

Audit of Accounts Report – Isle of Anglesey County Council

Audit year: 2022-23

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

Contents

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

Audit of Accounts Report

Introduction	4
Proposed audit opinion	4
Significant issues arising from the audit	5
Appendices	
Appendix 1 – Final Letter of Representation	6
Appendix 2 – Proposed Audit Report	9
Appendix 3 – Summary of Corrections Made	13

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2022-23 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 £2.979 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 - £10,000 (individuals)
- 6 We have now substantially completed this year's audit subject to completion of final audit procedure steps. Should any issues arise from this work, 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. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity relating to the Audit Manager who has a close friend employed by the Council. We confirm that the planned safeguards set out in our Audit Plan have operated as intended.

Proposed audit opinion

- 8 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**.
- 9 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 10 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.
- 11 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

13 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

14 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 no issues arising in these areas this year.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

Date

Representations regarding the 2022-23 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 2023 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 2022-23; 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. There are no uncorrected misstatements.

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 19 December 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) - Section
151 Officer

Councillor Margaret Murley Roberts
Chair Isle of Anglesey County Council

Date:

Date:

Appendix 2

Proposed Audit Report

The 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 2022-23 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council 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 the 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 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2023 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 2022-23.

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.

My staff and I are independent of the 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 the 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 the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- 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 is 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:

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

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 comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by the Isle of Anglesey County Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, the Isle of Anglesey County Council head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Isle of Anglesey County Council 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 posting of unusual journals;
- 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; and
- Obtaining an understanding of related party relationships.

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 and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- 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'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. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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's Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
20 December 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Comprehensive Income and Expenditure Statement £19,814,000 reclassification	Comprehensive Income and Expenditure Statement (CIES) The net pension asset relating to the Local Government Pension Scheme is limited to the asset ceiling (calculated by taking into consideration future contributions and costs). The resulting pension adjustment required to remove the surplus was included within the Re-measurement of Net Pension Liability line in Other Comprehensive Income and Expenditure within the CIES. As the pension adjustment is a material item of Income and Expenditure, we recommend that it is either included within a Material Items of Income and Expenditure note or disclosed separately on the face of the CIES in-line with code requirements. The Council have elected to show this separately on the face of the CIES and not include it within a Material Items of Income and Expenditure note. This separate disclosure on CIES is then consistent with the separate disclosure on the pension reserve note, note 9c.	To comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. (Code of Practice).
Disclosure only	Note 5 Events after the balance sheet date Additional disclosures in relation to RAAC have been included in this note.	To ensure that post balance sheet event disclosures are complete.

<p>Comprehensive Income and Expenditure Statement: £287,000 increase in the accumulated absence accrual charged to CIES.</p> <p>Balance Sheet: Increase of £287,000 in Accumulating Compensated Absences Adjustment Account.</p>	<p>Comprehensive Income and Expenditure Statement (CIES)/ Note 9 Unusable Reserves/ Note 9ch Accumulating Compensated Absences Adjustment Account</p> <p>The Accumulated Absence accrual was understated by £287,000 as TOIL and Flexi time was not taken into account in calculating the accrual.</p> <p>An additional £287,000 has been charged to the CIES with a corresponding adjustment to the Accumulating Compensated Absences Adjustment Account.</p> <p>Additional disclosures were made in Note to comply with the Code of Practice.</p>	<p>To correctly calculate the accumulated absence accrual and to ensure disclosures comply with the requirements of the Code of Practice.</p>
<p>Comprehensive Income and Expenditure Statement (Impairment adjustment): £11,212,000 decrease to the CIES.</p> <p>See below REFCUS misstatement for further adjustments to the CIES.</p> <p>Balance Sheet: £10,929,000 decrease to the Revaluation Reserve.</p>	<p>Note 13 Property, Plant and Equipment</p> <p>The Council were not allocating non-enhancing expenditure (as impairment) against the specific asset in which it relates to. By doing this, they have not been able to ensure that the correct movements are being posted against the Revaluation Reserve, CIES and Capital Adjustment Account (CAA).</p> <p>The Council set out to amend this by retrospectively reviewing their allocation of impairment and subsequent revaluation movements, as far as practically possible in accordance with the Code of Practice of practice and International Accounting Standard 8. Due to limitations within their Fixed Asset register, it was determined that it was practically possible to correct from 1/4/2022 onwards.</p> <p>Amendments were required to correct these notes. This correction also has an impact on multiple notes.</p>	<p>To account for non-enhancing capital expenditure in accordance with the Code of Practice.</p>
<p>Comprehensive Income and Expenditure Statement</p>	<p>Note 17 Capital Expenditure and Financing/ Note 13 Property, Plant and Equipment</p>	<p>To correctly account for REFCUS in the financial statements.</p>

