

## Audit of Accounts Report – City and County of Swansea

Audit year: 2021-22

Date issued: March 2023

Document reference: 3426A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

## Audit of Accounts Report

Introduction	4
Infrastructure assets	4
Proposed audit opinion	5
Significant issues arising from the audit	5
Recommendations	6
Appendices	
Appendix 1 – Final Letter of Representation	7
Appendix 2 – Proposed Audit Report	10
Appendix 3 – Summary of corrections made	15

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 statement of accounts in this report.
- 2 We have already discussed these issues with the Director of Finance and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £10.37 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 officers' remuneration £1,000
  - Related party transactions for members and senior officers £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.

## Infrastructure assets

- 8 In common with other local authorities, the City and County of Swansea 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.
- 9 The Council 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.
- 10 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.
- 11 **Exhibit 1** shows the impact of this issue on the audit timetable.

## Exhibit 1 – impact of national issues on this year’s audit timetable

<b>Timetable</b>	<p>Given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the audit of infrastructure assets, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"><li>• the timescale for completing your accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022;</li><li>• we received the draft accounts on 16 November 2022, 11 weeks after the revised deadline;</li><li>• our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023; and</li><li>• we expect your audit report to be signed on 31 March 2023.</li></ul>
------------------	---

## Proposed audit opinion

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

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 During our audit, three misstatements were identified in the statement of accounts which have been discussed with management, but management have chosen not to adjust. We do not consider these to be material to our audit opinion.
- 16 The Council’s 2020-21 statement of accounts received a qualified audit opinion, because the historic cost depreciation transfer between the revaluation reserve and capital adjustment account for revalued assets had not been accounted for in accordance with the requirements of the Code of Practice on Local Authority Accounting. This resulted in both unusable reserves being potentially materially misstated which the Council were unable to accurately quantify. Although the Council has undertaken a review in 2021-22 to quantify and correct the misstatement, until all affected assets have been revalued over the Council’s five-year revaluation programme, the misstatement will not be fully corrected. The work

the Council has undertaken in 2021-22 has substantially assured me that the remaining misstatement is not material.

- 17 The Council's debtor with the Welsh Government in respect of national domestic rates (NDR) income due to the Council is overstated by £3.9 million. The debtor incorrectly included £1.2 million relating to a prior year debt for Wales retail relief which had been previously reimbursed and £2.7 million due to a mis-posting of high street relief in prior years. There is a corresponding overstatement in income of £3.9 million which the Council will correct in 2022-23 by a transfer from reserves.
- 18 The debtors balance includes £787,000 as a payment in advance for hotel services to be provided in 2022-23. As the payment was not made until April 2023, this is not a payment in advance and the debtors balance is overstated. The creditors balance is correspondingly overstated.
- 19 Whilst Auditing Standards require us to request that these are corrected, we accept management's view that given the number of entries required to amend the statements for relatively low values and the timescale for closure of the audit, there is little benefit in amending the statement of accounts. We request that the Council considers approving management's rationale for this and include this in the Letter of Representation.

## Corrected misstatements

- 20 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

- 21 During the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

## Recommendations

- 22 Following the audit certification by the Auditor General, we will continue to work with the Council's finance team to further improve the accounts production process for 2022-23.

# Appendix 1

## Final Letter of Representation

### The City and County of Swansea Letterhead

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

30 March 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements of the City and County of Swansea 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 CIPFA 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; 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 the 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. A summary of these items is set out below:



- the Council's 2020-21 statement of accounts received a qualified audit opinion because the historic cost depreciation transfer between the revaluation reserve and capital adjustment account for revalued assets had not been accounted for in accordance with the requirements of the Code of Practice on Local Authority Accounting. This resulted in both unusable reserves being potentially materially misstated which the Council were unable to accurately quantify. Although the Council has undertaken a review in 2021-22 to quantify and correct the misstatement, until all affected assets have been revalued over the Council's five-year revaluation programme, the misstatement will not be fully corrected. The work the Council has undertaken in 2021-22 has substantially assured me that the remaining misstatement is not material.
- the Council's debtor with the Welsh Government in respect of national domestic rates (NDR) income due to the Council is overstated by £3.9 million. The debtor incorrectly included £1.2 million relating to a prior year debt for Wales retail relief which had been previously reimbursed and £2.7 million due to a mis-posting of high street relief in prior years. There is a corresponding overstatement in income of £3.9 million which the Council will correct in 2022-23 by a transfer from reserves.
- the debtors balance includes £787,000 as a payment in advance for hotel services to be provided in 2022-23. As the payment was not made until April 2023, this is not a payment in advance and the debtors balance is overstated. The creditors balance is correspondingly overstated.

## Representations by the City and County of Swansea

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 Members of the City and County of Swansea on 30 March 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:

Director of Finance

Date: 30 March 2023

Signed by:

Leader of the Council – signed on behalf of those charged with governance

Date: 30 March 2023

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the members of the City and County of Swansea

#### Opinion on financial statements

I have audited the financial statements of:

- the City and County of Swansea; and
- the City and County of Swansea Group

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

The City and County of Swansea'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, the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The City and County of Swansea'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, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of the City and County of Swansea and the City and County of Swansea 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 the Council and its 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 City and County of Swansea and the group'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 statement of accounts 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; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

In the light of the knowledge and understanding of the City and County of Swansea 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, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City and County of Swansea'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 the City and County of Swansea's and the 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 and those charged with governance, relating to the City and County of Swansea 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: revenue recognition, posting of unusual journals.
- obtaining an understanding of the City and County of Swansea and group's framework of authority as well as other legal and regulatory frameworks that the 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 the 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 about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Cabinet and 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 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 the City and County of Swansea 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](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 the City and County of Swansea 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  
31 March 2023

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

# Appendix 3

## Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Disclosure only	<b>Note 14 Property plant and equipment</b> The movements in the net book value of infrastructure assets disclosed gross cost and accumulated depreciation. The disclose was amended to take advantage of the temporary reliefs in the Update to the Code and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.	To correctly disclose movements in the net book value of infrastructure assets in line with the Code update and Regulations.
£284,851,000	<b>Leasing – Council as lessor</b> The minimum income the Council was committed to receive under operating leases for land and buildings was not disclosed in the draft statement of accounts.	To comply with CIPFA disclosure requirements.
Disclosure only	<b>Note 27a Officers Remuneration</b> The remuneration disclosed for the Chief Executive exceeded £150,000 but the Chief Executive was not named as required by the Accounts and Audit (Wales) Regulations 2014.	To comply with the disclosure requirements of the Accounts and Audit (Wales) Regulations 2014.

Value of correction	Nature of correction	Reason for correction
Disclosure only	<b>Note 27b Remuneration bands</b> The number of employees included in the remuneration bandings was based on actual salaries received rather than on FTE salary for employees who are on part-time contracts.	To correctly disclose the number of employees whose remuneration exceeded £60,000.
Remuneration ratio from 6.1 to 6.3 Median salary from £24,491 to £ 25,600	<b>Note 27b Remuneration ratio</b> The remuneration ratio and median salary disclosed were not calculated on the correct basis.	To correctly disclose the remuneration ratio and median salary.
£466,000	<b>Note 28 Grant income</b> Education grant income in respect of teachers' pay awards was disclosed twice in Note 28 rather than in other grants.	To correctly disclose grant income received in the year.

There have also been a number of minor amendments and disclosure updates as a result of our work.







Audit Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

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.