

Audit of Accounts Report – Caerphilly County Borough Council

Audit year: 2019-20

Date issued: November 2020

Document reference: 2126A2020-21

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We intend to issue an unqualified audit report on your Accounts There are some issues 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 2019-20 accounts in this report.
- 2 We have already discussed these issues with Stephen Harris (Head of Financial Services and 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 £6.455 million for this year's audit, however, there are some areas of the accounts that we consider to be material by nature, for example senior officer remuneration.
- 5 We have now substantially completed this year's audit subject to final review, but the following work is outstanding:
 - receipt of final version of the approved financial statements,
 - receipt of Letter of Representation from Management; and
 - completion of Whole of Government (WGA) work – pending guidance, this does not impact on the completion of the audit report.
- 6 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

- 7 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 submit them for audit in line with prescribed timescales. The preparation of the 2019-20 accounts has proved a significant challenge to the Council and the initial agreed timetable for submitting the draft accounts for audit was not met, and there were a number of subsequent delays. We appreciate that the different ways of working, including working remotely from the office, not having access to hard-copy records and liaising with colleagues virtually, introduced unexpected delays in obtaining information to support the accounts. In addition, some changes in roles within the finance team, with the consequent loss of experience, has also provided a challenge.
- 8 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

<p>Timetable</p>	<ul style="list-style-type: none"> • The deadline for completing your accounts was changed by Welsh Government from 15 June to 31 August 2020. • For Caerphilly CBC, we agreed that the original 15 June 2020 date for the receipt of the draft accounts could not be met. Through our discussions with officers, we agreed a revised timetable for receipt of the draft accounts and audit, in order to enable officers to rightly prioritise their response to the pandemic. This was agreed to be 14 July 2020. • We did not receive the draft accounts until 7 August 2020. • Nationally, the deadline for completing local government audits was changed from 15 September to 30 November 2020.
<p>Electronic signatures</p>	<p>Electronic signatures are permissible for the 2019/20 financial year.</p>
<p>Audit evidence</p>	<p>The audit process has also been more demanding this year, with increased emphasis on proving the veracity of information provided through electronic means, the need to conduct audit enquiries and testing virtually using different mediums, for example Microsoft TEAMS, and greater expectations around the extent of evidence to be provided. Using the Microsoft TEAMS platform enabled us to screen share and observe finance team members running reports and sending these to us. However, the inability to discuss audit issues within the office environment has proved a challenge, although we were grateful for officers agreeing to meet us in the office on one day which enabled us to progress the audit. To address some of these challenges, we have liaised regularly throughout the audit on the progress being made and discussing issues as they arise. This has enabled the audit to continue to progress, but the quality of some of the information provided has resulted in further queries being raised and the overall audit taking longer.</p> <p>We are extremely grateful for the support that colleagues have provided our audit team to complete our audit in such difficult circumstances and recognise that there have been some key areas of learning which may improve the way the audit is conducted in future years.</p>

- 9 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

- 10 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**.
- 11 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 12 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 13 Our proposed audit report is set out in **Appendix 2**.
- 14 Due to the potential impact that COVID-19 has on the value of your land and buildings, both the external valuer for Council Dwellings and your internal valuer have disclosed a material uncertainty within the 31 March 2020 valuation. You have reflected the material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an 'emphasis of matter' paragraph in our opinion. This is not a modification or qualification of the opinion.
- 15 The Greater Gwent Pension Fund, of which Caerphilly County Borough Council is an admitted body, holds investments in Pooled Property Units. As a result of COVID-19, valuations as at 31 March 2020 were not readily available due to the closure of the markets and therefore no trade price on which to base a valuation. The Property valuers have therefore included an estimation uncertainty clause into the reports. The LGPS property assets attributable to Caerphilly County Borough Council account for £17.6 million, representing 2.5% of total assets. You have reflected the material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an 'emphasis of matter' paragraph in our opinion. This is not a modification or qualification of the opinion.

Significant risks

- 16 Below is a summary of the risks identified at the planning stage, as communicated to you in our Audit Plan issued in May 2020, and our responses to these risks.

Exhibit 2: summary of the risks

Financial audit risks	Audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We completed the following audit work in relation to this risk:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries and other adjustments made in preparing the financial statements; • reviewed accounting estimates for biases; and • evaluated the rationale for any significant transactions outside the normal course of business. <p>We have raised a control recommendation in Appendix 5 in relation to the journal authorisation procedure. This is consistent with our findings in this area in previous years.</p> <p>Our testing has not identified any other issues to bring to your attention.</p>
<p>There is a rebuttable presumed risk of material misstatement due to fraud in revenue recognition and where applicable is treated as a significant risk [ISA240.26-27].</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Caerphilly County Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk at Caerphilly County Borough Council.</p>

Financial audit risks	Audit response
Significant risks	
<p>Impact of COVID-19 – general risks The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> • Subsequent events - the Authority is, at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increase the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post-31 March 2020 will generally be non-adjusting post balance sheet events, but some form of disclosure may be needed. • Use of estimates - the uncertainties and delays caused by the UK-wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts. 	<p>My audit team has undertaken the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> • we considered if there were areas that required management to provide further evidence due to the fast-changing nature of this issue. • we ensured that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations). We also considered whether assumptions are appropriate in the circumstances and adopted a greater focus on the following areas: <ul style="list-style-type: none"> – the financial statement closing process (in particular, journal entries and other adjustments made); and – the auditor’s evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made. • we will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework. <p>Our audit work identified a Social Services creditor that had been overstated as at 31 March 2020 as a result of the impact of COVID-19. This resulted in an immaterial potential misstatement of £2.4 million. The explanation for this issue was that the Adult Services Team were tasked with providing COVID secure care for the end</p>

Financial audit risks	Audit response
Significant risks	
	<p>users, which caused disruption to their normal operating activities until August 2020. To support the preparation of the accounts, the Social Services Finance Team estimated liabilities based on contract amounts for certain levels of activity. However, this approach led to an overstatement in some areas, for example, where operations had been suspended as a result of the national lockdown restrictions for the final weeks in March 2020. The team have now reviewed these initial accruals and identified the extent of the activity that had been assumed but was not actually delivered and, therefore, the impact of this on the financial liabilities of the Council. We are therefore satisfied that this is an isolated incident due to the circumstances over year-end.</p> <p>Please see Exhibit 1 for the impact of COVID-19 on the audit and timetable.</p> <p>We have raised a recommendation in Appendix 5 in relation to the retention of documentation electronically.</p>
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p>	<p>We have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions where appropriate; • reviewed and challenged the information used by the valuer to

