

Audit of Accounts Report – Ceredigion County Council

Audit year: 2022-23

Date issued: January 2024

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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.

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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 2022-23 accounts in this report.
- 2 We have already discussed these findings 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 £3.02 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 The timetable for completion of the audited accounts is set out in **Exhibit 1**.

Exhibit 1: accounts timetable

Timetable	<ul style="list-style-type: none">• The draft accounts were received on 18 August 2023.• We commenced our audit of the accounts on 16 October 2023. The revised accounts will be presented to the Governance and Audit Committee on 6 February 2024.• We expect to be able to certify the accounts on 7 February 2024.
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- 7 We have now substantially completed this year's audit.
- 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.

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

Significant issues arising from the audit

Uncorrected misstatements

- 13 There are no misstatements identified during the audit which remain uncorrected.

Corrected misstatements

- 14 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

- 15 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. We wish to bring the following matters to your attention.
- 16 In prior years, we have reported issues arising from our audit of the Council's portfolio of Property, Plant & Equipment (PPE). In particular, we have previously identified an insufficient audit trail and a lack of effective Quality Assurance regarding the revaluation of the assets. Whilst our audit work this year did identify that some improvements have been made, we have identified issues during the audit which the council needs to address.
- 17 Included within the Property, Plant and Equipment note is £44.3m of revaluations made during the year. The revaluations are a significant estimate which are generally calculated by multiplying the floor area of an asset by an industry standard rate (Building Cost Information Service (BCIS) rate). Once calculated the figure is adjusted for other factors such as professional fees, location factor, obsolesce factor etc.

Use of incorrect estimates

- 18 Audit testing identified that the Council had revalued its Depreciated Replacement Cost (DRC) assets using Quarter 3 BCIS rates. As Quarter 4 rates were available at the time of production of the accounts, these were a more accurate basis for the estimate and should have been used. The accounts were amended to increase the asset valuation by £4.1m (see Appendix 3).
- 19 **We recommend that the rates used in the revaluations are reviewed at the time the accounts are being produced to ensure that the most upto date rates are used.**

Use of incorrect professional fees percentage

- 20 The identification of the error above led to Council officers reviewing all PPE estimates. This review identified that the professional fees included in the valuations should be at 10% of the total cost and not the 12% used in the draft accounts. 10% had been used in the prior year. The accounts were accordingly amended to decrease the asset valuation by £4.3m (see Appendix 3).
- 21 We understand that senior officers were not involved in the decision to increase the professional fees rate for the draft accounts.
- 22 **We recommend that all estimates are reviewed and approved by senior officers prior to the production of the draft accounts.**

Insufficient evidence to support Floor Areas

- 23 Our testing of an initial sample of 37 revaluations (total value £14.55m) identified differences between the floor areas used in the calculations supporting the figures in the financial statements and the floor areas shown in the supporting floor plans on the asset register. We extended our sample to test an additional 15 revaluations (total value £0.387m) and found further differences within the floor areas. We did not find any individually significant differences.
- 24 The total difference identified from our sample testing amounted to £0.973m. However, this is the net position of the differences identified. Some of the errors result in an understatement of revaluation and some result in an overstatement.
- 25 Our sample has tested a total of £14.9m from the population of £44.3m. It is uncertain whether there are further errors in the remaining population though given the errors identified to date this is likely. Without testing the full population we are unable to quantify the exact error level. As a result, the accounts have not been amended. Given the error rate identified in our sample testing, we do not believe that it is material to the accounts.
- 26 **We recommend that the Council reviews the floor areas recorded within the system to ensure that these agree to the supporting floor plans.**

Appendix 1

Final letter of representation

[Audited body's letterhead]

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

6 February 2024

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 Ceredigion 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 CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 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 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 6 February 2024.

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:

Corporate Lead Officer: Finance and
Procurement

Chair of Ceredigion County Council

Date: 6 February 2024

Date: 6 February 2024

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 2023 under the Public Audit (Wales) Act 2004.

Ceredigion County Council's financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement 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 2022-23.

In my opinion the financial statements:

- give a true and fair view of the financial position of Ceredigion 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 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 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.

