



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Audit of Financial Statements Report

## **Isle of Anglesey County Council**

**Audit year:** 2012-13

**Issued:** September 2013

**Document reference:** C13317

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The Appointed Auditor is currently considering the form of his audit opinion on your financial statements in the light of the issues identified regarding the valuation of the pensions liability within the Statements of Account. If these issues are resolved, the Appointed Auditor's intends issue an unqualified audit report on the financial statements. There are some issues to report to you prior to their approval.

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# Summary report

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## Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Isle of Anglesey County Council (“the Council”) at 31 March 2013 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for the Isle of Anglesey County Council are £2,199,000 for income and expenditure items and working capital balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Isle of Anglesey County Council, for 2012-13, that require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2013 on 28 June 2013, and at the date of our presentation of this report the following were outstanding:
  - Pension scheme membership data testing
  - Manual journals testing
  - Resolution of issues arising from our initial testing of completeness of accruals and accounts payable
  - Testing of the HRA subsidy and reconciliation
  - Final responses to queries on the accounts from the audit team
  - Completion of our work on key judgemental provisions in the accounts in respect of equal pay claims
  - Completion of remaining Whole of Government Accounts procedures
  - Audit completion procedures

We will update the Audit Committee on the progress of these matters verbally on 24 September 2013.

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7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the s.151 officer, Clare Williams.

## Proposed audit report

8. The Appointed Auditor is currently considering the form of his audit opinion on your financial statements in the light of the issues identified regarding the valuation of the pensions liability within the Statements of Account. If these issues are resolved, the Appointed Auditor's intends issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

10. We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

#### Cost of services expenditure

DR Council fund	£126,000
CR Cost of services (expenditure)	£126,000

*A trivial £256 error was identified in our testing of cost of services expenditure which related to the 2011/12 period. Were the same rate of error to be replicated across cost of services expenditure, it would give rise to an extrapolated value of £126,000.*

#### Completeness of accruals and accounts payable

DR Cost of services (expenditure)	£402,000
CR Accruals	£402,000

*Four trivial errors totalling £17,058 (out of a sample of 14 items) were identified in our testing invoices posted after the year end date for the completeness of accruals and accounts payable. Were the same rate of error to be replicated across our test population, it would give rise to an extrapolated value of £385,000.*

#### Income recognised in error, or miscoded

DR Cost of services (income)	£178,000
CR Cost of services (expenditure)	£85,000
CR Short term debtors	£93,000

Three trivial errors totalling £39,317 (out of a sample of 42 items) were identified in our testing grant income received in year, representing an internal recharge recognised within the balance in error, an overpayment against purchase invoices posted to income in error, and income from another council which is currently being disputed by them. Were the same rate of error to be replicated across our test population, it would give rise to an extrapolated value of £138,000.

## Corrected misstatements

11. There are 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. They are set out with explanations in [Appendix 3](#).

## Significant audit risks

12. In our Financial Audit Strategy, we set out information regarding the significant audit risks that were identified during the audit planning process. The table below sets out the outcome of our audit procedures in respect of those risks

Risks	Action taken
<p><b>Revenue and expenditure recognition</b></p> <ul style="list-style-type: none"> <li>There is a specific risk that the Council could manipulate the income it records for capital or revenue grants where there is no substance behind the transaction, before it is entitled to recognise the income, or before the associated terms and conditions of the grant have been met in order to accelerate revenue recognition and achieve a more favourable result for the year.</li> <li>We consider that there are further specific risks around the completeness and accuracy of accruals, and cutoff procedures whereby the Council could manipulate its recognition of expenditure by recognising expenditure inaccurately or incompletely, or in the</li> </ul>	<p>We have understood and evaluated the controls in place to mitigate this risk and:</p> <ul style="list-style-type: none"> <li>evaluated key controls to confirm our understanding of the design of the control;</li> <li>tested key reconciliations;</li> <li>tested that the Council was entitled to include income recognised in respect of grants funding in its accounts; and</li> <li>tested that transactions that occurred around year-end were recorded completely, accurately and appropriately classified within the financial year to which they related.</li> </ul> <p>We have considered the accounting policies adopted by the Council and subjected income and expenditure to an appropriate</p>

