

## Audit of Accounts Report – Caerphilly County Borough Council

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# About Audit Wales

## Our aims and ambitions

### Assure



the people of  
Wales that public  
money is well  
managed

### Explain



how public  
money is being  
used to meet  
people's needs

### Inspire



and empower  
the Welsh  
public sector to  
improve



Fully exploit  
our unique  
perspective,  
expertise and  
depth of insight



Strengthen our  
position as an  
authoritative,  
trusted and  
independent  
voice



Increase our  
visibility,  
influence and  
relevance



Be a model  
organisation for  
the public sector  
in Wales and  
beyond

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# Introduction

I have now completed my audit in line with my Audit Plan. This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 annual report and accounts. My team have already discussed these issues with the Section 151 Officer.

I am very grateful to your officers for their support in undertaking this audit.



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**Adrian Crompton**

Auditor General for  
Wales

# Your audit at a glance



## Audit opinion

We are proposing to give an unqualified opinion on the accounts.

We have nothing to report under the other sections of my report, i.e. those relating to going concern; other information; other matters; or matters I report by exception.



## Significant issues

There are five uncorrected misstatements above our trivial level to report.

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention. These are set out in **Appendix 3**.

There are no other significant issues to report.

# Financial statements' materiality



**Materiality £7.843 million**

My aim is to identify and correct material misstatements, i.e. those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 audited account's total expenditure of £784.33 million; and
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £392,000 calculated as 5% of materiality (called the 'trivial level').



**Areas of specific interest**

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Remuneration report £1,000 (with trivial level of £50); and
- Related party disclosures £10,000 (with trivial level of £250).

# Ethical compliance



## Compliance with ethical standards

We believe that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.



# Proposed audit opinion



## Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1**.



## Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

# Issues arising during the audit



## Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

### Uncorrected misstatements

There are five areas where there are uncorrected non-trivial misstatements.

#### Capital Region City Deal (CCRCD) misstatements

The first area of uncorrected misstatements relates to the accounts of the Cardiff Capital Region City Deal (CCRCD), which are consolidated into the Council's annual accounts. Misstatements arose because officers compiled the Council's draft 2023-24 accounts based on the 2022-23 CCRCD accounts, as the draft 2023-24 CCRCD accounts were not available. When the 2023-24 CCRCD accounts were provided later, there were many differences between the 2022-23 and 2023-24 CCRCD figures. However, all differences are immaterial, albeit non-trivial, and we are therefore required to report their non-correction to you. Officers decided not to correct the misstatements because they are not material and that their correction would affect many figures within the accounts.

#### Understatement of the Revaluation Reserve by £656,000

The second area of uncorrected misstatement relates to the understatement of the Revaluation Reserve by £656,000 and overstatement of the Capital Adjustment Account by the same amount within Note 22. This misstatement was in relation to one asset (West Islwyn Comprehensive School), whereby the historical cost was not correct in the Fixed Asset Register (Logotech). The error occurred when the asset was transferred between asset categories (from 'Assets Under Construction' to 'Land and Buildings'). We have performed significant additional audit testing to provide assurance that this error was isolated. This testing was made more difficult due to the limitations and use of the Logotech system (Fixed Asset Register) by the Council, as reported in **Appendix 4** 'Recommendations'.

### **Overstatement of Land and Buildings by £3.2 million**

The third area of uncorrected misstatement relates to the overstatement of Land and Buildings by £3.2 million. The CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) requires assets to be re-valued when being brought into operational use (i.e. transferred from 'Assets Under Construction' to 'Land and Buildings' in Note 23). The Council did not revalue Ffos Caerffili Market in the 2023-24 financial statements, even though it had been brought into use during the year. This resulted in 'Land and Buildings' being overstated by £3.2 million and 'Impairments and other movements' in revaluations (per the CIES) being understated by £3.2 million.

### **Understatement of Property, Plant and Equipment by £851,000**

The fourth area of uncorrected misstatement relates to the understatement of Property, Plant and Equipment depreciation by £851,000. This was due to some assets not being depreciated in the year and some assets where the useful economic life was incorrect, leading to an incorrect depreciation value being calculated.

### **Overstatement of Other Loans by £524,000**

The fifth area of uncorrected misstatement relates to the overstatement of Other Loans by £524,000 in Note 13. A Welsh Government interest-free Transforming Towns loan is overstated by £524,000 as it has been recorded at its face value of £1 million instead of its amortised cost / discounted value of £476,000 as per the CIPFA Code.

## **Corrected misstatements**

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.



### Other significant issues

There were no such issues identified during the audit.