Financial audit risks	Audit response
Significant risks	
	<p>ensure it is robust and consistent with our understanding; and</p> <ul style="list-style-type: none"> • tested revaluations made during the year to ensure they are input correctly into the asset register and correctly reflected in the financial statements. <p>Our work has identified a number of material changes as a result of the review of land and building valuations, these are outlined in Appendix 3. Recommendations have been raised within Appendix 5.</p> <p>Due to the potential impact that COVID-19 has on the value of your land and buildings, both the external valuer for Council Dwellings and your internal valuer has disclosed a material uncertainty within the 31 March 2020 valuation. You have reflected the material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an 'emphasis of matter' paragraph in our opinion. This is not a modification or qualification of the opinion.</p>
<p>Valuation of Pension Fund Net Liability The Council's Pension Fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>McCloud Judgement Also, in 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful</p>	<p>We have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls have been implemented and operated as expected and whether they are sufficient to mitigate the risk of material misstatement. • evaluated the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We gained an understanding of the basis on which the valuations were carried out.

Financial audit risks	Audit response
Significant risks	
<p>discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<ul style="list-style-type: none"> • undertook procedures to confirm the reasonableness of the actuarial assumptions made. • consulted with internal actuaries to ensure the potential impact of the McCloud judgement has been correctly included within the accounts. • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries. <p>We consulted with our internal actuary who confirmed that the approach adopted by the Council's actuary, in respect of the additional McCloud liability, was appropriate and would not result in a material impact on the financial statements. We confirmed that management had updated their financial statements to reflect the updated pension valuation position based on the most recent guidance.</p> <p>The Greater Gwent Pension Fund, of which Caerphilly County Borough Council is an admitted body, holds investments in Pooled Property Units. As a result of COVID-19, valuations as at 31 March 2020 were not readily available due to the closure of the markets and therefore no trade price on which to base a valuation. The Property valuers have therefore included an estimation uncertainty clause into the reports. The LGPS property assets attributable to Caerphilly County Borough Council account for £17.6 million, 2.5% of total assets.</p>

Significant issues arising from the audit

Uncorrected misstatements

17 One misstatement remained uncorrected. This is outlined within **Appendix 3**.

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. There is one issue arising in this year as shown in **Exhibit 3**.

Exhibit 3 – significant issues arising from the audit

Material Uncertainty in relation to the valuation of Property, Plant & Equipment	Due to the potential impact that COVID-19 has on the value of your land and buildings, both the external valuer for Council Dwellings and your internal valuer has disclosed a material uncertainty within the 31 March 2020 valuation. You have reflected the material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an 'emphasis of matter' paragraph in our opinion. This is not a modification or qualification of the opinion. Our proposed audit report is set out in Appendix 2 .
Pooled Property Units at Greater Gwent Pension Fund	The Greater Gwent Pension Fund, of which Caerphilly County Borough Council is an admitted body, holds investments in Pooled Property Units. As a result of COVID-19, valuations as at 31 March 2020 were not readily available due to the closure of the markets and therefore no trade price on which to base a valuation. The Property valuers have therefore included an estimation uncertainty clause into the reports. The LGPS property assets attributable to Caerphilly County Borough Council account for £17.6 million, 2.5% of total assets. You have reflected the material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an 'emphasis of

matter' paragraph in our opinion. This is not a modification or qualification of the opinion. Our proposed audit report is set out in **Appendix 2**

Recommendations

- 20 The recommendations arising from our audit are set out in **Appendix 5**. Management has responded to them and we will follow up progress against them during next year's audit. A follow-up review of the prior-year recommendations is outlined in **Appendix 4**. 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

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

xx November 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 Caerphilly County Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness.

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 particular, the financial statements give a true and fair view in accordance there with; 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 Caerphilly County Borough 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.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code of Practice and adequately disclosed in the financial statements. The COVID-19 pandemic led to RICS publishing guidance in relation to the impact of this on PPE valuations, issued on the 2 April 2020. The Authority's valuation report states that valuations are reported on the basis of 'material valuation uncertainty' and, consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case. The same 'material valuation uncertainty' also applies to the Pooled Property Units held by the Greater Gwent Pension Fund. This has been appropriately disclosed within the financial statements.

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:

Exhibit 4: uncorrected misstatements

Unidentified Bad Debt Provision £1.2 million	Bad Debt Provision	This amount is immaterial to the financial statements and officers have declined to correct this in-year. This is on the basis that a more detailed review of this balance will be undertaken in the 2020/21 financial year and adjustments will be actioned as appropriate.
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Representations by the Audit Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Caerphilly County Borough Council on 24 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.

As a result of the COVID-19 pandemic, electronic signatures have been used to approve the final financial statements and the Council and committee meetings held remotely using Microsoft Teams technology.

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

[Officer or Member who signs on behalf of those charged with governance (director only for companies)]

Date:

Appendix 2

Proposed audit report

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Caerphilly County Borough Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Caerphilly County Borough Council's financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, Movement on the Housing Revenue Account Statement and the related notes to the core financial statements, Movement on the Housing Revenue Statement and Housing Revenue Account, 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 2020 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Caerphilly County Borough 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 2020.

