

# Audit of Accounts Report – Ceredigion County Council

Audit year: 2023-24

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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.

# About Audit Wales

## Our aims and ambitions

### Assure



the people of  
Wales that public  
money is well  
managed

### Explain



how public  
money is being  
used to meet  
people's needs

### Inspire



and empower  
the Welsh  
public sector to  
improve



Fully exploit  
our unique  
perspective,  
expertise and  
depth of insight



Strengthen our  
position as an  
authoritative,  
trusted and  
independent  
voice



Increase our  
visibility,  
influence and  
relevance



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

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# Introduction

I have now largely completed my audit in line with my Audit Plan 2024 dated May 2024.

This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 accounts. My team have already discussed these with the Corporate Lead Officer: Finance and Procurement and his team.

I am very grateful to your officers for their support in undertaking this audit.



**Adrian Crompton**  
Auditor General for  
Wales

# Your audit at a glance



## Audit opinions

We are proposing to give an unqualified opinion on the accounts.

We have nothing to report under the other sections of my report, ie those relating to going concern; other information; other matters; or matters I report by exception.



## Misstatements

There are no uncorrected misstatements to report but there are misstatements which were corrected by management.



## Materiality

Materiality	£3.114 million
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Reporting threshold ('trivial')	£0.156 million
---------------------------------	----------------

Areas of specific interest:

- |  |         |
|--|---------|
| • Senior Staff Remuneration  | £1,000  |
| • Related party disclosures (transactions relating to individuals) | £10,000 |

# Financial statements' materiality



## Materiality £3.114 million

My aim is to identify and correct material misstatements, ie those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross expenditure of £311.399 million
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £0.156 million calculated as 5% of materiality (called the 'trivial level').



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Senior Staff Remuneration £1,000
- Related party disclosures (transactions relating to individuals) £10,000

# Ethical compliance



## Compliance with ethical standards

We believe that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.



# Proposed audit opinion



## Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1**.



## Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

# Issues arising during the audit



## Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

### Uncorrected misstatements

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

### Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.



## Other issues

We wish to bring the following matters to your attention.

Property, Plant & Equipment (PPE) is a significant balance within the accounts. Last year we reported on three specific areas and set out in Exhibit 1 is an update in relation to each.

### Exhibit 1 – follow up of prior year issues

Prior Year Finding	Update
<p><b>Use of incorrect estimates.</b></p> <p>Incorrect quarterly Building Cost Information Service British (BCIS) rates had been used in calculations.</p>	<p>Correct quarterly BCIS rates used.</p>
<p><b>Insufficient evidence to support Floor Areas</b></p> <p>Differences between the floor areas used in the Asset Management system and the floor areas shown in the supporting floor plans. Whilst this did not lead to a material error, we recommended that the Council undertake a review to ensure that the figures reconciled for each asset.</p>	<p>Our testing this year identified that of an initial sample of 50 revaluations (total value £27.1m) there were differences between the floor areas in the Asset Management system and the supporting floor plans for 3 revaluations. We did not find any individually significant differences. The total difference identified from our sample testing amounted to £0.21m. 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. Our sample has tested a total of £27.1m from the population of £49.5m. 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 are satisfied that it is not material to the accounts.</p>

In accordance with the agreed management action, the Council is working through its asset base to address the recommendation on a phased basis. During 2023-24, officers reviewed and updated 182 blocks (a collection of similar areas within a building e.g. rooms) within the Asset Management System.

We are concerned however, that of the sample of 50 revaluations that we tested, 25 had been through the review process and figures updated by officers during the year, but 3 of these blocks were still found to contain errors.

**Use of incorrect professional fees percentage**

The professional fees included within valuations were not supported and had not been approved by senior management.

Professional fees used in valuations are supported and approved.

In prior years, we reported issues arising from our audit of property, plant and equipment and in particular, the audit of the revaluation of the Council's land and property. Specifically, we previously identified an insufficient audit trail and a lack of effective Quality Assurance.

Our audit has identified improvements in recent years, but this year we did find on occasion similar issues, these include:

- a lack of an adequate audit trail – for example, from a sample of 20 revaluations tested, 7 had no rationale or calculation to support the basis for valuation. These were only produced following audit request.
- a lack of quality assurance– for example:
  - whilst the correct quarterly BCIS rates were used this year (see Exhibit 1), incorrect BCIS rates were used for two primary schools resulting in an amendment to the accounts of £541k (see Appendix 3).
  - following our prior year report, the Council is working through its asset base to ensure floor areas in the Asset Management Plan agree to supporting floor plans (see Exhibit 1). Our sample testing identified errors in 3 calculations that officers had reviewed and updated this year.

