

# Isle of Anglesey County Council – Detailed Audit Plan 2025

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

# Introduction



**Adrian Crompton**

Auditor General  
for Wales

I am pleased to share my 2025 Audit Plan. The Plan sets out how I will undertake your audit.

My audit team has developed the Plan following a structured and risk-based planning process, which will remain ongoing throughout the audit. My Code of Audit Practice provides further detail on how my audit and certain other functions are to be carried out by my auditors.

At the core of all our work is our commitment to maintaining the highest standards of professional integrity, objectivity, independence and audit quality. Our three lines of assurance model (page 21) sets out how we will ensure those standards of quality are met. Our latest annual quality report, Audit Quality Report 2024, provides more information about our audit quality arrangements.

My audit team will work constructively with your staff to understand the issues you are facing, ensure the audit process operates as smoothly as possible, and provide valuable insights about any areas for improvement.

My local performance audit work programme, as outlined in this Plan, sits alongside other national audit work that may include coverage of your organisation. Local performance audit work may also inform wider national reporting.

Should you have any questions about your audit my audit team will be happy to discuss them with you. They will also keep you regularly updated as work progresses.

# Our aims and ambitions

## Our purpose



Assure people that public money is being managed well



Explain how that money is being spent



Inspire the public sector to improve

## Our vision



Fully exploiting our unique perspective, expertise and depth of insight



Strengthening our position as an authoritative, trusted and independent voice



Increasing our visibility, influence, and relevance



Being a model organisation for the public sector in Wales and beyond

## Our areas of focus



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and Our [Strategy 2022-27](#).

# Financial audit work

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## Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and their proper preparation in accordance with accounting and legal requirements.

I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

In addition to my responsibilities for auditing the Isle of Anglesey County Council (the Council) I also have responsibility for:

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the certification of a number of grant claims and returns as agreed with the funding bodies.

There have been no limitations imposed on me in planning the scope of this audit.

## Certification of grant claims and returns

I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include housing benefits, teachers' pensions and non-domestic rates.

## Financial statements materiality

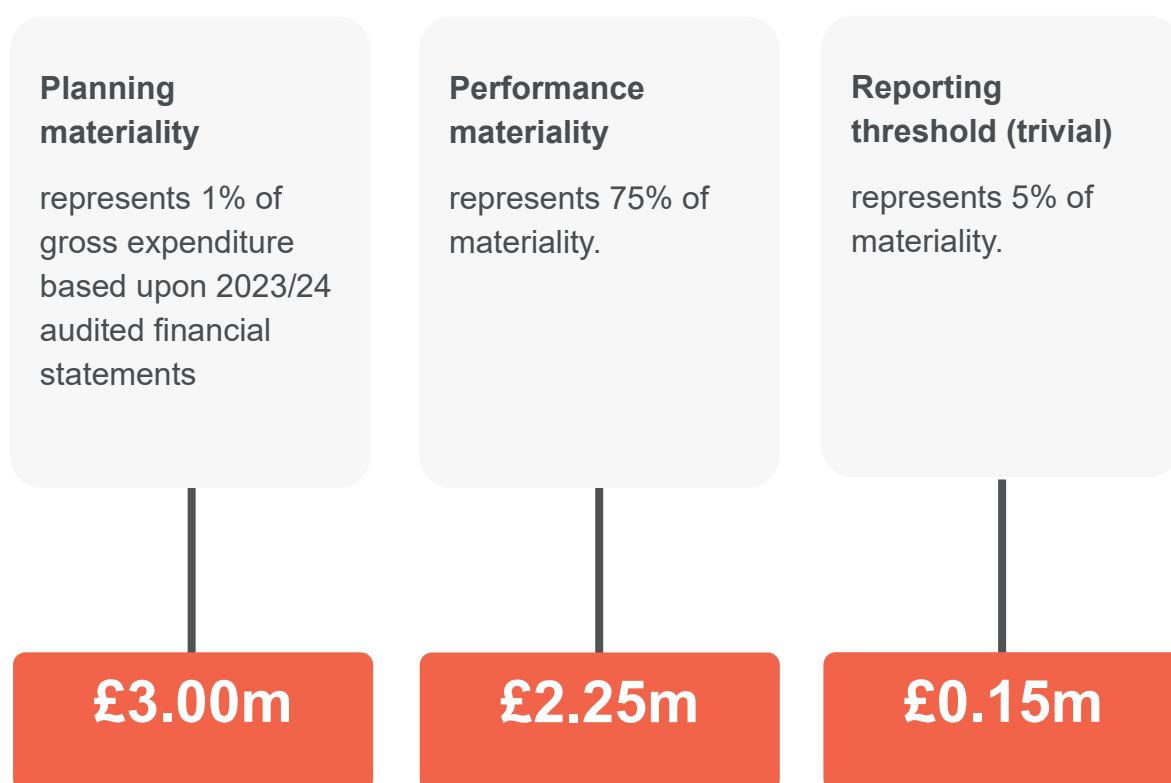
I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material and correct misstatements, that is, those that might result in a reader of the accounts being misled. Materiality applies not only to financial misstatements, but also to disclosure requirements and adherence to the applicable accounting framework and law.

