

Appendix 2

Date/Dyddiad:
29th September 2021

Please ask for/Gofynnwch am:
Barrie Davies
(01443) 424026

Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Dear Adrian,

Representations regarding the 2020/21 Rhondda Cynon Taf County Borough Council Financial Statements

This letter is provided in connection with your audit of the financial statements of Rhondda Cynon Taf County Borough Council (RCTCBC) for the year ended 31st 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.

In addition we have completed the questionnaires (Appendix A) provided to us regarding;

- ISA240 The auditor's responsibilities relating to fraud in an audit of financial statements
- ISA250 Consideration of laws and regulations in an audit of financial statements
- ISA550 Related parties

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 2020/21; in particular the financial statements give a true and fair view in accordance therewith.

We have fulfilled our responsibilities for 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 RCTCBC 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; and
- 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 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.

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

There are a number of misstatements that have been corrected by management, as set out in the Audit Wales ISA 260 Report.

Representations by Rhondda Cynon Taf County Borough Council:

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 Members of RCTCBC on 29th 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

Director of Finance & Digital Services
(S.151 Officer)

Leading Member

Date

Date

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Council is the Full Council. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud	
Question	2020-21 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>Good governance flows from a shared ethos and culture, as well as from systems and structures. The Council expects all representatives (i.e. Members and Officers) to conduct their duties with the highest levels of honesty and integrity.</p> <p>Policies underpin the culture in place and the Regional Internal Audit Shared Service test compliance with relevant Policies linked to the core financial systems (in line with the approved Annual Audit Plan).</p> <p>To ensure a consistent approach to working practices and processes, all officers are subject to the Council's terms and conditions of employment. A comprehensive suite of information such as policies and procedures are available for officers on "The Source" such as:</p> <ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Human Resources policies • Anti-Fraud, Bribery & Corruption Strategy • Whistleblowing Policy • Gifts and Hospitality Policy. <p>New employees attend a virtual corporate induction and an induction checklist encompasses key policies and procedures.</p> <p>Headteacher and Governor training takes place for Financial Management of Schools.</p> <p>All Members receive Code of Conduct training and newly elected Member and refresher training is available annually. Code of conduct training is also provided to co-opted Members. The following codes and protocols are included as part of the member induction programme and provided on a one to one basis if requested by a Member via the Council Business Unit.</p> <p>Codes and Protocols</p> <ul style="list-style-type: none"> • Members' Code of Conduct • Protocol Standard of Conduct to be followed by Members

Enquiries of management - in relation to fraud	
Question	2020-21 Response
	<ul style="list-style-type: none"> • Officers' Code of Conduct • Protocol for Member/Officer Relations <p>Where Members and/or Officers do not undertake their duties in accordance with the expected standards then governance arrangements are in place within the Council to manage this process in an equitable, fair and transparent manner.</p> <p>Taking all of the above into account, our assessment of the risk of fraud arising and having a material impact on the financial statements is considered to be low.</p>
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> • Financial & Contract Procedure Rules • Systems of Internal Control • Recruitment Policies • Whistleblowing Policy • Local procedures within departments, for example, authorisation arrangements and quality assurance processes (a number of which were undertaken remotely during 2020/21 due to revised working arrangements as a result of the pandemic) • An independent Internal Audit Service (the 'scopes' for audit assignments included in the 2020/21 Audit Plan took account of revised working arrangements / potential risks as a result of the pandemic). • An independent Corporate Fraud Team • Combining with Others to Prevent and Fight Fraud, for example, Participation in the National Fraud Initiative <p>The Anti-Fraud, Bribery & Corruption Strategy provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined enables such information or allegations to be properly dealt with and reported.</p> <p>The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>Given the governance arrangements in place, management can give assurance that the risk of material misstatement is low.</p>

Enquiries of management - in relation to fraud	
Question	2020-21 Response
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	<p>Rhondda Cynon Taf County Borough Council is resolute in its determination to maintain its reputation as a Council that will not tolerate fraud, bribery, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity.</p> <p><u>Arrangements in place to report fraud issues</u></p> <p><u>Whistleblowing</u></p> <p>An updated Whistleblowing Policy and Procedure for Rhondda Cynon Taf County Borough Council was reported to and approved by the Council's Audit Committee at its meeting held on 26th April 2021 together with the Whistleblowing Annual Report 2020/21. With regard to the Whistleblowing Policy and Procedure, it was noted at the meeting that the approved Policy and Procedure would be published on the Council's website and awareness raising undertaken across the Council.</p> <p>The purpose of the Policy is to provide a means by which complaints of malpractice or wrongdoing can be raised by those who feel that other avenues for raising such issues are inappropriate. The Policy confirms that so far as possible, those raising concerns under the Policy will be treated confidentially.</p> <p>Workers are encouraged to report any concerns they have via the Council's <u>Whistleblowing webpage "Get Involved"</u>.</p> <p><u>Anti-Fraud, Bribery & Corruption Strategy</u></p> <p>The purpose of the Strategy is to communicate the Council's main principles for countering fraud, bribery and corruption. It sets out the:</p> <ul style="list-style-type: none"> • Council's zero tolerance approach against fraud, bribery & corruption; • Reporting avenues for suspected irregularities; • Resources that are in place to support a counter fraud, bribery & corruption culture; and • Governance arrangements in respect of reporting to Audit Committee. <p>In the Council's <u>Report It</u> section of the website, instructions for those who wish to raise anti-fraud, bribery or corruption concerns are provided along with the means to complete an on-line form.</p> <p><u>Arrangements in place to report to Audit Committee:</u></p>

