

# Audit of Accounts Report – Isle of Anglesey County Council

Audit year: 2020-21

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 accounts in this report.
- 2 We have already discussed these issues with the Director of Function (Resources) – S151 Officer and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £2.663 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader, and we have set a lower materiality level for these, as follows:
  - Related party disclosures £10,000 (Individuals)
  - Senior officer remuneration £1,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between us and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	Officers provided us with the draft accounts on 15 June 2021, which was just over two weeks later than originally planned but still complied with the revised Welsh Government timetable for drafting and certifying the 2020-21 financial statements. We expect your audit report to be signed by the end of November 2021.
<b>Electronic signatures</b>	Given current social distancing requirements, it will be difficult for signing and certification of the accounts in hard copy again this year. We will accept electronic signatures from you.
<b>Conducting the audit approach and obtaining audit evidence</b>	<p>Due to social distancing measures, Audit Wales and the majority of the Authority’s staff are currently working remotely from home. As a result, we adopted remote ways of working by:</p> <ul style="list-style-type: none"><li>• holding weekly Microsoft Teams meetings with officers throughout the audit to discuss progress and emerging issues;</li><li>• utilising our remote access to enable the audit team to access the Council’s financial records and systems; and</li><li>• established a secure remote file transfer portal to safely share information.</li></ul>

- 10 We will continue to review what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise, we issue an unqualified opinion.
- 13 Our proposed audit report is set out in **Appendix 2**.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 16 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were two matters arising in these areas this year.

### Streamlining the accounts

- 18 The Council's 2020-21 Statement of Accounts is detailed and includes several disclosures that are below materiality and potentially do not require specific disclosure or contain excessive detail.
- 19 Local authority accounts can be difficult to interpret if they include too much detail or do not draw attention to key messages about the authority's financial position or financial performance.
- 20 Authorities that have already taken steps to streamline have found that clearer and shorter accounts can be prepared to a high quality with less resource. To enable this, some review of year-end processes may be needed.
- 21 Streamlining the accounts production process involves reducing not just the time and effort taken to produce the year-end statement of accounts, but also the time and effort taken to complete the external audit process and process any material adjustments identified. This time is inevitably reduced at local authorities which deliver Code-compliant, materially accurate draft accounts, provide a clear audit trail with comprehensive and understandable working papers and undertake and evidence pre-audit quality assurance and review.
- 22 Discussions that we have held with officers have been really positive, with an indication that they recognise the importance of producing a more focussed set of accounts in future years. We will work closely with the Council to support the finance team in making the necessary changes ahead of the production of the 2021-22 accounts.

## Quality of draft accounts and working papers

- 23 The Council's 2020-21 draft accounts required a large number of amendments, but many had no material impact on the draft accounts, and some were brought to our attention by the Council's staff, who reviewed the document after the submission of the draft accounts.
- 24 Whilst some amendments are anticipated, the volume of misstatements could be reduced by the Council undertaking further pre-audit quality assurance checks, to ensure accuracy and consistency within the accounts.
- 25 Many of the working papers that were provided to us initially were insufficient and contained inconsistencies with entries in the ledger and accounts.
- 26 Whilst we acknowledge that the preparation of the 2020-21 accounts was adversely impacted by the absence of a key finance officer, the Council should take steps to further strengthen processes for the review of all working papers at pre-audit stage. This will improve the quality and consistency of information submitted for audit and reduce the number of queries and the time taken to conclude the audit.
- 27 Finance staff should be credited for their willingness to establish a positive working relationship with Audit Wales staff and to improve processes, the quality of the accounts and underlying records. We will work with the Council over the coming months to build on this.

## Recommendations

- 28 The Council should take measures to streamline the presentation of future financial statements, ensuring that they have identified readers' information needs and convey key messages clearly, concisely and efficiently whilst complying with regulatory framework requirements.
- 29 The Council should strengthen processes for the review of all working papers, including by senior management, at pre-audit stage.
- 30 We intend to hold a post project learning exercise with key staff to further improve the accounts production and process for future years.