I set planning and performance materiality to:

- determine the level of misstatement that could cause the user of the accounts to be misled;

- assist in the scoping of our audit approach and resultant audit tests;
- determine sample sizes;
- assess the effect of known and likely misstatements in the financial statements; and
- report to those charged with governance any unadjusted misstatements above a trivial level, our reporting threshold.

The levels at which I judge such misstatements to be material is set out below.



There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

|                                      |  |
|--------------------------------------|--|
| <b>Remuneration report</b><br>£1,000 | <b>Related party disclosures</b><br>£10,000 (Individuals)<br>£3.0 million (Other bodies) |
|--------------------------------------|--|

My audit team will assess materiality levels throughout the audit.

## Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other International Standard on Auditing (ISAs). The ISAs require us to focus more attention on these significant risks.

### Risk of management override

The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].

#### Our planned response

My audit team will:

- test the appropriateness of journal entries and other adjustments made in preparing the financial statements;
- review accounting estimates for bias; and
- evaluate the rationale for any significant transactions outside the normal course of business.

## Other areas of focus

I set out below other identified risks of material misstatement which, although not determined to be significant risks as above, I would like to bring to your attention.

### Valuation of pension fund net liability/surplus

The Local Government Pension scheme (LGPS) and pension fund liability as reflected in the financial statements are material estimates.

The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.

The impact of economic conditions, particularly interest rate levels also has a significant impact on the liability at 31 March 2024 for example, the liability was in fact a surplus, primarily due to higher interest rates.



There are also several legal cases potentially impacting on the valuation of the net liability.

There is a risk therefore that the liability/surplus is materially misstated.

### **Our planned response**

My audit team will:

- evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work;
- assess the competence, capabilities and objectivity of the actuary who carried out the valuations;
- assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary;
- assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required; and
- assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

### **Valuation of land and buildings**

The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.

Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity, depending on the specialist and management assumptions, and changes in these can result in material changes to valuations.

Assets are required to be revalued every five years, but values may also change year on year, and there is a risk that the carrying value of assets recognised in the accounts could be materially different to the current value of assets as at 31 March 2025, particularly in the current economic environment.

### **Our planned response**

My audit team will:

- review the information provided to the valuer to assess for completeness;
- evaluate the competence, capabilities and objectivity of the professional valuer;
- test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and
- test the reconciliation between the financial ledger and the asset register.

## **Implementation of International Accounting Standard (IFRS) 16 - Leases**

Local Government bodies are required to adopt IFRS16 Leases from 1 April 2024.

This significantly changes the accounting treatment and disclosures required for leased assets and means that most leases will result in an asset and liability on balance sheets.

There is a risk that the requirements of the IFRS are not appropriately adopted and as a result the financial statements are materially misstated.

### **Our planned response**

My audit team will:

- review the Council's working papers to ensure that all leases falling within the scope of the Standard have been included in calculations;
- test a sample of asset and liability calculations to ensure that the assumptions are reasonable, and the calculations have been correctly prepared; and
- confirm that asset and liability values have been correctly accounted for and disclosed in the financial statements.

## **Audit risk Impact of Renting Homes (Wales) Act 2016 - Electrical Safety Certificates**

In November 2024, the High Court clarified the requirements of the Renting Homes (Wales) Act 2016 and the associated regulations concerning landlord obligations relating to completion of electrical inspection safety reviews and reports.

This has potential implications for bodies and their financial statements and is likely to be subject to further legal considerations and challenge.

### **Our planned response**

My audit team will:

- review the latest position before sign-off of the financial statements; and
- ensure if there is an impact on the financial statements, this is appropriately recognised and/or disclosed.

## **Related party disclosures**

The financial statements must disclose any related party relationships along with the transactions and balances between the Council and the other party.

The Council has many relationships that could be considered a related party. Many are well known for example, Welsh Government as funder.

However, where related party relationships arise via individual officer or member relationships, there is likely to be less transparency regarding these relationships. These transactions are of high interest and are considered to be material by their nature.

There is a risk of material misstatement due to incomplete or inaccurate disclosures, even where these are of relatively low value.

