

# Audit of Accounts Report – Carmarthenshire County Council

Audit year: 2021-22

Date issued: October 2022

Document reference: 3189A2022

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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 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Director of Corporate Services 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.
- 4 We set this level at £7.1 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;
  - our final review of the revised 2021-22 financial statements;
  - Infrastructure assets – there is currently a national review of the accounting treatment and disclosures required for Infrastructure assets. In the absence of any imminent resolution, the Welsh Government is looking to introduce a statutory override of the code for this area. Until this is in place the accounts cannot be certified.
- 7 We will provide a verbal update on these outstanding items at the Audit and Governance Committee at its meeting on 21 October 2022.
- 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.

## Impact of COVID-19 on this year's audit

- 9 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. We summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The statutory deadline for completion of the 2021-22 draft accounts was 31 May 2022. However, due to the ongoing impact of Covid 19, Welsh Government issued guidance allowing flexibility for completing the 2021-22 financial statements.</li><li>• We received the draft accounts on 26 July 2022.</li><li>• The statutory deadline for completion of the 2021-22 audited accounts was 30 November 2022.</li><li>• The Auditor General will sign the Audit Opinion following receipt of the signed approved accounts subject to the resolution of the Infrastructure Asset Issue.</li></ul>
<b>Audit evidence</b>	<p>We received the majority of audit evidence in electronic format and have used various techniques to ensure its validity. Where we have been unable to obtain certain audit evidence due to it not being available electronically, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"><li>• officers provided electronic working papers in accordance with our agreed working paper schedule;</li><li>• officers provided audit evidence to the audit team via email; and</li><li>• officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence.</li></ul>
<b>Electronic signatures</b>	<p>The current plan is for the Governance and Audit Committee to approve the 2021-22 financial statements at its meeting on 21 October 2022. If still necessary at the time of approval and signing, we will accept electronic signatures. We anticipate that your audit report will be signed electronically.</p>

## Proposed audit opinion

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

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

15 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

16 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 were no significant issues arising in these areas this year.

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

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

28 July 2022

### 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 Carmarthenshire 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 Carmarthenshire 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 21 October 2022.

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:

Director of Corporate Services

Date:

Signed by:

Chair of the Governance and Audit Committee

Date:

# Appendix 2

## Proposed audit report

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

#### Opinion on financial statements

I have audited the financial statements of Carmarthenshire County Council for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

Carmarthenshire 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, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure 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 Carmarthenshire 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;
- 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 7, 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 Carmarthenshire 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 Carmarthenshire County Council's framework of authority as well as other legal and regulatory frameworks that Carmarthenshire 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 Carmarthenshire 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 Carmarthenshire 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 Carmarthenshire 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  
1 November 2022

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
£2.54 million (£53k effect on the primary statements)	<b>Note 6.9 Property, Plant and Equipment</b> Audit testing identified that an asset for £2.54 million had been incorrectly reclassified from Assets Under Construction to Other Land and Buildings. As the asset was not yet in use, this should have remained in Assets Under Construction at the year end. The financial statements were amended to move the asset back to Assets Under Construction. There was no net effect on the Balance Sheet as a result of this but £53k of depreciation was reversed as a result, which was amended in the I&E and other primary statements.	To ensure the accuracy of the financial statements.
£2.76 million (No overall effect on the primary statements)	<b>Note 6.9 – Capital Commitments</b> The management contract for the Pentre Awel project was not included in the draft financial statements as a Capital Commitment. Note 6.9 was amended to include a Capital Commitment of £2.76 million for this. As this note is a disclosure for information purposes only, there is no impact on the Balance Sheet or Income & Expenditure of the Authority.	To ensure that the financial statements disclose a complete list of future capital commitments.
£1.34 million (No overall effect on the primary statements)	<b>Note 6.16 Short Term Debtors and Note 6.20 Provisions</b> Note 6.20 (Provisions) included £1.34 million of Bad Debt Provisions which should have	To ensure the financial statements accurately reflect the classification of balances.

Value of correction	Nature of correction	Reason for correction
	<p>been netted off Debtor balances in Note 6.16 as per the Code. The financial statements were amended for this.</p> <p>There was no overall impact on the primary statements as a result of this reclassification.</p>	
<p>Various (No overall effect on the primary statements)</p>	<p><b>Note 6.15 (Inventories)</b> Donated PPE stocks were included in the draft financial statements. However, the Council identified that masks had been included at a cost of 60p rather than 6p. The narrative in Note 6.15 was amended to reflect the amounts distributed to and held for external organisations at year end (distributed was decreased from £2.79million to £2.14 million and held at year end was decreased from £0.706 million to £0.535 million). As this was a disclosure, there was no net effect on the primary statements.</p>	<p>To ensure the accuracy of the financial statements.</p>
<p>£1.6million (No overall effect on the primary statements)</p>	<p><b>Note 6.19 Short Term Creditors</b> The authority has reclassified the table in Note 6.19 for 2021-22, adding additional lines to disaggregate Dyfed Pension Fund and Trust Funds. However, the figures for Trust Funds have been included in the incorrect years (ie. the 2021-22 figure is shown as the 2020-21 figure and vice versa). For both years, as the 'Other' line is a balancing entry, there is no impact on the total of the note or the Balance Sheet total.</p>	<p>To ensure the financial statements accurately reflect the classification of balances.</p>
<p>£0.513 million</p>	<p><b>Note 6.20 Provisions and Note 6.22 Earmarked Reserves</b> Note 6.20 (Provisions) included a provision for £0.513 million which should have been included in Note 6.22 Earmarked Reserves. The financial statements were amended to move the balance from provisions to reserves. There was no net effect on the</p>	<p>To ensure the financial statements accurately reflect the classification of balances.</p>

Value of correction	Nature of correction	Reason for correction
	Balance Sheet as a result of this but this did impact the I&E and other primary statements.	
£1.83 million (No overall effect on the primary statements)	<p><b>Note 6.25 Revaluation Reserve and Note 6.26 Capital Adjustment Account</b></p> <p>Audit testing identified a difference of £1.83 million between the Revaluation Reserve and the supporting Asset Management System as a result of the incorrect recording of a disposal.</p> <p>Note 6.25 Revaluation Reserve and Note 6.26 Capital Adjustment Account were amended to correct for this, with no overall net effect on Balance Sheet or the other primary statements.</p>	To ensure the accuracy of the financial statements.
£0.7million (No overall effect on the primary statements)	<p><b>Note 8.6 Capital Expenditure</b></p> <p>Note 8.6 was amended to reclassify £0.7million of Capital Expenditure which had been included in Dwelling expenditure rather than Other expenditure. There was no overall impact on the total.</p>	To ensure the financial statements accurately reflect the classification of expenditure.
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.



Audit Wales

24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.