

Audit of Accounts Report – Flintshire County Council

Audit year: 2021-22

Date issued: January 2023

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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 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Corporate Finance Manager 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 £5,599,000 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 officer remuneration: £1,000
 - Related party transactions: £10,000
- 6 We have now substantially completed this year's audit.
- 7 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 arising and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

Impact of COVID-19 on this year's audit

- 8 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

Timetable	<p>Given the continuing impact of COVID-19 and its ongoing impacts on workloads, the Welsh Government provided flexibility in terms of accounts preparation and audit deadlines:</p> <ul style="list-style-type: none">• The timescale for completing your accounts was revised by the Welsh Government from 31 May to 31 August 2022.• We received the approved draft accounts on 6 July 2022.• Our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2022, then again to 31 January 2023, largely due to a technical accounting issue arising on infrastructure assets affecting all Councils this year (further details of this issue are provided in Exhibit 2 below).• We expect your audit report to be signed on 27 January 2023.
Audit evidence	<p>Audit Wales staff continue to work remotely from Council offices. As a result we have continued to build on our experience in prior years by:</p> <ul style="list-style-type: none">• arranging remote access to the Council's financial systems;• updating our audit deliverables to clarify working paper requirements;• holding weekly Microsoft Teams meetings with officers throughout the audit to discuss progress and emerging issues; and• using a secure remote file transfer portal to safely share information.
Electronic signatures	<p>Given the current hybrid/remote model for Governance & Audit Committee meetings, it may be difficult to arrange for the signing and certification of the accounts in hard copy. We will accept electronic signatures from you.</p>

Proposed audit opinion

- 9 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

- 14 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention, and they are set out with explanations in Appendix 3.

Other significant issues arising from the audit

- 15 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were two issues arising in these areas this year as detailed in **Exhibit 2**.

Exhibit 2 – significant issues arising from the audit

Area	Issue identified	The way forward
Uplifts to property assets valuations	<p>The Council normally values its property asset portfolio every five years on a rolling basis, in line with CIPFA’s Code (the Code). However, the Code also requires Councils to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, assets valued under the depreciated replacement cost method, or the existing use value for Social Housing method, would likely be subject to material increases in value during 2021-22. As a result, the Council undertook an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p> <p>We are satisfied that by following this approach, the values of such property assets in the 2021-22 accounts are reasonable in all material respects. The values of the corrections arising from this exercise are set out in Appendix 3.</p>	See recommendation at Exhibit 5 in Appendix 4 .
Changes to accounting and disclosure of infrastructure assets	<p>In common with other local authorities, the Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.</p> <p>The Authority has not disclosed gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.</p> <p>The reliefs are a temporary expedient that are intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.</p>	No further action required – matter disclosed for information only.

Recommendations

- 16 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them, and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

25 January 2023

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 Flintshire 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; in particular the financial statements give a true and fair view in accordance therewith;
- 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 Flintshire 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.

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.

Representations by Flintshire County Council

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 25 January 2023.

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:

Gary Ferguson
Corporate Finance Manager
25 January 2023

Signed by:

Sally Ellis
Chair of the Governance and Audit
Committee
25 January 2023

Appendix 2

Proposed Audit Report

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

Opinion on financial statements

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Movement in Reserves Statement, the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes.

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 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council and Flintshire County Council's Group 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 UK adopted 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 Flintshire County Council and the group 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 Flintshire County Council and the group'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 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 Flintshire County Council and the group 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 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group financial statements, 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 Flintshire County Council's and group'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 Flintshire County Council and group'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 following areas: posting of unusual journals, reviewing accounting estimates for biases and evaluated the rationale for any significant transactions outside the normal course of business.
- Obtaining an understanding of Flintshire County Council and group's framework of authority as well as other legal and regulatory frameworks that Flintshire County Council and group 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 Flintshire County Council and group.

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
- 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 Flintshire County Council and group'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.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council and group 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
January 2023

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 3: Asset valuations - summary of corrections made

Value of correction	Nature of correction	Reason for correction
£42,484,000	<p>Expenditure and Funding Analysis Adjustment between Funding and Accounting Basis has increased from £16,329,000 to (£26,155,000) with a subsequent increase in Net Expenditure.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p>Comprehensive Income and Expenditure Statement Gross Expenditure decreased by £42,484,000 from £509,255,000 to £466,771,000 with a subsequent decrease in Net Expenditure.</p> <p>(Surplus)/Deficit on revaluation of non-current assets increased by (£106,020,000) from (£9,497,000) to (£115,517,000).</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p>Movement in Reserves Statement Total comprehensive income and expenditure increased from £96,972,000 to £245,476,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p>Balance Sheet Council Dwellings increased by £46,516,000 from £227,606,000 to £274,122,000.</p> <p>Other Land & Buildings increased by £101,988,000 from £352,655,000 to £454,643,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).

	<p>Revaluation Reserve increased by £106,020,000 from £120,882,000 to £226,902,000.</p> <p>Capital Adjustment Account increased by £42,484,000 from £350,805,000 to £393,289,000.</p>	
No overall impact	<p>Cash Flow Statement Net surplus or (Deficit) on provision of services increased by £42,484,000 from (£872,000) to £41,612,000.</p> <p>Adjustment to surplus or deficit on the provision of services for non-cash movements decreased by £42,484,000 from £108,446,000 to £65,962,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£46,516,000	<p>Note 8 Property, Plant & Equipment. Council Dwellings Net Book Value increased from £227,606,000 to £274,122,000.</p>	To correctly reflect the value of Council Dwellings as a result of significant fluctuations in building costs within the 2021-22 financial year.
£101,988,000	<p>Note 8 Property, Plant & Equipment Other Land & Buildings Net Book Value increased from £352,655,000 to £454,643,000.</p>	To correctly reflect the value of Council Dwellings as result of significant fluctuations in building costs within the 2021-22 financial year.

The above amendments also impacted on:

- Notes 1, 3, 7 and 22;
- The Housing Revenue Account Comprehensive Income and Expenditure Statement;
- The Housing Revenue Account Movement in Reserves Statement;
- The Group Movement in Reserves Statement;
- The Group Comprehensive Income and Expenditure Statement;
- The Group Balance Sheet;
- The Group Cash Flow Statement; and
- Note 1 to the Group Accounts, Property Plant & Equipment.

Exhibit 4: Other issues identified - summary of corrections made

Value of correction	Nature of correction	Reason for correction
Disclosure only	<p>Note 8 Property, Plant & Equipment Removal of Infrastructure Assets column in the main disclosure table and inclusion of a separate disclosure note regarding the assets</p>	To comply with updated disclosure requirements following changes to the CIPFA Code and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
£511,000 and (£627,000)	<p>Note 28 Related Parties Officer Payments has been increased from £0 to £511,000. Officer Receipts have been decreased from £702,000 to £74,000.</p>	To correctly reflect transactions with GwE that are not disclosed within Note 18 Grant Income.
Disclosure only	<p>Note 42 Financial Instruments Long Term Investments table on page 64 has been replaced.</p>	To correctly reflect the counterparty investment timings and limits contained within the Treasury Management Strategy.

Appendix 4

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow these up next year and include any outstanding issues in next year's audit report:

Exhibit 5: matter arising

Matter arising – Property asset valuations	
Findings	<p>The Council values its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also requires Councils to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, assets valued under the depreciated replacement cost method, or the existing use value for Social Housing method, would likely be subject to material increases in value during 2021-22</p> <p>As a result, the Council undertook an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p>
Priority	High
Recommendation	<p>The Council should include an overall review of property asset values using information such as the Building Cost Information Service (BCIS) data, as part of the annual valuation process, to ensure that the carrying value of assets not valued in the year are not materially different to current value as at the year-end.</p>
Benefits of implementing the recommendation	<p>By building this review into asset valuation process and making any required amendments to asset values (for assets not formally valued in year), the Council will ensure its property asset values are not materially misstated.</p>

Accepted in full by management	Yes
Management response	TBC
Implementation date	31 March 2023



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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.