Enquiries of management - in relation to fraud	
Question	2020-21 Response
	<p>At the 2nd November 2020 Audit Committee meeting, an Anti-fraud, Bribery and Corruption Progress Report 2020/21 was presented and at the 12th July 2021 Governance and Audit Committee¹, the Anti-Fraud Annual Report 2020/21 was reported that set out progress during 2020/21 and a workplan for 2021/22 (both of which were noted and agreed). This update helps to ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventative measures capable of identifying and addressing new threats.</p> <p>The 1st February 2021 Audit Committee meeting (that reported an update on the '2019/20 Annual Governance Statement Recommendations – Progress update') noted that the review of the Whistleblowing Policy will be reported to the April 2021 Audit Committee (at the same time as the Whistleblowing Annual Report for 2020/21).</p> <p>At the 26th April 2021 Audit Committee meeting, whistleblowing activity during 2020/21 was reported (as part of the Whistleblowing Annual Report) and concluded that arrangements were appropriate (note: the updated Whistleblowing Policy and Procedure was also reported to this meeting).</p> <p>Related information is also included under question 5 'Enquiries of management - in relation to fraud'.</p>

¹ Governance and Audit Committee – previously named Audit Committee up to the Council's Annual General Meeting in May 2021 where at this meeting it was agreed for the Committee to be re-named to the Governance and Audit Committee in line with the requirements of the Local Government and Election (Wales) Act 2021

Enquiries of management - in relation to fraud	
Question	2020-21 Response
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p><u>Elected Councillors</u></p> <p>Following the Local Government elections held on 4th May 2017, all elected Councillors were provided with an induction and an on-going programme of support that included an overview of the Council’s Code of Conduct.</p> <p>Every elected Councillor has signed up to his/her individual Role Description, a copy of which is retained by the Council’s Democratic Services division.</p> <p>The Council’s Scrutiny Committee meeting minutes were examined to determine whether proceedings were conducted in line with the Council’s Code of Conduct. Declarations of interest were sought and declarations were made by elected Councillors, as a standard agenda item, where appropriate.</p> <p>On 17th November 2020 Cabinet received the report on the Public Services Ombudsman for Wales – Annual Report and Letter 2019/20. In addition, a Standards Committee was in place during 2020/21 and received a summary of complaints against Members submitted to the Ombudsman. Also, on 27th November 2020, the Standards Committee received information on proposed arrangements for Code of Conduct refresher training for County Borough Councillors.</p> <p><u>Council Employees</u></p> <p>The Council has a number of recruitment and selection Policies in place that help to ensure that new recruits have the integrity and ethical values of the organisation and also the competencies to undertake the duties required of them.</p> <p>Employees have contracts of employment and competency based job descriptions which set out grade, roles and responsibilities. The Human Resources Service oversees terms and conditions of employment, and the Council have a suite of policies and procedures that are available for officers to access.</p> <p>Each new recruit is provided with a ‘Basic Rules – A Guide for Employees’ booklet, via The Source, that gives each employee information in relation to (amongst other things) expected behaviour, use of social media, appearance and attendance. The expectations of each employee are set out from the outset.</p> <p>The Council describes what excellent behaviour looks like for each type of job, for example, ‘always treat people with respect’, and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.</p>

Enquiries of management - in relation to fraud

Question	2020-21 Response
5. Are you aware of any instances of actual, suspected or alleged fraud within the council since 1 April 2020?	<p>To support transparency and openness, the Council's arrangements during 2020/21 included:</p> <p><u>Whistle-blowing arrangements</u> A new Regulation came into force during April 2017 which placed a requirement upon the Council to report annually on whistle-blowing disclosures. The Regulation required the Council to publish the annual report on its website or by other means appropriate for bringing the report to the attention of the public. For Rhondda Cynon Taf, this requirement was met for the 2020/21 financial year via an Annual Report to Audit Committee on 26th April 2021.</p> <p><u>Anti-fraud, Bribery & Corruption arrangements</u></p> <p>As set out for question 3 above, the Anti-Fraud Annual Report for 2020/21 was reported to the Governance and Audit Committee on 12th July 2021 and an in-year Anti-Fraud, Bribery and Corruption progress report was presented to the 2nd November 2020 Audit Committee meeting. Both updates included references / information on the specific work around financial probity in relation to the award of flooding support to businesses and residents (i.e. Storm Dennis related) and Covid-19 business support payments, and also the inclusion of data matching for Covid-19 business support payments paid by local authorities as part of the 2020/21 National Fraud Initiative programme of work.</p> <p>The Council included a payslip insert to all employees in August 2020 providing information on how Council employees could report any suspicions regarding Anti-fraud, Bribery and Corruption.</p>
6. Are you aware of any fraud within the council since 1 April 2020?	Please refer to the response to question 5, above.
7. Are you aware of any instances of actual, suspected or alleged fraud within the council since 1 April 2020?	Please refer to the response to question 5, above.

