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## AGENDA

<b>Committee</b>	AUDIT COMMITTEE
<b>Date and Time of Meeting</b>	TUESDAY, 20 OCTOBER 2020, 2.00 PM
<b>Venue</b>	REMOTE MEETING VIA MS TEAMS
<b>Membership</b>	Independent Members: David Hugh Thomas (Chairperson) Gavin McArthur and David Price Councillors Cunnah, Goodway, Howells, Lister, Simmons, Singh and Williams

### 1 **Apologies for Absence**

To receive apologies for absence.

### 2 **Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

### 3 **Draft Audit of Accounts Reports (ISA 260) for Financial Year 2019/20** *(Pages 3 - 58)*

### 4 **Urgent Items (if any)**

### 5 **Date of next meeting -17 November 2020**

**Davina Fiore**  
**Director Governance & Legal Services**

Date: Wednesday, 14 October 2020

Contact: Graham Porter,  
02920 873401, g.porter@cardiff.gov.uk

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# CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE:**

**20 October 2020**

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## **AUDIT OF ACCOUNTS REPORTS (ISA 260) FOR FINANCIAL YEAR 2019/20**

### **REPORT OF CORPORATE DIRECTOR RESOURCES**

#### **Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Financial Reporting:
  - To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

#### **Background**

2. Audit Committee received an electronic copy of the signed draft financial statements, Cardiff Council including Harbour Authority and Cardiff and Vale of Glamorgan Pension Fund for comments on 17 July 2020 in parallel with the public inspection period. Audit Committee also considered the draft financial statements at its meeting on 8 September 2020 whilst the external audit was still in progress, receiving a verbal update by Audit Wales in terms of progress. Attached are the Audit of Accounts Reports (ISA 260) for 2019/20 in respect of:
  - The County Council of the City and County of Cardiff (Cardiff Council) – **Appendix 1**
  - Cardiff Harbour Authority - **Appendix 2**
  - Cardiff and Vale of Glamorgan Pension Fund - **Appendix 3** and in addition
  - Audit Opinion in respect of Cardiff Port Health Authority – **Appendix 4**
3. This report has been prepared to:
  - allow Audit Wales to present their audit findings to those charged with governance in accordance with International Standard of Auditing 260 and
  - provide Audit Committee with the opportunity to consider the audit findings, the audit opinion, seek assurances on the delivery of the audit and any resulting adjustments made to the accounts.

4. The Audit of Accounts Reports (ISA 260) along with the final audited financial statements are to be considered by Council at its meeting on 22 October 2020 along with the Annual Governance Statement.

### **Legal Implications**

4. No direct legal implications arise from this report.

### **Financial Implications**

5. No direct financial implications arise from this report.

### **RECOMMENDATIONS**

6. That Audit Committee:
  - 1 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.
  - 2 To ask questions of the auditor in respect to the Audit of Accounts Reports (ISA 260) and audit opinions ahead of the request for Council approval of the Statement of Accounts on 22 October 2020.

### **CHRISTOPHER LEE**

Corporate Director Resources

14 October 2020

Appendix 1 – Audit of Accounts Report (ISA 260) 2019/20 – The County Council of the City and County of Cardiff

Appendix 2 – Audit of Accounts Report (ISA 260) 2019/20 – Cardiff Harbour Authority

Appendix 3 – Audit of Accounts Report (ISA 260) 2019/20 – Cardiff and Vale of Glamorgan Pension Fund

Appendix 4 – Audit Opinion 2019/20 – Cardiff Port Health Authority

# Audit of Accounts Report – The County Council of the City and County of Cardiff

Audit year: 2019-20

Date issued: October 2020

Document reference: 2074A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some 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 the Corporate Director Resources and Head of Finance.
- 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 £11,900,000 for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration
  - Related Party Transaction and balances
- 6 We have now substantially completed this year's audit. 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.
- 7 However, in our Audit Plan dated July 2020, we brought to your attention one potential conflict of interest. This relates to the Financial Audit Manager who is a former colleague and friend of the Council's Operational Manager for Information Governance, Transactional Finance and Programme Management within the Resources Directorate. I can confirm that planned safeguards set out in the Audit Plan have operated as intended in respect of this matter. I can also confirm that, all other members of my team are independent of the Council and its senior officers.

