

AUDIT COMMITTEE

20 OCTOBER 2020

Present: Independent Members: David Hugh Thomas (Chairperson)
Gavin McArthur and David Price
Councillors Cunnah, Howells and Williams

41 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Lister and Simmons.

42 : DECLARATIONS OF INTEREST

None received.

43 : DRAFT AUDIT OF ACCOUNTS REPORTS (ISA 260) FOR FINANCIAL YEAR 2019/20

The Chairperson welcomed Ann-Marie Harkin – Audit Wales to introduce the report. Members were provided with an overview of the financial statements and were advised that this was an annual report that sets out the results of the years Audit.

It was stressed that Cardiff Council met the 15 June 2020 deadline which was a tremendous achievement in the pandemic and people having to quickly adjust to working from home.

Members' attention was drawn to key points such as the intended unqualified opinion; 1 uncorrected mis-statement and some corrected mis-statements (which were to be expected). Members' attention was also drawn to the Contingent Liability HMRC; Disclosure of Cardiff City Transport Services which happened late in the audit but auditors were happy with the proposed way forward and noted there may be a need for adjustment.

The Chairperson invited questions and comments;

Members referred to page 12 and asked if the additional narrative requested by Audit Wales had been agreed with Cardiff Council. Officers advised that it had and it had been clarified to enable user understanding; this would be provided to Audit Committee Members.

Members noted that Council was to consider an item on Cardiff City Transport Services this week and asked for more information on this. Officers advised that there has been a lot of work on viability and sustainability; it was a confidential report however there was a broad open cover report online and could be sent to Audit Committee Members if requested. Members asked if the financial risk had been quantified in the report to Council and Officers advised that it was all fully documented in the report.

Members referred to the first two items in exhibit 3 and non-current assets, noting that they both relate to activities on collaboration/partnership working. Members

asked if the errors/mis-recordings in the draft accounts were an oversight or whether they reflected something more substantive in relation to the finance teams understanding of the issues. Members noted that previously, as a Committee they have stated they need more understanding of the partnership process and auditing them. Members were advised that in relation to the Central South Consortium, it was an oversight in the way things were recorded/classification and there was no change to the final figure. Work was underway on providing templates to partners so they know what is required. In relation to the City Deal, it was a misclassification of the asset that didn't change the outcome. In relation to non-current assets, Officers noted that where there is more collaboration, there are more people to request information from; a change in timescales from September to July could prove to be a risk in having less time to gather information, in the correct formats and could in fact mean more errors. A discussion took place around giving partners sufficient notice of requirements and having sufficient dialogue to tighten up this process going forward as the errors do not reflect well on the nature of partnership working. Officers agreed to take this on board in terms of process going forward.

RESOLVED: To provide to audit committee with the main narrative and numerical presentation adjustments throughout the account as highlighted by Audit Wales in Appendix 3 of the ISA 260 (Audit of Accounts Report 2019/20 – The County Council of the City and County of Cardiff)

The Chairperson invited Phil Pugh Audit Wales to introduce the Cardiff Harbour Report. Phil Pugh thanked all involved for their huge effort in such unique circumstances. Members were advised of the key points from the report including the Materiality Level, the threshold was £171k, which was vastly different to the £3.2million non-current assets. Members were also advised that due to the pandemic there had been no year-end Stock Check of Inventory, and as Audit Wales were unable to re-perform any balances they had no alternative but to have a qualified opinion. It was stressed however that this was not uncommon this year across many authorities.

The Chairperson invited questions and comments;

Members asked for further information on how Audit Wales had sought assurance on the balances, stating that they presumed there was an inventory system which would have recorded stock in/out. Members were advised that under the Auditing Standards procedure they were required to confirm the existence and condition of the inventory. As an alternative to attending the stock take, they could consider if there had been any instruction for a stock take to be undertaken; observe the performance of a stock take; look at the inspection of the inventory or perform test counts. However, there was no periodic ongoing stock checks that could be referred to; the council had said the levels had been kept the same. Members asked if this was a reasonable statement to make and were advised it was, Audit had looked over a period of years and there was no huge fluctuation in levels.

Members asked why there was no stock management system in place and if there was no stock movement, could it be overvalued in the balance sheet. Officers advised that the area had been subject to internal audit with regards to the stock system so they were unable to comment further. They did however explain that the actual stock is made up of parts for the operation of the Barrage, such as screws and

rollers. The view had been taken to keep the levels the same as last year rather than make a guess; the area has been asked to undertake a stock take by the end of November. There were no questions on this report

RESOLVED: Following the 19/20 year end stock check, Audit Committee to receive a briefing on the stock held by Cardiff Harbour Authority and the process for recording and verifying stock.

The Chairperson invited Phil Pugh Audit Wales to introduce the report on the Cardiff and Vale Pension Fund, which detailed the audit findings.

Members were advised that the fund stands at £20.3 million. There are still some reports outstanding from Investment Managers. Reference was made to Exhibit 1, and Members were advised that Audit Wales had received the accounts by 17 July which was within the revised timescale. Work started on the accounts in Mid-September. There was an unqualified opinion presumed once the letter of representation was received.

Members' attention was drawn to Exhibit 2 and the significant issue of the Pool Property Fund Valuation. External Fund Valuers have included modification of their opinion. This was consistent across all funds and it was not the intention to alter the opinion.

Appendix 3 showed there was only 1 corrected error which was nothing significant and there were no uncorrected mis-statements.

Phil Pugh wished to thank all involved for their help.

The Chairperson invited Phil Pugh to introduce the report on Cardiff Port Health Authority, in which he advised Members that this was an Independent Examination of the CPHA. The thresholds were much lower in terms of Income/Expenditure and therefore do not require a full audit. There were no amendments. Members' attention was drawn to the fact that the accounts needed to be signed as draft as this was omitted at the time; a retrospective corrective action had been taken. There were no questions on this report.

The Chairperson advised that a letter of representation was needed by Audit Wales by 26 October 2020.

The Chairperson wished to add his real appreciation to staff in getting all the work done and in the original time scales in such unusual circumstances.

Resolved to:

- I. Note the 2019/20 Audit of Accounts Reports (ISA 260) for the Statement of Accounts for Cardiff Council, Cardiff Harbour Authority, Cardiff and Vale of Glamorgan Pension Fund and the Audit Opinion for Cardiff Port Health Authority.

- II. Agree that the 2019/20 Audit of Accounts Reports (ISA 260) for the Statement of Accounts for Cardiff Council, Cardiff Harbour Authority, Cardiff and Vale of Glamorgan Pension Fund and the Audit Opinion for Cardiff Port Health Authority, be sent to Council for approval of the Statement of Accounts on 22 October 2020.

44 : URGENT ITEMS (IF ANY)

None received.

45 : CHAIRPERSONS ANNOUNCEMENT

The Chairperson also wished to put on record his thanks Councillor Rod McKerlich for all his work on the Audit Committee and wished him well in his role as Lord Mayor.

46 : DATE OF NEXT MEETING -17 NOVEMBER 2020

The meeting terminated at 2.45 pm