<p>incorrect accounting period in order to achieve a more or less favourable result for the year.</p>	<p>level of testing. We have also considered the work we undertook in relation to the risk of management override of controls (see below). We have identified misstatements as a result of our testing (see below, and appendix 3).</p>
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>In any organisation, management may be in a position to override the financial controls that you have in place. A breach of controls of this nature may result in a material misstatement.</li> </ul>	<ul style="list-style-type: none"> <li>We understood and evaluated internal control processes and procedures as part of our planning work.</li> <li>We reviewed and tested the appropriateness of a sample of manual journals processed during the year.</li> <li>We looked carefully at management estimations and considered if they were subject to bias.</li> <li>We understood the business rationale for significant transactions which appeared out of the normal course of business.</li> <li>Our audit procedures also included an unpredictable element that varies year on year.</li> </ul> <p>We have not identified any misstatements as a result of our testing to date.</p>
<p><b>Management's estimates</b></p> <ul style="list-style-type: none"> <li>There are a number of management estimates in the financial statements that, given their judgmental nature, may be materially misstated. These may include the Equal Pay / Single Status provision, general provisions such as for bad debts, holiday pay accruals, and the provision for landfill liabilities in respect of Penhesgyn.</li> </ul> <p>We have previously proposed adjustments in respect of the Penhesgyn and Equal Pay / Single Status provisions approaching our materiality threshold, and there is therefore a risk that any such adjustments proposed in future could be material.</p>	<ul style="list-style-type: none"> <li>We prioritised the audit work on the key judgement areas to ensure that issues arising were considered as early as possible. See below for our consideration of key management estimates and our work on them.</li> </ul> <p>As a result of our testing, management proposed to adjust the landfill provision and valuation estimates (see below, and appendix 3). Our work in respect of equal pay claims is ongoing and may result in further adjustments.</p>
<p><b>Accounts preparation</b></p> <ul style="list-style-type: none"> <li>Difficulties in filling positions permanently in the Finance Team had an adverse effect on the Council's accounts production process in</li> </ul>	<p>We worked closely with management in order to monitor the progress made in the preparation and production of the 2012/13 accounts. Staff were successful in meeting the relevant deadlines.</p>

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2009/10 and 2010/11. Experienced interim staff were successful in meeting all deadlines in 2011/12. Some key accounting roles continue to be undertaken by interim staff but the position of s151 officer has now been substantively filled. It is essential that the performance of 2011/12 is continued and that sufficient and appropriate resources are dedicated to the production of the statutory accounts in accordance with required timetables.

We identified one issue regarding the accounts production process which we consider to be a material control weakness, and have reported this below.

**New housing rent and general ledger system**

- The Council implemented a new housing rent system in November 2012, and will be implementing a new general ledger system in April 2013. There is a risk that the transition process may give rise to potential issues, such as data transfer being inaccurate or incomplete.

The Council's internal auditors reviewed the transfer process from the old housing rent system to Orchard and have tested the accuracy of records transferred, noting one issue regarding logical access rights to the system by a number of users. This did not have an impact on the work we have performed around housing rents.

We undertook substantive analytical work over the housing rental income numbers, . Our approach did not require reliance to be placed on the controls in the new housing rent system (Orchard).

The Council's internal auditors have reviewed the transfer process to the new general ledger system, noting no significant issues.

The Council's old general ledger system (Finance Link) was used to produce the statements of account. The work we have undertaken on the Council's new general ledger system (Civica) was limited to assessing the validity of any reports we required of it. We did not identify any exceptions as a result of this testing.

## Expenditure recognition – completeness of accruals

13. Following the identification of the completeness of accruals as one of our specific risks, we undertook procedures designed to identify any unrecorded liabilities.
14. Our sampling identified 4 errors in a test population of 14 postings to the accounts payable ledger after the year end date. At the date of writing, the Council is currently reviewing invoices posted after the year end to ascertain whether any further items of

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expenditure should be accrued: the audit team will then perform the test again. We will update the audit committee verbally on 24 September as to the results of this work.

