

# Audit of Accounts Report – Monmouthshire County Council

Audit year: 2020-21

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We intend to issue an unqualified audit report on your Statement of Accounts. There are some matters 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 2020-21 Statement of Accounts in this report.
- 2 We have already discussed these issues with the Finance Manager for Central Accountancy and the Acting Section 151 Officer.
- 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 £3.15 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 officer remuneration: £1,000
  - Related party transactions (for individuals): £5,000
- 6 We have now substantially completed this year's audit, although at the time of issue of this report some work remained outstanding. We do not expect any outstanding work to affect the financial statements, but we will provide a further verbal update to the Governance and Audit Committee when presenting this report.
- 7 In our professional view, we have complied with the ethical standards that apply to our work. We remain independent of yourselves and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

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

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the ongoing challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit.
- 9 The pandemic continues to affect our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

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

<b>Timetable</b>	<p>Given the continuing impact of COVID-19, 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 2021 to 31 August 2021.</li><li>• We received the approved draft accounts on 21 July 2021.</li><li>• Our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2021.</li><li>• We expect your audit report to be signed on 5 November 2021.</li></ul> <p>As stated previously, officers should be commended for the timely completion of the draft financial statements.</p>
<b>Electronic signatures</b>	<p>Given ongoing Welsh Government guidance to work from home where possible, we will continue to use electronic signatures to certify the final Statement of Accounts. We will liaise with management to arrange this.</p>
<b>Audit evidence</b>	<p>Due to social distancing measures, Audit Wales staff are currently working remotely from home. As a result, we have not had direct access to certain systems such as the Council’s financial ledger, associated systems and shared drives. We normally use this access to directly review financial records and obtain invoices where possible.</p> <p>Consequently, we have had to request all such information and working papers from Council staff for the 2020-21 audit, although all information requested has been provided to us.</p>

- 10 We will continue to review what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt to enhance that process.

## Proposed audit opinion

- 11 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**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

- 13 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.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 We set out below the misstatements we identified in the accounts, which have been discussed with management but remain uncorrected. We request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting them.

#### **Overstatement of year-end creditors (£973,000)**

Our testing of year-end creditors identified 4 out of 25 sampled transactions where services were incorrectly accrued for in the 2020-21 accounts, despite not being delivered to the Council until 2021-22. The errors all arose as part of year-end accounts closedown and related specifically to capital items.

The errors identified in our testing are below our materiality threshold. We have performed further audit procedures to provide assurance that there is no likely material misstatement arising in the remaining creditors population and are satisfied that this is the case.

Given the tight timescale in place to approve the final accounts and the immaterial value of the amendments required, the Council has informed us that they do not wish to correct these items. Furthermore, the corrections required for three of the four transactions would result in reclassification of the balances into other creditor types, meaning that the total creditor balance would be unaffected by their correction.

#### **Overstatement of 2020-21 income (£191,000)**

During the audit, management notified us that revenue due relating to prior periods from a tenant of Castlegate Business Park had been incorrectly recorded as revenue in 2020-21, as opposed to offsetting a debtor that had been established in a prior accounting period. This had the effect of overstating income and debtors in the year by £191,000.

Given the tight timescale in place to approve the final accounts and the immaterial value of the amendments required, the Council has informed us that they do not wish to correct this item.

## Corrected misstatements

- 16 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

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you, such as:
- concerns about the qualitative aspects of accounting practices and financial reporting;
  - any significant difficulties during the audit;
  - significant matters discussed and corresponded upon with management which we need to report to those charged with governance;
  - Any other matters significant to the oversight of the financial reporting process that we need to report;
  - Any identified material weaknesses in internal controls; and
  - Any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 18 There are no such matters to report to you for your consideration from this year's audit.

## Recommendations

- 19 One recommendation arising from our audit is set out in **Appendix 4**. Management has responded to it and we will follow up progress against it 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

4 November 2021

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council for the year ended 31 March 2021 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 2020-21; 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 Monmouthshire 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.

## 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:

### **Overstatement of year-end creditors (£973,000)**

The 2020-21 financial year end process corresponded with many unbudgeted grants being notified and received during a short period in March 2021. As a result, finance teams were managing many conflicting demands on staff resources and consequently they were required to use greater estimation and judgement in carrying out many year-end calculations. This included basing their calculations on the information provided to them by budget holders and external suppliers who in many instances were under similar pressure given the ongoing COVID-19 pandemic impact. As a result, assurances received by the finance teams of the timings of goods/services received proved to be inaccurate upon further investigation.

For future closure periods, where material accruals are being calculated finance teams will look to obtain additional evidence to support the information put forward by budget holders and external suppliers.

### **Overstatement of 2020-21 income (£191,000)**

It is fully accepted that despite staff turnover in the financial management of this area, that the established systems and procedures in place should have proved adequate to maintain the robust and accurate recording of income.

A review of the procedures in place for recording of this rental income stream, along with a review of the sections business continuity arrangements will be carried out fully prior to the next closure period as to ensure that this remains an isolated error.

## **Representations by Monmouthshire 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 Monmouthshire County Council on 4 November 2021.

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:**

Paul Matthews  
Chief Executive

**Signed by:**

Cllr. Richard John  
Leader, Monmouthshire County Council

Date: 4 November 2021

Date: 4 November 2021

# Appendix 2

## Proposed Audit Report

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

#### Opinion on financial statements

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 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 2020-21;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Responsibilities

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Council's Chief Internal Auditor and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's policies and procedures concerned with:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
  - Obtaining an understanding of the Council'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 and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- 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; and

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Certificate of completion of audit**

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

**Adrian Crompton**  
**Auditor General for Wales**  
**5 November 2021**

**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.

There are no corrections which affect the Council's General Fund balance. The two tables below set out:

- corrections to the financial statements which have no effect on the Council's General Fund; and
- corrections to disclosure notes or other presentational items in the accounts.

### Exhibit 2: financial statement corrections that do not affect the General Fund

Area of correction	Nature of correction	Reason for correction
<b>Balance Sheet:</b> classification of cash and debtors	To ensure that cash and debtor balances are accurately presented.	Our audit identified that an adjustment made to correct for late cash receipts in March 2021 had been incorrectly entered into the ledger, omitting one bank account. £572,000 had been received into this account late in March 2021, meaning that cash needed to be increased (and debtors decreased) by this amount. This has now been corrected in the final accounts.
<b>Note 12.1 (Property, Plant and Equipment):</b> Valuation of one land and building asset and assets held for sale (AHFS).	To ensure that asset revaluations are correctly recorded in line with the CIPFA Code.	Our audit identified that: <ul style="list-style-type: none"> <li>• the valuation of one 'other land and buildings' asset had not been completed in time for inclusion in the draft accounts. The valuation (once complete) resulted in a reduction in value of £2.2 million.</li> <li>• the revaluation of new AHFS in the year had been incorrectly treated in the draft accounts, with the valuation impact (a net revaluation gain of £641,000) recorded after transfer within Note 12.6, as opposed to before transfer within Note 12.1.</li> </ul> These revaluation impacts have now been correctly recorded within the final accounts.
<b>Note 12.5 (Investment Properties):</b>	To ensure that assets are correctly valued	The CIPFA Code requires that investment properties are revalued annually. During the audit we were informed that four asset valuations were not completed



Overstatement of asset valuations.	in line with the CIPFA Code.	in time for inclusion in the draft accounts. The impact of these valuations reduces the overall carrying value of investment properties by £464,000. These valuations have now been appropriately recorded within the final accounts.
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### Exhibit 3: corrections relating to presentational/disclosure matters only

Area of correction	Nature of correction	Reason for correction
<p><b>Note 11.2 (Income and Expenditure Analysed by Nature):</b> Treatment of various elements of grant income.</p>	To ensure that the note accurately reflects the nature of income and expenditure incurred by the Council in the year.	<p>Our audit identified that:</p> <ul style="list-style-type: none"> <li>COVID-19 Hardship Grant funding of £21.3 million had been incorrectly classified within 'fees, charges and other service income' (FCOSI) rather than 'external grants and contributions'.</li> <li>Bus Services Support Grant funding of £27.3 million (received by the Council but passed on to other bodies) has been removed from FCOSI rather than 'external grants and contributions'.</li> </ul> <p>The above matters have now been corrected, the net effect of which is to increase FCOSI and reduce 'external grants and contributions' by £6.0 million.</p>
<p><b>Note 12.5 (Investment Properties):</b> Inclusion of Cardiff Capital Region City Deal (CCRCD) properties.</p>	To ensure that the note correctly includes CCRCD balances.	<p>Our audit identified that investment properties in this disclosure note were recorded at £1.8 million below the total included in the Balance Sheet. The difference related to CCRCD investment properties which had been omitted from the disclosure note.</p> <p>This amount has now been included in the final disclosure note, correctly classified as 'Level 3-Significant Unobservable Inputs'.</p>
<p><b>Note 12.8 (Capital Expenditure and Capital Financing):</b> Correction to value of 'revenue expenditure funded from capital under statute'.</p>	To ensure that 'revenue expenditure funded from capital under statute' is consistently disclosed.	<p>Our audit identified that the various disclosures for 'revenue expenditure funded from capital under statute' were inconsistent throughout the accounts. We confirmed that the correct values should be:</p> <ul style="list-style-type: none"> <li>Note 10.2 and 10.8: £1.5 million;</li> <li>Note 11.6: £1.3 million;</li> <li>Note 12.8: £2.9 million;</li> </ul> <p>Disclosures in the final accounts are now consistent.</p>

<p><b>Note 12.9 (Capital Commitments):</b> Understatement of commitment totals.</p>	<p>To ensure that this disclosure note is complete.</p>	<p>Our audit identified that two capital commitments with a total value of £1.1 million had not been disclosed within the draft accounts. These commitments have now been included within the final accounts disclosure.</p>
<p><b>Note 12.12 (Leases – Authority as Lessee):</b> Understatement of commitments.</p>	<p>To ensure that all commitments are accurately disclosed.</p>	<p>Our audit identified that an error within the working paper behind this disclosure note resulted in an understatement of lease commitments of £308,000. This has now been corrected within the final accounts disclosure.</p>
<p><b>Note 13.1 (Financial Instruments):</b> Classification of long and short-term borrowings.</p>	<p>To ensure that borrowings are correctly classified in line with the CIPFA Code.</p>	<p>Our audit identified that £183.5 million of borrowings was inconsistently classified throughout Notes 13.1 and 13.4, with neither amount agreeing to the carrying value in the Balance Sheet. In all above disclosure notes in the final accounts, amounts have now been corrected to:</p> <ul style="list-style-type: none"> <li>• Long-term borrowings: £98.6 million</li> <li>• Short-term borrowings: £84.9 million</li> <li>• Total borrowings: £183.5 million</li> </ul>
<p><b>Note 16.4 (Related Parties):</b> Corrections to disclosures.</p>	<p>To ensure that related party disclosures are complete and accurate.</p>	<p>Our audit identified that:</p> <ul style="list-style-type: none"> <li>• the disclosures for Members (the value of interests and the number of Members involved) were incorrect; and</li> <li>• figures for Dragon Waste Ltd. were all entered as 'TBC' in the draft accounts, due to delays in receiving the company's draft 2020-21 accounts.</li> </ul> <p>These details have now been corrected in the final disclosure note.</p>
<p><b>Note 16.7 and 16.8 (Senior Officer Remuneration and Emoluments):</b> Corrections to disclosures.</p>	<p>To ensure that this disclosure note is presented in line with the requirements of the Accounts &amp; Audit Regulations (Wales) 2014.</p>	<p>Our audit identified:</p> <ul style="list-style-type: none"> <li>• Within Note 16.7, an offsetting correction of £5,367 between 'salary' and 'pension contributions' was required for the Chief Officer for Enterprise.</li> <li>• Within Note 16.8, one employee was incorrectly banded within '£80,000 - £84,999', rather than '£85,000 - £89,999'.</li> </ul>

<p><b>Note 11.4 (Agency Income and Expenditure):</b> Disclosure of agency transactions and balances.</p>	<p>To ensure that agency transactions and balances are disclosed in line with the CIPFA Code.</p>	<p>Our audit identified that the draft accounts included no disclosure of agency transactions and balances (i.e. amounts which the Council received and paid on behalf of others, with no discretion over the transactions themselves). The CIPFA Code requires material agency transactions and balances to be disclosed, and the Council received material amounts of funding for COVID-19 related activity in 2020-21. A further disclosure note to record this activity has now been included in the final accounts, and we are satisfied that the disclosures meet the requirements of the CIPFA Code.</p>
<p><b>Various:</b> Other presentational changes to supporting notes.</p>	<p>To ensure that all disclosures are accurately presented.</p>	<p>A number of other narrative, presentational and minor amendments were made to supporting notes throughout the final accounts.</p>

# Appendix 4

## Recommendations

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

### Exhibit 4: matter arising 1

<b>Matter arising 1 – review of capital expenditure</b>	
<b>Findings</b>	<p>Our cut-off testing identified an item of capital expenditure (£102,000) that was not accrued for in the 2020-21 accounts, despite the works involved being delivered within the financial year.</p> <p>The Finance Manager for Central Accountancy informs us that while there is a process in place for identifying year-end capital accruals, the service area involved in this case (Children and Young People) relies heavily on support from the central finance team when completing capital year-end procedures, as the schemes involved are invariably complex in nature. As a result of the resourcing issues within the central finance team during the accounts closure period there was a shortage of support provided in this instance.</p> <p>The amount involved here is below our trivial threshold, and so has not been corrected in the final accounts. We have also performed additional audit procedures to provide assurance that there is no potential material cut-off error remaining due to similar issues and are satisfied that this is the case.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	We recommend that the Council review its close-down procedures and looks to ensure adequate central finance support for the Children and Young people service area to identify future capital accruals.
<b>Benefits of implementing the recommendation</b>	This should reduce the risk of future capital accruals not being accounted for in the correct accounting period.
<b>Accepted in full by management</b>	Agreed.

<b>Management response</b>	Finance resources were severely restricted during the closure period and in prioritising higher risk areas it is fully accepted that the central finance support provided to the CYP directorate fell short in this lower risk area. Closure procedures will be reviewed with a view to ensuring adequate central finance support is planned for future closure periods.
<b>Implementation date</b>	2021-22 financial year-end.



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