WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Powys County Council

Audit year: 2010-11

Issued: September 2011

Document reference: 510A2011

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

Status of report

The team who delivered the work comprised:
John Herniman – Appointed Auditor
Mike Jones – Audit Manager
Helen Pugh – Financial Audit Team Leader
and the West Wales financial audit team

This document has been prepared for the internal use of Powys County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

Contents

The Appointed Auditor intends to issue an unqualified audit report on your financial statements.

Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys County Council (the Council) at 31 March 2011 and its income and expenditure for the year then ended.
2. We received the draft financial statements for the year ended 31 March 2011 on 4 July 2011 and have now substantially completed the audit work. 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 officers.
3. 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.
4. The quantitative levels at which we judge such misstatements to be material for the Council are £3.5 million for income and expenditure items and working capital balances, and £5.2 million for other 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.

Proposed audit report

5. It is the Appointed Auditor's intention to 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.
6. The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

7. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

8. 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.

Other issues arising from the audit

9. 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 some concerns about the qualitative aspects of your accounting practices and financial reporting.

10. The requirement for all Local Government bodies to adopt the International Financial Reporting Standards for the first time, has resulted in 2010/2011 being a very challenging year for the Council and particularly its Finance staff. This had a corresponding impact on the accounts production and audit processes.

11. The Statement of Accounts for 2010-11 was the first to be prepared in accordance with IFRS and the conversion of the Council's Statement of Accounts, required a significant amount of work over and above the standard accounts preparation process. This process was challenging and took considerable time and effort from officers and audit staff.

12. The delays encountered during the year, also had an impact on the accounts production process at year end, where the Council own closedown plan slipped and although the Council did well to achieve the statutory deadlines, the work went right up to the deadline, and consequently some of the robust quality assurance checks that we would expect may not have been fully completed.

13. The accounts are supported by the underlying accounting records and detailed working papers that, in the main, were fit for purpose. However, there were a number of instances where the working papers were not always reliable, comparable or easy to understand and therefore could be strengthened, particularly in relation to capital, both in terms of financing and accounting for fixed assets. This resulted in significant additional time being needed to audit this area.

14. Several amendments were made during the audit process (Appendix 3), with the main issues arising centring around fixed assets accounting and disclosures. Following the amendments made during the audit, we concluded that the accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

15. Given the challenges will continue to exist and impact on both the closedown and audit process for 2011/12, we will work closely with officers to ensure that effective arrangements are put in place in terms of timetable, working papers and working arrangements between departments and audit.

We did not encounter any significant difficulties during the audit although further improvements are needed to the process for 2011/12

16. We generally received information in a timely and helpful manner and we were not restricted in our work. Given the challenges we have reported above we would take this opportunity to thank the Council's finance staff for their professional and helpful manner during the audit process.

There are no significant matters discussed and corresponded upon with management which we need to report to you.

17. No significant matters were discussed and corresponded upon with management during our audit.

There are no other matters significant to the oversight of the financial reporting process that we need to report to you.

18. No other matters significant to the oversight of the financial reporting process at the Council were identified during our audit.

We did not identify any material weaknesses in your internal controls

19. No material weaknesses in the Council's internal controls were identified during our audit.

Appendix 1

Geoffrey Petty, Director of Finance and Infrastructure / Cyfarwyddwr Cyllid a Seilwaith

County Hall / Neuadd y Sir,
Llandrindod Wells,
Powys.
LD1 5LG

Tel / Ffôn: 01597 - 826490
Fax / Ffacs: 01597 - 826290
Mobile / Ffon symudol:
Email /Ebostice
carl.leah@powys.gov.uk

John Herniman
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Your ref / Eich cyf:
Our ref / Ein cyf
FCP/CL//DS
Date / Dyddiad: 29 Sept 2011

Representations regarding the 2010-11 Financial Statements

This letter is provided in connection with your audit of the financial statements of **Powys County Council** for the Year ended 31st Match 2011.

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 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;

- 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 Powys 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;
- the identity of all related parties and all the related party relationships and transactions of which we are aware;and
- our knowledge of all possible and actual instances of irregular transactions.

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.

Representations by Audit Committee

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 Audit Committee on 29th September 2011.

Signed by:	Signed by:
Geoff Petty	Sandra Davies
S151 Officer	Chair of Audit Committee
Date:	Date:

Appendix 2

Independent auditor's report to the Members of Powys County Council

I have audited the accounting statements and related notes of:

- Powys County Council and
- Powys Pension Fund

for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

Powys 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.

Powys Pension Fund's accounting statements comprise the Fund Account and the Net Assets 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 2010/11 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 set out on page 18, 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 Powys County Council' and Powys pension Fund'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 Powys County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2011 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 2010-11.