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

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. Indeed, in recognition of the likely challenges facing councils, the Welsh Government wrote to all councils recommending that if it was not possible to meet the statutory accounts timetable, bodies should aim to prepare accounts by 31 August and publish audited accounts by 30 November 2020.
- 9 Despite the challenges faced, the Council was able to produce the draft statement of accounts by the statutory deadline of 15 June, which is a significant achievement. We are extremely grateful to the professionalism of the team in



completing the financial statements and supporting us to complete our audit in such difficult circumstances.

- 10 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><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The statutory deadline for the completion of the draft accounts was 15 June and we received them on this date.</li> <li>• Our audit commenced on 1 July, with members of our team joining throughout that month as they became available after completing work on audits within other sectors. The start date was later than intended and was due to the impact of the extended Welsh Government deadlines for the completion of audits within the NHS and Central Government sectors as a result of the COVID-19 pandemic.</li> <li>• Our deadline for completing our audit has been extended to 30 November 2020.</li> <li>• We expect your audit report to be signed on 26 October 2020.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The Corporate Director Resources provided an electronic signature, along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received most of the audit evidence in electronic format and we have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely; and</li> <li>• officers were available through Microsoft Teams or Skype for video conference meetings, and to share on-screen information/evidence.</li> </ul>

	<p>The practical implications of lockdown, together with the additional workload pressures on your staff created by the overriding need to respond to the pandemic, meant that whilst the majority of our audit work was responded to in a timely and efficient manner, delays were experienced in receiving some audit evidence and in obtaining responses to some audit queries.</p> <p>We acknowledge, however, that most of these delays were largely unavoidable and were to be expected given this year's exceptional circumstances. Despite this, the audit is due to be completed well within the Welsh Government's revised deadline of 30 November 2020.</p>
<p><b>Other</b></p>	<ul style="list-style-type: none"> <li>• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.</li> <li>• Video-conference-based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

11 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

12 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**.

13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

14 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.

15 Our proposed audit report is set out in **Appendix 2**. Whilst our audit opinion is unqualified, it includes Emphasis of Matter paragraphs in accordance with the requirements of International Standards on Auditing (ISA) 706. The Emphasis of Matter paragraphs are in relation to material valuation uncertainties regarding two areas of the accounts as detailed below:

- Property, Plant and Equipment Assets, Heritage Assets and Investment Properties; and
- Pension Fund Pooled Property Unit Trust Investments.

- 16 Our proposed audit report also includes an Emphasis of Matter paragraph in relation to the Going Concern of Cardiff City Transport Services which is highlighted within Note 22 'Interests in Other Companies and Other Organisations' and within the 'Introduction' section of the Group Accounts on page 109.

## Significant issues arising from the audit

### Uncorrected misstatements

- 17 There is one misstatement within the accounts, which remains uncorrected. This relates to accumulated depreciation of £1,090,000 which has been credited to the Comprehensive Income and Expenditure Statement, but which should have been credited to the Revaluation Reserve in the Balance Sheet. Management have confirmed that, in their view, this is not material to the 2019/20 financial statements and as a result will amend as part of the accounts preparation for 2020/21.

### 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**.
- 19 Most of the amendments required related to providing additional or updated narrative disclosures to enhance the reader's understanding of the disclosures. Overall, we did not identify many technical accounting adjustments that were required, which again is testament to the professionalism of the team involved in completing the financial statements in such difficult circumstances.

### Other significant Issues arising from the audit

- 20 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 were some issues arising in these areas this year as shown in **Exhibit 2**:

**Exhibit 2 – significant issues arising from the audit**

<b>Significant issues arising from the audit</b>	
<p><b>Material uncertainty in relation to Property, Plant &amp; Equipment Assets, Heritage Assets and Investment Properties</b></p>	<p>Page 41 of the draft financial statements refers to the, assumptions made about the future and other sources of estimation uncertainty. This highlights that, as a result of the impact of the COVID-19 pandemic, the valuations of the Council’s assets provided by its professional valuers, are reported on the basis of material valuation uncertainty. I have drawn the reader’s attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p><b>My opinion is not modified in respect of this matter.</b></p>
<p><b>Material uncertainty in relation to Pension Fund Pooled Property Unit Trust Investments</b></p>	<p>I have also requested that the Council sets out in Note 15 at Page 70, additional narrative to disclose the material uncertainty in relation to the value of Pension Fund Pooled Property investments, highlighted by investment fund managers, as a result of the pandemic.</p> <p>The Council has included the additional narrative disclosure.</p> <p>I have also drawn the reader’s attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p><b>My opinion is not modified in respect of this matter.</b></p>
<p><b>Impact of McCloud Pension remedy proposals on IAS 19 figures</b></p>	<p>Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk. An estimate for this potential liability was compiled prior to the proposed remedy being known and was included in the 2018-19 financial statements.</p> <p>On 16 July 2020, the UK government proposed its remedy, and this had the potential to significantly impact the previous estimate.</p> <p>The actuary has confirmed that their assumptions were broadly similar to the subsequently proposed remedy. Therefore, we were able to conclude that the estimate included in the financial statements remains reasonable.</p> <p>No adjustments were therefore required to be made to the 2019-20 financial statements.</p>

## Significant issues arising from the audit

<b>Contingent Liability HMRC Landfill Tax</b>	<p>During the course of our audit, we have continued to liaise with management in terms of an ongoing HMRC investigation into the purportedly under-declared landfill tax assessment received by the Council from April 2015. Management have provided updates and supporting information to allow us to conclude that this matter is not yet resolved and that it remains appropriate that this issue continues to be accounted for as a Contingent Liability.</p>
<b>Going Concern Cardiff City Transport Services</b>	<p>As part of our audit of the Council's Group accounts, we have reviewed the 2019-20 draft accounts of its subsidiary CCTS, in which the Company Directors have referred to concerns regarding the company's ability to continue as a going concern. We have requested additional disclosure within Note 22 'Interests in Other Companies and Other Organisations' and within the 'Introduction' section of the Group accounts to reflect this issue.</p>

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

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

22 October 2020

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Cardiff Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.]

## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There is one misstatement within the accounts, which remains uncorrected. This relates to accumulated depreciation of £1,090,000 which has been credited to the Comprehensive Income and Expenditure Statement, but which should have been credited to the

Revaluation Reserve in the Balance Sheet. We confirm that, in our view, this is not material to the 2019/20 financial statements and, as a result, we intend to amend for this misstatement as part of our accounts preparation process for the 2020/21 financial statements.

The impact of COVID-19, as well as the complexity and size of the Council makes producing and auditing the financial statements in the timescales set out, a significant achievement. The issues this raises in terms of basis of assumptions in terms of valuation, going concern and contingent liabilities remain areas of continued change, but reflect the position at a point in time. These assumptions will need to be continually reviewed in informing future assessments of financial performance and position, with such considerations also continuing to feed into financial resilience assessments as part of the Council's medium-term financial planning processes.

## **Representations by those charged with governance**

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

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

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 Full Council on 22 October 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date: 22 October 2020

Signed by:

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

Date: 22 October 2020



# Appendix 2

## Proposed audit report

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

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

##### Opinion

I have audited the financial statements of:

- the County Council of the City and County of Cardiff; and
- the County Council of the City and County of Cardiff Group

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.]