# Recommendations

We have made two recommendations, which are set out in **Appendix 4** along with management's responses to the recommendations.

**Appendix 4** also provides commentary on our nine of our past audit recommendations that remain ongoing.

We will monitor progress against the recommendations during next year's audit. Next year we will report to you on any recommendations that are not fully implemented as management had intended.

# Appendix 1

## Proposed audit report

### **The report of the Auditor General for Wales to the members of Caerphilly County Borough Council**

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

I have audited the financial statements of Caerphilly County Borough Council for the year ended 31 March 2024, under the Public Audit (Wales) Act 2004.

Caerphilly County Borough Council's financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure 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 2023-24.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Caerphilly County Borough Council as at 31 March 2024 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 2023-24.

#### **Basis of opinion**

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.

My staff and I are independent of Caerphilly County Borough Council 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**

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 the Caerphilly County Borough Council'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.

## **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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

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

In the light of the knowledge and understanding of Caerphilly County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- assessing Caerphilly County Borough Council'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 the responsible financial officer anticipates that the services provided by the Caerphilly County Borough Council will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, Caerphilly County Borough Council's internal auditors, and those charged with governance, including obtaining and reviewing supporting documentation relating to Caerphilly County Borough Council'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. As part of this discussion, I identified the potential for fraud in respect of the posting of unusual journals.
- Obtaining an understanding of Caerphilly County Borough Council's framework of authority as well as other legal and regulatory frameworks that Caerphilly County Borough Council 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 Caerphilly County Borough Council.
- Obtaining an understanding of related party relationships.

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 and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Caerphilly County Borough Council;
- 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 the Caerphilly County Borough Council'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.

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Caerphilly County Borough Council 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**  
**9 May 2025**

**1 Capital Quarter,**  
**Tyndall Street,**  
**Cardiff,**  
**CF10 4BZ**

# Appendix 2

## Letter of representation

[Required to be on the Council's letterhead]

Auditor General for Wales

Wales Audit Office

1 Capital Quarter

Cardiff

CF10 4BZ

8 May 2025

## Representations regarding the 2023-24 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 Caerphilly County Borough Council for the year ended 31 March 2024 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 of Practice on Local Authority Accounting in the United Kingdom; 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 Caerphilly 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We are content that the following five misstatements have not been corrected because they are not material, and their correction would affect many figures within the financial statements, if they had been corrected. The five uncorrected non-trivial (and immaterial) misstatements are:

1. Various balances within the financial statements are misstated due to consolidation of Cardiff Capital Region City Deal (CCRC) 2022-23 audited figures instead of the 2023-24 draft figures.
2. The Revaluation Reserve is understated by £656,000 and the Capital Adjustment Account overstated by the same amount
3. Land and Buildings is overstated by £3.2 million and Impairments and other movements in revaluations (per the CIES) understated by £3.2 million.
4. Property, Plant and Equipment depreciation is understated by £851,000.
5. Other Loans is overstated by £524,000.

## **Representations by the 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 members of the Council on 8 May 2025.

We confirm that we have taken all the steps that we ought to have taken 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:

Signed by:

**Stephen Harris**

**Section 151 Officer**

**Date: 8 May 2025**

**Sean Morgan**

**Leader of the Council**

**Date: 8 May 2025**

# Appendix 3

## Summary of corrections made

We identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention. None of these misstatements impacted the Total Income and Expenditure reported in the Comprehensive Income and Expenditure Statement or the Council Fund Balance (Usable Reserves).

### Exhibit 1: summary of the main corrections made

Value of correction	Accounts areas	Explanation
£164.839 million	<b><u>Balance Sheet</u></b> <ul style="list-style-type: none"><li>Decrease LT Investments by £3.380 million</li><li>Increase Pension Liability by £161.459 million</li><li>Decrease Pension Reserve by £164.839 million</li></ul>	Adjustment required to the Pension Assets as a result of applying IFRIC14.
£16.508 million	<b><u>Note 7 Expenditure and Income Analysed by Nature</u></b> <ul style="list-style-type: none"><li>Decrease Other service expenses by £16.508 million.</li><li>Decrease Fees, charges and other service income £16.508 million.</li></ul> <b><u>Housing Revenue Account</u></b> <ul style="list-style-type: none"><li>Decrease Contributions towards expenditure by £16.508 million.</li><li>Decrease Repairs and maintenance by £16.508 million.</li></ul>	To remove internal re-charges.