Opinion on the accounting statements of Powys Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Powys Pension Fund during the year ended 31 March 2011 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

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 Powys 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.

John Herniman
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

30 September 2011

Appendix 3

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.

Ex	Value of correction £'000	Nature of correction	Reason for correction
37		**Note 7 – Adjustments between accounting basis and funding basis under regulations** Correction of entry for 2009/10 Unusable Reserves for Employers' pensions contributions and direct payments to pensioners payable in the year.	Incorrectly shown as a debit entry – amended to a credit entry.
38		**Note 17 – Financial Instruments** Long term creditors and provision do not agree to the Balance sheet and Note 23 respectively	For clarity between the Balance Sheet and Note 23 with Note 17.
52	179	**Note 50 – Transition to IFRS** Revised 1 April 2009 balances to be adjusted: • Short Term borrowing understated and should be: -£5,189k; • Short Term Creditors overstated and should be: -29,723k.	Incorrect classification.
59		**Annual Governance Statement** Additional clarification note required regarding Powys One Plan.	Review of Corporate Governance does not make it clear that the Powys One Plan does not become operational until 30 Sept 2011, therefore has not effectively contributed to Corporate Governance in 2010/11.
60		**Annual Governance Statement** Additional note regarding the Scrutiny Committee.	As Scrutiny Committees are not held at regular intervals throughout the year – this should be reflected in the note.
63		**Accounting Policies – Cash & Cash Equivalents** The current note needed to be expanded to explain the policy adopted at Powys CC.	The note does not sufficiently explain the accounting policy in adopted for Cash and Cash Equivalents.

Ex	Value of correction £'000	Nature of correction	Reason for correction
64	356	**Note 27 Cashflow Statement – Investing Activities** Purchase of property, plant and equipment, investment property and intangible assets understated should be £19,202,000.	Purchase of property, plant and equipment, investment property and intangible assets incorrectly accounted for.
66		**Note 37 – Grant Income** Amend the note's heading for clarity.	Note: heading in the accounts is misleading.
70		**Note 17 Financial Instruments**	The analysis of balances against 'financial liabilities at amortised cost' and 'finance leases' is incorrect - it appears that the figures have moved down a line and therefore need to be adjusted.
74		**Note 12 Property Plant & Equipment** Correct figures in the note for 2010/11. • Impairment charge recognised in revaluation reserve -£8,200k, should be -£1,388k; • (reduction of £6,925k to reflect netting off) (increase of £113k to reflect final asset register); • Impairment charge recognised in CIES -£7,190k, should be -£967k (reduction of £6,073k to reflect netting off) (reduction of £150k to reflect final asset register); • Impairment reversals recognised in revaluation reserve £9,301k, should be £1,101k (reduction of £8,200k to reflect netting off); • Impairment reversals recognised in CIES £5,235k, should be £437k (reduction of £4,798k to reflect netting off); • adjustments also needed to remove the £54k included under community assets (all to reflect netting off); • the same error applies to 2009-10; adjustments are also required to the 2009-10 comparative figures.	Review of impairments within the fixed asset notes and agreement of asset register entries to the fixed asset note, identified an issue with the analysis of impairments within the note itself. When a downward revaluation is actioned in the asset register, the asset register also creates an impairment for the same amount (within the impairment column) and a write-off of impairment for the same amount (within the w/o impairment column). For these assets the only movement that has occurred is a downward revaluation - the impairment and write-off of impairment being incorrect and should be netted off against each other. However, the authority has included these entries gross within the fixed asset note as impairment charges and write-off of impairments. Whilst the net overall movement is correct, the individual figures need to be amended to reflect true impairment movements.
76		**Capital Financing Requirement** Due to the error in calculation of the opening	Incorrect calculation of opening and closing Capital Financing

