

Archwilydd Cyffredinol Cymru Auditor General for Wales

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Mr Chris Burns
Chief Executive
Caerphilly County Borough Council
Penallta House
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Ystrad Mynach
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Dear Mr Burns

Annual Audit Letter Caerphilly County Borough Council 2015-16

This letter summarises the key messages arising from our statutory responsibilities under the Public Audit (Wales) Act 2004 and our 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 us 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 we 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 2016 we issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. Our report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in our Audit of Financial Statements report on the 14 September 2016. The significant items are summarised as follows:

- There were no misstatements identified in the financial statements, which remained uncorrected.
- There were a number of misstatements that were corrected by management. This included an adjustment of £137.8 million to the value of Council Dwellings following a change in the valuation basis to the adjusted vacant possession (using the beacon principle).
- Two high risk recommendations were also made. We recommended that the Council reviews how the Logotech Asset System calculates depreciation for revalued assets as our work identified that revalued assets are being depreciated one year too quickly due to the incorrect 'Useful Economic Life' being used post revaluation. We also recommended that aged debtor and creditor balances should be written off and removed from the brought forward balances.

We are satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

Our 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 will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

We issued a certificate confirming that the audit of the accounts has been completed on 30 September 2016.

Our work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.

A more detailed report on my grant certification work will follow in January 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Grant Thornton LLP

For and on behalf of the Auditor General for Wales