## Significant estimates

15. During the course of our audit we undertook specific procedures in respect of areas subject to estimation risk.

## Fixed asset valuations

16. The Council revalued a proportion of its fixed asset portfolio at 1 April 2012 in accordance with its accounting policy to revalue assets on a rolling five year basis. Our audit focussed on the robustness of the calculations performed by the Council's qualified internal valuer and the assumptions used in the valuation.
17. For the assets formally revalued by the Council, we identified an error of £472,000 relating to the Methane Production Facility based at Penhesgyn, the value of which had been overstated. Further, based on an error in the methodology used in their calculation, the value of Investment Properties was understated by £352,000. Each of these errors have been adjusted for in the final financial statements.
18. At our request, the Council undertook an indexation exercise to update the value of those significant categories of land and property (not formally valued in year) to 31 March 2013 as well as to update the value of those assets valued at 1 April 2012. This resulted in a reduction in the value of Council Dwellings of £2.5m based on a 3.5% fall in the average value of right-to-buy dwellings on the Isle of Anglesey since the point of last formal valuation (1 April 2010). The value of Land and Buildings increased by £6.7m following increases in the building indices (BCIS) which underlie such valuations. The Council have adjusted these changes in their statements of account.
19. We noted in the previous year that the Council uses the Beacon approach to value its council housing stock, which involves selecting a number of 'beacon' properties which are representative of differing categories or tiers of social housing, valuing them, and then applying this value to each tier respectively.
20. In order to reflect the difference between private housing and social housing (such as council dwellings) where tenants have much greater rights, under the Beacon approach an adjustment factor is applied.
21. At the time of the last formal valuation there was no data on adjustment factors available for Wales, so the Council selected a comparator region (Yorkshire and Humberside) and applied this adjustment factor of 31%.
22. A research paper, published by DVS (public sector valuation specialists) in April 2011, provided indicative information on adjustment factors for the Welsh regions, and the factor given for North and North-East Wales was 39%. This paper has not however yet been incorporated within any formal guidance.
23. A 1% change in the adjustment factor applied would have a material impact on the value of council dwellings. The Council therefore carefully considered which adjustment factor to apply, concluding that the research paper had not undergone

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sufficient consultation and validation in order for it to be relied upon for such a significant change to their statement of accounts. It has therefore retained its existing adjustment factor of 31% but has drawn the readers' attention to the research paper in its statement of accounts noting that it could lead to a significant change in the value of its council dwellings in future by approximately £3.4m per 1% difference. We considered this approach reasonable.

### Job evaluation and equal pay liabilities

24. In 1997, local government employers and the trade unions signed the 'Single Status Agreement'. Enshrined in equal pay legislation the agreement committed authorities to undertake equal pay reviews and to introduce non-discriminatory pay structures, addressing the fact that local government employees were employed on differing terms and conditions.
25. In recent years the Council has received equal pay claims and continued to receive further claims during 2012/13. Management have assessed the Council's potential exposure to claims in order to arrive at an estimate of the liability in respect of these legal claims.
26. We have substantively tested the calculations performed by management and discussed the estimate with the s151 officer. We have been informed that the statement of accounts reflects the estimate that management consider to be appropriate based on the information available to them and their intentions in dealing with the claims. Our work in respect of the key judgements within the calculation of the provision is ongoing and we will update the audit committee as to the outcome of this work at the meeting on 24 September 2013.
27. The Council have additionally disclosed a contingent liability in respect of potential equal pay liabilities for which no claims have been received.
28. The Council is currently undertaking its Job Evaluation exercise, but has not yet been able to provide a detailed assessment of its potential liabilities resulting from the requirement to introduce a new pay and grading system with effect from 1 April 2007.
29. Job Evaluation scores associated with posts have been issued to Council Heads of Service, who have responded with a number of questions which the Council are currently addressing. Job Evaluation scores have not yet been issued to individual staff members, or associated with a new pay and grading system.
30. It is possible that the Council may have to recognise a material liability in respect of this exercise. It has a reserve of £2.7m set aside to fund its anticipated costs. As the Council has not yet proposed a new pay and grading system and has not quantified any potential back pay liabilities, no provision has been made in respect of the job evaluation exercise although a contingent liability is disclosed.