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 2022-23; 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:

- 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 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 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 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 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 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.
- 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, 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. 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 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
7 February 2024

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 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£4.133m	<p>Balance Sheet and Property, Plant & Equipment (Note 1.13)</p> <p>Our testing of Property, Plant & Equipment identified that the Council had revalued its DRC assets using Quarter 3 BCIS rates. As Quarter 4 rates were available at the time of production of the accounts, these were a more accurate basis for the revaluation and should have been used.</p> <p>The accounts were amended to increase the asset valuation by £4.133m.</p>	To ensure the accuracy of the financial statements.
£4.263m	<p>Balance Sheet and Property, Plant & Equipment (Note 1.13)</p> <p>Whilst updating the valuations for the error in the BCIS rates noted above, Council officers identified that the professional fees included in the valuations should be 10% and not 12% and amended for this.</p> <p>The accounts were amended to decrease the asset valuation by £4.263m.</p>	To ensure the accuracy of the financial statements.
£3.473m (No overall effect on the primary statements)	<p>Capital Commitments (Note 1.19)</p> <p>Testing identified that the Capital Commitments disclosure for 22-23 was overstated by £3.473m due to the 21-22 figure being included in error. The accounts were amended to reduce Note 1.19 by this amount.</p>	To ensure the accuracy of the financial statements

Value of correction	Nature of correction	Reason for correction
	As this is a disclosure note, there was no overall effect on the primary statements.	
<p>Various (see detail noted in the next column)</p> <p>(No overall effect on the primary statements)</p>	<p>Remuneration Band (Note 1.30)</p> <p>The Authority has used 'actual salary received' as compared to 'FTE Equivalent' in determining the Banding Analysis for the Remuneration Bandings over £60k disclosure. Our testing identified 2 additional employees who should be included in the £60-65k bandings. In addition, the 21/22 comparatives have also been restated to reflect FTE equivalents. As this is a disclosure note, there was no overall effect on the primary statements.</p>	To ensure accuracy of the financial statements and compliance with the CIPFA Code.
Various	<p>Exit Packages</p> <p>The exit packages note was incorrectly omitted from the draft statements provided. This has been subsequently included in the amended financial statements. As this is a disclosure note, there was no overall effect on the primary statements.</p>	To ensure completeness of the financial statements.
<p>£1.065m</p> <p>(No overall effect on the primary statements)</p>	<p>Operating Leases Council as Lessor (Note 1.34)</p> <p>Testing identified errors in the underlying asset register - 8 leases were excluded in error and 2 unoccupied assets were included in error. The net movement was that Note 1.34 was understated and the accounts were amended to increase Note 1.34 by £1.065m. As this is a disclosure note, there was no overall effect on the primary statements.</p>	To ensure the accuracy of the financial statements.

Value of correction	Nature of correction	Reason for correction
<p>Various (see detail noted in the next column) (No overall effect on the primary statements)</p>	<p>Cashflow Statement Testing of the Cashflow Statement identified the following errors:</p> <ul style="list-style-type: none"> • The purchase of short term investments was amended from £2.379m to £46.500m and the proceeds from short term investments line was amended from £4.180m to £53.059m as the net figures had been disclosed rather than the gross figures required by CIPFA Guidance. There was no net effect of this amendment. • The debtors figure was amended from £3.657m to £0.039m to ensure that the figure agreed to the Balance Sheet. • The Capital Grants figure was amended from £12.686m to £16.304m as the 2021-22 figure had been included in the draft financial statements in error. <p>There was no net effect of these amendments.</p>	<p>To ensure compliance with the CIPFA Code and accuracy of the financial statements.</p>
<p>Various (No overall effect on the primary statements)</p>	<p>A number of minor amendments were made to the financial statements relating to either revisions to disclosures of information or narrative changes.</p>	<p>To ensure the accuracy of the financial statements.</p>



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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.

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Mr Duncan Hall
Ceredigion County Council
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Reference: DO23-08

Date issued: 21 November 2023

Dear Duncan

Ceredigion Harbour Authority 2022-23 Annual Return

In accordance with the requirements of Section 12 and Section 13 of the Public Audit (Wales) Act 2004 and Section 42 of the Harbours Act 1964 I am giving my report on the Annual Return relating to harbour activities that you have prepared in relation to Ceredigion Harbour Authority for the year ending 31 March 2023.

I have undertaken our work in accordance with the specified procedures issued by the Auditor General for Wales. In summary these procedures require us to consider whether the Annual Return relating to harbour activities:

- has been prepared on a reasonable basis (for example, the figures agree to the underlying records upon which they have been prepared and are consistent with transactions recorded in the statutory accounts of the local authority for the same reporting period); and
- casts correctly.

Audit report on the Annual Return relating to the harbour activities of Ceredigion Harbour for the year ending 31 March 2023

Subject to the approval of the 2022-23 Annual Return by the Governance and Audit Committee we will be able to confirm the following:

“On the basis of my review, in my opinion no matters have come to my attention giving cause for concern that in any material respect, the information reported in this Annual Return:

- has not been prepared in accordance with proper practices;
- that relevant legislation and regulatory requirements have not been met; and
- is not inconsistent with the Harbour’s governance arrangements.”

Other matters

We have no other matters we need to bring to your attention.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Derwyn Owen', is enclosed in a light blue rectangular box.

Derwyn Owen

for and on behalf of Adrian Crompton, Auditor General for Wales