

# Audit of Accounts Report – Isle of Anglesey County Council

Audit year: 2021-22

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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 issues 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 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Director of Function (Resources) -Section 151 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 £2.845 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:
  - Senior officer remuneration £1,000
  - Related party transactions (for individuals) £10,000
- 6 We have now substantially completed this year's audit subject to a final review of the amendments made to the accounts. Should any issues arise in this review, we will provide a verbal update at the Committee.
- 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. We have previously notified you of a potential threat to auditor independence and objectivity arising from the Audit Manager who has a close friend employed by Isle of Anglesey County Council and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## Infrastructure Assets

- 8 In common with other local authorities, Isle of Anglesey County Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
- 9 The authority has not disclosed gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.
- 10 The reliefs are a temporary expedient that are intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.

11 **Exhibit 1** shows the impact of this issue on the audit timetable.

**Exhibit 1** – impact of national issues on this year’s audit timetable

<b>Timetable</b>	<p>Given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the audit of infrastructure assets, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"><li>• The timescale for completing your accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022.</li><li>• We received the draft accounts on 20 June 2022.</li><li>• Our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023</li><li>• We expect your audit report to be signed by the end of January 2023.</li></ul>
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## Proposed audit opinion

- 12 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**.
- 13 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise, we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 15 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

- 17 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

- 18 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 are no such matters to report to you for your consideration for this year's audit.
- 19 However, within our Audit of Accounts report 2020-21 we reported to you issues in relation to streamlining the accounts and the quality of draft accounts and working papers. The Council advised they would streamline the 2021-22 Statement of Accounts and implement measures to improve the quality of the draft statement of accounts and supporting papers. These matters were also included as a risk within our Audit Plan for 2021-22.
- 20 Our review of the draft accounts presented for audit identified that considerable improvements have been made in these areas. However, there are some areas where further improvements can be made, and we will continue to work with the Council to further develop these for the 2022-23 accounts.

## Recommendations

- 21 We intend to hold a post project learning exercise with key staff to discuss further improvements to the working papers, accounts production and audit process for future years.

# Appendix 1

## Final Letter of Representation

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

26 January 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Isle of Anglesey County Council for the year ended 31 March 2022 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; 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 Isle of Anglesey County 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; and
- 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.



## Representations by Isle of Anglesey County Council

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 Isle of Anglesey County Council on 26 January 2023.

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  
Director of Function (Resources) and  
Section 151 Officer

Councillor Dafydd Roberts  
Chair Isle of Anglesey County Council

Date:

Date:

# Appendix 2

## 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 2022 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council's financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement, the Housing Revenue Account Income and Expenditure 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

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 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

### 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 Isle of Anglesey County 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 Isle of Anglesey County Council's ability to continue to adopt the going concern basis

of accounting for a period of at least twelve 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 Statement of Accounts other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within Statement of Accounts. 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 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the 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 Isle of Anglesey County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the 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 Isle of Anglesey County 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, Isle of Anglesey County Council's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to 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 management override.

- 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 the 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;
- 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 team members 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 Isle of Anglesey County Council'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  
January 2023

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
<p>Infrastructure Assets:</p> <p>2021-22 £109,136,000 gross cost; and £39,279,000 accumulated depreciation figures removed.</p> <p>2020-21 £104,961,000 gross cost; and £35,496,000 accumulated depreciation figures removed.</p>	<p><b>Note 13 Property, Plant &amp; Equipment (Note 14 draft accounts)</b></p> <p>As detailed in paragraph 9, the historic gross cost and accumulated depreciation balances relating to infrastructure assets have been removed from the accounts. The infrastructure column has been removed from the table within note 13 for both 2020-21 and 2021-22 and the net book value of infrastructure assets shown separately.</p> <p>The disclosure on the face of the balance sheet has not changed as a result of this amendment.</p> <p>Additional narrative has been added to note 13 in relation to this adjustment.</p>	<p>To take advantage of temporary reliefs for reduced disclosures related to infrastructure assets provided by the Code update and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.</p>
<p>Council dwellings net book value increased by £22,590,000.</p> <p>Buildings - net book value increased by £2,546,000</p>	<p><b>Note 13 Property, Plant &amp; Equipment (Note 14 draft accounts)</b></p> <p>An exercise was completed by the Council following the receipt of draft accounts to review the value of council dwellings and buildings not included in the 2021-22 cyclical valuation.</p> <p>This resulted in a total increase of £25,136,000 in the Property, Plant and Equipment value within the Balance Sheet.</p>	<p>To correctly reflect the value of Council Dwellings and Buildings in the financial statements as a result of significant fluctuations in building costs within 2021-22.</p>