£17.166 million	<p><b><u>Note 7 Expenditure and Income</u></b> <b><u>Analysed by Nature</u></b></p> <p><b><u>2023-24</u></b></p> <ul style="list-style-type: none"> <li>• Decrease Fees, Charges and Other Service Income by £17.166 million.</li> <li>• Decrease Other Service Expenses by £17.166 million.</li> </ul> <p><b><u>2022-23</u></b></p> <ul style="list-style-type: none"> <li>• Decrease Fees, Charges and Other Service Income by £16.447 million.</li> <li>• Decrease Other Service Expenses by £16.447 million.</li> </ul>	<p>The accounting treatment for the Gwent Frailty Pooled Budget was incorrect. The Council had accounted for the transactions on a gross basis, instead of the correct net basis. The net basis is necessary because the Council acts as an agent and the transactions have no economic value.</p>
£19.444 million	<p><b><u>Note 5 Expenditure and Funding Analysis</u></b></p> <p>The following adjustments are to the Net Expenditure Chargeable to Council Fund and HRA Balances column in Note5:</p> <ul style="list-style-type: none"> <li>• Increase Education and Lifelong learning by £9.344 million.</li> <li>• Decrease Social Services and Housing Services by £4.276 million.</li> <li>• Decrease Communities by £10.548 million.</li> <li>• Increase Corporate Services by £5.480 million.</li> </ul> <p>Equal and opposite adjustments have been made to the Other Adjustments Column.</p>	<p>To ensure the correct classification within Note 5 Expenditure and Funding Analysis and compliance with the Code.</p>

£5.988 million	<p><b><u>Analysis of liabilities by maturity</u></b></p> <ul style="list-style-type: none"> <li>• Decrease loans maturing in 5-10 years by £1 million.</li> <li>• Increase loans maturing in 10-15 years by £1 million.</li> <li>• Increase loans maturing in 25-30 years by £4.988 million.</li> <li>• Decrease loans maturing in 30-35 years by £4.988 million.</li> </ul>	To disclosure all loans in the correct maturity line.
£3.808 million	<p><b><u>Note 26 Debtors</u></b></p> <p><b><u>2022-23</u></b></p> <ul style="list-style-type: none"> <li>• Decrease Other Receivable Amounts by £3.808 million.</li> <li>• Increase Other Public Bodies and Other Local Authorities by £3.808 million.</li> </ul>	To ensure the correct classification within Note 26.
£3.457 million	<p><b><u>Note 7 Expenditure and Income Analysed by Nature</u></b></p> <ul style="list-style-type: none"> <li>• Decrease Grant Income by £3.457 million.</li> <li>• Decrease Other Service Expenses by £3.457 million.</li> </ul>	To reverse and incorrect journal posting regarding Housing Benefit (B&B) that overstated both income and expenditure.
£2.005 million	<p><b><u>Note 24 - Capital Commitments</u></b></p> <ul style="list-style-type: none"> <li>• Decrease Capital Commitments by £2.005 million.</li> </ul>	To correct the capital commitments disclosures. A capital commitment for 'Ysgol Cwm Derwen' is not a capital commitment, as defined by the Accounting Code.

£1.676 million	<p><b><u>Note 12 Taxation and Grant Income</u></b></p> <ul style="list-style-type: none"> <li>Revenue Grants &gt;£5m: Decrease Children and Communities Grants by £1.676 million.</li> <li>Revenue Grants &gt;£1m: Increase Community for Work Grant by £1.676m.</li> </ul>	To ensure the correct classification within Note 12.
£1.411 million	<p><b><u>Comprehensive Income and Expenditure Statement (CIES)</u></b></p> <ul style="list-style-type: none"> <li>Decrease expenditure for Education and Lifelong Learning by £417,000.</li> <li>Decrease expenditure for Social Services and Housing by £419,000.</li> <li>Decrease expenditure for Communities by £425,000.</li> <li>Increase expenditure for Corporate Services by £1.411 million.</li> <li>Decrease expenditure for Housing Revenue Account by £150,000.</li> </ul> <p><b><u>Note 14 Retirement Benefits - FV of Scheme Assets table</u></b></p> <p>Amend title to "Unfunded: Teachers' and LG Pension Scheme". Change Narrative in Greater Gwent Unfunded Pension Schemes change narrative on head of notes to Greater Gwent Unfunded Schemes.</p>	To ensure correct classification of pension costs within the CIES and Note 14.
£ 0.656 million	<p><b><u>Note 33 – Revaluation Reserve</u></b></p> <p>Increase 'Revaluation Reserve' by £0.656 million.</p>	Adjustment needed after an exercise to align

	<p><b><u>Note 34 – Capital Adjustment Account</u></b></p> <p>Decrease “Capital Adjustment Account” by £0.656 million.</p>	accounting and asset records.
Various	<p><b><u>Note 18 - Officers' Emoluments</u></b></p> <p>The following adjustments were made to Note 18:</p> <ul style="list-style-type: none"> <li>• Removed the Deputy Head of Financial Services from the Senior Officer table.</li> <li>• Added the name of the Chief Executive (as salary more than £150,000).</li> <li>• Made various adjustments to number of employees in the Remuneration Banding table.</li> </ul>	To correct disclosures and ensure compliance with the Accounting Code.
Various	<p><b><u>Note 20 – Related Party Transactions</u></b></p> <ul style="list-style-type: none"> <li>• Add related party (The Youth Centre Cefn Hengoed) to the note and include Amounts paid out by the Authority of £5,000.</li> <li>• Increase amounts received by Authority by £1,000.</li> </ul>	To correct disclosures and ensure compliance with the Accounting Code.
Various	<p><b><u>Cash Flow Statement (CFS)</u></b></p> <p>The following adjustments have been made to the CFS:</p> <ul style="list-style-type: none"> <li>• Note 43 - Increase “IAS 19 Pensions Adjustment” by £1.868 million and decrease "Other non-cash charged to the net surplus</li> </ul>	To correct disclosures and ensure compliance with the Accounting Code.

or deficit on the provision of services" by £1.868 million.

- Note 43 – Increase the "Increase / (Decrease) in Debtors" line by £5.6 million and increase the '(Increase) / Decrease in Creditors' line by £5.6 million.
- Note 46 - Decrease 'Other receipts from financing activities' by £4.2 million and increase 'Cash receipts of short and long-term borrowing' by £4.2 million.
- Note 44 Increase Interest paid to £12.515 million.

# Appendix 4

## Recommendations

### This year's recommendation

We set out below recommendations from our audit along with your management's response to them.

#### Exhibit 2: matter arising 1

Matter arising 1: Limitations and use of the Logotech system (Fixed Asset Register) by the Council	
Findings	<p>We identified some accounting issues that had largely arisen due to the limitations of the Council's Logotech fixed asset register system (FAR) system. The issues added significant time and complexity to the audit, for both us and officers. We needed to undertake extended audit testing to gain assurance that the balance in the Council's revaluation reserve, and the associated figures, are materially correct.</p> <p>In summary, we found the main issues to be:</p> <p><u>The limitations of Logotech</u></p> <ol style="list-style-type: none"><li>1. Logotech is unable to show a full and clear record (or audit trail) for the historic cost of the Council's land and building assets.</li></ol> <p><u>Maintenance of Logotech data by officers</u></p> <ol style="list-style-type: none"><li>2. The Council does not adjust the cost of its assets that have been impaired below original cost.</li><li>3. Where the Council has split assets (e.g. between an asset's land and buildings) the cost has not always been correctly apportioned.</li></ol>
Recommendation	<p>The Council should examine all its assets to establish that the recorded historic cost within the Logotech</p>

	<p>fixed asset register is accurate. The Council should regularly undertake such checks and always do so at the year-end when preparing the annual accounts.</p> <p>Looking forward more generally, the Council should consider procuring a new FAR system.</p>
Accepted in full by management	Yes
Management response	We will establish a project team to review the historic cost records in readiness for transferring records to a new FAR system for which a procurement process is already underway.
Implementation date	March 26

### Exhibit 3: matter arising 2

Matter arising 2: The Council's Cash System lacks written procedures and clearly set out segregations of duties for the relevant officers	
Findings	<p>We found that the Council has no written procedures for its Cash System, regarding the creation of new users or closure of past users.</p> <p>We also found that the Council has no documented segregation of duties for the relevant officers who administer and/or use the system. Instead, the Council informally relies on the knowledge and experience of the system administrators.</p> <p>The current process is therefore informal, with a lack of the appropriate records, and it is therefore weak.</p>

	<p>These weaknesses could enable, for example, an officer(s) being granted, or retaining, inappropriate access rights.</p>
Recommendation	<p>The Council should introduce and regularly maintain clear documentation setting out its segregation of duties for the relevant officers.</p> <p>Also, the Council should design and introduce formal written procedures for setting up and removing staff on/from the Cash System.</p> <p>These changes would help to ensure that segregation of duties within the system is not compromised, and that the system's integrity and security is maintained.</p>
Accepted in full by management	Yes
Management response	<p>The Senior Income Officer will produce formal written procedures that will refer to segregation of duties and the setting up and removal of users of the systems</p>
Implementation date	30 June 2025



### Previous years' recommendations that are ongoing

We raised five recommendations last year, all of which were accepted by management and the Authority. **Exhibit 4** sets out the accepted recommendations that management are yet to fully implement, from last year and subsequent years. We comment on the progress that has been made thus far.

#### Exhibit 4: progress against previous years' recommendations

Audit Year	Recommendation	Progress
2020-21	<p><b>Matter arising 2 – weaknesses in the quality and timeliness of the working papers supporting the draft accounts</b></p> <p>The Council should provide all working papers to a high standard and in accordance with the agreed dates. We will continue to work with finance officers to improve the process and documentation for 2021-22.</p>	<p>Whilst the Council has made improvements in recent years, there are still issues regarding quality and timeliness of the working papers. Not all working papers were received on the agreed dates and there were also some significant delays in acquiring supporting evidence.</p>
2020-21	<p><b>Matter arising 8 – invalid capital commitment</b></p> <p>The Council should strengthen its accounting process for the assessment of capital commitments, by requiring officers to verify that each commitment meets the criteria set out by the CIPFA Code.</p>	<p>While the Council had reviewed its capital commitment process for 2023-24, we again identified an invalid commitment totalling £2.005 million.</p>

2021-22	<p><b>Matter arising 4 – lack of review and authorisation of journals, prior to posting</b></p> <p>The Council should review its process for the authorisation of journals and make changes to strengthen the controls, including the level of review prior to posting to the financial ledger.</p>	<p>Testing identified journals in excess of £100,000 that had been self-authorised. This has been resolved for the 2024-25 financial year, as the update to the Advanced ledger has a control to prevent this.</p>
2021-22	<p><b>Matter arising 5 – the Council has not reconciled its revaluation reserve to its fixed asset register</b></p> <p>The Council should undertake and document a reconciliation of its revaluation reserve to its Logotech fixed asset register at least annually, at the financial year-end.</p>	<p>The Council had not undertaken a reconciliation of its revaluation reserve to its fixed asset register. We identified material differences that required an audit adjustment to the 2023-24 Financial Statements.</p>
2021-22	<p><b>Matter arising 8 – inaccurate disclosure of the maturity analysis of the Council's borrowings</b></p> <p>The Council should strengthen its arrangements so that its maturity-analysis of borrowings is correct each year.</p>	<p>The Council has made some improvements, but audit adjustments were again required to the note.</p>
2022-23	<p><b>Matter arising 1 – Some of the Council's processes to ensure the accuracy of its Property, Plant and Equipment balance are inadequate</b></p>	<p>The Council has made some improvements, but audit adjustments were again required to the note.</p>

	<p>The Council should:</p> <ul style="list-style-type: none"> <li>• Significantly strengthen the quality of its asset records, including clearly documented references to the Estates Team's records, for all assets;</li> <li>• ensure that the finance team are aware of significant events with a financial impact, or potential financial impact; and</li> <li>• improve its accounts preparation process to identify errors of a basic nature prior to audit, including an appropriate and meaningful level of formal management review and sign-off.</li> </ul>	
2022-23	<p><b>Matter arising 3 – Material adjustments were required to the Council's related party disclosures</b></p> <p>The Council should strengthen its accounting process for the identification and full disclosure of its related party transactions and balances.</p>	<p>The Council has made some improvements, but audit adjustments were again required to the note.</p>
2022-23	<p><b>Matter arising 4 – The Council had not reviewed its bad debt provision as at 31 March 2024</b></p> <p>As part of the annual accounting process, each year the Council should review its debtor balance at 31 March year-end to identify any invalid or misstated debtors. The Council should also review and document the position</p>	<p>The Council has made some improvements (e.g. updated the housing benefit bad debt provision), but had not reviewed all bad debt provisions. The council has failed to update their sundry debtor bad debt provision.</p>

	throughout each financial year, ideally monthly.	
2022-23	<p><b>Matter arising 5 – the Council’s year-end bank reconciliation had an unreconciled difference</b></p> <p>The Council should ensure that the monthly and year-end bank reconciliations are always balanced.</p>	Testing identified another unreconciled difference in the year-end bank reconciliation this year of £20,250.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\*, and our Chair acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

## Visit our website to find

	our <a href="#">Good Practice</a> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <a href="#">newsletter</a> which provides you with regular updates on our public service audit work, good practice, and events.
	our <a href="#">publications</a> which cover our audit work completed at public bodies.
	information on our <a href="#">forward performance audit work programme 2023-2026</a> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <a href="#">data tools</a> and <a href="#">infographics</a> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).





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yn croesawu gohebiaeth a galwadau ffôn yn  
Gymraeg a Saesneg.