

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>30 JANUARY 2025</b>
<b>Report Title:</b>	<b>STATEMENT OF ACCOUNTS 2023-24 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 2023-24 was approved by the Governance and Audit Committee on 28 November 2024, and approved by the Auditor General for Wales on 29 November 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>In anticipation of the 2024-25 audit, and to improve processes further, a workshop will be held with finance colleagues in due course to feedback from the 2023-24 audit.</b></li> <li>• <b>The 2024-25 audited Statement of Accounts will require approval by the Governance and Audit Committee by 31 October 2025 to meet the publication deadline.</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 2023-24 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 17 July 2024 and presented to the Governance and Audit Committee on 26 September 2024. 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 28 November 2024. These are summarised below.

The following errors were not corrected due to the timing of approving the Statement of Accounts and the Auditor General for Wales' signing of the audit report:

- The draft 2023-24 Cardiff Capital Region City Deal (CCRCD) accounts were not made available until mid-November. As a result the Council's draft financial statements did not include these figures. Due to the late receipt of the 2023-24 CCRCD draft accounts, the decision was taken to not amend the Council's accounts to include its share of the CCRCD accounts due to the complexity and time required to incorporate those figures into the Council's own accounts.
- A payment in advance was incorrectly classified within short term creditors at the year end.
- A duplicate asset was recorded on the asset valuations and the Council's asset register.

The cumulative effect of these was not material to affect the auditor's view that the Statement of Accounts presented a true and fair view of the Council's income and expenditure for the year, or the assets and liabilities at the balance sheet date.

A number of misstatements were corrected:

- Restatement between cash and cash equivalents and bank overdraft.
- A number of classification amendments including grants (note 11), employee banding disclosure (note 15), short-term borrowings initially included as long-term and between current and non-current financial assets (note 31).
- Corrections to a number of notes including related party transactions (Note 19), Pensions Liabilities disclosures (note 30), amortised cost figures for borrowings and investments, Salix Loan amounts and debtors (note 31).
- Disclosure of a contingent liability in relation to Reinforced Autoclaved Aerated Concrete (RAAC) and the Bridgend Indoor Market.
- Updating the CCRCD 2022-23 draft figures originally included in the Council's 2022-23 Statement of Accounts to reflect the final CCRCD accounts figures.
- A number of narrative and presentational amendments.

2.3 Audit Wales made one recommendation:

- The Council should consider fully utilising the Asset Management System (CIPFA's Fixed Asset Register) to better support its valuation work, to improve the maintenance of base data and enhance its record keeping. It was noted that currently asset revaluations are calculated in a spreadsheet and manually input into the AMS as a year-end exercise.

2.4 The audited accounts were presented to the Governance and Audit Committee on 28 November 2024, and the audit certificate signed by the Auditor General for Wales on 29 November 2024. The Statement of Accounts received an unqualified report.

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

- 3.1 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 team will usually amend all errors that are identified during the course of the audit and a number of amendments were made. However, as noted in paragraph 2.2. three errors were not corrected. This was primarily due to the corrections necessary affecting all of the finance statements and the time needed to amend them. The errors did not have a material effect. The approval and audit timelines were very tight and the decision was taken that the errors were not material to affect the overall true and fair view of the presented Statement of Accounts.
- 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 2024-25 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. Once agreed it is also shared with Audit Wales.
  - 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.
  - A new process for sharing information and queries by the audit team was put in place for the 2023-24 audit, the Inflow information exchange system, which was found to be very good in monitoring queries and responses and assessing progress during the audit. The system worked well and will be further streamlined for the 2024-25 audit.
  - Meetings are in place to discuss both the outcomes of the 2023-24 audit and to begin planning for the 2024-25 audit, well in advance of the year end.
  - 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 during the audit to monitor progress and to discuss any issues as they arise, ensuring a prompt resolution of queries raised.
- 3.3 A workshop will be held with key staff within the Finance Team in readiness for the preparation of the 2024-25 Statement of Accounts. The workshop provides 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 are given the opportunity to raise any questions around the process and detail of the accounts at this time.

- 3.4 The consolidation of the Cardiff Capital Region City Deal accounts into Bridgend's own Statement of Accounts is reliant upon the 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 2023-24 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. Discussions will be held at Section 151 Officer level with the City Deal office to secure as early provision of the draft accounts as possible to enable consolidation at an early stage of the accounts/audit process.
- 3.5 Discussions are taking place with Corporate Landlord colleagues in relation to the implementation of Audit Wales recommendation regarding the AMS. This will not be possible for the 2024-25 accounts, due to the limited time available until year end, but it is hoped that progress can be made in readiness for the 2025-26 accounts.
- 3.6 A feedback and planning meeting was held with Audit Wales in January, the outcome of which was the following:

Positive aspects of the process identified were:

- The use of the Inflow information exchange software.
- Turnaround of information and responses to queries was generally good.
- Regular update meetings to agree progress.

Some areas where improvements could be made:

- The provision of information for a small number of areas could be improved.
- Some working papers were difficult to follow through.
- Cut-off issue in relation to one accrual – additional cut-off testing will need to be undertaken.

- 3.7 Officers and Audit Wales are keen to continue to improve the audit process and will work collaboratively to ensure as effective a process as possible. Meetings will be put in place to monitor progress and raise any concerns early so that they can be promptly dealt with. Audit Wales also intend to undertake some interim audit work which will help facilitate an earlier audit completion, the deadline for the audit completion for the 2024-25 accounts being 31 October 2025, one month earlier than it was for the 2023-24 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