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

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

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group 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 the COVID-19 pandemic on the valuation of Property, Plant and Equipment Assets, Heritage Assets and Investment Properties**

I draw attention to the disclosures in the assumptions made about the future and other sources of estimation on page 41 of the financial statements, which describes the impact of the COVID-19 pandemic and the material uncertainty of the valuation of the Council's Property, Plant and Equipment Assets, Heritage Assets and Investment Properties provided by the Council's external professional valuers.

My opinion is not modified in respect of this matter.

### **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Pension Fund Pooled Property Investments**

I draw attention to the disclosures in Note 15 page 70 of the financial statements which describes the impact of a material uncertainty disclosed in pension fund managers year-end valuation reports for the UK Pooled Property Investments managed on behalf of the Cardiff and Vale of Glamorgan Pension Fund.

My audit opinion is not modified in respect of this matter.

### **Emphasis of Matter Going Concern Cardiff City Transport Services**

I draw attention to Note 22 of the financial statements and the 'Introduction' section of the Group Accounts which refers to the significant risk to financial viability and going concern of Cardiff City Transport Services.

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 or Group'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 Narrative Report and accounts. The other information comprises the information included in the Narrative 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 2019-20; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

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

## Responsibilities

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff Group financial statements, 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 and group'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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Adrian Crompton  
Auditor General for Wales  
26 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections 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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£28.354 million	<p><b>Comprehensive Income and Expenditure</b> Decrease in both income and expenditure for Education &amp; Lifelong Learning directorate in the 2018-19 comparative figures.</p>	<p>The prior year's income and expenditure figures for Education &amp; Lifelong Learning directorate have been restated. This is as a result of amounts relating to the 'Central South Consortium Joint Education Service' Joint Committee being duplicated.</p> <p><b>There is nil impact on the overall CIES out-turn</b></p>
£8.357million	<p><b>Note 16 – Non-Current Assets</b> Reclassification of an asset from Assets Under Construction to Investment Property within the 2018-19 comparative figures.</p>	<p>To correctly reflect the classification of the Council's share of assets in respect of the Cardiff Capital Region City Deal draft Group accounts.</p>
£4.197 million	<p><b>Note 19 – Short Term Debtors and Note 21 – Short Term Creditors</b> Decrease in both short-term debtors and short-term creditors.</p>	<p>Figures amended to correct an overstatement of the debtor and creditor balances.</p>

Value of correction	Nature of correction	Reason for correction
£2.486 million	<p><b>Note 12 – Leasing – Lessor</b></p> <p>Decrease in the amount of income reported for the banding 'Later than Five Years'.</p>	This amendment corrects an error in the expiry date of one of the leases which overstated the amount of income due.
£1.495 million	<p><b>Note 12 – Leasing – Lessee</b></p> <p>Increase in the amount of minimum lease payments reported.</p>	This amendment corrects an error in the expiry date of one of the leases which understated the amount of minimum lease payments.
£1.172 million	<p><b>Note 27 Capital Adjustment Account</b></p> <p>Decrease in depreciation charges of £1.172 million and increase in amortisation charges of £1.172 million.</p>	This is to correct a misclassification between line items within this Note.
£0.649 million	<p><b>Note 16 Non-Current Assets</b></p> <p>Decrease in both the opening cost and opening accumulated depreciation for 'Other Land &amp; Buildings'.</p>	Our testing of Non-Current Assets identified one asset where the opening cost and opening accumulated depreciation had both been overstated by the same amount. This prior period restatement corrects this presentational error.
Banding correction	<p><b>Note 8.4 Exit Packages</b></p> <p>Increase of four in the number of Exit packages falling in the banding £0-£20,000.</p>	Our work identified four exit packages that were agreed by the year-end, but which had been omitted from the banding table.

