

Audit of Accounts Report – Blaenau Gwent County Borough Council

Audit year: 2024-25

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Introduction



Adrian Crompton

Auditor General for
Wales

I am pleased to share my Audit of Accounts Report. The Report summarises the main findings from my audit of your 2024-25 annual report and accounts. My team have already discussed these findings with the Strategic Director of Corporate Resources and her team.

My team have substantially completed the audit work as set out in my Audit Plan dated December 2025.

Since my Audit Plan, I have updated materiality to reflect the 2024-25 accounts. My response to previously identified risks is set out in **Appendix 1**.

I am required to provide an opinion on whether the accounts have been properly prepared and give a true and fair view, in all material aspects. My proposed audit opinion and basis for it is outlined on page 22.

It is the responsibility of the Governance and Audit Committee to address any matters raised in my report and provide me with a Letter of Representation.

I would like to extend my gratitude to the Council for the way their have responded to my recent letter regarding the accounts challenges across the sector and at the council. I would also like to thank officers and staff of Blaenau Gwent County Borough Council for their cooperation throughout the audit process which has been invaluable in completing this audit effectively.

Your audit at a glance



We intend to issue an **unqualified opinion** on the accounts

See [Appendix 4](#)



There are **two other significant matters** to report

See [Audit findings](#)



There is **one uncorrected misstatement** in the accounts which we wish to draw to your attention

See [Audit findings](#)



We have raised **one recommendation** as a result of our work.

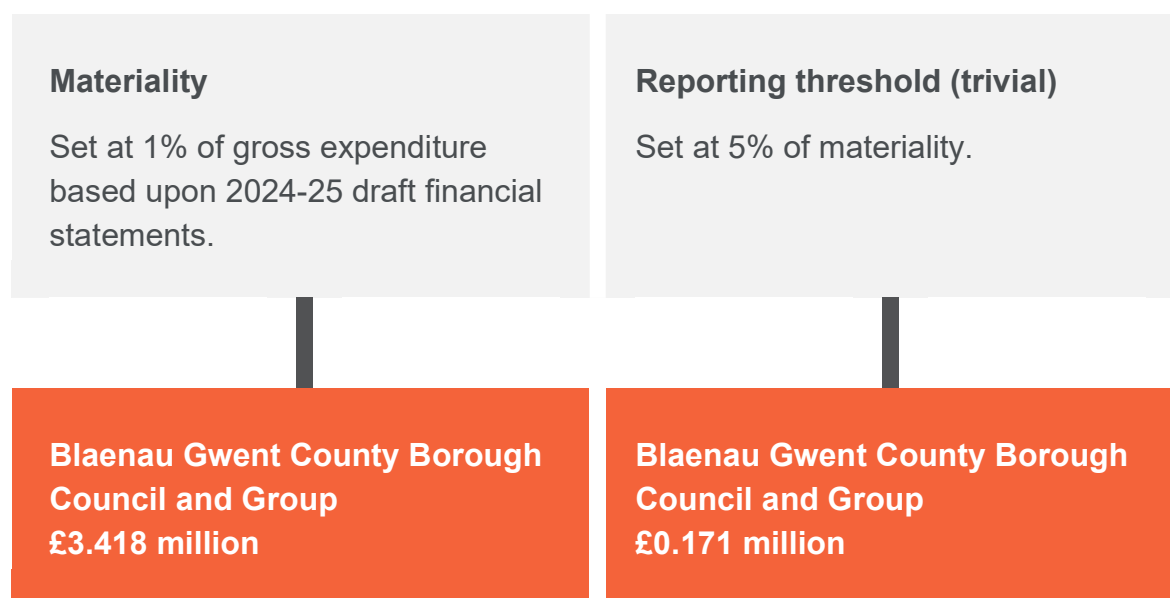
See [Appendix 5](#)



We are aiming to certify your accounts on 1 July 2026.

Materiality

I use professional judgement to set a materiality threshold to identify and correct misstatements that could affect users' decisions, considering both financial errors and disclosure requirements according to the applicable accounting framework and laws. My team updates materiality throughout the audit and I include in this report matters that exceed my reporting threshold, as set out below:



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

Remuneration report £1,000	Related party disclosures £10,000 (relating to individuals)
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Audit of Groups

The group accounts contain the results of the single entity, being Blaenau Gwent County Borough Council (BGCBC) and Bedwelty House Charity which is regarded as a component of the group.

This year, we were required to implement a revised auditing standard on the audit of groups. The revised standard saw us adopt a more risk-based approach, ensuring that audit procedures were tailored to address specific risks impacting the group accounts.

There are no matters to bring to your attention.

Audit Findings

Misstatements

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

Uncorrected misstatements

We set out below the misstatement we identified in the accounts, which has been discussed with management but remains uncorrected. We request that this misstatement be corrected.