### **Our planned response**

My audit team will:

- review the Council's process for identifying related party relationships and associated transactions and balances;

- undertake procedures to confirm the completeness of related party relationships; and
- ensure disclosures are complete, accurate, consistent with evidence and are in accordance with the Local Government Code.

### **Isle of Anglesey Freeport**

Porthladd Rhydd Ynys Môn (the Freeport) was incorporated during the 2024-25 financial year. The Council's Chief Executive Officer is currently the only director in post which means a group relationship between the Council and the Freeport may exist. If a group relationship exists, the Council will need to produce group accounts to incorporate the results of the Freeport.

#### **Our planned response**

- review the Council's assessment of whether a group relationship exists to ensure it complies with CIPFA guidance; and
- where applicable, ensure group accounts disclosures are complete, accurate, consistent with evidence and are in accordance with the Local Government Code.

## Financial statements audit timetable

Below is a timetable showing the key stages of the audit and our key audit deliverables that we will provide to you.

### Exhibit 1: Financial statements audit timetable

|   |   |
|---|---|
| <b>Planning</b><br><br><b>January to April 2025</b>   | Planning meeting<br>High level risk assessment procedures<br>Fraud risk assessment<br>Accounting estimates planning<br>IT environment risk assessment<br>Indicative audit fee<br>Draft Detailed Audit Plan                  |
| <b>Interim</b><br><br><b>January to April 2025</b>    | Information flows<br>Detailed risk assessment procedures<br>Develop testing strategy<br>Early sample testing  |
| <b>Fieldwork</b><br><br><b>June to September 2025</b> | Update risk assessment<br>Audit of financial statements to include narrative report and annual governance statement<br>IT controls review<br>Complete audit testing<br>Evaluate audit findings                              |
| <b>Reporting</b><br><br><b>October 2025</b>           | Audit closure meeting<br>Audit of Accounts Report<br>Recommendations for improvement<br>Present findings to those charged with governance<br>Auditor General certification<br>Annual Audit Summary<br>Post project learning |








# Performance audit work

## Proper arrangements

As set out in the Code of Audit Practice, I must satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources ('value for money'), and conclude accordingly.

I do this by undertaking an appropriate programme of performance audit work each year. I base my work programme on an assessment of risks of the Council and the wider Local Government sector in Wales not having the proper arrangements in place, with the work typically focusing on the areas of greatest risk.

In designing the programme, my auditors must have considered corporate and service level arrangements, including:

- |   |   |
|---|---|
|  Strategic planning              |  Asset management      |
|  Financial planning              |  Collaborative working |
|  Performance and risk management |  Overall governance.   |
|  Workforce planning              |   |

My auditors will also have taken account of relevant work that is being undertaken or planned by other audit, regulatory and inspection bodies at the Council.

I conduct my performance audit work using the ISSAI 3000 standard developed by the International Organisation of Supreme Audit Institutions (INTOSAI). INTOSAI is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

## Well-being of future generations

Section 15 of the Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to carry out examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle when setting well-being objectives and taking steps to meet those objectives.

The **Sustainable development principle** is defined as acting in a manner...

...which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.'

To do this, they must take account of the '**five ways of working**'.



Long-term



Prevention



Intergration



Collaboration



Involvement

I must carry out these examinations at each public body covered by the Act at least once during a specified period.

These could be stand-alone examinations as part of my performance audit programme. However, where relevant and appropriate to do so, my auditors will integrate the work required into other planned performance audit work for the Council. My auditors will continue to engage closely with the Office of the Future Generations Commissioner for Wales to help coordinate our respective activities.

## Planned performance audit work

I set out below details of my performance audit work.

### **Thematic Work: Responding to workforce pressures in local government**

Local audit work across the 22 principal councils that will look at arrangements to secure appropriate and cost-effective resourcing of their services. This will include how councils are adapting to a changing employment market, and ways of working, when combined with financial constraints.

### **Regional Work: use of data in budget setting for demand led services**

Local audit work across the 6 principal councils in North Wales that will look at arrangements to ensure financial sustainability when setting budgets. This will include how councils are using data to inform the resources required.

### **Local Work: Review of recycling and waste management**

The Councils recycling rates lags behind national targets and the service is relatively high cost per capita when compared to the national average. This increases the risk that proper arrangements for securing economy, efficiency and effectiveness are not in place.

This project will review the Council's recycling and waste management service arrangements, but the exact scope is to be determined.

## Timing of Performance Audit Work

My team will work with officers in the Council to arrange exact timescales for the individual projects and will be communicated regularly through our Governance and Audit Committee update. My auditors aim to substantially complete the performance audit work set out in this plan by the end of June 2026.