### Waste provision

31. The Council has retained a £1.9m provision in the statement of accounts in respect of after-care costs at part of the capped Penhesgyn waste site. The valuation of this

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provision derives from a specialist environmental assessment undertaken in 2008. The assessment projects costs for after-care over a 30 year period for the whole site. However, the Council has only recognised a proportion of these costs in the form of its waste provision for one part of the Penhesgyn waste site.

32. The other part of the Penhesgyn waste site contains facilities to collect and process waste gas generated by decomposition of waste. The estimate undertaken by the specialist for the remainder of the provision has been partly superseded by the capital investment undertaken in order to extract and sell gas. However, the remaining costs, which are revenue in nature, are required to be incurred by environmental legislation and therefore should be provided for.
33. The specialist environmental assessment indicates that the provision which should be recognised by the Council in addition to its existing £1.9m provision is £756,000. This has been calculated on an undiscounted basis, also assuming no inflation.
34. Management have agreed that the provision recognised in the statement of accounts should be increased, and have increased it by £775,000, funded from an earmarked reserve previously established for this purpose.
35. We have undertaken some sensitivity analysis, discounting based on the costs stated in the specialist environmental assessment, applying a number of discount rate and inflation assumptions to give a range of potential provision values. We are satisfied that the Council's amended provision falls within a reasonable range of estimates which are based on a discounted model.

### Pensions

36. Following testing on the completeness and accuracy of membership data provided to the pension scheme, we identified that the membership data used by the actuary may be materially inaccurate.
37. We are currently undertaking further testing to determine the implications of this. We will update the Audit Committee verbally on 24 September 2013.

### Other significant issues arising from the audit

38. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
  - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.

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- **There were no significant matters discussed and corresponded upon with management which we need to report to you other than as set out in this report.**
  - **There is one other matter significant to the oversight of the financial reporting process that we need to report to you.**

*Oversight of the production of the accounts*

We identified a material misstatement through the course of our audit fieldwork of £61.6m (see Appendix 3) which occurred as a result of a member of the finance team reversing internal recharges incorrectly. Whilst it had no effect on the Net Cost of Services, Income and Gross Costs of Services were materially overstated in the draft accounts presented to the audit team.

Additionally, several immaterial errors of a similar nature were identified where opening accruals were incorrectly reversed, or grants income and expenditure were duplicated in error (see Appendix 3).

These issues could have been identified by a more detailed review during the production of the accounts.

We have not identified any further material weaknesses in control, although we have identified several areas in which it would be possible to improve control. These will be reported separately to management.

- **We did not identify any material weaknesses in your internal controls**
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

39. As part of the finalisation process, we are required to provide you with representations concerning our independence.
40. PwC provides grants certification services to the Council which give rise to annual charges of approximately £140,000.
41. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office/PwC and the Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

# Appendix 1

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## Final Letter of Representation

(Audited body's letterhead)

Anthony Barrett  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

PwC  
One Kingsway  
Cardiff  
CF10 3PW

26 September 2013

## Representations regarding the 2012-13 financial statements

This letter is provided in connection with your audit of the financial statements of the Isle of Anglesey County Council for the year ended 31 March 2013 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries and, where appropriate, inspected supporting documentation 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 CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for 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;

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- 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 the Isle of Anglesey 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. 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:

### Cost of services expenditure

DR Council fund	£126,000
CR Cost of services (expenditure)	£126,000

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*A trivial £256 error was identified in our testing of cost of services expenditure which related to the 2011/12 period. Were the same rate of error to be replicated across cost of services expenditure, it would give rise to an extrapolated value of £126,000.*