Value of correction	Nature of correction	Reason for correction
<p>Various narrative and minor numerical presentation adjustments throughout the account</p>	<p>Various numerical and narrative which include for example:</p> <ul style="list-style-type: none"> <li>• <b>Note 15 Pensions</b> Inclusion of a note to confirm that the Actuary figures take account of the McCloud judgement.</li> <li>• <b>Related parties</b> Narrative expanded to include more detail of transactions and balances.</li> </ul>	<p>A number of minor numerical and narrative changes have been made to various notes in the financial statements to provide more clarification to the reader, to correct casting errors and any internal inconsistencies.</p>



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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.



## Audit of Accounts Report – Cardiff Harbour Authority

Audit year: 2019-20

Date issued: October 2020

Document reference: 2075A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

# Contents

We intend to issue a qualified 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 the Corporate Director Resources and Head of Finance.
- 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 The quantitative levels at which we judge such misstatements to be material for Cardiff Harbour Authority are £171,000 for income and expenditure items and working capital balances, and £3,227,000 for non-current assets and capital charges. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 5 We have now substantially completed this year's audit.
- 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 it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. Indeed, in recognition of the likely challenges facing councils, the Welsh Government wrote to all councils recommending that if it was not possible to meet the statutory accounts timetable, bodies should aim to prepare accounts by 31 August and publish audited accounts by 30 November 2020.
- 8 Despite the challenges faced, the Council was able to produce the draft statement of accounts by the statutory deadline of 15 June, which is a significant achievement. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

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

<p><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The statutory deadline for the completion of the draft accounts was 15 June and we received them on this date.</li> <li>• Our audit commenced on 9 July, which was later than intended and was due to the impact of the extended Welsh Government deadlines for the completion of audits within the NHS and Central Government sectors as a result of the COVID-19 pandemic.</li> <li>• Our deadline for completing our audit has been extended to 30 November 2020.</li> <li>• We expect your audit report to be signed on 26 October 2020, well in advance of the extended deadline.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The Corporate Director Resources provided an electronic signature, along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>We received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely; and</li> <li>• officers were available through Microsoft Teams or Skype or via e-mail.</li> </ul> <p>The practical implications of lockdown, together with the additional workload pressures on your staff created by the overriding need to respond to the pandemic, meant that whilst the majority of our audit work was responded to in a timely and efficient manner, delays were experienced in receiving some audit evidence and in obtaining responses to some audit queries.</p> <p>We acknowledge, however, that most of these delays were largely unavoidable and were to be expected given this year’s exceptional circumstances. Despite this, the audit is due to be completed well within the Welsh Government’s revised deadline of 30 November 2020.</p>

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

## Proposed audit opinion

- 11 We intend to issue a qualified 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**. The basis for our qualified opinion is set out in **Exhibit 2**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit.

### Uncorrected misstatements

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

### Corrected misstatements

- 16 There was no need to correct any misstatements as a result of our audit work.

### Other significant Issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There was one issue arising this year as shown in **Exhibit 2**:

## Exhibit 2 – significant issues arising from the audit

Significant issues arising from the audit	
<b>Basis for our Qualified Opinion</b>	<p><b>Note 3 to the financial statements discloses that Cardiff Harbour Authority held inventory of £352,000 as at 31 March 2020.</b></p> <p>Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, Cardiff Harbour Authority was unable to undertake a stock take of its inventory and therefore I was unable to observe and re-perform parts of that stock take in accordance with auditing standards. The level of inventory disclosed in Note 3 is at the same value as disclosed in the audited financial statements as at 31 March 2019.</p> <p>As I have been unable to obtain the required assurance by alternative means, I am unable to determine whether Cardiff Harbour Authority's reported year-end inventory balance of £352,000 is materially true and fair.</p>

# Appendix 1

## Final Letter of Representation

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

22 October 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff Harbour Authority for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

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



- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff Harbour Authority 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.
- Our knowledge of all known partnerships and joint working / collaborative arrangements that would impact on the financial statements.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

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

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

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

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

The financial statements are free of material misstatements, including omissions and there are no uncorrected misstatements.