Ex	Value of correction £'000	Nature of correction	Reason for correction
		CFR figure, the in-year general fund MRP charge is also incorrect. The authority figure is £6,347k whilst the WAO calculated figure on the revised CFR is £6,277k - a difference of £70k. Authority to provide final revised CFR/MRP calculation.	Requirement. The authority has not recalculated the opening CFR on the restated IFRS balance sheet. The authority have used the closing 09-10 audited accounts figures to calculate the CFR. The authority has not recalculated the closing CFR on the restated IFRS balance sheet. The authority have used the closing 09-10 audited accounts figures to calculate the opening CFR which has then incorrectly fed into the closing CFR calculation.
77		**Explanatory Foreword** Notes to be expanded on loans policy and 2011/12 capital expenditure budget.	For completeness and as recommended by the Code of Practice.
78		**Explanatory Foreword** A number of figures quoted in the Explanatory foreword do not agree with the notes to the accounts.	Completeness and consistency
80	800	**Note 17 Long Term & Short Term Investments** Overall result of misclassification of investments is that Long Term Investments are overstated by £800k and Short Term investments understated by £800k.	Incorrect classification of investments.
83	90 41	**Note 22 Short Term Creditors** Creditors have been overstated. **Note 19 Short Term Debtors** Debtors have been overstated.	Amounts incorrectly accounted for.
85	Various	**HRA Income & Expenditure & supporting notes** The following issues have been identified: • HRA note 3 Housing Revenue Account Capital Expenditure: The figure for dwellings enhancing costs should be £4,145k. The figure for dwellings impairments should be £4,145k. The figure for depreciation should be	Errors identified in capital accounting entries that relate to HRA. Ensure that supporting and HRA figures agree.

Ex	Value of correction £'000	Nature of correction	Reason for correction
		£2,286k; All figures will then agree with those disclosed for council dwellings included in Fixed Assets Note 12. • Note 7 IFRS transition note: Both lines within the note for IAS 20 deferred Government grants £3,700k should be removed. The totals of each section of the note would then be deficit on HRA services -£2,015k which would then agree with the balance on the HRA I&E. Adjustments between accounting basis and funding basis £1,518k, which would then agree with the total adjustment on HRA note 5. • Note 6 HRA contributions to pension reserves: A line needs to be included for past service costs of £967k (nil for 2009-10). The total will then agree to the adjustment made in the HRA MiRS. • Note 3 HRA capital expenditure: The line detailing the purpose of the impairment should be amended to state that 'the impairment charge relates to capital works on council dwellings that do not add value and therefore cannot be carried forward', as the code does not refer to non-enhancing expenditure but to the value that expenditure adds to an asset.	
86	84	**Balance Sheet – Deferred Capital Receipts** Opening balance for Deferred Capital Receipts to be included in the Balance Sheet.	The Opening line of the MIRS Statement does not agree to the Balance Sheet as at 31 March 2010 in the published accounts by the amount of £84k. It would seem that the figure representing Deferred Capital Receipts (£84k) has been omitted.
88		**Capital Grants Received in Advance Note** To comply with the Code change the classification.	Incorrectly classified as Long Term Liabilities when it should be shown in Short Term Liabilities.
91	Various	**Non Current Assets – Note 12**	Amend the figures in the accounts

Ex	Value of correction £'000	Nature of correction	Reason for correction
		2010/11 Opening balances Opening 2010-11 balances on a number of assets do not agree with the asset register and require amendment to the following: • Council dwellings cost or valuation should be £152,205k (increase of £32k); • Council dwellings accumulated depreciation should be -£4,589k, (increase of £31k); • Other land and buildings cost or valuation should be £301,211k (increase of £16k); • Other land and buildings accumulated depreciation should be -£12,011k (increase of £3k); • Other land and buildings accumulated impairment should be -£5,788k (increase of £17k); • VPE accumulated depreciation should be -£43,911k (increase of £65k); and • VPE accumulated impairment should be -£14k (increase of £11k).	to agree with the Fixed Assets Register.
92	Various	**Non current assets - Additions** Amend: • Council dwellings should be £4,145k (decrease of £18k); • Other land and buildings should be £4,463k (decrease of £35k); • VPE should be £2,794k (increase of £210k); • Infrastructure should be £3,580k (decrease of £124k); • AUC should be £3,696k (increase of £1k); • Intangible assets should be £796k (decrease of £196k); and • Additional amount of REFFCUS expenditure identified of £143k.	Additions on a number of categories require amendments for errors identified during finalisation of the asset register.
93	Various	**Non current assets - Depreciation** Amend as follows: • Other land and buildings depreciation charge should be -£5,608k (decrease £10k); • PVE depreciation charge should be -£3,161k (increase £49k); • AUC depreciation written through	Depreciation entries on a number of assets require amendment to reflect the final asset register.

