



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

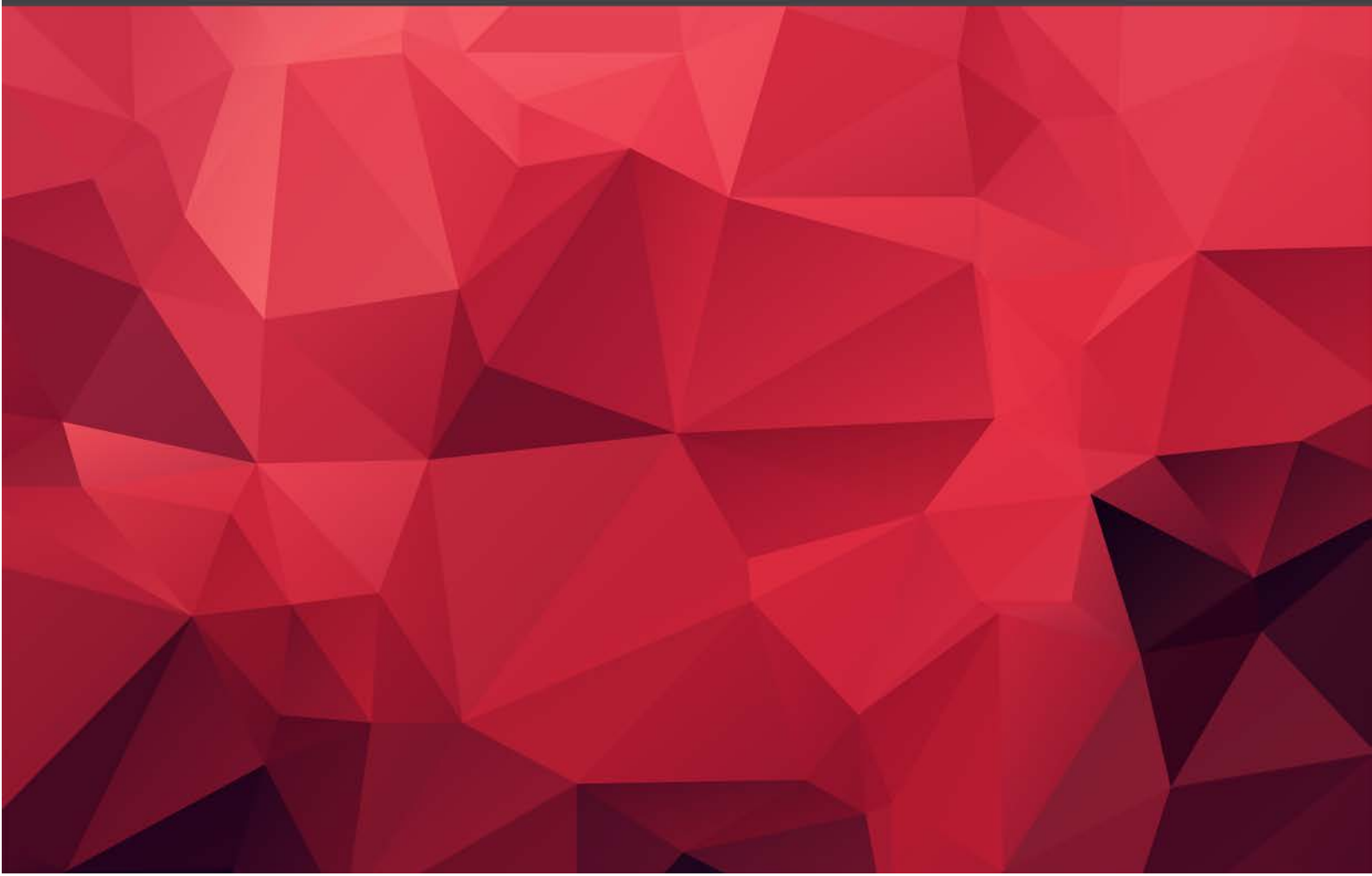
Archwilydd Cyffredinol Cymru
Auditor General for Wales

Final accounts memorandum – **Carmarthenshire County Council**

Audit year: 2016-17

Date issued: November 2017

Document reference: **254A2017-18**



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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

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.