# Appendix 1

## Final Letter of Representation

Isle of Anglesey County Council letterhead

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Date

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Anglesey Council for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;



- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Anglesey Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by the Audit and Governance Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Anglesey Council on 22 November 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Marc Jones

Councillor Glyn Haynes

Director of Function (Resources) – Section  
151 Officer

Chair Isle of Anglesey County Council

Date:

Date:

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the members of Isle of Anglesey County Council

#### Opinion on financial statements

I have audited the financial statements of Isle of Anglesey County Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council's statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Isle of Anglesey County Council's policies and procedures concerned with:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following area: management override; and
- obtaining an understanding of Isle of Anglesey County Council's' framework of authority as well as other legal and regulatory frameworks that Isle of Anglesey County Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Isle of Anglesey County Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Audit and Governance's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
25 November 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£9,739,000	<p><b>Note 15 Property, Plant and Equipment</b></p> <p>Expenditure on Council Dwellings and Other Land and Buildings that was considered to have not enhanced the value of the asset, had been accounted for as if it related to assets that had been replaced or disposed of. Instead, non-enhancing expenditure should be subject to a revaluation adjustment.</p> <p>Appropriate corresponding adjustments were also reflected in:</p> <ul style="list-style-type: none"><li>• Expenditure and Financing Analysis</li><li>• Comprehensive Income and Expenditure Statement</li><li>• Movement in Reserves Statement</li><li>• Cashflow Statement and the supporting notes</li><li>• Capital Adjustment Account</li><li>• Notes 7 Adjustments between accounting basis and funding basis</li><li>• Note 12 Other Operating Expenditure</li></ul> <p>This has not impacted on the Council Fund or HRA balances.</p>	<p>To ensure that expenditure that has not enhanced the value of assets and associated gains or losses on the disposal of assets is accounted for in accordance with the regulatory framework.</p>



Value of correction	Nature of correction	Reason for correction
£3,577,000 Self-contained to Note 15 with £0 net impact	<p><b>Note 15 Property, Plant and Equipment</b></p> <p>To correct the gross book value and accumulated depreciation of Council Dwellings which were both overstated by an equivalent amount.</p> <p>This amendment has also impacted on the Balance Sheet, but the net impact of the amendment is £0.</p> <p>This has not impacted on the Council Fund or HRA balances.</p>	To ensure that the carrying gross book value and accumulated depreciation for Council Dwellings are correctly held on the Balance Sheet at 31 March 2021.
£1,212,000	<p><b>Note 15 Property, Plant and Equipment</b></p> <p>Following submission of the draft accounts, accounting adjustments were made to remove historical cost and accumulated depreciation balances in relation to a number of vehicles that the Council had disposed of in previous financial years.</p> <p>This amendment has also impacted the Balance Sheet.</p> <p>The net impact of this amendment was £0 and there has been no impact on the Council Fund or HRA balances.</p>	To ensure that the Balance Sheet and Property, Plant and Equipment disclosures only contain entries that relate to assets that the Council owned during the year.
£2,140,000	<p><b>Note 14 Taxation and Non-Specific Grant Income</b></p> <p>The totals disclosed in Note 14 in respect of Non-Domestic Rates Redistribution and Revenue Support Grant did not correctly reflect the reprofiled split of the respective funding streams.</p> <p>This amendment has not impacted on the Council Fund or HRA balances.</p>	To correctly disclose the split of funding that the Council received from redistributed Non-Domestic Rates and the Revenue Support Grant.
£1,000,000 Amended anticipated future costs, self-contained to Note 16	<p><b>Note 16 Significant Capital Commitments</b></p> <p>The total that the Council has contractually committed to capital works increased by £1,000,000 from £5,023,000 to £6,023,000.</p>	To correctly reflect the increase in HRA-related capital commitments at 31 March 2021.

Value of correction	Nature of correction	Reason for correction
£710,000	<p><b>Note 11d Accumulating Compensated Absences Adjustment Account</b></p> <p>To correct the calculation of the Teachers' Accumulated Absence accrual which was overstated by £710,000.</p> <p>Additionally, the narrative has been amended to comply with the disclosure requirements of the CIPFA Code.</p>	To ensure that the Teachers' Accumulated Absence accrual is correct, and the narrative complies with CIPFA Code requirements.
Narrative amendments	<p><b>Note 34 Officers Remuneration</b></p> <p>Additional narrative has been included in the footnote to the Senior Officer Remuneration table and the figures in the table disclosed to the nearest £1 (from £'000).</p>	To provide additional clarity where post holders have held more than one position during the year and where an honorarium has been in payment.
Additional disclosure notes	<p><b>1. Council Tax Debt</b></p> <p>A disclosure setting out the value and age of Council Tax arrears has been included in the accounts.</p> <p><b>2. Pooled Budgets</b></p> <p>A separate Pooled Budget disclosure has been included in the accounts.</p>	<p>To ensure that the accounts comply with the disclosure requirements of the CIPFA Code of Practice.</p> <p>To provide specific detail on the Council's Pooled Budget arrangements.</p>

There have also been a number of other less significant amendments and disclosure updates as a result of our work.



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.