Completeness of accruals and accounts payable

DR Cost of services (expenditure) £402,000

CR Accruals £402,000

*Four trivial errors totalling £17,058 (out of a sample of 14 items) were identified in our testing invoices posted after the year end date for the completeness of accruals and accounts payable. Were the same rate of error to be replicated across our test population, it would give rise to an extrapolated value of £385,000.*

Income recognised in error, or miscoded

DR Cost of services (income) £178,000

CR Cost of services (expenditure) £85,000

CR Short term debtors £93,000

*Three trivial errors totalling £39,317 (out of a sample of 42 items) were identified in our testing grant income received in year, representing an internal recharge recognised within the balance in error, an overpayment against purchase invoices posted to income in error, and income from another council which is currently being disputed by them. Were the same rate of error to be replicated across our test population, it would give rise to an extrapolated value of £138,000.*

Based on progress to date, we are currently unable to make an assessment of our potential liabilities for back pay with respect to the ongoing Job Evaluation exercise.

The 'Other' provision (included in respect of Equal Pay claims) is based on our best estimate of the potential liabilities arising from the settlement of these claims, and that all claims and developments in applicable case law which we are aware of have been taken into account. We confirm that the Council intends to attempt to settle these claims out of tribunal, and that settlements are only to be offered to those claimants who the Council currently considers has a valid claim, and has accordingly made provision in the statements of account for.

We confirm that we are satisfied that the figures given in respect of Fixed Assets and Investment Properties in the Statements of Account represent our best estimate of the value of those assets and that the valuation methods used are appropriate.

The underlying assumptions and membership data used in the actuarial valuation of the pension scheme are appropriate for the Isle of Anglesey County Council.

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## 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 Isle of Anglesey County Council on 26 September 2013.

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

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

Date:

# Appendix 2

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## Proposed audit report of the Appointed Auditor to the Isle of Anglesey County Council

### Independent auditor's report to the Members of the Isle of Anglesey County Council

I have audited the accounting statements and related notes of the Isle of Anglesey County Council for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

The Isle of Anglesey County Council's accounting statements comprise 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.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

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 gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Isle of Anglesey County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of the Isle of Anglesey County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Isle of Anglesey County Council as at 31 March 2013 and of its income and expenditure for the year then ended; and

- 
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

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

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

### **Appointed Auditor**

**Address**

**Date**

## Appendix 3

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### Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

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.

Value of correction	Nature of correction	Reason for correction
£61,580,000	DR Cost of Services (Income) CR Cost of Services (Expenditure)	An error in the reversal of internal recharges within the general ledger resulted in the overstatement of income and expenditure within the cost of services.
£6,710,000	DR Fixed assets CR Revaluation reserve	Based on the upwards indexation for significant categories of other land and buildings since the last formal valuation date.
£2,534,000	DR Capital adjustment account DR Other CIES CR HRA balance CR Fixed assets	Based on the downwards indexation for council dwellings since the last formal valuation date.
£352,000	DR Investment properties CR Financing & investment income and expenditure	Based on the correction of a methodological inaccuracy in the calculation of properties' value.
£775,000	DR Usable reserves CR Provisions	The provision associated with the cost of managing the landfill site at Penhesgyn has been increased to cover the Council's estimate of likely total costs. It has been funded from a usable reserve earmarked for landfill costs.
£643,000	DR Cost of Services (Income) CR Cost of Services (Expenditure)	An error in the re-analysis of costs and income related to grants within the general ledger resulted in the duplication of these costs and within the cost of services.
£472,000	DR Impairment costs CR Fixed assets DR Capital Adjustment Account	The value of the Methane Production Facility at the Penhesgyn landfill site was overstated.

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	CR Council Fund	
£322,000	DR Short term debtors CR Short term creditors	An error in the reconciliation of Council Tax and NNDR debtor balances to the ledger resulted in an over-adjustment to the ledger.
£164,000	DR Short term creditors CR Cost of services (income)	Being the release to CIES of a Supporting People Grant balance incorrectly held as a creditor



WALES AUDIT OFFICE  

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