



Councillor Michael Jones
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Date 29 November 2010
Our ref 286/jh/ng
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Dear Councillor Jones

Annual Audit Letter to the Members of Powys County Council

Powys County Council complied with financial and performance improvement reporting requirements but is facing significant financial pressures in the near future.

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;
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- publish its Improvement Plan by 31 October.

The Code of Audit Practice issued by the Auditor General (the Code) 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;
- consider whether the Improvement Plan is prepared and published in accordance with statutory requirements; and
- issue a certificate confirming that I have completed the audit of the accounts.

On 27 September 2010 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 transactions. My report is contained within the Statement of Accounts.

The following issues were identified during the accounts audit:

- the accounting statements preparation processes have continued to improve, resulting in good quality draft statements supported by comprehensive working papers;
- there were no uncorrected misstatements to report, as whilst a number of misstatements were identified during the audit process, these were all amended in the final audited financial statements signed on 27 September 2010;
- the Whole of Government Account's return was prepared effectively and in accordance with the Assembly's timetable; and
- there are inherent uncertainties relating to the valuation of unquoted investments on the pension fund balance sheet, although I am content they are materially accurate at 31 March 2010.

My review 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 LG Measure. The main findings from this latter work will be set out in the Annual Improvement Report. In addition I also bring the following issues to your attention:

- Budgetary control and monitoring arrangements are in place and medium-term financial planning is developing, but the Council faces significant financial pressures in the future and needs to ensure its medium term financial plan supports its service delivery plans. This is referred to further in the Annual Improvement Report.
- Service strategic plans need further development to support the delivery of the published strategic change plan.
- Historical arrangements for some waste contracts and agreements are in need of modernising to offer better internal control and to ensure value for money, the Council has recognised this issue and intends to take action within the context of the Council's waste strategy going forward.

The Council's Improvement Plan 2010-2011 meets statutory requirements and the Improvement Assessment Report will include suggested further improvements.

I issued a certificate confirming that the audit of the accounts had been completed on 27 September 2010, although we are currently reviewing an item referred to us under the Public Interest Disclosure Act.

The financial audit fee for 2009-2010 is currently expected to be in line with that set out in the Financial Audit Strategy.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Herniman', written in a cursive style.

John Herniman
Appointed Auditor

29 November 2010

cc. Jeremy Patterson, Chief Executive
Geoff Petty, Strategic Director – Finance and Infrastructure