

## Audit of Accounts Report – Cardiff Harbour Authority

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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

<b>Timetable</b>	<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>
<b>Electronic signatures</b>	<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>
<b>Audit evidence</b>	<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

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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.