It is recognised that, whilst not material to the Council overall, not being able to undertake a stock valuation at 31 March 2020 is a material factor in terms of the Harbour accounts auditing process. This was not possible as, due to COVID-19, operations of the Harbour were seriously affected by the UK Government instructions for a national 'shut down' to assist with the control of the spread of the coronavirus. Protection of key personnel

became paramount above other commitments that could be postponed and retaining the stock valuation at that which existed in previous years was a reasonable assumption.

## **Representations by those charged with governance**

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 22 October 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of  
management]

Date: 22 October 2020

Signed by:

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

Date: 22 October 2020

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the those charged with governance of Cardiff Harbour Authority

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

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet.

The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs).

#### Opinion

In my opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of my report, the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority 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 International Financial Reporting Standards.

#### Basis for Qualified Opinion

Note 3 to the financial statements discloses that Cardiff Harbour Authority held inventory of £352,000 as at 31 March 2020. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, Cardiff Harbour Authority was unable to undertake a stock take of its inventory and therefore, I was unable to observe and re-perform parts of that stock take.

As I have been unable to obtain the required assurance by alternative means, I am therefore unable to determine whether Cardiff Harbour Authority's reported year-end inventory balance of £352,000 is materially true and fair.

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 Cardiff Harbour Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical

responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

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 Cardiff Harbour Authority'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 Narrative Report. The other information comprises the information included in the Narrative 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 to the accounts is consistent with the accounting statements and related notes.

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

In the light of the knowledge and understanding of Cardiff Harbour Authority and its environment obtained in the course of the audit, 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 Cardiff Harbour Authority 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, 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 Cardiff Harbour Authority'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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Adrian Crompton  
Auditor General for Wales  
26 October 2020

24 Cathedral Road  
Cardiff  
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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.



## Audit of Accounts Report – Cardiff & Vale of Glamorgan Pension Fund

Audit year:2019-20

Date issued: October 2020

Document reference: 2076A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

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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 the Corporate Director Resources and Head of Finance.
- 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 £20,340,000 for this year's audit.
- 5 We have now substantially completed this year's audit, but the following work is outstanding:
  - review of outstanding Fund Manager Type 2 Control reports.
- 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 it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 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><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The COVID-19 pandemic has created some exceptional circumstances this year and Welsh Government has issued revised timescales that require preparation and certification of draft accounts by 31 August 2020 and publication of final audited accounts by 30 November 2020 for all local government bodies in Wales. Public bodies are encouraged to conclude audits early, where possible.</li> <li>• As a result of the pandemic, we received the draft accounts on 17 July 2020 which, although was later than initially planned, was ahead of the Welsh Government revised timescales.</li> <li>• As a result of prioritising our resources to work on the Council’s statutory accounts audit, we did not commence our audit of the Pension Fund until mid-September.</li> <li>• We expect your audit report to be signed on 26 October, well in advance of the revised timescales issued by Welsh Government.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The Corporate Director Resources provided an electronic signature, along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely; and</li> <li>• officers were available through Microsoft Teams or Skype for video conference meetings, and to share on-screen information/evidence.</li> </ul> <p>The practical implications of lockdown, together with the additional workload pressures on your staff created by the overriding need to respond to the pandemic, meant that whilst the majority of our audit work was responded to in a timely and efficient manner, delays were experienced in receiving some audit evidence and in obtaining responses to some audit queries.</p>

	We acknowledge however, that most of these delays were largely unavoidable and were to be expected given this year's exceptional circumstances. Despite this, the audit is due to be completed well within the Welsh Government's revised deadline of 30 November 2020.
<b>Other</b>	<ul style="list-style-type: none"> <li>• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.</li> <li>• Video-conference-based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

- 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**

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

- 15 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

16 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 were some issues arising in these areas this year as shown in **Exhibit 2**:

### Exhibit 2 – significant issues arising from the audit

Significant issues arising from the audit	
<b>Material Uncertainty in relation to the valuation of Pooled Property Funds</b>	<p>The Pension Fund holds investments in Pooled Property Funds. As a result of COVID-19, market activity has been impacted upon and property fund managers have included Material Uncertainty clauses in their Pooled Property Fund valuations.</p> <p>I have drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p><b>My opinion is not modified in respect of this matter.</b></p>

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

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

22 October 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2020, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.]