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

I draw attention to Note 3 to the financial statements, which describes a material valuation uncertainty clause in the valuation reports on land, building property assets issued by the Council's in-house valuer and on council dwellings issued by the Council's

external valuation expert. This has arisen from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Emphasis of Matter – effects of COVID-19 on the valuation of pooled property units at Greater Gwent Pension Fund

The Greater Gwent Pension Fund, of which Caerphilly County Borough Council is an admitted body, holds investments in Pooled Property Units. I draw attention to Note 3 to the financial statements, which describes a material valuation uncertainty clause in the valuation report on Pooled Property Units, arising from circumstances caused by the 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 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 annual report and accounts. The other information comprises the information included in the annual report 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 2020; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the 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 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 Caerphilly County Borough 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 as set out on page 12, 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
[Date]

24 Cathedral Road
Cardiff
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Appendix 3

Summary of corrections made

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

Exhibit 5: summary of corrections made

Value of correction	Nature of correction	Reason for correction
<p>2019-20: Reclassified from 'Service Expenditure' to 'Other Operating Expenditure':</p> <ul style="list-style-type: none">• Council Dwellings: £49.754 million• Other Land & Buildings: £7.943 million <p>2018-19: Reclassified from 'Service Expenditure' to 'Other Operating Expenditure':</p> <ul style="list-style-type: none">• Council Dwellings: £51.674 million• Other Land & Buildings: £7.223 million	<p>Derecognition of Capital Expenditure</p>	<p>Derecognition of capital expenditure was incorrectly identified as 'non-enhancing expenditure' in the financial statements. This expenditure was confirmed to be funded from capital resources and replaced existing asset components held by the Authority in the Fixed Asset Register and Balance Sheet.</p> <p>The estimated cost of the replaced components should have been written off to the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The draft financial statements included this write-off against the service expenditure. Therefore, an adjustment was proposed to the CIES to correct this. This has an impact on related notes throughout the financial statements.</p> <p>This impacts on the accounting in both the prior and current year and has resulted in a Prior Period Adjustment disclosure note in the financial statements. The Authority also updated their policy to ensure it is in line with</p>

Value of correction	Nature of correction	Reason for correction
		the Code of Practice for Local Authority Accounting.
Capitalised spend on Idris Davies 3-18 school double counted in 2018/19, value of £7.208 million.	Asset Existence and maintenance of Fixed Asset Register	<p>As a result of our testing, we identified that following the additional primary school building being brought in to use at the existing comprehensive school site, the capitalised spend on the construction had been double counted in the Asset Register. The capitalised spend was incorrectly included in the 2018/19 Fixed Asset Register in addition to the revalued school site, causing this to be double counted. This has now been taken into consideration as part of the revalued amount as one site and adjusted in the Property, Plant and Equipment line of the Balance Sheet and has an impact on related notes throughout the financial statements.</p> <p>This impacts on the accounting in the prior year and has resulted in a Prior Period Adjustment disclosure note in the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>£12.932 million of revaluation gains has been removed from the duplicated asset code to remove it from the Revaluation Reserve and the Balance Sheet.</p> <p>The revaluation movements have subsequently been applied to the correct asset code, to give an actual revaluation gain of £1.878 million.</p>	Asset Existence and maintenance of Fixed Asset Register	<p>In addition to the above the Idris Davies 3-18 school has subsequently been subject to an amendment in the 2019-20 financial statements.</p> <p>As a result of our testing, we identified that following the double count above, the revaluation gain for the whole site had been applied to the</p>

Value of correction	Nature of correction	Reason for correction
		<p>incorrect asset code in 2019-20 resulting in an overstated gain. This has now been taken into consideration as part of the revalued amount as one site and adjusted in the Property, Plant and Equipment line of the Balance Sheet and has an impact on related notes throughout the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>Land that is not controlled by the Council £806,000</p>	<p>Land Ownership</p>	<p>Our testing identified a piece of land that is held on a long-term lease by the Authority but was incorrectly included in the Property, Plant and Equipment line of the balance sheet and fixed asset register. The lease had also been correctly treated in the Operating Leases note of the financial statements.</p> <p>This has been written out of the Property, Plant and Equipment line of the Balance Sheet and has an impact on related notes throughout the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>Land and building assets were duplicated in the 2019-20 Fixed Asset Register:</p> <ul style="list-style-type: none"> • Building: £636,000 • Land: £75,000 	<p>Duplication of Assets</p>	<p>We identified from testing, land and building assets that were duplicated in the Fixed Asset Register.</p> <p>This has been written out of the Property, Plant and Equipment line of the Balance Sheet and has an impact on related notes</p>

Value of correction	Nature of correction	Reason for correction
		<p>throughout the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>Assets that could not be identified written out of the financial statements:</p> <ul style="list-style-type: none"> • £11.89 million (GBV) • £5.968 million (NBV) 	<p>Assets that could not be identified</p>	<p>Our testing of the five-year revaluation program identified nine asset lines with a gross book value of £11.89 million (Net Book Value of £5.968 million) that had not been revalued in the five-year programme.</p> <p>Following a further review by officers, individual assets in respect of these amounts could not be identified nor could they be attributed to forming part of other assets. It was determined that these amounts related to accumulated expenditure from previous years. Consequently, the decision was taken to de-recognise these amounts within the financial statements as there is no identifiable assets.</p> <p>This has been written out of the Property, Plant and Equipment line of the Balance Sheet and there will be an impact on the CIES through the Gain/Loss on Disposal line. It also has an impact on related notes throughout the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>HRA disposals £2.279 million</p>	<p>Disposals</p>	<p>Our testing identified that HRA disposals had not been accounted for correctly in-year. This has been written out of the Property, Plant and Equipment</p>

Value of correction	Nature of correction	Reason for correction
		<p>line of the Balance Sheet and there will be an impact on the CIES through the Gain/Loss on Disposal line. It also has an impact on related notes throughout the financial statements.</p> <p>A recommendation has also been added in Appendix 5.</p>
Various	Movement in Reserves Statement (MiRS)	As a result of our testing and the adjustments outlined in this table, the MiRS has been adjusted to reflect the change required.
Various	Cash Flow Statement	As a result of our testing and the adjustments outlined in this table, the Cash Flow Statement has been adjusted to reflect the change required and to bring it in line with the CIPFA Code of Practice on Local Authority Accounting 2019-20. This has not impacted on the opening or closing Cash and Cash Equivalent balance.
Various	Financial Instruments	The Financial Instruments disclosure in Note 12 has been adjusted to correct the presentation of information in line with the CIPFA Code of Practice on Local Authority Accounting 2019-20.
Change from 2.5% to 2.8%	Pension Liabilities	Our testing identified that the inflation figure incorrectly recorded as 2.5%, should be 2.8% and the asset table from