## Other statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. The Public Audit (Wales) Act 2004 sets out these responsibilities:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee below. If I do receive questions and objections, my auditors will discuss the potential impact on audit fees with the Director of Function (Resources) and Section 151 Officer.

## Audit fee

In January 2025 we published our [2025-26 Fee Scheme](#) following approval by the Senedd Finance Committee which details the average increase to fee rates of 1.7%.

The actual fee that any individual audited body will pay depends not just on our fee rates but on the quantum of work and the skill mix required.

In 2022-23 you will recall that we implemented a fundamentally different audit approach for our financial audit work, required by new international auditing standards. This required a richer, more costly skill mix that was reflected in higher fees. We have now reviewed the implementation of this new audit approach and identified efficiencies which allowed to provide a refund for the 2023-24 audit and maintain a lower fee estimate for the audit of the 2024-25 financial statements.

The average fee increase has been applied as an estimate to the other areas of my audit work.

**Your estimated total audit fee: £429,745**

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without my auditors first discussing them with the Director of Function (Resources) and Section 151 Officer. **Exhibit 2** sets out a further breakdown of your estimated audit fee.

**I base my audit fee on the following assumptions:**

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.
- The audit requirements of my individual performance audit projects are met by the Council, or suitable alternative arrangements are put in place that satisfy the needs of my audit team.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

## Exhibit 2: Breakdown of my estimated audit fee for 2025 (and 2024 for comparison)

### Estimated fee for 2025 (£)<sup>1</sup>

|  |                                     |                                       |
|--|-------------------------------------|---------------------------------------|
| Audit of financial statements <sup>2</sup> | Performance audit work <sup>3</sup> | Grant certification work <sup>4</sup> |
| £236,026                                   | £117,444                            | £76,275                               |
| Total fee: £429,745                        |                                     |                                       |

### Actual fee for 2024 (£)

|                               |                        |                          |
|-------------------------------|------------------------|--------------------------|
| Audit of financial statements | Performance audit work | Grant certification work |
| £234,354                      | £97,481 <sup>5</sup>   | £75,000 <sup>6</sup>     |
| Total fee: £406,835           |                        |                          |

<sup>1</sup> The fees shown in this document are exclusive of VAT.

<sup>2</sup> Payable November 2024 to October 2025

<sup>3</sup> Payable April 2025 to March 2026.

<sup>4</sup> Payable as work is undertaken.

<sup>5</sup> Work is ongoing and therefore this is the latest available estimate, the original fee was £115,481.

<sup>6</sup> The grant certification fee remains an estimate as the audit of the 2023-24 Housing Benefit Subsidy is ongoing.

## Audit team

My audit team will continue to work and engage remotely using technology, but some on-site audit work will continue where it is appropriate to do so.

Indeed, my audit team who were onsite during the audit of accounts work last year found the close proximity to officers a more efficient way of working, and officers have fed back positively on their experiences.

Audited bodies have a responsibility to ensure the safety and wellbeing of Audit Wales staff when they are on your premises.

The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

### Exhibit 3: My local audit team

|                            |   |   |
|----------------------------|---|---|
| <b>Engagement Director</b> | Matthew Edwards<br><a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a> |   |
|                            | <b>Financial Audit</b>  | <b>Performance Audit</b>  |
|                            | <b>Engagement Lead</b>  |   |
|                            |   |   |
|                            | Matthew Edwards<br><a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a> | Gary Emery<br><a href="mailto:gary.emery@audit.wales">gary.emery@audit.wales</a>    |
| <b>Audit Manager</b>       | Rachel Freitag<br><a href="mailto:rachel.freitag@audit.wales">rachel.freitag@audit.wales</a>    | Carwyn Rees<br><a href="mailto:carwyn.rees@audit.wales">carwyn.rees@audit.wales</a> |
| <b>Audit lead</b>          | David Tomalin<br><a href="mailto:david.tomalin@audit.wales">david.tomalin@audit.wales</a>       | Alan Hughes<br><a href="mailto:alan.hughes@audit.wales">alan.hughes@audit.wales</a> |

I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



## Our People

- Selection of right team
- Use of specialists
- Supervisions and review



## Arrangements for achieving audit quality Selection of right team

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



## Independent assurance

- EQRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

## Supporting you

Audit Wales has a range of resources to support the scrutiny of Welsh public bodies, and to support them in continuing to improve the services they provide to the people of Wales.

Visit our [website](#) to find:



Our [publications](#) which cover our audit work at public bodies.



Information on our upcoming work and forward work programme for [performance audit](#).



[Data tools](#) to help you better understand public spending trends



Details of our [Good Practice](#) work and events including the sharing of emerging practice and insights from our audit work.



Our [newsletter](#) which provides you with regular updates on our public service audit work, good practice, and events.



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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.