### Information provided

We have provided you with:

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



- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff & Vale of Glamorgan Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

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

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

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

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

The financial statements are free of material misstatements, including omissions.

The impact of COVID-19, as well as the complexity and size of the Council, makes producing and auditing the financial statements of the Pension Fund, in the timescales set out, a significant achievement. The issues this raises in terms of basis of assumptions in terms of valuation reflect the position at a point in time. These assumptions will be reviewed on an ongoing basis.

## Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Full Council on 22 October 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[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

### **The independent auditor's report of the Auditor General for Wales to the members of the County Council of the City and County of Cardiff as administering authority for Cardiff & Vale of Glamorgan Pension Fund**

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

##### **Opinion**

I have audited the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Cardiff & Vale of Glamorgan Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund 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 Pooled Property Funds**

I draw attention to Note 4 'Assumptions made about the future and other major sources of estimation uncertainty' to the financial statements, which describes material valuation

uncertainty clauses in property fund managers valuation reports for Pooled Property Funds, 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 pension fund'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 Narrative Report. The other information comprises the information included in the Narrative 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 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 annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

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

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report.]

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

- adequate accounting records have not been kept;
- 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 Cardiff & Vale of Glamorgan Pension Fund 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 financial statements, the responsible financial officer is responsible for the preparation of the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund'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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Adrian Crompton  
Auditor General for Wales  
26 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections 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 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£4.737 million	<b>Fund Account &amp; Net Assets Statement</b> Decrease in Other Income and a decrease in Pension Strain Cost Debtor (due within and after one year).	A manual debtor raised in 2018-19 had not been reversed within the draft financial statements.
n/a	Various narrative and arithmetical amendments. These included, for example, amendments to: <ul style="list-style-type: none"><li>• Note 6 Membership</li><li>• Note 11a – Reconciliation in Movement in Investments</li><li>• Note 15 - Actuarial Present Value of Promised Retirement Benefits</li><li>• Note 20 - Related Parties;</li><li>• Accounting Policies for Cash and Cash Equivalents</li></ul>	A number of amendments or additional information was made to provide enhanced understanding to the reader of the financial statements.



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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.



## Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2020 of:

**Cardiff Port Health Authority**

### External auditor's report

Except for the matter reported below, on the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

### Other matters and recommendations

On the basis of our review, we draw attention to the following matter and recommendation which does not affect our audit opinion

- Regulation 15 of the Accounts and Audit (Wales) Regs 2014 requires the Annual Return to be both properly certified by RFO and approved by the Chair of the Committee or Council meeting receiving the Return, on or before 31st August 2020.
- As no approval had been given before the deadline, Cardiff County Council as administering authority had not provided proper opportunity for the exercise of electors' rights of inspection of an approved set of 'the accounts to be audited' under Section 30 of the Public Audit (Wales) Act 2004.
- Regulation 15 requires publication of a statement setting out the reasons for non-compliance and the arrangements being put in place for securing certification.
- An addendum to the Audit Notice has been published on the Cardiff County Council website to notify electors of their inspection rights over an unapproved Annual Return as audited and of the arrangements in place for a full meeting of the Council to approve the Annual Return.
- We recommend that the Council reviews the arrangements for approving the Annual Return to ensure compliance with Regulation 15 for the Annual Return covering the 2020-21 financial year.

**External auditor's name:**

**Ann- Marie Harkin**

**External auditor's signature:**



**Date: 14 October 2020**

**For and on behalf of the Auditor General for Wales**

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