<p>(Impairment adjustment): Increase In REFCUS expenditure £274,000.</p> <p>Balance Sheet: Decrease In Property, Plant and Equipment £274,000.</p>	<p>As part of the review of the treatment of non-enhancing assets (above) an issue was identified with the treatment of REFCUS (Revenue Expenditure Funded Capital under Statute) expenditure.</p> <p>Amendments were required to correct these notes. This correction also has an impact on multiple notes.</p>	
<p>Balance Sheet: Net assets decreased by £299,000.</p> <p>Total reserves decreased by £299,000.</p>	<p>Note 13 Property, Plant and Equipment The incorrect BCIS index was used to calculate updated revaluations for schools resulting in a reduction of £299,000 to the valuation.</p>	<p>To ensure the assets included in the financial statements are disclosed at their correct value.</p>
<p>Disclosure only: £2,054,000</p>	<p>Note 14 Capital Commitments Additional capital commitments amounting to £2,054,000 have been included in this note. This adjustment is self-contained to Note 14.</p>	<p>To ensure all capital commitments have been disclosed in the note.</p>
<p>Classification only: Prepayments increased by £1,329,000.</p> <p>Trade Receivables decreased by £1,329,000.</p>	<p>Note 18 Debtors Prepayments amounting to £1,329,000 have been reclassified from Trade Receivables. This adjustment is self-contained to Note 18.</p>	<p>To ensure the correct classification of prepayments.</p>
<p>Classification only: Cash & Cash Equivalents decreased by £12,500,000.</p> <p>Short term investments increased by £12,500,000.</p>	<p>Note 19 Cash and Cash Equivalents £12,500,000 has been reclassified from cash equivalents to short term investments. This correction also impacts Note 35 Financial Instruments.</p>	<p>To ensure correct classification of cash and cash equivalent, and short-term investments.</p>

Various amendments	<p>Note 27 Officers' Remuneration Amendments were made to the following disclosures:</p> <ul style="list-style-type: none"> • Banding of remuneration over £60,000: Amendments were 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 3 employees have been added and the banding changed for 2 employees. • Senior Officer Remuneration table: Amendments have been made to the footnotes. 	To ensure the disclosures comply with the requirements of the Accounts and Audit (Wales) Regulations and the Code of Practice.
Disclosure only	<p>Note 29 External Audit Fees The note has been updated to reflect the actual audit fees as reported in the Audit Plan for 2022-23.</p>	To disclose the actual audit fees for 2022-23
<p>Classification only:</p> <p>Covid grants increased by £362,000.</p> <p>Other grants decreased by £362,000.</p>	<p>Note 30 Grants income Covid Grant NDR Relief grant income amounting to £362,000 has been reclassified from Other Grants (Resources). This adjustment is self-contained to Note 30.</p>	To ensure the correct classification of grants income.
Additional disclosures	<p>Note 32 Trust Funds and Other Funds Administered by the Council The Council had not fully disclosed the nature and amount of trust funds where it acts as the sole trustee in accordance with the requirements of the Code of Practice.</p>	To ensure disclosures comply with the requirements of the Code of Practice.
Additional disclosures	<p>Note 38 Agency Arrangements The Council had not fully disclosed the nature and amount of significant agency income and expenditure for the year, in accordance with the requirements of the Code of Practice.</p>	To ensure disclosures comply with the requirements of the Code of Practice.

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.



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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.