

**REPORT OF CHIEF EXECUTIVE**

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**SUBJECT: ANNUAL AUDIT LETTER 2018-19**

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:** 1590A2019-20

**Date issued:** 3 December 2019

Dear Tegryn

## Annual Audit Letter - Pembrokeshire Coast National Park Authority 2018-19

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 30 July 2019**

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. In line with the revised statutory deadline for publication of the audited accounts, 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 was issued on 30 July 2019. The key matters arising from the accounts audit were reported to the Authority in my Audit of Financial Statements report on 25 July 2019.

### **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 2019 report on 24 April 2019. This report highlights 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 2018-19 accounts.

### ***Overall financial position***

The Authority's retained reserves have increased significantly over the past three 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 utilised, 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 30 July 2019**

I received no electors' questions or objections in relation to the 2018-19 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 2018-19 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', written in a cursive style.

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

cc Richard Griffiths

## Appendix: Overall financial position

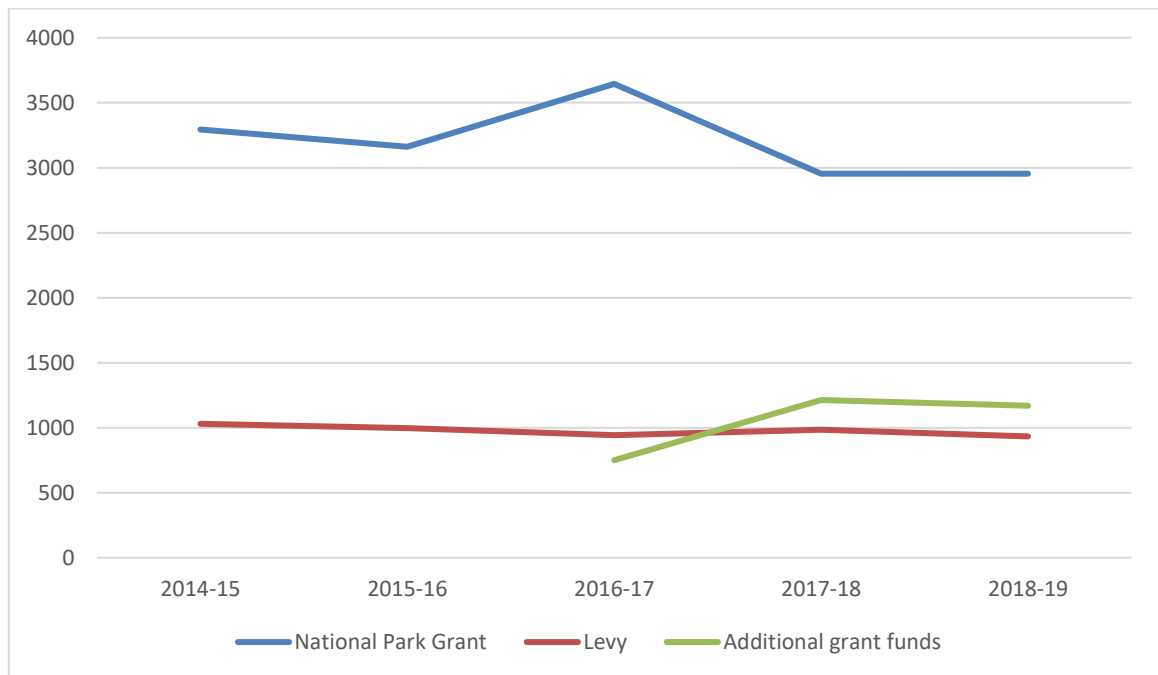
Austerity funding remains the most significant challenge facing all national park authorities in Wales. These financial pressures are likely to continue for the medium term.

In 2018-19, the Authority generated a deficit on the provision of services of £410,000 (2017-18 surplus £182,000).

**Exhibit 1** below identifies that the Authority's core funding of national park grant and levy has reduced significantly since 2014-15. The impact of the annual reductions has been offset in 2016-17, 2017-18 and 2018-19 by additional Welsh Government grant awards received at the end of the financial year.

### Exhibit 1 Core funding and additional grants

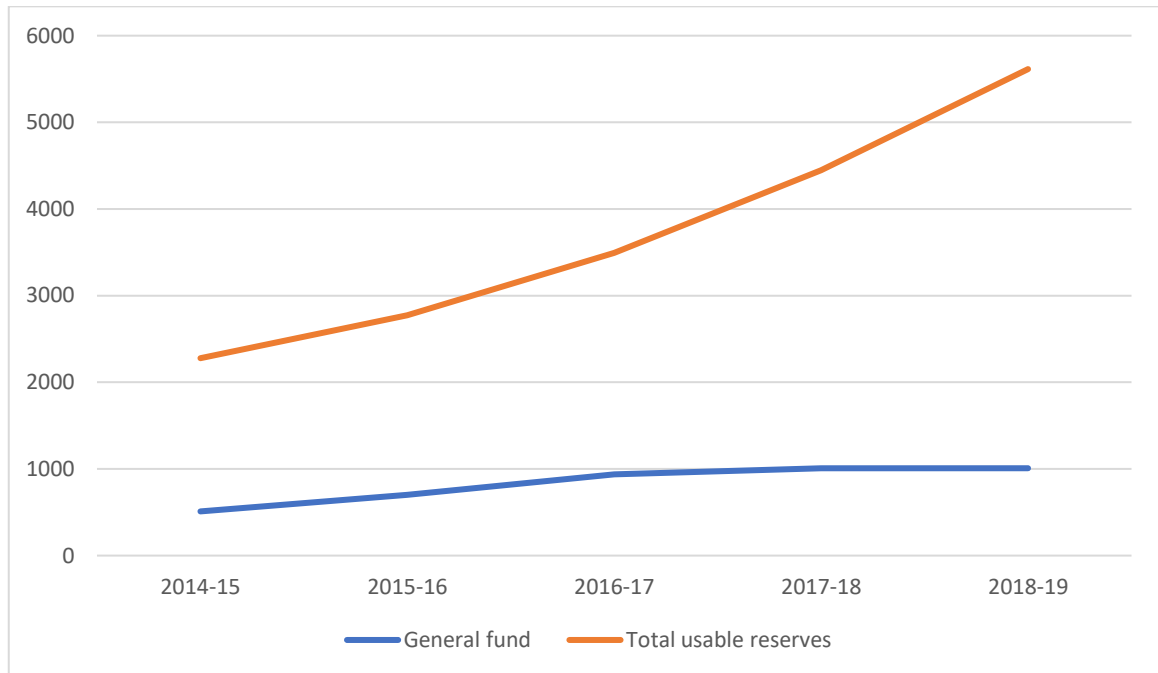
Core funding by national park grant and levy has significantly reduced since 2014-15. This has been offset by additional grant funding received at the end of 2016-17, 2017-18 and 2018-19.



On the basis that the additional grant funding was unplanned, the Authority's reserves have increased in these years. These funds are held as earmarked reserves until they are applied to finance expenditure.

## Exhibit 2 Usable reserves

Usable reserves have increased by over £3.3 million between 2014-15 and 2018-19 due to additional grant funding in 2016-17, 2017-18 and 2018-19.



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.