Enquiries of those charged with governance – in relation to fraud	
Question	2020-21 Response
1. How does the Full Council, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	<p>Full Council has ensured that the Audit Committee's Terms of Reference are comprehensive and compliant with the Local Government Measure 2011.</p> <p>Audit Committee has a detailed <u>work plan</u> for each Municipal Year that helps them ensure they meet their Terms of Reference.</p> <p>The Statement of Accounts and Annual Governance Statement are reported to full Council, alongside the external auditor's report, for consideration and if appropriate, approval.</p> <p>Audit Wales reports its Annual Audit Summary Report to full Council setting out, amongst other things, the results of its work undertaken within the Authority in the previous financial year. The most recent being reported 10th March 2021. Further to review by Council, this report is scrutinised by the Council's overview and scrutiny arrangements to monitor progress and is also reported to Audit Committee.</p>
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?	Please refer to response within "Enquiries of Management" section, Question 5.

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance (Full Council), is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Full Council as to whether the Council is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations	
Question	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>The accounts are prepared in accordance with the Accounts & Audit Regulations.</p> <p>The Accounts and Audit (Wales) Regulations 2014 (as amended) require the Responsible Financial Officer (for Rhondda Cynon Taf, the Director of Finance and Digital Services) to certify unaudited accounts by 31st May following financial year-end. The regulations include a provision whereby if the Responsible Financial Officer does not certify the draft accounts by 31st May, there is a requirement to publish a statement setting out the reasons for non-compliance. RCT CBC published such a notice for the 2020/21 accounts in line with the timescales set out in the above regulations.</p> <p>As it did for 2019/20 accounts, Welsh Government has clarified its expectation for the timescales of the preparation and publication of statutory financial accounts for 2020/21 by confirming there is no requirement to amend regulations and permitting local authorities to prepare accounts in line with the 2019/20 timescales. This requires preparation and certification of draft accounts by 31 August 2021 and publication of final audited accounts by 30 November 2021 for all local government bodies in Wales. However, the Welsh Government encourages Councils to approve earlier wherever possible and engage with external auditors.</p> <p>Audit Wales have not raised any issues of non-compliance.</p>
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?	There are no instances of non-compliance with relevant laws and regulations. Full Council receives assurance on this from the appointed External Auditor.
3. Are there any potential litigations or claims that would affect the financial statements?	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and	No.

Customs which indicate non-compliance?	
5. Are you aware of any non-compliance with laws and regulations within the council since 1 April 2020?	No.

Enquiries of those charged with governance – in relation to laws and regulations	
Question	2020-21 Response
1. How does the Full Council, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	<p>Full Council appoints Audit Committee and sets its Terms of Reference.</p> <p>Full Council ratifies the appointment of the Section 151 Officer and the Council's Monitoring Officer, whose roles are defined by statute and referenced within the Constitution.</p> <p>Full Council receives assurance from the appointed External Auditor.</p>
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	<p>There are no instances of non-compliance with relevant laws and regulations. Full Council receives assurance on this from the appointed External Auditor.</p>

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties	
Question	2020-21 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> the identity of any related parties, including changes from the prior period; the nature of the relationships with these related parties; details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Council, there is a requirement for the disclosure of “Related Party Transactions”. This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (who sits on the Senior Leadership Team) of the Council has an interest, financial or otherwise.</p> <p>Independent checks are also undertaken by finance officers against publicly available national databases to minimise the risk of non-disclosure.</p> <p>Additional controls are in place to ensure records of related parties are captured prior to a Member or officer of the Senior Leadership team leaving the local authority.</p> <p>Further additional Controls in place include:</p> <ul style="list-style-type: none"> Gifts & Hospitality Policy Contract Procedure Rules The Anti-Fraud, Bribery & Corruption Strategy

Enquiries of the those charged with governance – in relation to related parties

Question	2020-21 Response
1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Council, there is a requirement for the disclosure of "Related Party Transactions". This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (who sits on the Senior Leadership Team) of the Council has an interest, financial or otherwise.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none">• Gifts & Hospitality Policy• Contract Procedure Rules• The Anti-Fraud, Bribery & Corruption Strategy.