

Audit of Accounts Report – Monmouthshire County Council

Audit year: 2019-20

Date issued: October 2020

Document reference: 2065A2020-21

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 Audit Wales at 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.

Contents

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

Audit of Accounts Report

Introduction	4
Impact of COVID-19 on this year's audit	4
Proposed audit opinion	6
Significant issues arising from the audit	6
Recommendations	8

Appendices

Appendix 1 – Final Letter of Representation	9
Appendix 2 – Proposed audit report	12
Appendix 3 – Summary of corrections	16
Appendix 4 – Recommendations	20

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 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 £3.0 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 the following:
 - Senior officer remuneration; and
 - Related party transactions
- 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.

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 challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected 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

Timetable	<p>Our audit timetable has been affected as follows</p> <ul style="list-style-type: none">• We received the draft Statement of Accounts on 15 June, in line with the statutory deadline, but later than the original plan of 31 May identified prior to the COVID-19 pandemic.• The legislative deadline for publishing the Statement of Accounts remained at 15 September. However, we were not in a position to certify the final Statement of Accounts before this date.• We therefore expect your audit report to be signed on 26 October, following approval by the Audit Committee and Council on 15 and 22 October respectively.
Electronic signatures	<p>Given current social distancing requirements, it will be very difficult for us to certify the accounts in hard copy this year. Instead, we will likely need to use electronic signatures for this purpose. We will liaise with management to arrange this.</p>
Audit evidence	<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 2019-20 audit, although all information requested has been provided to us.</p>
Uncertainty in land and building valuations	<p>The Council obtains valuations of its land and building assets over a five-year rolling period, and investment properties annually. Valuations are supplied internally by Council officers, and we are satisfied that any revaluations have been accounted for appropriately this year.</p> <p>However, the valuers have identified a ‘material valuation uncertainty’ arising from the COVID-19 pandemic. To ensure transparency, the Council has referenced the valuer’s comments in Note 17.7 of the final accounts (separately for land and buildings and investment properties). We have also included an emphasis of matter paragraph within our audit certificate to draw attention to these uncertainties. Our 2019-20 audit opinion is not modified in respect of this matter.</p>

**Uncertainty
in Pension
Fund
property
assets**

Each year, the Council is provided with data from the actuary of the Greater Gwent Pension Fund, for inclusion in the Council's accounts in line with International Accounting Standard 19. We are satisfied that this data has been appropriately included within the final 2019-20 accounts.

The auditors of the Pension Fund have notified us of a further estimation uncertainty regarding property assets held by the Pension Fund. Consequently, the Council has also disclosed this matter within Note 14 of the final accounts, and we have also included one further emphasis of matter paragraph in our audit certificate. Our 2019-20 audit opinion is not modified in respect of this matter.

- 10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future 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.

Borrowings - soft loans overstated by £252,000

The Council is in receipt of interest-free borrowings for capital projects (known as 'soft loans') from the Welsh Government totalling £5.2 million. Paragraph 7.1.6.8 of

the CIPFA Code of Practice for Local Authority Accounting 2019-20 (the CIPFA Code) requires that for accounts valuation, soft loans should be discounted using a prevailing interest rate that would otherwise be obtained in an open market. Any reduction in the loan value arising should then be recorded as 'capital grants and contributions' in the Comprehensive Income and Expenditure Statement.

Our audit identified that the Council had accounted for these borrowings using their cash value of £5.2 million, rather than discounting them as required by the CIPFA Code. The Council considers that the accounting entries required to correct these values in the final accounts would be onerously complex considering the immaterial value involved.

This accounting treatment has the effect of overstating the value of the borrowings by £252,000 but has no impact on the Council's General Fund. This amount is not material for the purposes of our audit, and consequently has no impact on our audit opinion.

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 qualitative matters relating to the accounts and report any significant issues arising to you.
- 18 In general, we found that information supplied by the Council was relevant, reliable and easy to understand. Overall, information was provided to us in a timely manner, we were not restricted in our ability to complete our audit work, and we identified no significant weaknesses in the Council's internal controls.
- 19 However, there are three matters to bring to your attention. We have raised recommendations in **Appendix 4** for the Council to resolve these issues in future years (see paragraph 20 below):

Valuation of investment properties

The CIPFA Code requires Councils to revalue its stock of investment properties annually. Our audit identified that these valuations were not obtained when preparing the draft accounts. Consequently, valuations were obtained during the audit which contributed to delays in completing our audit.

Rounding and casting errors in the draft accounts

Our audit identified that the draft accounts contained over 150 rounding errors, along with two more significant casting errors within note 10.1 (where the in-year movements in two reserves were incorrectly disclosed as zero).

While the two casting errors have been corrected in the final accounts, the rounding errors remain uncorrected.

Supply of working papers

As in prior years, we agreed a 'deliverables schedule' before the audit to identify documentation that we would likely require during the process. However, not all requested documentation was presented by the Council alongside the draft accounts, so had to be requested again during the audit.

Recommendations

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

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

22 October 2020

Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Monmouthshire County Council for the year ended 31 March 2020 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 2019-20; 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 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

Borrowings – soft loans overstated by £252,000

We have accounted for these borrowings using their cash value of £5.2 million, rather than discounting them as required by the CIPFA Code. In our view, the accounting entries required to correct these values in the final accounts would be onerously complex considering the immaterial value involved and has no impact on the Council's General Fund. The £252,000 therefore remains uncorrected.

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 22 October 2020.

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:

Signed by:

Paul Matthews
Chief Executive

Cllr. Peter Fox
Leader, Monmouthshire County Council

Date: 22 October 2020

Date: 22 October 2020

Appendix 2

Proposed audit report

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2020 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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.

Emphasis of matter – effects of COVID-19 on the valuation of land and buildings and investment properties

We draw attention to Note 17.7 of the financial statements, which describes material valuation uncertainties regarding the valuations of land and buildings and of investment properties arising from the current COVID-19 pandemic. Our opinion is not modified in respect of these matters.

Emphasis of matter – effects of COVID-19 on the valuation of pension fund assets

We draw attention to Note 14 of the financial statements, which describes estimation uncertainties regarding the valuations of certain pension fund assets arising from the current COVID-19 pandemic. Our opinion is not modified in respect of this matter

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Statement of Accounts. The other information comprises all information included other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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 2019-20; 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 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:

- proper accounting records have not been kept;
- 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.

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.

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.

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

Adrian Crompton
Auditor General for Wales
26 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

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
Comprehensive Income and Expenditure Statement: Overstatement of gross income and expenditure across a number of service areas.	To ensure that all income and expenditure is accurately disclosed in line with the requirements of the CIPFA Code.	<p>Our audit identified that:</p> <ul style="list-style-type: none">• internal borrowing recharges had been incorrectly recorded in the draft accounts, leading to gross income and expenditure being overstated by £3.4 million;• internal recharges within one directorate had not been removed from the draft accounts, overstating gross income and expenditure by £3.6 million; and• income and expenditure for the bus services support grant had not been correctly removed from the draft accounts, resulting in an overstatement of gross income and expenditure of £2.2 million. <p>Consequently, gross income and expenditure has now been corrected for the above items in the final accounts, although the Council's net expenditure is unaffected.</p>
Comprehensive Income and Expenditure Statement: Understatement of 2018-19 gross income and expenditure.	To ensure that all income and expenditure is accurately disclosed in line with the requirements of the CIPFA Code.	<p>Our audit identified that an error was made in the removal of internal recharges from the 2018-19 accounts, understating last year's gross income and expenditure by £3.3 million.</p> <p>While this error related to last year's audited accounts (and arose following a review of similar recharges this year), it must be amended given its material value. Consequently, 2018-19 gross income and expenditure has now been increased, although this does not affect net expenditure.</p>

Area of correction	Nature of correction	Reason for correction
<p>Comprehensive Income and Expenditure Statement: Understatement of gain on disposal of non-current assets.</p>	To accurately reflect the gain or loss on the disposal of non-current assets.	Our audit identified that, due to an error in underlying calculations, both depreciation and the gain on disposal of non-current assets were understated by £557,000. These errors have now been corrected within the CIES and Note 11.2, although they have no net impact on the deficit on the provision of services.
<p>Note 16.7 (Provisions): Correction of 'accumulated compensated absence' provision.</p>	To ensure that this provision is calculated in line with the CIPFA Code.	Our audit identified that the accumulated absence provision was understated by £528,000, due to an error in the underlying calculation. This error has now been corrected, with the provision now accurately stated in the final accounts.
<p>Note 12.5 (Investment Properties): Overstatement of year-end valuations.</p>	To ensure that investment properties are valued as required by the CIPFA Code.	Our audit identified that investment properties had not been revalued at year-end as required by the CIPFA Code. These revaluations have now been performed for the final accounts, resulting in a reduction in value of investment properties of £444,000.

Exhibit 3: corrections relating to presentational/disclosure matters only

Area of correction	Nature of correction	Reason for correction
<p>Note 10.1 (Movement in Reserves): Correction of in-year reserve movements.</p>	To ensure that in-year movements are correctly reflected in the note.	Our audit identified that the in-year movements of the Financial Instruments Adjustment Account and Deferred Capital Receipts Reserve were both incorrectly stated as zero, instead of £114,000 and £2.7 million respectively. These disclosures have now been corrected, although the closing reserve balances are unaffected.
<p>Note 10.6 (Capital Receipts Reserve): Correction of classification within the note.</p>	To ensure that the note is accurate and agrees to other areas of the accounts.	Our audit identified that £2.6 million was incorrectly classified as 'transfer of sale proceeds credited to the CIES', when it should be classified within the 'transfer from Deferred Capital Receipts Reserve'.

Area of correction	Nature of correction	Reason for correction
		This disclosure has now been corrected, although the total reserve balance is unaffected.
<p>Note 11.6 (Grant Income): Correction of grants classifications.</p>	To ensure that grants are accurately disclosed within the note.	<p>Our audit identified that:</p> <ul style="list-style-type: none"> • ‘capital grants and contributions’ were understated by £1.0 million in the first disclosure table; and • £186,000 of ‘other grants’ income had been incorrectly classified as ‘Housing Benefit Subsidy’ in the draft ‘revenue grants and contributions’ table. <p>These corrections have now been made to the note.</p>
<p>Note 13.5 (Debtors): Classification of long and short-term debtors.</p>	To ensure that debtors are correctly classified within the note.	<p>Our audit identified that:</p> <ul style="list-style-type: none"> • the ‘deferred capital receipts’ debtor of £2.7 million was incorrectly disclosed as long-term; • the ‘finance lease’ debtor of £2.7 million was incorrectly disclosed as short-term; and • £195,000 of ‘finance lease’ short-term debtors were incorrectly classified as ‘corporate sundry debtors’. <p>These errors have now been corrected within the note, although the total debtor balance is unaffected.</p>
<p>Note 16.4 (Related Parties): Identification of further disclosures.</p>	To ensure that related parties are accurately disclosed in line with the CIPFA Code.	<p>Our audit identified that:</p> <ul style="list-style-type: none"> • more detailed narrative disclosure was required within the ‘members’ section of the note, to bring the disclosure in line with minimum requirements; and • further ‘senior officer’ disclosures were required for the Chief Executive, Section 151 Officer and the Chief Officer for Enterprise. <p>These disclosures have now been included.</p>
<p>Note 16.6 (Related Businesses and Operations): Correction of disclosures.</p>	To ensure that disclosures are appropriately made.	<p>Our audit identified that:</p> <ul style="list-style-type: none"> • figures for Dragon Waste Limited were all entered as ‘TBC’ in the draft accounts, due to delays in receiving the company’s draft 2019-20 accounts; and • payments to the Education Achievement Service (EAS) were wrongly stated as £552,412 instead of £1,049,000. <p>These details have now been corrected in the final note.</p>

Area of correction	Nature of correction	Reason for correction
<p>Various: 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

In this appendix 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

Matter arising 1: valuation of investment properties	
Findings	<p>The total value of investment properties in the final accounts is £63.4 million. Our audit identified that investment properties had not been revalued by the Council before preparation of the draft accounts, as required by the CIPFA Code. Consequently, they needed to be revalued during the audit, which contributed to delays in completing the audit and final accounts.</p> <p>The revaluations led to a reduction in the value of investment properties of £457,000, which has been corrected in the final accounts and included within our schedule of corrections in Appendix 3.</p>
Priority	High
Recommendation	The Council should ensure that measures are in place to revalue investment properties each year, in time to prepare the draft accounts.
Benefits of implementing the recommendation	<p>Valuing investment properties on an annual basis will ensure that:</p> <ul style="list-style-type: none">• they are valued in line with the requirements of the CIPFA Code; and• delays to the audit are avoided (particularly as more stringent statutory accounts and audit deadlines will apply in future years).
Accepted in full by management	Accepted
Management response	<p>The Authority carries out revaluation of its investment property portfolio on a sample basis across the various asset classes and then extrapolates the movement in valuation over the remainder of the class. For 2019/20, the initial sample of assets was not comprehensive enough to allow the exercise to be completed in full. Given the onset of the COVID-19 pandemic and staff retirement at a key point in the closure</p>

Matter arising 1: valuation of investment properties

	<p>process, the necessary management scrutiny of the revaluation process was not carried out.</p> <p>For the 2020/21 closure process, the intention is to agree the valuation considerations with the valuation team much earlier in the process and for a robust scrutiny process to be carried out to ensure compliance with code requirements.</p>
Implementation date	For 2020/21 Statement of Accounts.

Exhibit 5 – matter arising 2

Matter arising 2: rounding and casting errors in the draft accounts

Findings	<p>Our audit identified that the 2019-20 draft accounts contained a number of rounding errors (in excess of 150 in total), which have not been corrected in the final accounts.</p> <p>Two more significant casting errors were also identified, both within note 10.1 of the draft accounts (where the in-year movements in two unusable reserves were incorrectly recorded as zero). Management have corrected these casting errors in the final accounts.</p>
Priority	Medium
Recommendation	<p>The Council should:</p> <ul style="list-style-type: none">• update its working papers to correct rounding errors at source; and• implement a robust review process in future years to identify and eliminate casting errors in the draft accounts prior to issue.
Benefits of implementing the recommendation	<p>Such measures should simplify the accounts and audit process, resulting in fewer audit issues arising. With more stringent statutory accounts and audit deadlines applying in future years (as noted in the issue above), this will become more important.</p>

Matter arising 2: rounding and casting errors in the draft accounts

Accepted in full by management	Partially accepted.
Management response	<p>It is accepted that significant casting errors, like those identified within the reserve notes should be identified by the review process in place and corrected prior to the draft accounts being published. This will be fed back into the review process for the 2020/21 statement of accounts.</p> <p>In relation to minor rounding errors, the Authority acknowledges the issue this causes auditors when making detailed cross reference within the accounts. However, the added value to the intended reader of the accounts of correcting these rounding errors is considered extremely low. The Authority will endeavour to correct these rounding errors during the 2020/21 closure process but also accepts that due to the size and complicated nature of the accounts document and that over 20 separate officers provide the information contained within it, that getting to a faultless position will be extremely challenging.</p>
Implementation date	For 2020/21 Statement of Accounts.

Exhibit 6 – matter arising 3

Matter arising 3: supply of working papers for audit

Findings	<p>As in prior years, we agreed a 'deliverables schedule' with Council officers before the start of the 2019-20 audit to identify documentation that we would likely require during the audit process.</p> <p>However, not all requested documentation was presented for audit alongside the draft accounts, which resulted in our having to request them again during the audit from Council officers.</p>
Priority	Medium
Recommendation	The Council should provide documents requested in line with the 'deliverables schedule', alongside the draft accounts.

Matter arising 3: supply of working papers for audit

Benefits of implementing the recommendation	With a view again to tighter accounts and audit deadlines in future years, supplying such documentation, alongside the draft accounts, avoids potential delays during the audit process.
Accepted in full by management	Accepted.
Management response	<p>It is acknowledged that Audit Wales were not supplied with all of the agreed deliverables prior to the start of the audit process.</p> <p>Following the onset of the COVID-19 pandemic the financial team has rightly been focused on managing the financial consequences of the Authority's response to COVID-19 and the ongoing financial sustainability of the Authority. In doing so, it was accepted that some areas of work would be significantly impacted and that certain deliverables would be delayed. Wherever possible, officers attempted to ensure that the implications of delaying were low and accepted that supplying some of the audit deliverables throughout the audit process, rather than up front, would be an acceptable compromise.</p> <p>It is anticipated that for the 2020/21 closure process that agreed timescales can be achieved.</p>
Implementation date	For 2020/21 Statement of Accounts.



Audit Wales

24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.