The team who delivered the work comprised Richard Harries, Jason Garcia, Julie Owens, Ian Griffiths, George Thomas, Michelle Davies, Joshua Edwards, Rhian Lewis and Lucy Herman

Contents

Summary

I issued unqualified opinions on the 2016-17 financial statements for the Council on 29 September 2017 although improvements can be made to enhance existing controls in some areas 4

The Council has still to meet the challenges of the early closure regime 5

Appendices

Appendix 1 – Recommendations arising from our audit of the financial statements 6

Summary

I issued unqualified opinions on the 2016-17 financial statements for the Council on 29 September 2017 although improvements can be made to enhance existing controls in some areas

- 1 The financial statements are an essential means by which the Council accounts for the stewardship of the resources at their disposal and their financial performance in the use of those resources. It is their responsibility to:
 - put in place systems of internal control to ensure the regularity and lawfulness of transactions and the security of assets;
 - maintain proper accounting records; and
 - prepare financial statements in accordance with relevant requirements.
- 2 I am required to audit the financial statements and to issue audit reports which include an opinion on whether the financial statements give a 'true and fair' view of the state of affairs of the Council. The reports also give my opinion on whether the financial statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 and relevant regulations.
- 3 As agreed, we received the draft financial statements for the year ended 31 March 2017 on 30 June 2017. The Auditor General for Wales issued unqualified audit reports on the Council's financial statements on 29 September 2017.
- 4 International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of the audit of the financial statements. The Audit of the Financial Statements Report was presented to the Audit Committee at its meeting on 29 September. A summary of the findings is set out in [Exhibit 1](#).

Exhibit 1: Audit of Financial Statements Report to those charged with Governance

Reporting requirement	Audit findings
Modifications to the auditor's report.	No modifications required, clear (unqualified) opinions were given.
Unadjusted misstatements.	There were no uncorrected misstatements identified.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	No matters reported.
Matters corresponded upon with management.	No matters corresponded on with management.

Reporting requirement	Audit findings
Matters significant to the oversight of the financial reporting process.	No matters reported.
Material weaknesses in internal controls.	No material weaknesses identified.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	No matters reported.

- 5 We are also required to obtain an understanding of the internal controls relevant to the audit when identifying and assessing the risks of material misstatement. We did not identify any material risks or deficiencies in internal controls. We did, however, identify some less significant issues that require action by Management. These are detailed in [Appendix 1](#) along with Management's response and agreed actions.

The Council has still to meet the challenges of the early closure regime

- 6 The current deadline for the completion of the draft financial statements was 30 June 2017 and the audit deadline was 30 September 2017. However, from 2020-21 onwards these dates will be brought forward to 31 May and 31 July respectively.
- 7 The Council has historically had effective closedown arrangements, which have delivered the draft financial statements for audit in line with the statutory deadlines. For 2016-17 we found the information and working papers provided to support the accounts to be relevant, reliable, comparable, and easy to understand.
- 8 We concluded that accounting policies and estimates were appropriate and financial statement disclosures unbiased, fair and clear. There were no significant difficulties encountered during the audit. We received information in a timely and helpful manner and were not restricted in our work. The Finance staff are to be commended on their efforts in meeting the current deadlines and for the quality of the supporting documentation provided for audit.
- 9 Meeting these future requirements will be a significant challenge and will require a co-ordinated approach involving a number of Council departments. It will be essential that the Council identifies time savings in the account preparation process so that an effective closure programme can be put in place. This should incorporate all required tasks and allocate key responsibilities to different departments and individuals. We will work with officers to agree incremental improvements to both the accounts preparation and audit processes over the intervening years. This will help the Council meet the statutory changes to the accounts preparation and audit deadlines for the financial year 2020-21.

Appendix 1

Recommendations arising from our audit of the financial statements

We set out the recommendations arising from our audit of the financial statements along with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Exhibit 2: Matter arising 1

Matter arising 1 – Property, Plant and Equipment - Valuation of Public Conveniences	
Findings	During our early testing of property, plant and equipment valuations, an error was identified in how public conveniences were valued. The BCIS mean rate of £2,437 had been input to the Asset Management System (AMS) as £2,473. There were 14 public convenience revaluations completed in 2016/17, and 11 out of the 14 revaluations were found to include this transposition error. This was corrected prior to the drafting of the 2016-17 accounts.
Recommendation	Whilst this particular error was identified as part of early audit testing and corrected so that accurate values were extracted from the AMS during the preparation of the 2016/17 statement of accounts, the Council should ensure procedures are strengthened to ensure such errors do not recur.
Benefits of implementing the recommendation	To ensure fixed asset register reflects the correct valuation of assets.
Accepted by management?	Yes
Management response	A continual review of the Asset Register will be undertaken to ensure that there are appropriate checks on updated information.
Implementation date	Immediate

Exhibit 3: Matter arising 2

Matter arising 2 - Housing Revenue Account (HRA) - OHMS year-end system reporting	
Findings	A number of the end of year financial statement workings for the HRA are derived from OHMS system. During the audit we requested a system print as at 31/03/17 to enable us to verify these balances directly to the OHMS system. However, slight variances were identified for some of the balances due to the fact the report was at the end of the HRA week which was Sunday 02/04/17 and not 31/03/17, as recorded in the accounts and this report could not be retrospectively recreated.
Recommendation	For 2017-18, ensure a system print as at 31 March is retained as audit evidence to ensure the balances per the financial statements can be fully reconciled.
Benefits of implementing the recommendation	To ensure disclosures in the statement of accounts are fully evidenced and supported by source documentation.
Accepted by management?	Please see Management response below.
Management response	The Financial Statements are produced based on balances as at the end of the last rent week of the financial year which was the 2/4/17 and are derived from reports from the OHMS system as at that date. For this reason, it is not always possible to produce a system print as at 31 March. The comparative report which was run for the same period and which identified slight variances may have been run on different criteria.
Implementation date	N/A

Exhibit 4: Matter arising 3

Matter arising 3 – Other Income classified incorrectly	
Findings	During our interim substantive testing of income we identified payroll deductions of £10,623 for June 2016, childcare vouchers that had been incorrectly classified as 'Other Income'. The childcare voucher deductions should have been accounted for as payroll deductions held in a dedicated control account prior to their payment to the childcare voucher provider. The total of childcare voucher deductions incorrectly accounted for as Other Income during 2016/17 was £284,000.

Matter arising 3 – Other Income classified incorrectly	
Recommendation	Childcare voucher deductions should be accounted for as payroll deductions and held in a dedicated control account prior to their payment to the childcare voucher provider.
Benefits of implementing the recommendation	To ensure income and expenditure transactions are accurately accounted for.
Accepted by management?	Yes
Management response	Audit recommendation implemented, and dedicated control account now in place from 2017/18.
Implementation date	2017-18

Exhibit 5: Matter arising 4

Matter arising 4 – Council Tax	
Findings	The statement of accounts include a number of disclosures regarding Council Tax. Our testing of CIES disclosures and balance sheet disclosures relating to Council Tax identified that a number of these areas had been compiled by different officers from varying sources of information and, on occasions, these different sources provided inconsistent information. We were able to resolve these inconsistencies but noted that, currently, a great deal of reliance is placed on one officer to provide information and expertise. This officer is due to leave the Council in 2017-18.
Recommendation	We recommend that the Council reviews the many sources of information used to support Council Tax disclosures and consolidates them. The Council should ensure that processes are put in place to ensure there is detailed knowledge transfer from this key officer to the officers who will be carrying out the relevant roles in future.
Benefits of implementing the recommendation	To simplify and to ensure consistency in the information gathered and provided to support council tax disclosures.
Accepted by management?	Yes

Matter arising 4 – Council Tax	
Management response	<p>All data comes from a single source - the Northgate i-World Revs & Bens system, but does involve several different system reports.</p> <p>The closure data provided was consistent with that provided in recent years, however, as certain additional audit checks were undertaken this year, further data, which was not immediately available, had to be generated.</p> <p>There has been a restructure within the Senior Management Team and skills transfers are in progress which will improve the knowledge base.</p>
Implementation date	A closure meeting between Revenue Services officers and Wales Audit Office to discuss requirements to be confirmed.

Exhibit 6: Matter arising 5

Matter arising 5 – Council Tax Bad Debt provision	
Findings	Our audit testing of the bad debt provision for Council Tax arrears identified that there had been very little write off of arrears during 2016-17. The Council was also unable to adequately support the percentages used for calculating each year's bad debt provision.
Recommendation	The Council should review all the historic arrears for Council Tax and write off balances for which there is no action being taken to recover the outstanding balance. The Council should also review the payments received for historic arrears and use these recoveries as evidence to support the future percentages used for setting the bad debt provision.
Benefits of implementing the recommendation	To ensure an accurate provision at year-end.
Accepted by management?	Agreed.
Management response	Regular reviews of outstanding debt will continue on a more frequent basis from now on and appropriate write-offs will be made in line with Financial Procedure rules. Whilst recognising the outstanding historical debt, full provision of outstanding arrears has been made within the accounts and will be reviewed as part of the ongoing provision.
Implementation date	2017-18

Exhibit 7: Matter arising 6

Matter arising 6 – Calculation of the insurance provision	
Findings	Our audit testing identified balances included in the insurance provision where the liability had not become probable in nature and other balances which related to internal departmental liabilities. The balance on this provision was therefore reduced from £2.5 million to £500,000 following an analysis of previous years' settlements of claims.
Recommendation	The Council should only include external liabilities in any provision and only those liabilities where it is probable that a liability exists.
Benefits of implementing the recommendation	To ensure an accurate provision at year-end.
Accepted in full by management	Yes
Management response	A procedure note has been drawn up and includes assurance that only those external liabilities where it is probable that a liability exists will be included.
Implementation date	Immediate

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru