

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>18 APRIL 2024</b>
<b>Report Title:</b>	<b>STATEMENT OF ACCOUNTS 2022-23 LESSONS LEARNED</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, HOUSING &amp; CHANGE</b>
<b>Responsible Officer:</b>	<b>NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the Policy Framework and Procedure Rules</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• <b>The Council’s Statement of Accounts 2022-23 was approved by the Governance and Audit Committee on 25 January 2024, and approved by the Auditor General for Wales on 26 January 2024.</b></li> <li>• <b>Following Audit Wales’ report on the audit of the accounts, the Committee requested a report on ‘lessons learned’ from the audit.</b></li> <li>• <b>A workshop has been undertaken with members of the Finance Team to feed back findings from the 2022-23 audit, and to set out the timetable and actions for the forthcoming closing of the accounts for 2023-24.</b></li> </ul>

## **1. Purpose of Report**

- 1.1 The purpose of the report is to present to the Governance and Audit Committee the lessons learned following the completion of the audit of the 2022-23 Statement of Accounts.

## **2. Background**

- 2.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy’s ‘Code of Practice on Local Authority Accounting in the United Kingdom’.
- 2.2 The draft Statement of Accounts were passed to Audit Wales on 18 July 2023 and presented to the Governance and Audit Committee on 26 July 2023. During the audit a number of amendments were identified, as set out in Audit Wales’ Audit of Accounts

Report, which was presented to the Governance and Audit Committee on 25 January 2024. These are summarised below:

- Related party disclosures – a reduction in the amount recorded due to an overstatement error.
- Non-current assets – restatement of the Minimum Revenue Provision (the amendment was identified by officers and reported to Audit Wales).
- Non-current assets – capital commitments – restatement to reflect the level of outstanding commitment against capital contracts in progress.
- Short term debtors – an overstatement of income for the year due to reserving income into 2022-23 that related to 2023-24. Officers identified this and brought it to the attention of Audit Wales.
- Financial Instruments – the fair value of the Private Finance Initiative and other long-term liabilities was amended and the total financial liabilities figure shown in the liability risk table was also amended.
- Events after the reporting period – following the discovery of Reinforced Autoclaved Aerated Concrete (RAAC) within Bridgend Market, an additional note was added to advise readers of the accounts of this.
- Amended to consolidate Bridgend County Borough Council's share of Cardiff Capital Region City Deal accounts into the Council's accounts.
- A number of other minor amendments were required including audit fee disclosure, narrative changes, casting errors and cross-referencing corrections.

2.3 Audit Wales made one recommendation:

- Evidence of internal costs applied in the revaluation of Land & Buildings should be retained to support the valuations held within the Asset Management System.

2.4 The audited accounts were presented to the Governance and Audit Committee on 25 January 2024, and the audit certificate signed by the Auditor General for Wales on 26 January 2024. The Statement of Accounts received an unqualified report.

### **3. Current situation / proposal**

3.1 As noted above, the errors identified were corrected in the final audited Statement of Accounts. Two of the amendments required changes to the core statements – the debtors' adjustment and the City Deal amendment. All other amendments were to the notes to the accounts. The Finance Team always strive to ensure that the draft Statement of Accounts are presented as accurately as possible notwithstanding the complexity of the document. The errors identified during the 2022-23 audit will be checked during the 2023-24 accounts preparation to ensure, as far as possible, they are presented correctly.

3.2 The Finance Team already have in place a number of processes to assist in the Statement of Accounts preparation which will continue for the audit of the 2023-24 accounts:

- In advance of the closing of accounts process, a detailed closing pack is prepared and circulated to finance teams and others with a direct link to the preparation of the accounts, and individual teams also maintain closing task lists to ensure completion of all necessary tasks. The Closing Pack is prepared and shared with

the Finance Team in advance of the closing period to give sufficient time for any queries and uncertainties to be resolved

- All finance staff complete a schedule of availability during the closing and audit timeframe, to ensure availability of staff at key points during the process, and to enable the audit team to enable effective planning of audit work.
- Queries raised by the audit team are processed via the Financial Control and Closing Team, ensuring queries and responses are coordinated and tracked and queries are resolved promptly and any outstanding issues are followed up.
- The preparation of the final Statement of Accounts has been automated as much as possible, reducing the potential for errors and providing a more efficient process. Any opportunities to further automate processes will be explored and implemented where possible.
- The draft accounts are reviewed by senior officers prior to submission to the Governance and Audit Committee and Audit Wales, to minimise the likelihood of errors in the accounts, including casting and presentational errors as well as cross-checking notes to the core statements.
- Weekly meetings are held with the audit team to monitor progress of the audit and to discuss any issues as they arise, ensuring a prompt resolution of queries raised.

3.3 In order to further improve the information exchange between the Council and Audit Wales, a new process for sharing audit information will be implemented for the 2023-24 audit using a collaborative data sharing software package. This will enable a secure means of data exchange and will also provide progress updates on audit queries.

3.4 A workshop has been held with key staff within the Finance Team in readiness for the preparation of the 2023-24 Statement of Accounts. The workshop provided feedback on the audit of the previous year's accounts, the items identified above, and the timeliness for completing the current year's accounts. Staff were given the opportunity to raise any questions around the process and detail of the accounts at this time.

3.5 The consolidation of the City Deal accounts into Bridgend's own Statement of Accounts is reliant upon City Deal's accounts being available early in the process. This is outside the control of the Council and therefore, as was the case with the 2022-23 Statements, agreement will be sought with Audit Wales to adopt the same approach in the current year as last, that is, to provide a non-consolidated account in the first instance and consolidate the City Deal figures as soon as they are available. This will enable the audit to progress rather than waiting until the consolidated accounts are completed.

3.6 The recommendation in relation to internal costs applied in the revaluations was fed back to the valuers to ensure that records are maintained for all valuations to enable the audit team to verify the figures included in the Asset Management System and therefore the Statement of Accounts.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the

impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. It is considered that there will be no significant or unacceptable impacts upon the achievement of the well-being goals or objectives as a result of this report.

## **6. Climate Change Implications**

6.1 There are no climate change implications as a result of this report.

## **7. Safeguarding and Corporate Parent Implications**

7.1 There are no Safeguarding or Corporate Parent implications as a result of this report.

## **8. Financial Implications**

8.1 There are no financial implications as a result of this report.

## **9. Recommendation**

9.1 It is recommended that the Governance and Audit Committee notes the report.

## **Background documents**

None