Value of correction	Nature of correction	Reason for correction
		the Actuary's report had been incorrectly recorded for both the prior and current year.
<p>Senior Officer's remuneration note:</p> <ul style="list-style-type: none"> increase of one employee to £60-65,000 for Non-School employees; and decrease of one employee for £75-80,000 for School employees. <p>One additional disclosure was added to clarify that the departing S151 Officer received pay in lieu of notice.</p>	Remuneration Notes	<p>Our testing identified three errors within the Senior Officers' Remuneration disclosure note. Two errors identified in the £60,000 Banding Note and one omission of pay received in lieu of notice.</p>
<p>Amendments to the relevant lines were:</p> <p>2018-19</p> <ul style="list-style-type: none"> Other Services Expenses £8,933,000 Precepts and Levies £8,933,000 <p>2019-20</p> <ul style="list-style-type: none"> Other Services Expenses £9,118,000 Precepts and Levies £8,987,000 Other Interest Payments £131,000 Fees, Charges & Other Service Income £199,000 Interest and Investment Income £199,000 	Note 6 Income and Expenditure Analysed by Nature	<p>A number of errors were identified in Note 6 Income and Expenditure Analysed by Nature between the various categories. Levies were incorrectly included within Other Services Expenses in the current and prior period; Interest Payments were incorrectly included within Other Services Expenses in the current period; and Interest and Investment Income was incorrectly included within Fees and Charges Income in the current period.</p> <p>Further adjustments have been made to this note as a result of the adjustments made above.</p>
Unidentified Bad Debt Provision £1.2 million	Bad Debt Provision	Our testing identified a provision against the debtor balance of £1.2 million that could not be

Value of correction	Nature of correction	Reason for correction
		<p>identified or evidenced by the Authority.</p> <p>This amount is immaterial to the financial statements and officers have declined to correct this in year. This is on the basis that a more detailed review of this balance will be undertaken in the 2020/21 financial year and adjustments will be actioned as appropriate</p> <p>A recommendation has also been added in Appendix 5.</p>
<p>Additional disclosures relating to:</p> <ul style="list-style-type: none"> • governance arrangements in respect of the actions of the former Council leader; and • the waste investigation. 	<p>Annual Governance Statement</p>	<p>The Annual Governance Statement was reviewed and discussed with officers, and a number of disclosure amendments and additions were made to ensure the statement accurately reflected the governance issues and arrangements at the Council across the 2019-20 financial year</p>
<p>Additional disclosures to reflect the current COVID-19 impact on finances and Council services.</p>	<p>Narrative Report</p>	<p>The Narrative Report was reviewed and discussed with officers and a number of disclosure amendments and additions were made to ensure the report accurately reflected the Authority's current position.</p>
<p>Disclosure Only</p>	<p>Accounting Policies</p>	<p>The Accounting Policies were reviewed and a large number of changes were made to, both include policies that had been omitted and remove policies that were not relevant. This ensured that the updated policies are in line with the CIPFA Code of</p>

Value of correction	Nature of correction	Reason for correction
		Practice on Local Authority Accounting 2019-20 and appropriately tailored to the Authority.
Disclosure Only	Related Parties	The Related Parties note was updated in line with the CIPFA Code of Practice on Local Authority Accounting 2019-20, to ensure disclosures met the definitions under IAS24.
Disclosure Only	Joint Operations	The Joint Operations note and associated accounting policy was updated in line with the CIPFA Code of Practice on Local Authority Accounting 2019-20 to ensure disclosures met the definitions under IFRS11.
Various disclosures	A number of presentational and typographical errors were identified within the draft financial statements which have been corrected by management.	To remove the errors included within the financial statements.

Appendix 4

Prior year recommendations

During our audit we have performed procedures to evidence whether management have followed up on recommendations made in the 2018/19 financial year.

Exhibit 6: prior year recommendations

Recommendation	Priority	Addressed?	2019/20 Recommendation
<p>Internal Audit – Tracking of Recommendations</p> <p>The Audit Committee does not have oversight of the recommendations made by Internal Audit. A tracking document should therefore be produced which shows the progress of these recommendations.</p> <p>This was raised in the prior year and ongoing discussion with management has confirmed that a new audit software is to be implemented in 2019/20 that will enable such information to be reported to those charged with governance.</p>	Medium	Partially	<p>The Audit Committee does not have oversight of the recommendations made by Internal Audit. A tracking document should therefore be produced which shows the progress of these recommendations.</p> <p>This was raised in the prior year and ongoing discussion with management has confirmed that a new audit software is currently being implemented for the 2020/21 financial year that will enable such information to be reported to those charged with governance.</p>
<p>Journals Authorisation</p> <p>Not all journals are authorised within the Authority. This was raised in prior years and management have reviewed the process and lowered the authorisation threshold to £100,000 as reported to the Audit Committee. However, many journals still remain that are not reviewed and authorised before being posted to the general ledger.</p>	High	No	<p>We recommend that the Authority implements controls to ensure that journals are appropriately reviewed before posting into the general ledger.</p>
<p>Journals Users</p>	High	Yes	N/A

Recommendation	Priority	Addressed?	2019/20 Recommendation
<p>During the course of audit, we were provided with the most recent schedule of council employees that were able to access the ledger and post journals. Our testing identified an employee who had two access logins active simultaneously, due to a transfer to another team during the year. These accounts have different access rights within the system. We would recommend that the access to the general ledger system and the posting of journals is monitored and a central schedule is maintained and kept up to date to record who has access to process journals. Access rights for an employee should be disabled when a transfer between departments occurs</p>			
<p>Bad Debt Provision As a result of the audit work performed, we recommended that a detailed review of historical debtor balances undertaken each financial year. This recommendation was also raised in the prior year. Reviewing the balances regularly ensures that the doubtful debt provision is a true reflection of the position at the year-end.</p>	Medium	No	<p>We recommend that a detailed review of historical debtor balances is undertaken each financial year, and that the bad debt provision is considered in line with an approved policy. This recommendation was also raised in prior years.</p>
<p>Capital Commitments A number of the capital commitments disclosed within note 23 could not be verified to supporting evidence at year-end. As a result of the audit work performed, we recommend that a detailed review of the capital commitment note is undertaken at each year-end, to ensure that the note accurately reflects the financial commitments made to each project.</p>	Medium	No	<p>As a result of the audit work performed, we recommend that a detailed review of the capital commitment note is undertaken at each year-end, to ensure that the note accurately reflects the financial commitments made to each project net of any spend to date. A detailed review of the Capital Plan should be</p>

