

Audit of Accounts Report – Ceredigion 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 2020-21 Statement of Accounts.
There are some issues to report to you prior to their approval.

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Audit of accounts report

Introduction

- 1 This report summarises the main findings from our audit of your 2020-21 Statement of Accounts (the accounts). We have already discussed these issues with the relevant officers.
- 2 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. The level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled. We set the level at £2.6 million for this year's audit.
- 3 Further to the above there are some areas of the accounts that we judge to be of more importance to the reader, for which we have set a lower materiality level. This year our lower materiality levels are as follows:
 - £1,000 for senior officers' remuneration, pension and exit packages; and
 - £1,000 for related party transactions and balances, being pecuniary interests and/or positions of influence held by senior officers and members, or, by their close family.
- 4 We have now substantially completed this year's audit.
- 5 In our professional view we have complied with the ethical standards that apply to our work. We remain independent of yourselves and our objectivity has not been compromised in any way. There are no known relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 6 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You have a statutory requirement to prepare accounts and it is of considerable testament to the commitment of your finance team, and other staff where relevant, 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.
- 7 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. 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

Timetable	<ul style="list-style-type: none">• The statutory deadline remained 31 May 2021 for your draft 2020-21 accounts to be signed by the responsible finance officer; and thereafter 31 July 2021 for their audit certification by the Auditor General.• The draft accounts were signed and submitted for audit on 3 August 2021. As statutorily required, on 31 May the Council published a signed statement on its website that explained the delay beyond 31 May due to the impact of COVID-19.• The audited accounts are scheduled to be certified by the Auditor General on 29 November 2021.• It should be noted that the Welsh Government Finance Department had written to all councils advising them that, due to the impact of COVID-19, they could submit signed draft accounts by 31 August 2021 and have them certified by 30 November 2021.• You have therefore produced your accounts in line with the Welsh Government’s permissible dates for this year.
Electronic signatures	Once your accounts have been approved by the Council, which is scheduled for 25 November 2021, this year we will accept electronic signatures and the electronic transfer of the signed accounts to us. Officers have agreed to use this basis this year. Audit certification will also be by electronic signature.
Audit evidence	As in previous years, we received the majority of audit evidence in electronic format. We have used various alternative techniques to ensure its validity whilst working remotely. Where we have been unable to obtain the usual types of evidence because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence for our assurance.

- 8 We will be reviewing 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

- 9 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**. 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. Our proposed audit report is set out in **Appendix 2**.
- 11 We have also completed the audit of the Ceredigion Harbour Authority Annual Return for the year ended 31 March 2021. There are no issues arising from this.

Significant issues arising from the audit

Uncorrected misstatements

- 12 There are no uncorrected financial misstatements in the audited accounts.

Corrected misstatements

- 13 There were misstatements in the draft accounts that management has corrected. However, we believe that they 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 are no other significant issues arising from the audit.
- 15 Our audit progressed smoothly. This reflects positively on your continued improvements to both the financial management and the documentary evidence that underpin the annual accounts. In previous years, we have reported difficulties arising from the audit of the valuation of the Council's assets. It is pleasing to note that we did not identify any significant issues during this year's audit following close liaison between Council staff and our audit team. The Council's assets are revalued on a five-year rolling programme and future years will see a heavier programme workload. The Council is aware that continuous improvement remains important to ensure that past issues do not arise again in the future.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

25 November 2021

Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Ceredigion County Council (the 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 CIPFA Code of Practice on Local Authority Accounting; in particular, the financial statements give a true and fair view in accordance therewith;
- 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 the 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. There are no uncorrected misstatements in the financial statements.

Representations by the 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 on 25 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:

[Officer who signs on behalf of
management]

[Officer or Member who signs on behalf
of those charged with governance]

Date: 25 November 2021

Date: 25 November 2021

Appendix 2

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

Opinion on the financial statements

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

Ceredigion County Council's financial 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 Ceredigion 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 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 the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report nor 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 set out on page 19, 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 the 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 areas: revenue recognition, posting of unusual journals and biases in accounting estimates.
 - obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the 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 Ceredigion 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 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 the audit team 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 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. 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 Ceredigion 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
29 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
Various (No overall effect on the primary statements)	Note 1.12 Grant Income: Additional disclosures were included to reflect COVID transactions during the year. As this is a disclosure note, there was no overall effect on the primary statements.	To fully disclose the COVID transactions during the year.
£1,066,000 (No overall effect on the Balance Sheet) £612,000 (No overall effect on the CIES)	Comprehensive Income and Expenditure (CIES) and Note 1.18 Inventories: <ul style="list-style-type: none">the inventories balance was increased by £1,066,000 to include the free issued Personal Protective Equipment received from the Welsh Government. A donated inventories account has also been included for £1,066,000 in Current Liabilities to reflect the year-end balance of stock held. As a result, there was no overall effect on the Balance Sheet.both Income and Expenditure in the CIES were increased by £612,000 to reflect PPE used in the year. As a result, there was no overall effect on the CIES.	To ensure agreement to the supporting evidence and Code.

Value of correction	Nature of correction	Reason for correction
£380,000	Note 1.21 Debtors <ul style="list-style-type: none"> Central Government debtors has been decreased by £380,000 due to a reduction in grant monies receivable from the Welsh Government. This amendment was identified by the Council. 	To ensure agreement to the supporting evidence and Code.
£311,000 (No effect on the primary statements)	Note 1.34 Leases: <ul style="list-style-type: none"> The minimum lease payments receivable by the Council as lessor have been increased by £311,000 to reflect amendments made to monies owed to the Council after rent reviews. As this is a disclosure note there was no overall effect on the primary statements. 	To ensure agreement to the supporting evidence.
Various (No overall effect on the primary statements)	Various: <ul style="list-style-type: none"> A number of minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes, casting errors, prior-year comparatives or typos. 	To ensure the accuracy of the financial statements.



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