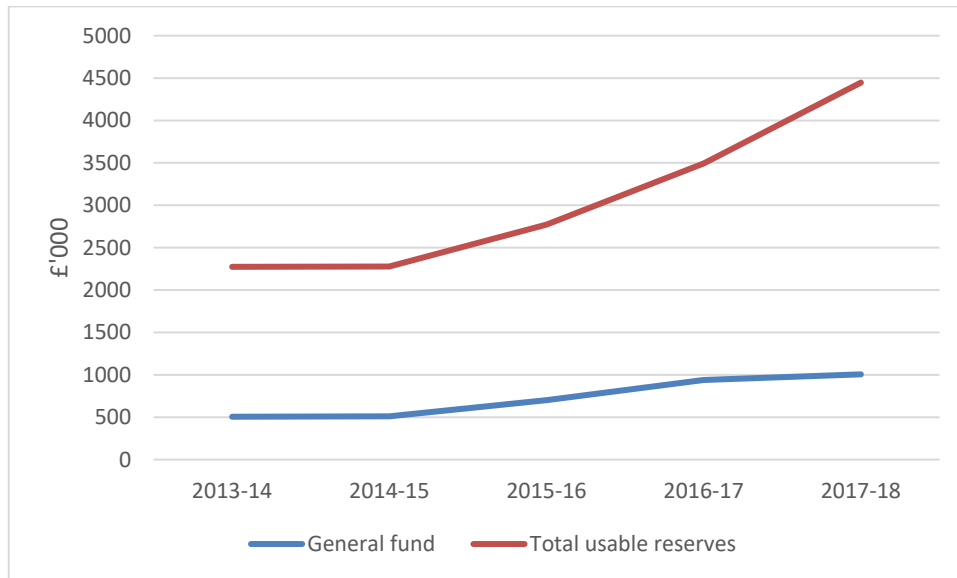
Core funding by national park grant and levy has reduced by over £1.2 million since 2013-14. This has been offset by additional grant funding received at the end of 2016-17 and 2017-18



On the basis that the additional grant funds were unplanned, the Authority's reserves have increased in 2016-17 and 2017-18. These funds are held as earmarked reserves until they are applied to finance expenditure.

Exhibit 2 Usable reserves

Usable reserves have increased by over £1.6 million between 2015-16 and 2017-18 due to additional financial pressures funding in 2016-17 and 2017-18



Careful consideration of reserves balances and how they might be used to support financial plans is particularly important as it is not sustainable to rely on reserves to support ongoing costs. Once reserves have been deleted, other sources of funds or efficiencies must be identified. The challenge for the Authority is to how to use reserves generated by unexpected grant receipts in the context of a reduced core budget.

We will continue to monitor the Authority's financial position and its plans to utilise these reserves.