

# Audit of Accounts Report – Blaenau Gwent County Borough Council

Audit year: 2021-22

Date issued: October 2023

Document reference: 3824A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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.

# Contents

We intend to issue a qualified audit report on your Accounts. There are some issues to report to you prior to their approval.

## Audit of Accounts Report

Introduction	4
Proposed audit opinion	4
Other Significant issues arising from the audit	5
Appendices	
Appendix 1 – Letter of Representation	6
Appendix 2 – Proposed Audit Report	9
Appendix 3 – Summary of Corrections Made	14

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 annual report and accounts in this report.
- 2 We have already discussed these issues with the Chief Officer Resources.
- 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.
- 4 We set this level at £2.6 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Related Parties – transactions and balances related to individuals £1,000
  - Senior Officer and Members Remuneration £1,000
- 6 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 ourselves and yourselves that we believe could undermine our objectivity and independence.

## Proposed audit opinion

- 7 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 8 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 9 We intend to issue a qualified true and fair 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**.
- 10 Our proposed audit report is set out in Appendix 2. The audit report explains that the true and fair opinion for 2021-22 is qualified.

## Issues arising during the audit leading to qualification of the audit opinion

- 11 During our audit work, we identified that the useful economic lives of properties have not been subject to regular review as required by the accounting framework. We have been unable to obtain sufficient assurance over the depreciation charged in the current or previous financial years. Consequently, there is doubt over the material accuracy of the net book value of these properties.

- 12 Due to the nature of the issue, we have been unable to quantify the exact level of misstatement.

## Other significant issues arising from the audit

### Infrastructure Assets

- 13 In common with other local authorities, the Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
- 14 The Council has not disclosed gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.
- 15 The reliefs are a temporary expedient that are intended to allow Councils to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.

### Uncorrected misstatements

- 16 Our audit has identified misstatements in the financial statements, which have been discussed with management, but which they have chosen not to amend. These misstatements are individually below our trivial level, and in aggregate total less than the materiality threshold.

### Corrected misstatements

- 17 There were initially misstatements in the accounts that have now been corrected by management. These are summarised for you information at **Appendix 3**.

# Appendix 1

## Letter of Representation

Auditor General for Wales  
Wales Audit Office  
1 Capital Quarter  
Cardiff

18 October 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Blaenau Gwent County Borough Council for the year ended 31 March 2022 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 Code; in particular the financial statements give a true and fair view in accordance therewith; and
- 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 Blaenau Gwent County Borough Council 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or 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, with the exception of the useful economic lives of our properties which may give rise to errors on our annual and accumulated depreciation figures.

## Representations by Blaenau Gwent 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 Blaenau Gwent County Borough Council on 18 October 2023.

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:

[Officer who signs on behalf of management]

Date:

Signed by:

[Officer or Member who signs on behalf of those charged with governance (director only for companies)]

Date:



# Appendix 2

## Proposed Audit Report

### **The independent auditor's report of the Auditor General for Wales to the members of Blaenau Gwent County Borough Council**

#### **Opinion on financial statements**

I have audited the financial statements of:

- Blaenau Gwent County Borough Council (BGCBC); and
- Blaenau Gwent County Borough Council Group

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

BGCBC's financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

BGCBC's Group financial statements comprise the Group Expenditure and Funding Analysis, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion on the financial statements section below, the financial statements:

- give a true and fair view of the financial position of Blaenau Gwent County Borough Council and Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

#### **Basis for qualified opinion on the financial statements**

The Code requires that useful economic lives (UELS) are reviewed, and if necessary, updated annually. BGBC have not undertaken these annual reviews, nor been able to estimate the possible effect of not undertaking them. Consequently, my audit team have been unable to obtain appropriate evidence that the annual and cumulative depreciation charges on surplus buildings and operational buildings have not been materially overstated.

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 BGCBC 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 except for the matter described below, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on BGCBC and its Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **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 Responsible Financial Officer is responsible for the other information contained within the annual report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of BGCBC and the BGCBC Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

BGCBC has not maintained adequate accounting records to support depreciation charges in respect of surplus buildings and operational buildings.

With the exception of this issue, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 15 to 16, the responsible financial officer is responsible for the preparation of the statement of accounts, including BGCBC's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing BGCBC and its Group'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**

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to BGCBC and group's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Obtaining an understanding of BGCBC and its group's framework of authority as well as other legal and regulatory frameworks that the Council and its group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of BGCBC and its group's controls, and the nature, timing and extent of the audit procedures performed.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Blaenau Gwent County Borough Council and its group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
[Date]

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

# 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 3: summary of corrections made

Value of correction	Nature of correction
N/A	<p>We identified the following issues from our audit of the Authority's income:</p> <ul style="list-style-type: none"><li>• Council Tax Base figures disclosed within Note 19.2 had not been updated from 20/21 values to the 21/22 values.</li></ul>
£12,894k  £2,081k	<p>We identified the following issues with the exercise undertaken within the year to revise the valuation of assets outside of the revaluation cycle:</p> <ul style="list-style-type: none"><li>• the valuation of schools had been overstated due to incorrect pupil numbers being used within the revaluation calculation; and</li><li>• land associated with buildings which were subject to revaluation were incorrectly uplifted when the uplift should have only been applied to the building.</li></ul>
NPV of loan; 20/21 updated from £22m to £39m 21/22 updated from £22m to £40m.  Grant element of loan 20/21 updated from £48m to £31m	<p>We identified the following issues from our audit of the Authority's borrowings:</p> <ul style="list-style-type: none"><li>• the Net Present Value calculation for a soft loan held by the Authority required correction for the current year and restatement of the prior year. This effected the present value of the loan, the value of the element of the loan to be treated as a grant and the effective interest to be recognised.</li></ul>

Value of correction	Nature of correction
<p>Effective interest 21/22 updated from £486k to £872k</p> <p>£0.527k</p> <p>£0.220k</p> <p>N/A</p>	<ul style="list-style-type: none"> <li>• the adjustment of interest for soft loans held by the authority had been incorrectly recognised as 'Taxation and Non-Specific Grant Income' in the CIES and instead of 'Financing and Investment Income &amp; Expenditure' line under 'Gross Expenditure'.</li> <li>• £0.220k borrowings relating to 'Other Borrowing' had been incorrectly classified as 'Temporary Loans</li> <li>• the fair value of soft loans reported in Note 37 have been updated to reflect the valuation made by the Authority's treasury management advisor.</li> </ul>
<p>£21m</p>	<p>We identified the following issues from our audit of the Authority's investments:</p> <ul style="list-style-type: none"> <li>• £21m of short-term investments had been incorrectly classified as current debtors.</li> </ul>



Audit Wales

1 Capital Quarter

Cardiff CF10 4BZ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.