Ex	Value of correction £'000	Nature of correction	Reason for correction
		revaluation reserve should be £0k (decrease £3k); • Other land and buildings derecognition disposals depreciation should be £84k (increase £24k); • PVE depreciation other movements should be £0k (decrease £10k); and • Intangible assets depreciation charge should be -£347k (increase £52k).	
94	Various	**Non current assets - Other adjustments** Amend: • Community assets - derecognitions disposals should be amended to £0k (reduction of £1k); and • Infrastructure - other movements should be £2,708k (increase of £5k).	Ensure accounts reflect correctly the fixed asset register.
95		**Non current assets - impairment** • Council dwellings - Impairment charge(revaluation) recognised in the revaluation reserve - should be reduced by £163k to -£3,624k; • Council dwellings - Impairment charge(revaluation) recognised in the surplus/deficit on the provision of services - should be increased by £145k to -£521k; and • Vehicles Plant & Equipment - Impairment charge (revaluation) recognised in the surplus/deficit on the provision of services - should be amended to £0k (decrease of £11k).	Further adjustments are required on impairment entries to reflect the final asset register entries.
96		**HRA MIRS adjustment** Total column on HRA MiRS to be removed.	For clarity.
97	28	**HRA MiRS depreciation figure** The depreciation and impairment figure of -£2,652k shown within HRA note 5 should be £2,680k to agree with the depreciation and impairment figure per the HRA I&E.	To ensure correct adjustments between accounting basis and funding basis under statute.
98		**MiRS adjustments to correctly reflect HRA movements** Adjustments needed are as follows: • Depreciation of -£2,652k to be moved from	Agreement of the HRA MiRS identified that the movements did not agree to the CIES MiRS. A number of adjustments are

Ex	Value of correction £'000	Nature of correction	Reason for correction
		general fund to HRA column. • Capital grants and contributions applied of £3,700k to be moved from general fund to HRA column. • Statutory provision for the financing of capital investment of £309k to be moved from general fund to HRA column. • Transfer of cash sale proceeds of £272k to be moved from general fund to HRA column. Finance costs adjustment of -£142k to be moved from general fund to HRA column. • Reversal of items relating to retirement benefits of £902k to be moved from general fund to HRA column. • Officer remuneration accumulative absences of -£13k to be moved from general fund to HRA column. • The above adjustments will then result in the Adjustments between accounting basis and funding basis per the MiRS under the HRA column to change to -£2,291k to agree with the movement per the HRA MiRS.	required within the supporting note to the MiRS (Note 7) and the MiRS itself so that the movements in the HRA column of the MiRS agree with the movements in the HRA MiRS.
99		**2009-10 fixed asset notes** **Comparative figure amendments** Amend as follows: • Council dwellings opening balance 2009-10 to be increased by £85k to £148,114k. • VPE opening balance 2009-10 to be increased by £123k to £54,692k. • Council dwellings additions to be reduced by £54k to £4,092k. • Land and buildings additions to be increased by £19k to £5,565k. • VPE additions to be reduced by £123k to £1,893k. • Assets under construction disposals to be reduced by £1k to £0k. • Council dwellings opening depreciation to be decreased by £6k to -£2,348k. • PVE opening depreciation to be increased by £123k to -£41,584k. • Council dwellings depreciation charge to be	Errors have also been identified within the comparative figures and require amendment.

Ex	Value of correction £'000	Nature of correction	Reason for correction
		increased by £37k to -£2,302k. • Land and buildings depreciation charge to be increased by £5k to -£5,506k. • VPE depreciation to be reduced by £58k to -£3,195k. • Land and buildings opening impairment to be reduced by £141k to -£6,505k. • VPE opening impairment to be reduced by £18k to -£14k. • Land and buildings economic impairment to be increased by £140k to -£1,850k. • PVE impairment charge to RR to be increased by £29k to £0k. • Council dwellings impairment charge to CIES to be reduced by £61k to £0k. • Land and buildings impairment charge to CIES to be reduced by £11,356k to £2,512k. • Infrastructure impairment charge to CIES to be reduced by £7k to £0k. • Surplus assets impairment charge to CIES to be reduced by £15k to £0k. • Land and buildings impairment loss to RR to be increased by £21k to £2,512k. • Council dwellings impairment loss to CIES to be increased by £61k to £0k. • Land and buildings impairment loss to CIES to be increased by £11,355k to £0k. • Infrastructure impairment loss to be increased by £7k to £0k. • Surplus assets impairment loss to be increased by £15k to £0k. • Assets held for sale newly classified to be decreased by £22k to £1,475k. • Assets held for sale sold in year to be increased by £21k to -£2,182k.	
100		**Note 40 - lease narrative** The narrative in the table on note 40 for operating leases has not been updated from last year, and needs to be updated to reflect due in 2011-12, and between 2012-13 and 2016-2017.	Incorrect narrative used in the note