In addition, this year we experienced some delay in receiving responses to audit queries. For example, we sent initial queries on 7th August 2024 and received

responses to half of these on 29th August 2024, but didn't receive responses for the remainder until 2nd October 2024, some 8 weeks after the initial queries were sent.

# Appendix 1

## 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 2024 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 2023-24.

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

- give a true and fair view of the financial position of Ceredigion County Council as at 31 March 2024 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 2023-24.

#### 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 2023-24; 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 9, 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](http://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  
29 November 2024

1 Capital Quarter  
Tyndall Street  
Cardiff,  
CF10 4BZ

# Appendix 2

## Final letter of representation

[Audited body's letterhead]

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

28 November 2024

### Representations regarding the 2023-24 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 2024 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 2023-24; 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 by the Governance and Audit Committee on 28 November 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:

Corporate Lead Officer: Finance and  
Procurement

Signed by:

Chair of Ceredigion County Council

Date:

Date:

# 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.

Value of correction	Accounts areas	Explanation
<p>£86,072,000</p> <p>There is no net impact on the General Fund or cash backed reserves held by the Authority</p>	<p><b>Balance Sheet, Movements in Reserves Statement, Pensions Reserve (Note 1.27), Defined Benefit Pension Schemes (Note 1.37)</b></p> <p>Guidance was received after the approval of the draft accounts which clarified the calculation of the 'asset ceiling' to be used in assessing the figure to be recognised in the accounts.</p> <p>International Accounting Standard 19 limits the amount of pension surplus that can be recognised, taking into consideration future contributions and costs. This 'asset ceiling' is calculated in accordance with the International Financial Reporting Standards.</p> <p>As a result of the guidance, the Net Scheme Assets was reduced from £86,072,000 to Nil.</p>	<p>To ensure compliance with the Local Government Code.</p>
<p>£11,309,697</p>	<p><b>Balance Sheet &amp; Note 1.13 Property Plant and Equipment</b></p> <p>During the 2023-24 financial year the Council took over the running of Hafan Y Waun care home (previously leased out by the Council). Audit testing identified that Hafan Y Waun had been omitted from the balance sheet and PPE note in error. The asset was valued at £11,309,697 and the accounts were amended to ensure that this was included.</p>	<p>To ensure accuracy of the financial statements.</p>

<p>£6,900,000</p> <p>No overall impact on Net Expenditure</p>	<p><b>Comprehensive Income and Expenditure Statement (CIES)</b></p> <p>Audit testing identified that Gross Expenditure and Gross Income figures reported were both overstated by £6,900,000. This was due to agency income and expenditure not being excluded. There is no overall impact on total net expenditure.</p>	<p>To ensure the accuracy of the financial statements.</p>
<p>£581,000</p>	<p><b>Balance Sheet &amp; Note 1.13 Property Plant and Equipment</b></p> <p>Audit testing identified incorrect BCIS rates had been applied in the revaluation calculation for two primary schools. The error resulted in the assets being overstated by £581,000.</p> <p>The accounts were amended to reduce the value of assets by £581k.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>£358,000</p> <p>No overall impact on the CIES.</p>	<p><b>Note 1.6 Expenditure &amp; Income analysed by Nature</b></p> <p>Audit testing identified that expenditure and income were both understated by £358,000 due to a duplicate entry. There is no overall impact on the CIES.</p>	<p>To ensure the accuracy of the financial statements.</p>
<p>£12,000</p> <p>No overall impact on the primary statements.</p>	<p><b>Note 1.30 Officers Remuneration</b></p> <p>Audit testing identified that the Exit Packages disclosure was not complete as it excluded one package totalling £12,000.</p> <p>As this is a disclosure note, there was no overall impact on the primary statements.</p>	<p>To correctly disclose the number and cost of exit packages.</p>
<p>Various (No overall effect on the primary statements)</p>	<p>A number of other minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes or typing errors.</p>	<p>To ensure accuracy of the financial statements.</p>

# 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 QAD\*, and our Chair acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

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

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

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

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

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






\* QAD is the quality monitoring arm of ICAEW.



# Supporting you

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

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	our <a href="#">Good Practice</a> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <a href="#">newsletter</a> which provides you with regular updates on our public service audit work, good practice, and events.
	our <a href="#">publications</a> which cover our audit work completed at public bodies.
	information on our <a href="#">forward performance audit work programme 2023-2026</a> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <a href="#">data tools</a> and <a href="#">infographics</a> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

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



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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.