Recommendation	Priority	Addressed?	2019/20 Recommendation
			undertaken to ensure the note is complete and reflects commitments made prior to year-end.
<p>Five Year Revaluation Note</p> <p>The revaluation five-year summary in note 23 was found to be incorrectly stated from testing performed. Assets that are held at current value were included in the 'Carried at historical cost' line. Also, the valuation movements for each year were included in the 'Valued at current value' lines when the actual balance at 31 March should be included. As a result of the audit work performed, we recommend that a detailed review of the revaluation five-year summary is completed to ensure that it correctly reflects the assets that are held at historical cost and those that are held at current value and valued on a cyclical basis.</p> <p>Management have declined to amend this in the 2018-19 accounts.</p>	High	No	As a result of the audit work performed, we recommend that the Council reviews its revaluation process and data management, to ensure that all assets held at current value are captured within the five-year rolling programme in line with the Code of Practice.
<p>Five Year Revaluation Programme</p> <p>Our audit has identified that not all assets are revalued in the five-year cycle contrary to the Code of Practice. We have reviewed all assets not captured and applied indices as provided by our auditors' expert (Gerald Eve LLP) against the last valuation date. This indicates that the value of these assets may be understated by approximately £2.8 million. This is below both materiality and performance materiality. We consider that this represents a control weakness, as well as being a potential understatement in the accounts.</p>	High	No	As a result of the audit work performed, we recommend that the Council reviews its revaluation process and data management, to ensure that all assets held at current value are captured within the five-year rolling programme in line with the Code of Practice.

Recommendation	Priority	Addressed?	2019/20 Recommendation
<p>For assets that are captured in the five-year rolling programme but not valued at 31 March 2019, we have similarly applied indices against the last valuation date to determine whether there is a material difference for the carrying value. Whilst a difference of some £22.3 million is indicated by applying these indices, all of these assets have been revalued within the five-year rolling period which is in accordance with the Code. We are therefore satisfied that the financial statements are not materially misstated. However, the Council should consider the frequency of the revaluations particularly for large value assets.</p> <p>As a result of the audit work performed, we recommend that the Council reviews its revaluation process and data management, to ensure that all assets held at current value are captured within the five-year rolling programme. The Council should also review those assets not valued in the current financial year to ensure the carrying value and the current value are not materially different.</p>			

Appendix 5

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 7: matter arising 1

Matter arising 1 – Journals' authorisation control	
Findings	Not all journals are authorised within the Authority. This was raised in prior years and management have reviewed the process and lowered the authorisation threshold to £100,000 as reported to the Audit Committee. However, many journals still remain that are not reviewed and authorised before being posted to the general ledger
Priority	High
Recommendation	We recommend that the Authority implements controls to ensure that journals are appropriately reviewed before posting into the general ledger.
Benefits of implementing the recommendation	There is currently a risk that an inappropriate or erroneous journal could be processed and impact on the financial statements.
Accepted in full by management	No
Management response	At its meeting on 16 October 2018, the Audit Committee endorsed a recommendation by officers to implement an authorisation threshold of £100,000 to its journal transfer software. There are no plans to review this limit at the present time. The ability to process journals via the system is limited to finance staff. Each service has a distinct batch type and are limited to where they can post by their security profile. Due to this we don't see this as a material issue.

Matter arising 1 – Journals’ authorisation control

Implementation date	N/A
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Exhibit 8: matter arising 2**Matter arising 2 – Journals’ authorisation control**

Findings	Users with the ability to authorise journals can self-authorise journal entries regardless of financial value. We have reviewed mitigating controls which consist of an independent review of the proposed journal which is undertaken outside of the main financial system. Whilst we are satisfied that this provides an element of assurance, the underlying systems controls should be strengthened to ensure that all such transactions are independently reviewed.
Priority	High
Recommendation	We recommend that the Authority implements controls to ensure that journals are appropriately and independently reviewed before posting into the general ledger.
Benefits of implementing the recommendation	There is currently a risk that an inappropriate or erroneous journal could be processed and impact on the financial statements.
Accepted in full by management	No
Management response	The £100,000 authorisation limit applies to all journals. If this limit is exceeded, the journal is required to be reviewed and authorised. However, the Authority considers that the authoring officers are of sufficient grade and experience to authorise their own journals.

Matter arising 2 – Journals’ authorisation control

	The larger period 14 financial accounting journals processed in Corporate Finance are subject to review prior to being posted.
Implementation date	N/A

Exhibit 9: matter arising 3

Matter arising 3 – Accuracy and review of fixed asset register – Appropriate Net Book Values

Findings	<p>Our audit identified £12 million of infrastructure assets and £24 million of vehicles, plant & equipment assets that are being carried at a net book value of zero.</p> <p>There is a risk that the Authority is depreciating assets too quickly by using inappropriate useful economic lives or is not disposing of assets with no operational value in a timely manner.</p>
Priority	High
Recommendation	We recommend that the fixed asset register is reviewed to ensure that all assets included are operational, and that a review of useful economic lives is undertaken to ensure that they are appropriate for each class of asset.
Benefits of implementing the recommendation	Reviewing the register regularly ensures that the asset base includes only those assets that are still in use for the Council.
Accepted in full by management	Yes

Matter arising 3 – Accuracy and review of fixed asset register – Appropriate Net Book Values

Management response	A full review of the fixed asset register will be undertaken to address this recommendation.
Implementation date	An initial review will be undertaken during the 2020/21 financial year with revised processes being routinely implemented thereafter.

Exhibit 10: matter arising 4

Matter arising 4 – Accuracy and review of fixed asset register

Findings	Our audit identified differences between the classification of assets in the general ledger and the fixed asset register. The Council has corrected the significant differences as shown in Appendix 3 .
Priority	High
Recommendation	We recommend that the Council periodically undertakes a full reconciliation between the fixed asset register and the general ledger to ensure that they are consistent with each other.
Benefits of implementing the recommendation	Reviewing the register regularly ensures that identified differences will not lead to a material misstatement for year-end financial reporting.
Accepted in full by management	Yes
Management response	Current procedures will be reviewed, and new processes introduced to ensure consistency between the fixed asset register and the general ledger.

Matter arising 4 – Accuracy and review of fixed asset register

Implementation date	The initial review will be undertaken during the 2020/21 financial year with revised processes being routinely implemented thereafter.
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Exhibit 11: matter arising 5

Matter arising 5 – Accuracy and review of fixed asset register – Proof of Ownership

Findings	<p>We identified from the testing of land and building deeds a piece of land that is not owned by the Council but held on a long-term operating lease, was incorrectly included in the Property, Plant and Equipment line of the balance sheet and fixed asset register.</p> <p>We also identified assets that were not registered on the HM Land Registry database and ownership could not be proved by the Authority.</p>
Priority	High
Recommendation	We recommend that the fixed asset register and deed records are reviewed on a regular basis to ensure that all assets included are operational and owned by the Council, and documentation is maintained to evidence ownership by the Authority.
Benefits of implementing the recommendation	Reviewing the register regularly ensures that the asset register includes only those assets that are still in use and owned by the Council.
Accepted in full by management	Yes
Management response	This will be addressed as part of the wider review of the fixed asset register.

Matter arising 5 – Accuracy and review of fixed asset register – Proof of Ownership

Implementation date	An initial review will be undertaken during the 2020/21 financial year with revised processes being routinely implemented thereafter.
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Exhibit 12: matter arising 6

Matter arising 6 – Accuracy and review of fixed asset register – Existence

Findings	<p>Our testing identified one vehicle that is no longer in existence.</p> <p>We also identified that following the additional primary school building being brought in to use at the existing comprehensive school site, the capitalised spend on the construction had been double counted in the Asset Register. The capitalised spend was incorrectly included in the 2018/19 Fixed Asset Register in addition to the revalued school site, causing this to be double counted.</p> <p>We also identified that HRA disposals had not been accounted for in-year.</p>
Priority	High
Recommendation	<p>We recommend that the fixed asset register is reviewed to ensure that all assets included are operational and owned by the Council. The Authority should ensure that all disposals and asset transfers are communicated to the Capital Accountant on a timely basis. In addition, there should be a reconciliation between subsidiary asset records, for example the fleet register, the valuation records and the Fixed Asset Register on a regular basis.</p>
Benefits of implementing the recommendation	<p>Reviewing the register regularly against fleet and valuation data ensures that the asset base includes only those assets that are still in use and owned by the Council.</p>

Matter arising 6 – Accuracy and review of fixed asset register – Existence

Accepted in full by management	Yes
Management response	This recommendation will be addressed as part of the wider review of the fixed asset register. Service areas outside of Corporate Finance will also be reminded of their roles and responsibilities.
Implementation date	An initial review will be undertaken during the 2020/21 financial year with revised processes being routinely implemented thereafter.

Exhibit 13: matter arising 7

Matter arising 7 – Bad Debt Provision

Findings	<p>The bad debt provision contained a significant amount of historical data that had been brought forward from previous years. £1.2 million of the £9.9 million balance could not be evidenced.</p> <p>The Council does not have a consistent formal policy for the calculation and treatment of the bad debt provision and write offs.</p>
Priority	High
Recommendation	<p>We recommend that a detailed review of historical debtor balances is undertaken each financial year, and that the bad debt provision is considered in line with an approved policy. This recommendation was also raised in prior years.</p>
Benefits of implementing the recommendation	<p>Reviewing the balances regularly ensures that the doubtful debt provision is a true reflection of the position at the year-end.</p>

Matter arising 7 – Bad Debt Provision

Accepted in full by management	Yes
Management response	A bad debt provision policy will be drafted which will include a requirement to review historical balances at year-end.
Implementation date	31 March 2021.

Exhibit 14: matter arising 8

Matter arising 8 – Debtors

Findings	<p>Our audit work identified that the Council is carrying forward a material amount of £9.5 million of historical opening debtor balances without assessing, on an annual basis, that they are still collectable. A listing of debtor balances on a transactional basis, as at 31 March 2020 could not be provided for audit.</p> <p>We have tested a sample of the opening balance transactions and identified an error which, when extrapolated, produced a non-material total error across the population.</p> <p>This finding has been identified and reported in previous year Audit Findings Reports.</p>
Priority	High
Recommendation	<p>Debtor balances should be reversed out of the balance sheet at the beginning of each year and reassessed at each year-end to establish if the balance has or is likely to be received by the Authority.</p> <p>If the debtor is not likely to be realised, the Authority should sufficiently provide for the doubtful debt or write out the balance in line with Council policies.</p>

Matter arising 8 – Debtors

Benefits of implementing the recommendation	An annual review of the debtor balances ensures the balance sheet reflects an accurate position of debtors likely to be received by the Authority.
Accepted in full by management	Yes
Management response	Service accountants will be instructed to reverse all accruals out of the balance sheet on an annual basis using the automatic reversal functionality on the journal upload software. Where required, new accruals can then be processed in the new financial year.
Implementation date	2020/21 year-end process.

Exhibit 15: matter arising 9

Matter arising 9 – Creditors

Findings	<p>Our audit work identified that the Council is carrying forward £4.73 million of historical opening creditor balances without assessing, on an annual basis, that they are still valid. A listing of creditor balances on a transactional basis, as at 31 March 2020 could not be provided for audit.</p> <p>We have tested a sample of the opening balance transactions and did not identify any errors.</p> <p>This finding has been identified and reported in previous year Audit Findings Reports.</p>
Priority	High
Recommendation	Creditor balances should be reversed out of the balance sheet at the beginning of each year and reassessed at each year-end to establish if the balance has or is likely to be paid by the Authority.

Matter arising 9 – Creditors

	If the creditor is not likely to be realised, the Authority should review why this is the case and ensure the balance is written out, if appropriate, in line with Council policies.
Benefits of implementing the recommendation	An annual review of the creditor balances ensures the balance sheet reflects an accurate position of creditors likely to be paid by the Authority.
Accepted in full by management	Yes
Management response	Service accountants will be instructed to reverse all accruals out of the balance sheet on an annual basis using the automatic reversal functionality on the journal upload software. Where required new accruals can then be processed in the new financial year.
Implementation date	2020/21 year-end process.

Exhibit 16: matter arising 10

Matter arising 10 – Creditor cut off

Findings	As a result of our testing, we identified one invoice relating to 2019-20 that has not been accrued, the extrapolated amount of this error was not material, but a recommendation has been raised below.
Priority	High
Recommendation	We recommend that all purchase orders and known charges are reviewed at year-end, with reserve creditors raised based on estimates.

Matter arising 10 – Creditor cut off

Benefits of implementing the recommendation	To ensure transactions are accounted for in the correct financial year and year-end creditors reflect the amount owed to suppliers by the Authority at year-end.
Accepted in full by management	Yes
Management response	Staff within finance and across all service areas will be reminded of their roles and responsibilities. This will be reinforced in the year-end timetable and guidance that is issued to staff.
Implementation date	2020/21 year-end process.

Exhibit 17: matter arising 11

Matter arising 11 – Internal income and expenditure

Findings	As a result of our testing, we identified two internal income transactions that were not recorded against the correct internal income codes, to ensure that they were removed from the CIES. This meant that the income was overstated within the accounts, however our extrapolation of the error demonstrated that there was not a material impact.
Priority	High
Recommendation	Improved controls should be implemented in regard to internal income and expenditure classification. A fixed number of subjective codes should be used in the general ledger across all service areas so that internal income and expenditure is easily identified at year-end for removal from the CIES.

Matter arising 11 – Internal income and expenditure

Benefits of implementing the recommendation	There is currently a risk that internal income and expenditure that should be removed from the CIES are incorrectly included. This could result in the balances being materially misstated.
Accepted in full by management	Yes
Management response	A review of existing controls and subjective codes will be undertaken.
Implementation date	31 December 2020.

Exhibit 18: matter arising 12

Matter arising 12 – PPE Depreciation Written Out on Revaluation

Findings	As a result of our testing, we identified £20,000 of depreciation written out on revaluation that should have been written back to the Comprehensive Income and Expenditure Statement but was incorrectly written out to the Revaluation Reserve. This amount is below our trivial threshold so was not adjusted. However, a recommendation has been raised below.
Priority	High
Recommendation	We recommend that a review of the depreciation write back should be completed at year-end to ensure it is accounted for correctly in line with the CIPFA Code of Practice on Local Authority Accounting, splitting the amounts out to show the write back to the Revaluation Reserve and CIES separately when appropriate.

Matter arising 12 – PPE Depreciation Written Out on Revaluation

Benefits of implementing the recommendation	To ensure all assets revaluation movements are considered and accounted for correctly within the revaluation programme to comply with the Code of Practice.
Accepted in full by management	Yes
Management response	This recommendation will be incorporated into the year-end process moving forward.
Implementation date	2020/21 onwards.

Exhibit 19: matter arising 13

Matter arising 13 – Retention of documentation

Findings	Throughout the audit it has come to our attention that the Authority is highly reliant on hard-paper copies of documentation which has caused delays due to remote working under the COVID-19 government guidelines.
Priority	Medium
Recommendation	In an environment of increased remote working, we recommend that the Authority consider digitalising all documentation to ensure ease of access and that it has a back-up copy that can be accessed remotely.
Benefits of implementing the recommendation	The Authority will have a secure back-up of critical documentation that is fully accessible remotely as and when the need arises.

Matter arising 13 – Retention of documentation

Accepted in full by management	Yes
Management response	COVID-19 has presented unprecedented challenges with staff having to quickly adapt to remote working. There will be many lessons to learn across the Authority, including ensuring that appropriate arrangements are in place to be able to routinely store and access documentation electronically.
Implementation date	Ongoing.

Exhibit 20: matter arising 14

Matter arising 14 – Capital commitments

Findings	<p>Our testing identified that a number of the capital commitments disclosed within note 22 could not be supported by appropriate documentation, which resulted in amendments to the note. A review of the Capital Plan identified further commitments which were not included in the draft note.</p> <p>The potential error was not material however, the Council has elected to adjust, see Appendix 3.</p>
Priority	Medium
Recommendation	<p>As a result of the audit work performed, we recommend that a detailed review of the capital commitment note is undertaken at each year-end to ensure that the note accurately reflects the financial commitments made to each project, net of any spend to date.</p> <p>A detailed review of the Capital Plan should be undertaken to ensure the note is complete and reflects commitments made prior to year-end.</p>

Matter arising 14 – Capital commitments

Benefits of implementing the recommendation	The note will accurately represent the capital commitments made as at the financial year-end.
Accepted in full by management	Yes
Management response	A review of the Capital Programme will be undertaken to ensure that commitments are correctly identified at year-end.
Implementation date	Initial review to be completed by 31 December 2020 and routinely thereafter.

Exhibit 21: matter arising 15

Matter arising 15 – IT General Controls

Findings	Our IT auditors undertook a review of the Council's critical financial applications and general IT environment and identified a number of control weaknesses.
Priority	High
Recommendation	<p>A number of recommendations have been made following the review and have been shared with management. Given the sensitivities around IT, we do not report the specific details of these within our Audit Findings Report. However, a high-level summary of key issues identified has been included below:</p> <ul style="list-style-type: none">• significant segregation of duties conflicts and lack of organisational structure charts;• lack of controls around user access management and monitoring; and

Matter arising 15 – IT General Controls

	<ul style="list-style-type: none">• lack of controls for reconciling data transmissions between the core financial system and subsidiary systems. <p>The full report can be made available from management, should members wish to review the extent of recommendations made.</p>
Benefits of implementing the recommendation	To ensure IT controls are operating effectively and to provide a sound control environment.
Accepted in full by management	Yes
Management response	Progress against the recommendations set out in the auditor's report will be monitored by the Council's Digital Leadership Group.
Implementation date	Ongoing.

Exhibit 22: matter arising 16

Matter arising 16 – Land and Building Valuation Evidence – Assumptions Evidence

Findings	As part of our testing, evidence to support the assumptions used in the valuation calculations could not be provided. These figures are key assumptions that drive the final valuation figure.
Priority	High
Recommendation	We were able to gain assurance from alternative methods in this case. However, we recommend that all assumptions

Matter arising 16 – Land and Building Valuation Evidence – Assumptions Evidence

	that drive the valuations are supported and evidenced with market and local data by the valuations team.
Benefits of implementing the recommendation	To ensure all drivers of the valuation are appropriate.
Accepted in full by management	Yes
Management response	The Council's Estates Manager has agreed that this information will be provided in future years.
Implementation date	2020/21 year-end valuations and annually thereafter.

Exhibit 23: matter arising 17**Matter arising 17 – Land and Building Valuation Evidence – Accuracy of Calculation Sheets**

Findings	Our testing of land and building valuations identified one asset that has incorrectly included the value of land (£4,500) on its calculation sheet twice.
Priority	High
Recommendation	We recommend that the valuer should review all calculation sheets for accuracy prior to publication in the valuation report and ensure the underlying data driving the valuation is accurate and complete.

Matter arising 17 – Land and Building Valuation Evidence – Accuracy of Calculation Sheets

Benefits of implementing the recommendation	In this case the value of the land was of a trivial value. However, there is a risk of material misstatement if this occurs on a larger asset.
Accepted in full by management	Yes
Management response	The Council's Estates Manager will address this recommendation.
Implementation date	2020/21 year-end valuations and annually thereafter.

Exhibit 24: matter arising 18

Matter arising 18 – Related Parties – Declaration of Interests

Findings	Our testing identified an instance where one senior officer (Monitoring Officer) of the Authority had not made their declarations of interest as at 31 March 2020.
Priority	High
Recommendation	We recommend that the declarations of interest are monitored and updated on a timely basis to ensure all related parties are captured in the financial statements.
Benefits of implementing the recommendation	To ensure all related parties are captured in line with IAS24.
Accepted in full by management	Yes

Matter arising 18 – Related Parties – Declaration of Interests

Management response	We will put arrangements in place to ensure that declarations of interest are updated in a timely manner and are followed up where necessary.
Implementation date	Immediately.

Exhibit 25: matter arising 19**Matter arising 19 – Internal Audit – Tracking of Recommendations**

Findings	Internal Audit – Tracking of Recommendations
Priority	High
Recommendation	<p>The Audit Committee does not have oversight of the recommendations made by Internal Audit. A tracking document should therefore be produced which shows the progress of these recommendations.</p> <p>This was raised in the prior year and ongoing discussion with management has confirmed that a new audit software is currently being implemented for the 2020/21 financial year that will enable such information to be reported to those charged with governance.</p>
Benefits of implementing the recommendation	The Audit Committee have oversight of the recommendations made and progress in clearing these.
Accepted in full by management	Yes
Management response	The new software (MK insights) was successfully implemented in September 2019. Work was then undertaken to develop and tailor the individual audit

Matter arising 19 – Internal Audit – Tracking of Recommendations

	<p>programmes for the various audit areas. Work was also being undertaken to develop and tailor the various management reporting functions and audit report formats, and to set up notifications for recommendation tracking (due dates and overdue) and reporting to the Audit Committee.</p> <p>This work has been temporarily suspended due to COVID-19 but will restart as soon as practically possible. Work had also commenced developing the business user integrated portal to allow users to update progress on recommendations online, and it is planned to continue this with a view to going live sometime in the second half of the 2020/21 financial year.</p> <p>Some fine tuning of the reporting of audit opinions has also been developed during 2019/20 to enhance the four tier opinions previously adopted, and to ensure that the input of the Audit Committee and appropriate officers was correctly targeted in respect of those audits found to be in need of improvement. This was the subject of a report that was presented to and agreed by the Audit Committee on 16 October 2019.</p>
Implementation date	Full implementation of new software by 31 March 2021. Time has been factored into the Internal Audit Services Audit Plan to complete this work.

Exhibit 26: matter arising 20

Matter arising 20 – Oversight and Review of Capital Accounting

Findings	<p>In addition to the other capital recommendations made, our testing of the five-year revaluation programme identified nine asset lines with a gross book value of £11.89 million (Net Book Value of £5.968 million) that had not been revalued in the five-year programme.</p> <p>Following a further review by officers, individual assets in respect of these amounts could not be identified nor could they be attributed to forming part of other assets. It was determined that these amounts related to accumulated expenditure from previous years. Consequently, the</p>
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Matter arising 20 – Oversight and Review of Capital Accounting

	decision was taken to de-recognise these amounts within the financial statements as there is no identifiable assets.
Priority	High
Recommendation	<p>Throughout our audit we have identified multiple significant errors within the capital accounts, which have arisen as a result of a lack of oversight and review of the work of the Treasury and Capital Accountant.</p> <p>Particular attention should be given to the capitalisation and componentisation of assets and ensure this is attributable to a specific asset.</p> <p>We acknowledge that there was a new Treasury and Capital Accountant in post as of March 2020 which has identified areas for improvement from 2020/21 onwards.</p>
Benefits of implementing the recommendation	The risk of material misstatement is significantly lower, as errors are identified prior to submission to audit.
Accepted in full by management	Yes
Management response	We will undertake a review of the current processes around the preparation of the Authority's capital accounts and implement a new system of review and oversight of this area in preparation for the 2020/21 accounts.
Implementation date	Immediately

Exhibit 27: matter arising 21

Matter arising 21 – HRA Archetype Groups	
Findings	<p>Our testing of the beacon properties has identified that there are clear differences in the archetype categories between the clients' records and the valuers as a result of additions and disposals in-year.</p> <p>The potential maximum misstatement as a result of the differences is £1.995 million, which is not material.</p>
Priority	High
Recommendation	We recommend that the Council and the valuer review and agree the categorisation of Council Dwellings into archetype groups ahead of the full valuation of Council Dwellings that is due to take place for the 2020/21 financial year.
Benefits of implementing the recommendation	Council Dwellings will not be materially misstated when disposals and additions occur.
Accepted in full by management	Yes
Management response	<p>The movement in the stock is as per the Authority's records. The difference has arisen due to the valuer allocating the Authority's Council dwellings to beacons during their valuation. This information hasn't been shared with the Authority to allow a full comparison with our records.</p> <p>We will review and agree the categorisation of the Council Dwellings into archetypal groups with the valuer to support the 2020-21 final accounts process.</p>
Implementation date	31 March 2021

Exhibit 28: matter arising 22

Matter arising 22 – Statement of Cash Flows	
Findings	Our testing of the restated Statement of Cash Flows and associated notes for 2018/19 identified a non-material balance of £1.9 million of non-cash items that officers were not able to evidence.
Priority	High
Recommendation	We recommend that the Council ensure that the Statement of Cash Flows is complete and accurately evidenced in future years.
Benefits of implementing the recommendation	The Statement of Cash Flows is complete and accurate.
Accepted in full by management	Yes
Management response	We will fully review our existing processes for preparing the Cash Flow Statement for the final Statement of Accounts.
Implementation date	31 March 2021



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