

# Audit of Accounts Report – Ceredigion 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 relevant officers.
- 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 £2.8 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 Staff Remuneration – £1,000
  - Related Party disclosures for officers and members – £10,000
- 6 We have now substantially completed this year's audit but at the time of drafting this report, the following work is outstanding:
  - the final review of our audit file; and
  - our final review of the revised 2021-22 financial statements.
- 7 We will provide a verbal update on these outstanding items at the Governance and Committee and Council meetings in January 2023.
- 8 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.
- 9 It was necessary to make a change to the audit Engagement Lead to that advertised in the Audit Plan. Derwyn Owen, a Director within Audit Wales, was the Engagement Lead for the audit of accounts.

## Infrastructure Assets

- 10 In common with other local authorities, Ceredigion 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.
- 11 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.

- 12 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.
- 13 **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 16 August 2022;</li> <li>• our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023; and</li> <li>• we expect your audit report to be signed on 30 January 2023.</li> </ul>
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## Proposed audit opinion

- 14 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**.
- 15 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 16 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.
- 17 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 18 There are no uncorrected misstatements included in the audited accounts:

## Corrected misstatements

- 19 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

- 20 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 is one matter which we wish to bring to your attention.
- 21 Between 2015-16 and 2019-20, we reported difficulties arising from the audit of the Council's assets in terms of insufficient audit trail and lack of effective Quality Assurance to ensure that issues and errors are identified internally and not when audit are engaged.
- 22 Whilst we did not identify these issues last year, we did identify similar issues again during this year's audit. It is important that the Council addresses these and builds on the improvements that were initially made in 2020-21. 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 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

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 Ceredigion 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 CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 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 Ceredigion 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

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 those charged with governance

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 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:

[Officer who signs on behalf of management]

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

Date: 26 January 2023

Date: 26 January 2023

# Appendix 2

## Proposed audit report

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

#### Opinion on financial statements

I have audited the financial statements of Ceredigion County Council for the year ended 31 March 2022 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 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Ceredigion 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 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 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 2021-22; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

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

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

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

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, 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, the Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Ceredigion County Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- obtaining an understanding of Ceredigion County Council's framework of authority as well as other legal and regulatory frameworks that Ceredigion 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 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 Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council; 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 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 Ceredigion 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 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  
30 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
£165,721,000 Gross Cost; and £29,775,000 Accumulated Depreciation  (No overall effect on the Balance Sheet)	<b>Note 1.13 Property, Plant and Equipment and Balance Sheet</b> As detailed in paragraph 11, the historic cost and accumulated depreciation balances relating to infrastructure assets have been removed from the accounts. This means the infrastructure column has been removed from note 1.13 and the net book value of infrastructure assets is shown in the Balance Sheet. There is no overall effect on the Balance Sheet.	To take advantage of temporary reliefs for reduced disclosures related to infrastructure assets.
£2,122,360 Gross Cost and Accumulated Depreciation (NIL NBV)  (No overall effect on the Balance Sheet)	<b>Note 1.13 Property Plant and Equipment and Balance Sheet</b> Property, Plant and Equipment included a number of assets which the Council had already disposed of. These assets were fully depreciated and so the NBV of these was NIL. Note 1.13 was amended to remove the Gross Cost and Accumulated Depreciation for these (total of £2,122,360 for each) with no effect on the overall total in Note 1.13 or the Balance Sheet.	To ensure the accuracy of the financial statements.

Value of correction	Nature of correction	Reason for correction
£452,452	<p><b>Note 1.13 Property Plant &amp; Equipment and Balance Sheet</b></p> <p>The valuation of the Social Services class of assets, which was scheduled to be completed in 2021-22 as part of the Council's five-year rolling programme of assets, was not completed. These have subsequently been valued during the audit process, resulting in an increase in upward valuations of £1,199,641 and downward valuations of £747,189 (a net increase of £452,452 to the value of assets in Note 13 and the Balance Sheet).</p>	To ensure the accuracy of the financial statements.
£151,000	<p><b>Note 1.13 Property Plant and Equipment and Balance Sheet</b></p> <p>Audit testing identified nine assets for which the treatment of non-enhancing expenditure is incorrect. The value of these assets in the accounts is understated by £151,000. The accounts were updated to increase the value of the assets by this amount.</p>	To ensure the accuracy of the financial statements.
£600,000 (No overall effect on the Balance Sheet)	<p><b>Note 1.13 Property Plant and Equipment and Balance Sheet</b></p> <p>Note 1.13 was amended to reclassify an asset totalling £600,000 which was originally recorded in Surplus Assets, but audit testing identified that this should have been recorded in Assets Held for Sale.</p>	To ensure the accuracy of the financial statements.
£86,000 (No overall effect on the primary statements)	<p><b>Note 1.33 Related Party Transactions</b></p> <p>Audit testing identified a number of related parties relating to members which had not been included within Note 1.33. Note 1.33 was amended to include £86,000 of transactions relating to these related parties.</p>	To ensure the accuracy of the financial statements.



Value of correction	Nature of correction	Reason for correction
£163,000 (No overall effect on the Balance Sheet)	<b>Note 1.19 Financial Instruments</b> Under the Creditors heading, Financial Liabilities at amortised cost has been amended from £31,756,000 to £31,593,000 a decrease of £163,000 due to an error in the calculation.	To ensure the accuracy of the financial statements.
Various (No overall effect on the primary statements)	A number of minor amendments were made to the financial statements relating to either revisions to disclosures of information or narrative changes.	To ensure the accuracy of the financial statements.



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