

Audit of Accounts Report – Cwm Taf Morgannwg NHS General Charitable Fund

Audit year: 2019-20

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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 your consideration of their approval and signing.

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Audit of Accounts Report

Introduction

- 1 On 1 April 2019, healthcare responsibility for Bridgend County Borough transferred to Cwm Taf Morgannwg University Health Board. This change resulted in certain charitable funds transferring to the Charity, increasing its monetary size. This increase has resulted in the value of the Charity's 2019-20 accounts exceeding the Charity Commission's threshold for a 'full audit' to be required. Previous years' accounts, which were well below the threshold, were subject to a far lighter independent examination by us.
- 2 We summarise the main findings from our audit of your 2019-20 annual report and accounts in this report. We have already discussed these issues with the Deputy Director 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. We set this level at £11,000 for this year's audit.
- 4 Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and reporting sensitivity. We consider the disclosure of related party transactions to be material by nature.
- 5 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 us and officers and yourselves, which we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 6 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.
- 7 Unsurprisingly, the pandemic has affected our audit and we summarise in **Exhibit 1** the main impacts. The information in **Exhibit 1** is provided for information purposes only to help you understand the impact of COVID-19 on this year's audit process.

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

Timetable	<ul style="list-style-type: none">• Whereas deadline for completing other public sector accounts was changed this year, there is no change to the deadline for certifying your Charity accounts.• We received the draft accounts on 2 November 2020.• We expect your audit report to be certified on 29 January 2021, ahead of the Charity Commission's deadline of 31 January 2021.
Electronic signatures	During the COVID-19 lockdown we are accepting electronic signatures and the electronic transfer of files.
Audit evidence	With remote working in place for your staff and us, we have obtained audit evidence in electronic format, for example, scanned invoices to verify expenditure transactions. We have also held meetings by remote video-link in place of normal face-to-face meetings.

Proposed audit opinion

- 8 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**. We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 9 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards. Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the accounts that have remained uncorrected.

Corrected misstatements

- 11 There were initially misstatements in the accounts, four of which were material. Management has corrected all misstatements. We draw your attention to them, with brief explanations, in **Appendix 3**.

Other significant issues arising from the audit

- 12 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 other significant issues arising during the audit.
- 13 Paragraph 1 explains that we had undertaken far lighter audits of the accounts in previous years, in accordance with the Charity Commission's requirements. This year's full audit has identified a relatively high level of misstatements, a number of which have been material and time consuming to resolve. This year's audit has therefore required a much higher level of audit resource and thus cost. Further detail is set out in **Appendix 3**.

Recommendation

- 14 The recommendation arising from our audit is set out in **Appendix 4**. Management has responded to it and we will follow up progress against it during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

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

28 January 2021

Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Cwm Taf Morgannwg NHS General Charitable 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 the Charities Act 2011; 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 Cwm Taf Morgannwg NHS General Charitable 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.

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 Trustee on 28 January 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:

Chief Executive

28 January 2021

Signed by:

Trustee Chair

28 January 2021

Appendix 2

The independent auditor's report of the Auditor General for Wales to the Trustee of Cwm Taf Morgannwg NHS General Charitable Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Cwm Taf Morgannwg NHS General Charitable Fund for the year ended 31 March 2020 under the Charities Act 2011. These comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cwm Taf Morgannwg NHS General Charitable Fund as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011.

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 charity 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report on other requirements

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The trustee is responsible for the other information in the annual report and accounts. 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require me to report to you if, in my opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report;
- sufficient 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 of the information and explanations I require for my audit.

Responsibilities

Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee responsibilities set out on page 31, the trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011, for being satisfied that they give a true and fair view, and for such internal control as the trustee 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 trustee is responsible for assessing the charity'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

I have been appointed as auditor under section 150 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
29 January 2021

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 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£32,920 (£15,000 for prior year comparative)	Statement of Financial Activities – Income and Note 3 ‘Income from donations and legacies’ Increase in income from charitable activities and a corresponding decrease in income from donations and legacies.	To reclassify income in accordance with the Charities SoRP.
£23,973	Balance Sheet Increase in restricted fund debtors and a corresponding decrease in unrestricted fund debtors.	To correct mis-analysis of debtors between unrestricted and restricted funds.
£20,669	Statement of Financial Activities – Income and Expenditure, and Note 3 ‘Income from donations and legacies’ and Note 7 ‘Analysis of charitable activity’ Decrease in donated income and a corresponding decrease in charitable activities expenditure.	To correct expenditure that had been incorrectly posted to income.

Value of correction	Nature of correction	Reason for correction
£18,000 (£17,000 for prior year comparative)	Note 3 ‘Income from donations and legacies’ Decrease in donated income and a corresponding increase in grant income.	To correct the analysis of income within Note 3.
£9,000	Note 7 – ‘Analysis of charitable activity’ Expenditure and Note 16 – ‘Analysis of liabilities’ Increase in charitable activities expenditure and a corresponding increase in accruals.	To correct the omission of expenditure paid by the health board on behalf of the charity.
£5,335	Note 7 ‘Analysis of charitable activity, Note 10 ‘Allocation of support costs’ and Note 16 ‘Analysis of liabilities’ Decrease in ‘Finance and Administration’ expenditure and a corresponding decrease in ‘Accruals’.	To correct a duplication of ‘Finance and Administration’ costs charged by the Health Board.
n/a	Note 12 ‘Auditors remuneration’ Additional narrative.	To explain the significantly increased cost of this year’s audit (some £38,000), which the Health Board has agreed to bear for this year.
n/a	Note 20 ‘Commitments’ This note was omitted in the draft accounts.	To correct the omission of disclosures required by the SoRP.

Value of correction	Nature of correction	Reason for correction
Various	A number of amendments were made to aid presentation.	<p>These include:</p> <ul style="list-style-type: none"> • sentence added to Note 11 to disclose the staff costs re-charged by the Trustee as a related party; • adjustments to improve the clarity of disclosures in the Trustees Annual report; • adjustments to correct presentational issues with Note 19; and • various other narrative amendments required for clarity.

Appendix 4

Recommendation

We set out a recommendation arising from our audit with management's response to it. We will follow it up next year and include any outstanding issue in next year's audit report.

Exhibit 3: matter arising 1

Matter arising 1 – Expenditure transactions incorrectly classified as income	
Finding	We found that certain expenditure transactions had been recorded within income rather within expenditure. Examples included: <ul style="list-style-type: none">• recoverable VAT on expenditure; and• the reversal of expenditure accruals.
Recommendation	The Charity should always comply with core accounting principles and ensure that it posts expenditure-based transaction to the correct part of the ledge and accounts.
Accepted in full by management	Agreed in full
Management response	The current charitable funds system does not allow to enter negative income or expenditure against the relevant ledger codes. However, we will review the internal processes to ensure VAT refunds and reversal of accruals etc... are appropriately classified as income/expenditure in the annual accounts via manual yearend adjustments.
Implementation date	March 2021



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