

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

19th December 2019

REPORT AUTHOR: Jane Thomas, Head of Financial Services

SUBJECT: Guidance for those charged with governance when evaluating misstatements identified through the audit

REPORT FOR: Information

1. Introduction

1.1 On 6th September 2019 the Statement of Accounts were approved by Audit Committee. Within the Wales Audit Office (WAO) ISA260 report, it was stated that one misstatement had not been corrected. Committee questioned why the misstatement had not been corrected. This was answered verbally at the time and the Committee went on to approve the Accounts.

1.2 It was agreed that the guidance provided by the WAO ("Guidance for those charged with governance when evaluating misstatements identified through the audit") would be presented and discussed at a future Committee.

1.3 This report meets that request.

2 Evaluating misstatements identified through the audit

2.1 The guidance (see Appendix) shows the questions that need to be asked when considering a misstatement. The main one concerns materiality. The quantitative level at which WAO judge such misstatements to be material for the Council was £4.796 million in 2018/19. 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, these can include for example remuneration and related party disclosures.

2.2 WAO will list all uncorrected misstatements above trivial in their ISA260 report and will request management to confirm they believe the effects of the uncorrected misstatements are immaterial individually and in aggregate to the financial statements as a whole. Management must provide the Audit Committee with an explanation as to why the misstatement remains uncorrected and Committee must consider this and decide if it is appropriate and that they are happy to approve the accounts on that basis. This explanation is included in their Letter of Representation to the Auditor General, the content of which is considered in forming their audit opinion. The Letter of Representation is also presented to the Audit Committee alongside the audited accounts.

Recommendation:	Reason for Recommendation:
That Audit Committee notes the contents of the report.	To ensure that the Audit Committee is clear in their understanding of the guidance on uncorrected misstatements.

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