Ex	Value of correction £'000	Nature of correction	Reason for correction
101		**Note 43 -** Amend note.	The following issues arise regarding Note 43: • the note uses PINMAOO instead of PINFAOO; and • the fair value table has presented incorrect data, is arithmetically incorrect for 2010, and inconsistent with the narrative regarding returns for other assets.
102		**Note 37 - other grants** Identified error in calculation of 'other grants' figure.	Incomplete – figure understated.
103		**Notes to Consolidated Income & Expenditure Account** Amend the following disclosure notes: • Agency; • Precepts; and • Audit Fees**.**	Errors identified in disclosure notes.
105		**Note 35 – Senior Pay** • omission of benefit in kind £2k for interim strategic director - care and well being; and • error in 70-74 banding to be corrected.	Two omissions noted from this note that need to be amended.
106		**Contingent liability** Expand the note for clarity.	Clarity.
109		**Grants unapplied and grants in advance** Amend note to reflect the correct figures.	The following issues have been identified: • The 2010-11 figure for amounts credited to CIES is in fact the net of amounts credited (received in year) and those applied in year. These figures should be grossed up. The figure which should be included against amounts credited to the CIES is £430k, an increase of £33k. A further line should then be included within note 7 for 'grants applied transferred to CAA (as is included within the 2009-10 analysis) which should include

Ex	Value of correction £'000	Nature of correction	Reason for correction
			the figure of -£33k. • A further error was identified where amounts applied of -£17k have been incorrectly included in capital grants unapplied, instead of capital grants received in advance and therefore the figure of -£33k detailed above, required further amendment to -£16k leaving a closing balance on capital grants unapplied at 31/3/2011 of £1,706k. **Capital grants received in advance:** • Balance as at 1 April 2009 should be amended to £843k (increase of £374k). • Grants received in year (2009-10) should be amended to £547k (decrease of £375k). • The line included for grants not received at 31 March for both years relates to grants included as debtors at year end. There is an entry in capital grants received in advance as the conditions of the grant are not met at year end. • 2010-11 figure for REFFCUS should be £57k (an increase of £17k) to include the amount adjusted out of grants unapplied.
		Various amendments required to comply with the CIPFA Code.	
113		**Note 12 specific assumptions applied in estimating fair values.** Amend 'the significant assumptions applied in estimating the fair values' to reflect the final asset register figure.	Inconsistency with other notes and supporting documentation.
116		**Capital receipts reserve**	Clarity.

Ex	Value of correction £'000	Nature of correction	Reason for correction
		Adjustments required to the figures and description.	
117		**Notes to the accounts** LAAP Bulletin 88 requires that the notes to the accounts have comparative figures for the opening balance as well as closing balance for 2009-10.	To comply with guidance. Figures at 1 April 2009 are required to be included in the notes to the accounts.
118		**CAA - adjustment to REFFCUS expenditure and capital receipts 2009-10** **The figures for 2009-10 should be:** • Revenue expenditure funded from capital under statute -£1,573k; and • Use of the Capital Receipts Reserve to finance new capital expenditure £1,309k.	Consistency between the two financial years. In the CAA in 2009-10 the REFFCUS expenditure is shown gross with the capital receipts element within capital receipts received in the funding section. In 2010-11 the REFFCUS expenditure per the CAA is net of capital receipts. The 2010-11 disclosure is correct as it should show the net amount taken to CIES. Therefore, the 2009-10 figures need to be amended.
120		**Accounting of invest to save loans** Invest to save loans totalling £454k as at 31/3/2011 (together with comparative figures) have been incorrectly classified as long term creditors in the balance sheet. They need to be included within long term borrowing.	Incorrect accounting.
121		**Note 15** 2009-10 amendments: • the opening capital financing requirement should be £189,205k; • property, plant and equipment should be £17,938k; • minimum revenue provision should be £6,641k; • increase in underlying need to borrow (supported by government financial assistance) should be £1,101k; • 2010-11 amendments; • the opening capital financing requirement should be £193,400k; • property, plant and equipment should be	Correction of errors.

Ex	Value of correction £'000	Nature of correction	Reason for correction
		£18,703k; • Government grants and other contributions should be £16,799k; • direct revenue contributions should be £1,838k; • capital receipts set aside should be £347k; • minimum revenue provision should be £6,579k; and • increase in underlying need to borrow (supported by government financial assistance) should be -£151k.	
126		**Past service cost** Insert a note that explains nature of the accounting entry.	A material entry of £57 million has been made to Non Distributed Costs in respect of the past service cost adjustment, but no disclosure note inserted to explain the large entry.
127		**Insurance Provision** The insurance provision of £1.4 million is presented in long term liabilities. Some of the insurance provision is settled in the following year, however, suggesting that a better presentation to comply with SORP is in current liabilities.	Incorrectly accounted for as long term liability – should be short term liability.

WALES AUDIT OFFICE

SWYDDFA ARCHWILIO CYMRU

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk