

Audit of Accounts Report – Cyngor Gwynedd

Audit year: 2022-23

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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 2022-23 accounts in this report.
- 2 We have already discussed these issues with the Head of Finance and his team.
- 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. We set this level at £5.387 million for this year's audit.
- 4 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 officer remuneration - £1,000
 - Related party transactions - £10,000 (individuals)
- 5 We have now substantially completed this year's audit subject to the completion of final audit procedure steps.
- 6 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. We have previously notified you of a potential threat to auditor independence and objectivity relating to the Audit Manager and the Financial Audit Lead who have acquaintances and/or family employed by the Council. We confirm that the planned safeguards set out in our Audit Plan have operated as intended.

Proposed audit opinion

- 7 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**.
- 8 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 9 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.
- 10 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 11 We set out below the misstatement we identified in the accounts, which has been discussed with management but remains uncorrected. We request that it is corrected. If you decide not to correct the misstatement, we ask that you provide us with the reasons in writing for not correcting it.

Property, Plant and Equipment (£1,106,000)

- 12 A narrative disclosure in Note 15 'Property, Plant and Equipment' referred to 10 church school buildings that were not owned by Cyngor Gwynedd and they were excluded from the 'Net Book Value' of 'Land and Buildings' at 31 March 2023. Our audit work identified that Cyngor Gwynedd owns one of the school buildings valued at £1,106,000 and it was incorrectly excluded from Note 15.
- 13 The omission has resulted in the reported Net Book Value of 'Land and Buildings' at 31 March 2023 being understated by £1,106,000 as the school should have been accounted for as an asset in Note 15 and the Balance Sheet. As the misstated balance was not material, the Council has not actioned this amendment.

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. There was one matter arising this year
- 16 Appendix 3 notes an amendment to Note 21 'Short-Term Creditors' and Note 18a 'Short-Term Debtors of £4,587,000. This adjustment related to a number of creditor balances that also had corresponding debtor entries against the same account number. This resulted in a corresponding overstatement of both balances.
- 17 We undertook further work to gain assurance that there was no further risk of material errors as a result of this issue. Our work identified that there remains an immaterial residual uncertainty of £571,000 within trade and other payables, and trade and other receivables. Cyngor Gwynedd should review the residual balances to ensure the matter is fully resolved prior to the preparation of the 2023-24 draft financial statements.

Appendix 1

Final Letter of Representation

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

Date

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 Cyngor Gwynedd 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 the Code of Practice on Local Authority Accounting in the United Kingdom 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 Cyngor Gwynedd 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.

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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- The 'Net Book Value' of 'Land and Buildings' at 31 March 2023 in Note 15 'Property, plant & equipment' is understated as a school building owned by the Council was excluded in error. It has been decided not to adjust for the error on the basis that it is immaterial.

Representations by Cyngor Gwynedd

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 Cyngor Gwynedd on 18 January 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:

Dewi Morgan
Head of Finance

18 January 2024

Signed by:

Sharon Warnes
Chair Governance and Audit Committee

18 January 2024

Appendix 2

Proposed Audit Report

The report of the Auditor General for Wales to the members of Cyngor Gwynedd

Opinion on financial statements

I have audited the financial statements of Cyngor Gwynedd for the year ended 2022-23 under the Public Audit (Wales) Act 2004.

Cyngor Gwynedd 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 the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted 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, in all material respects, the financial statements:

- give a true and fair view of the financial position of Cyngor Gwynedd 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 UK adopted 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 Cyngor Gwynedd 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 Cyngor Gwynedd's ability to continue to adopt the going concern basis of accounting for a period of at least twelve 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 Statement of Accounts other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Statement of Accounts. 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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; and
- 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 is in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Cyngor Gwynedd and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the 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, 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; and
- assessing Cyngor Gwynedd'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 Cyngor Gwynedd 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 Cyngor Gwynedd Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Cyngor Gwynedd 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 Cyngor Gwynedd's framework of authority as well as other legal and regulatory frameworks that Cyngor Gwynedd 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 Cyngor Gwynedd; and
- 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 and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; 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 members 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 Cyngor Gwynedd'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 Cyngor Gwynedd in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales's Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
22 January 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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£6,001,000	<p>Cashflow Statement</p> <p>Adjustments made to remove Revenue Expenditure Funded Capital Under Statute (REFCUS) transactions from the Cash Flow Statement to correctly account for REFCUS in the financial statements. There is nil impact on the net cash flow from this adjustment. This also affects Notes 24a and 25.</p> <p>A prior period adjustment was also required with details provided in Note 3.</p>	To comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. (Code of Practice).
Classification only: Short term borrowing increased by £1,290,000. Long term borrowing decreased by £1,290,000.	<p>Note 17a Financial Instruments</p> <p>Borrowing amounting to £1,290,000 was reclassified from long term to short term and has been reflected in the Balance Sheet.</p>	To ensure the correct classification of borrowings.
Disclosure only £18,021,000	<p>Note 17b Nature and extent of risks arising from financial instruments</p> <p>Cyngor Gwynedd restated the prior year figures to include a balance of £18,021,000 for call account deposits in the Credit Risk Rating table. The total balances in the table were not updated for the prior year's adjustment. The 'Total (Principal) at 31 March 2022 should have been disclosed as £88,031,000 rather than £70,014,000 and 'Total Investments' as £97,876,000 rather than £79,859,000. No primary statement were affected by the adjustment.</p>	To ensure the totals in the note are disclosed correctly.

<p>Balance Sheet: Cash & Cash Equivalents increased by £1,327,000. Short Term Creditors increased by £1,327,000.</p>	<p>Note 19 Cash and Cash Equivalents/ Note 21 Short Term Creditors An adjustment was required to reflect a payment of £1,327,000 in the correct financial year.</p>	<p>To ensure that Cash and Creditors included in the financial statements are disclosed at their correct value.</p>
<p>£4,587,000</p>	<p>Note 21 Short Term Creditors / Note 18 Short Term Debtors Adjustments were required as several creditor balances had corresponding debtor entries against the same account code which related to the same transaction. This resulted in an overstatement in both notes.</p>	<p>To ensure that creditors and debtors included in the financial statements are disclosed at their correct value.</p>
<p>Disclosure only</p>	<p>Note 30 Officers' Remuneration Amendments were made to the following disclosures in Note 30c 'Number of other employees who received more than £60,000 and includes remuneration and termination benefits':</p> <ul style="list-style-type: none"> • The number of employees in band £75,000 - £79,999 increased by one employee. • A footnote was added to clarify that one employee is from a Voluntary Aided School. 	<p>To ensure the disclosures comply with the requirements of the Accounts and Audit (Wales) Regulations and the Code of Practice.</p>
<p>Disclosure only</p>	<p>Note 33 Related Parties It is a requirement that all transactions relating to related parties are disclosed. There have been numerous significant amendments to the figures to ensure all income and expenditure relating to related parties in year were included:</p> <ul style="list-style-type: none"> • Income transaction figures have been included for the first time; • Previously, the creditor figures were included in the column 'Amounts owed by the Council' and the expenditure without creditors, in the 'Payments made' column. The creditor figures have been added to the expenditure figures and the column renamed to 'Payments made (including creditors)'. 	<p>To comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.(Code of Practice).</p>

<p>Balance Sheet: Net assets increased by £4,482,000. Total reserves increased by £4,482,000.</p> <p>Comprehensive Income and Expenditure Statement: Adjustment of pension surplus / asset ceiling decreased by £4,482,000.</p>	<p>Note 38 Pension Costs</p> <p>The net pension asset relating to the Local Government Pension Scheme was amended to limit the amount of surplus recognised in the financial statements.</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 clarified by the International Financial Reporting Standards Interpretations Committee (IFRIC) within IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.</p> <p>The asset ceiling has been calculated by the pension fund actuary. The initial asset of £Nil was increased to £4,482,000.</p> <p>The amendment included a charge to Other Comprehensive Income and Expenditure. The amendment also impacted on:</p> <ul style="list-style-type: none"> • Movement in Reserves Statement. • Note 23 Unusable Reserves. 	<p>To ensure the pension asset included within the financial statements complies with International Accounting Standard 19 and IFRIC 14</p>
<p>Disclosure Only</p>	<p>Note 38 Pension Costs</p> <p>A footnote has been added to clarify that the pension liability is inclusive of the liability relating to both Byw'n Iach and the North and Mid Wales Trunk Road Agency (NMWTRA) employees which the council is responsible for.</p>	<p>To provide better clarity to the reader of the accounts.</p>

There have also been a number of other, less significant adjustments, reclassifications and narrative amendments made to the financial statements as a result of our work.



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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.