

# Audit of Accounts Report – Carmarthenshire County Council

Audit year: 2020-21

Date issued: September 2021

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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 2020-21 accounts in this report.
- 2 We have already discussed these issues with the Director of Corporate Services and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £6.6m 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:
  - Senior Officer Remuneration & Related Parties to Senior Officers - £1,000
  - Related Parties to Members - £10,000
- 6 Although we have completed the majority of our audit work at the time of drafting this report, we are yet to complete:
  - the final review of our audit file;
  - our final review of the revised 2020-21 financial statements; and
  - resolution of queries relating to a small number of other accounts areas.
- 7 We will provide a verbal update on these outstanding items at the Audit and Governance Committee at its meeting on 24 September 2021.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remained 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

- 9 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.
- 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 completion of the 2020-21 draft accounts was 31 May 2021. However, due to the ongoing impact of Covid 19, Welsh Government issued guidance allowing flexibility for completing the 2020-21 financial statements. As a result, the Council committed to providing the draft accounts by 2<sup>nd</sup> July and we received the draft accounts in line with this deadline.</li> <li>• We agreed to aim to complete our audit by 30 September 2021 and we expect your audit report to be signed on 27<sup>th</sup> September.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The current plan is for the Governance and Audit Committee to approve the 2020-21 financial statements at its virtual meeting on 24 September 2021. The Section 151 officer will then arrange for manual signatures to be obtained prior to the audit opinion being issued.</p> <p>There are no current plans to use electronic signatures, however, should the Council decide they should proceed on this basis, then we can 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 the majority of audit evidence in electronic formats. We have used various techniques to ensure its validity.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report and provided audit evidence to the audit team via e-mail or the shared folder accessible by auditors through the Council laptops and the online portal;</li> <li>• officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence; and</li> <li>• Audit Wales also secured remote read-only access to the Agresso ledger, CIPFA Asset Management System and Northgate system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information.</li> </ul>
<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.
- 15 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

- 17 There were initially some misstatements in the accounts which have now been corrected by management. None of these amendments had any impact on the year end financial position of the Council. 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

- 18 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 no issues arising in these areas this year.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

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

24 September 2021

### Representations regarding the 2020-21 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 Carmarthenshire County Council for the year ended 31 March 2021 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's Code of Practice on Local Authority Accounting in the United Kingdom UK 2020-21; in particular the financial statements give a true and fair view in accordance therewith.
- 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 Carmarthenshire County 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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.

## 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 Governance and Audit on 24 September 2021.

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:

Signed by:

Director of Corporate Services

Chair of the Governance and Audit  
Committee

Date: 24 September 2021

Date: 24 September 2021

# Appendix 2

## Proposed Audit Report

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

#### Opinion on financial statements

I have audited the financial statements of Carmarthenshire County Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council'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 financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The Responsible Financial Officer is responsible for the other information contained within the Statement of Accounts. The other information comprises the information included in the Narrative Report and Annual Governance Statement. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- 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 its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## **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 set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such

internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Carmarthenshire County Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Carmarthenshire County Council's framework of authority as well as other legal and regulatory frameworks that Carmarthenshire County Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Carmarthenshire County Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;

- reading minutes of meetings of those charged with governance and the Council; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business:

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Carmarthenshire County Council's controls, and the nature, timing and extent of the audit procedures performed.

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.

### **Certificate of completion of audit**

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

Adrian Crompton – Auditor General for Wales  
Date – 27 September 2021

24 Cathedral Road  
Cardiff, CF11 9LJ

## 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
<p>£1,414m PPE stock received and £981k used by the Council in 2020-21</p>	<p>During 2020-21 the Council received personal protective equipment (PPE) from NHS shared services free of charge that was not accounted for and recognised in the draft accounts, although a note was included detailing the number of units issued and received.</p> <p>The value of PPE received totals £6.079 million, of which some £1.414m has been retained and used by the Council and £4.665m has been issued to third parties. The amounts issued to third parties has been accounted for on an Agency basis and is shown in the relevant agency disclosure note.</p> <p>The value of PPE used by the Council (£981,000) has now been accounted for as notional income and expenditure in the Comprehensive Income and Expenditure Statement and the remaining value of unused stock (£432,000) has been disclosed as inventory and a donated asset in the Balance Sheet</p> <p>It should be noted that the impact of these transactions would have a net nil effect on both the balance sheet and the comprehensive income and expenditure statement.</p>
<p>£5.4m</p>	<p>During the Covid pandemic the Council were requested by Welsh Government (WG) to make different payments to eligible individuals and businesses on behalf of WG. These payments have generally been accounted for on an agency basis and therefore have not been included in the Council's core financial statements for 2020-21.</p> <p>One scheme introduced by WG was a £735 bonus payment scheme for all social care workers. The decision to issue this bonus was made by Welsh Government on 31 March 2021 but payments were not</p>

	<p>made by Carmarthenshire Council to relevant individuals until July 2021 and the Council were subsequently reimbursed by WG.</p> <p>The initial consideration was to include a debtor and creditor balance relating to these transactions in the draft 2020-21 financial statements, as this was the approach discussed with WG.as the costs were applicable to 2020/21.</p> <p>We have reconsidered our views on the accounting for these debtor and creditor balances and have reached the conclusion that they should not be included in the 2020-21 balance sheet. The Council have agreed to amend their draft financial statements based on this revised guidance and have also amended the agency grant note.</p> <p>It should be noted that the impact of these transactions would have a net nil effect on the balance sheet.</p>
Covid19 Agency disclosure note	<p>The disclosure note relating to the Covid 19 expenditure and income was included in the narrative report section of the draft accounts. This part of the statement of accounts is not covered by our audit opinion and as such this note has been moved into the main body of the financial statements.</p>
£1.18m	<p>The Capital Commitments note had two projects relating to Ysgol y Castell and Gwynfryn where the capital commitments figures had been understated. The figures from these projects were increased to reflect the additional capital commitments.</p>
ERW	<p>The disclosures relating to ERW in Note 6.39 in the draft financial statements were based on the 2019-20 outturn figures, as the 2020-21 figures were unavailable at the time of the draft accounts being produced. The figures have been updated now that the 2020-21 ERW accounts have been received.</p>
WRW Construction Group – Post Balance Sheet event	<p>In July 2021, WRW construction group were placed into Administration. This group were contractors for the Council on several capital projects. We have discussed and corresponded with management on the impact of this contractor going into administration. It has been</p>

	agreed to include a non adjusting post balance sheet disclosure in the 2020-21 Financial Statements relating to the potential additional costs the Council are likely to incur in completing the projects that WRW were working on.
Various presentational amendments	Various other minor presentational amendments were made to the draft statement of accounts.





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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.