

# Audit of Accounts Report – the Monmouthshire County Council Welsh Church Act Fund

Audit year: 2019-20

Date issued: December 2020

Document reference: 2206A2020-21

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](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some matters 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	5
Issues arising from the audit	5

## **Appendices**

Appendix 1 – Final Letter of Representation	7
Appendix 2 – Proposed audit report	10
Appendix 3 – Summary of corrections made	13

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 annual report and financial statements in this report.
- 2 We have already discussed these issues with management.
- 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 £51,433 for this year's audit.
- 5 In addition, we consider that related party transactions may be of more importance to the reader and we have set a lower materiality level for these.
- 6 We have now substantially completed this year's audit, although at the time of issuing this report we are awaiting two final items of audit evidence:
  - Confirmation from UBS that controls over investments held with them applied for the whole of the 2019-20 financial year; and
  - Confirmation that two items of expenditure selected for review during the audit were approved in the 2019-20 financial year.
- 7 We can provide a further verbal update on these outstanding items when we present this report to the Audit Committee.
- 8 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

- 9 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 faced. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 10 The pandemic has unsurprisingly affected our audit. We continue to work remotely which means that we have not had direct access to systems such as the Council's financial ledger and shared drives, and have had to separately request all such information and working papers from Council staff for this audit. However, all information requested has been provided as required.
- 11 The pandemic has also affected the accounts. Narrative has been included below Note 10 of the financial statements to outline uncertainty in the valuation of property fund investments arising from COVID-19. As this uncertainty has been

reported to the charity by the valuer, the charity is required to disclose it in the accounts. We have also included an 'emphasis of matter' paragraph within our audit certificate to draw attention to this, although our 2019-20 audit opinion is not modified in respect of this matter.

- 12 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

- 13 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**.
- 14 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 15 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 16 Our proposed audit report is set out in **Appendix 2**.

## Issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

- 18 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

- 19 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you:
- 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.

20 There were no issues arising in these areas this year that we need to report to you.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

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

7 January 2021

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council Welsh Church Act Fund 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 Charities SORP 2015; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Monmouthshire County Council Welsh Church Act Fund 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.



## Representations by the Trustee

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 Trustee on 26 November 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:**

Peter Davies  
Chief Officer, Resources and Acting  
Section 151 Officer  
Monmouthshire County Council

Date: 7 January 2021

**Signed by:**

Philip White  
Chair, Audit Committee  
Monmouthshire County Council

Date: 7 January 2021

# Appendix 2

## Proposed Audit Report

### **The independent auditor's report of the Auditor General for Wales to the Trustee of the Monmouthshire County Council Welsh Church Act Fund**

#### **Report on the audit of the financial statements**

##### **Opinion**

I have audited the financial statements of the Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2020 under the Charities Act 2011. These comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011.

##### **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 charity 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 investment property funds**

I draw attention to Note 10 of the financial statements, which describes uncertainties regarding the valuations of investment property funds arising from the current COVID-19 pandemic. My 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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.

## **Report on other requirements**

### **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 Trustee is responsible for the other information in the annual report and accounts. 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.

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.

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

I have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require me to report to you if, in my opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustee report;
- sufficient 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 of the information and explanations I require for my audit.

## Responsibilities

### Responsibilities of the Trustee for the financial statements

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charity'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

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Adrian Crompton  
Auditor General for Wales  
11 January 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 within the final accounts, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 1: summary of corrections made

Area of correction	Nature of correction	Reason for correction
Statement of Financial Position	To correctly disclose incoming resources within the Statement.	Our audit identified that the reversal of a £3,689 debtor during the year had been incorrectly offset against 'other incoming resources' in the Statement, as opposed to 'investment income'.
Statement of Cash Flows	To correctly disclose the impact of cash transactions within the Statement.	Within the draft accounts, both 'net cash used in operating activities' and 'dividends and rents from investments' were overstated by the incorrect inclusion of £2,896 of other incoming resources. The two errors offset within the Statement of Cash Flows, so the net totals are unaffected.
Note 1: Accounting Policies	To correctly disclose all material accounting policies applied by the charity.	<p>Our audit identified that the draft accounts:</p> <ul style="list-style-type: none"><li>• included no accounting policy for cash (a material account area); and</li><li>• included narrative below Note 10 (investments) which was more appropriately disclosed as a separate accounting policy within Note 1.</li></ul> <p>Note 1 now correctly discloses these items within the final accounts.</p>
Note 3: Grants Payable	To accurately present grants payable within the Note.	Our audit identified that total grants payable to Caerphilly County Borough Council were understated by £3,000 in the draft accounts (although the total within Note 3 was correct).

Area of correction	Nature of correction	Reason for correction
Note 9: Investment Land and Property	To correctly present the value of investments within Note 9.	Narrative below Note 9 of the draft accounts explained that investment property was not revalued in 2019-20 as a result of the COVID-19 pandemic. However, the charity accounting framework specifically requires annual valuations of investment property. Consequently, valuations of such property were obtained for the final accounts, leading to an increase in value of £9,500.
Note 12: Creditors	To accurately present creditors within the Note.	Our audit identified that £5,689 of creditors for prior period audit fees had been wrongly removed as it has not yet been paid. This creditor has since been reinstated in the final accounts.
Note 14: Related Party Transactions	To accurately present related party relationships within the Note.	Within the draft accounts, narrative below Note 14 outlined £4,200 of outstanding income due from Monmouthshire County Council. However, this income relates to rent amounts collected by the Council from third parties on the charity's behalf. It therefore does not constitute a related party transaction, so this narrative has been removed in the final accounts.
Various	To correct minor presentational or narrative errors in the Trustee Report and accounts.	A number of minor corrections have been made to the Trustee Report and financial statements to amend errors in narrative or presentation.





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](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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