	These adjustments also impacted on the core financial statement and various notes.	
£1,345,000 reduction in asset valuation	<b>Note 13 Property, Plant &amp; Equipment (Note 14 draft accounts)</b> The incorrect BCIS index was used to calculate updated revaluations. This adjustment has an impact on various other notes in the accounts.	To correctly reflect the revaluation of assets in the financial statements.
£12,347,000 of Gross Cost; and £12,347,000 of Accumulated Depreciation removed. Self-contained to Note 14.	<b>Note 13 Property, Plant &amp; Equipment (Note 14 draft accounts)</b> A significant number of assets had been fully depreciated in the fixed asset register and therefore carried at nil value in the accounts. However, whilst their net carrying value is nil, their cost and accumulated depreciation entries are still recorded in the accounts. Following a review of these nil net book value assets, the Council has derecognised an additional £12,347,000 of assets that have ceased to be in operation or owned by the Council.	To ensure the Balance Sheet and Property, Plant and Equipment disclosures only contain entries that relate to assets owned by the Council.
£3,156,000 movement	<b>Note 13 Property, Plant &amp; Equipment (Note 14 draft accounts) and Note 16 Investment Properties (Note 17 draft accounts)</b> Reclassification of an asset (part of a Joint Venture with the Welsh Government) from Asset Under Construction (Note 13) to Investment Property (Note 16). Additional narrative included on the arrangements for this joint venture.	To ensure the correct classification of the asset.
£2,473,000 net increase	<b>Note 18 Debtors (Note 22 draft accounts), Note 20 Creditors (Note 24 draft accounts) and Note 38 Agency Arrangement (Note 44 draft accounts)</b> An issue was identified with the Council's treatment of the following funding received	To correctly account for agency funding received by the Council.

	<p>from Welsh Government under agency arrangements:</p> <p>Cost of Living Support payment totalling £3,557,100, Emergency Non-domestic Rate funding of £1,000,000 and others amounting to £84,000.</p> <p>These also have an effect on Note 41 Financial Instruments.</p>	
<p><b>2020-21</b> £3,227,000 increase in grants received in advance £3,227,000 decrease in creditors</p> <p><b>2021-22</b> £4,545,000 increase in debtors £33,000 increase in creditors</p>	<p><b>Note 22 Cash Flow from Operating Activities (Note 26 draft accounts)</b></p> <p>Adjustments were required to correctly reflect transactions relating to the North Wales Economic Ambitions Board for both 2020-21 and 2021-22.</p> <p>For 2020-21 this adjustment also has an impact on the Balance Sheet figures reported for the short-term and long-term creditors, Note 20 Creditors and Note 30 (Note 34 Draft accounts) Revenue and capital grants received in advance.</p> <p>For 2021-22 this adjustment also has an impact on the Balance Sheet figures reported for the short-term and long-term grants receipts in advance, short term creditors and debtors. Also Note 22 Debtors and Note 24 Creditors.</p>	<p>To correctly account for transactions relating to the North Wales Economic Ambition Board.</p>
<p>Various amendments to the figures and narrative</p>	<p><b>Note 27 – Officers’ Remuneration (Note 31 draft accounts)</b></p> <p>Amendments were made to the following disclosures:</p> <p><b>Banding of remuneration over £60,000:</b></p> <p>Amendments required to the number of staff disclosed per salary banding, to correct errors and to comply with the Accounts and Audit (Wales) Regulations. An additional 7 employees have been added to 2021-22 non-schools’ numbers (3 additional employees for 2020-21) and 30 employees to the Schools numbers (5 additional employees for 2020-21).</p>	<p>To ensure the disclosures in the Financial Statement for Officers Remuneration comply with the requirements of the Accounts and Audit (Wales) Regulations and the Cipfa Code of Practice.</p>



	<p><b>Senior Officer Remuneration table:</b> Numerous amendments have been made to the remuneration figures and associated footnotes.</p> <p><b>Remuneration ratios and median salary:</b> These figures have been amended to reflect the requirement to include the full-time equivalent salary for all staff in the calculations as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Ratio</th> <th>Median Salary</th> </tr> </thead> <tbody> <tr> <td>2021-22</td> <td>5.53:1</td> <td>£22,129</td> </tr> <tr> <td>2020-21</td> <td>5.77:1</td> <td>£20,903</td> </tr> </tbody> </table>		Ratio	Median Salary	2021-22	5.53:1	£22,129	2020-21	5.77:1	£20,903	
	Ratio	Median Salary									
2021-22	5.53:1	£22,129									
2020-21	5.77:1	£20,903									
Various	<p><b>Note 31 Related Parties (Note 35 draft accounts)</b> Several amendments have been made to this note.</p>	To ensure the correct disclosures are made.									
<p>£2,858,000 deducted from note</p> <p>£3,689,000 correction</p>	<p><b>Note 35b Financial Liabilities held by the Council (Note 41b draft accounts)</b> The Accumulated Absence cost of £2,858,000 had been incorrectly included in Trade and Other Creditors – short term.</p> <p><b>Also:</b> Amendment required to ensure the long-term financial liabilities figure in this note corresponds to the figure reported in the Balance sheet. This adjustment is self-contained to this note.</p>	<p>To ensure the balance is not overstated.</p> <p>To ensure the correct figure is reported.</p>									
Various	<p><b>Various</b> There have also been a number of other less significant adjustments, reclassifications and narrative amendments made to the financial statements as a result of our work.</p>	To ensure accuracy of the financial statements.									



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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.