If you decide not to correct this misstatement, we ask that you provide us with the reason in writing:

- £1.25m over-depreciation of fixed assets

We identified that the Useful Economic Lives of 5 assets were recorded incorrectly. However, we are satisfied that the errors are isolated to these 5 assets given the extra work the council and my team completed.

This resulted in a non-material understatement of asset values of £1.25 million. This misstatement has no impact on our audit opinion so I would be prepared to sign of the accounts if this misstatement remains.

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 2**.

Other significant issues

International Standard on Auditing 260 requires us to communicate with those charged with governance. We must tell you of significant findings from the audit and other matters if they are significant to your oversight of BGCBC's financial reporting process.

Quality and timeliness of the Accounts and supporting information

We intend to issue the audit opinion 1 July 2026, less than a month earlier than the previous audit period (2023-24). We have reported previously that the original timetables agreed with the Council have not been met. Initially the Council planned to submit their draft accounts for audit by 30 September 2025. We actually received the draft accounts 8 February 2026.

However, we have noted improvements to the quality of the draft accounts and supporting documentation. We commenced the audit of the financial statements at the beginning of March and completed the audit testing and review by the end of April. This is a much shorter 'audit window' than we have seen over the last few years and reflects the improved quality of accounts submitted for audit and the documentation supporting it.

We will continue to work closely with officers and highlight areas where these improvements can go further, with the aim of getting back to the position where we are able to meet the statutory deadlines.

We were encouraged by the Council's response to the Audit General for Wales' recent letter highlighting his concerns in this area. The next immediate challenge is maintaining the direction of travel in terms of improving the accounts and working papers whilst bringing forward the 2025-26 accounts submission by 31 August 2026 (the target set in your recent recovery plan).

Failure to follow Procurement rules

Our sample testing of Capital Additions identified a £321,200 payment in 2024-25 for the block booking of rooms for accommodation for a 6-month period to a private company. Whilst we are satisfied that this has been accounted for correctly in the financial statements, the Council failed to follow its own procurement rules in making this agreement. There was no tender process undertaken or any contract documentation to support this transaction.

We have made a recommendation for improvement at **Appendix 5**.

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 3**.

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 required by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 4**, which includes additional representations explaining why you are not correcting for the 1 mis-statement reported in page 8 of this report.

Recommendations

We have made a recommendation for improvement which is set out in **Appendix 5** along with management's response.

Audit team and ethical compliance

The main members of my team who carried out the audit work, together with their contact details, are summarised in **Exhibit 1**.

Exhibit 1: my local audit team

Engagement Lead	Richard Harries Richard.Harries@audit.wales
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Audit Manager	Mike Jones Mike.Jones@audit.wales
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Audit Lead	Dafydd Parker Dafydd.Parker@audit.wales
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Compliance with ethical standards

We confirm 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.

Appendix 1 – Audit risks and outcomes

My Audit Plan set out the risks of material misstatement for the audit of Blaenau Gwent County Borough Council accounts. Exhibit 1 lists these audit risks and sets out how they were addressed as part of the audit. No additional audit risks have been identified since that need to be brought to your attention.

Exhibit 1: audit risks reported previously, work done and outcome

Audit risk	Work done	Outcome
Risk of management override The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].	The audit team: • tested the appropriateness of journal entries and other adjustments made in preparing the financial statements; • reviewed accounting estimates for bias; and • evaluated the rationale for any significant transactions outside the normal course of business.	My audit work did not identify any instances of management override of controls relating to the financial statements.

Historic issues in the timeliness and accuracy of financial statements

The issues within the 2022-23 accounts led to a delayed audit. Given these delays and the general quality of the accounts over the past few years, there is a general risk around quality and accuracy of the accounts.

The audit team:

- considered this issue as part of our risk assessment across every area of the accounts;
- considered this risk when assigning the risk levels to the other risks identified;
- assigned more experienced staff to the areas of specific risk; and
- emphasised to engagement team members the need to maintain professional scepticism

Due to the risk, some areas of testing had increased ratings, which led to increased sample sizes.

Overall, the quality of the accounts and supporting documentation was better than in previous years.

We will continue to work closely with officers to highlight where further improvements can be made for future years.

Valuation of pension fund net liability/surplus

The Local Government Pension Scheme (LGPS) and pension fund liability as reflected in the financial statements are material estimates.

The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.

There are also several legal cases potentially impacting on the valuation of the net liability.

There is a risk therefore that the liability/surplus is materially misstated.

My audit team:

- evaluated the instructions issued by management to their experts (actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the valuations;
- assessed the accuracy and completeness of the information provided to the actuary;
- tested the accuracy of the pension fund net liability and disclosures in the financial statements to the actuarial report;
- assessed the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required; and
- assessed whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

My audit team did not find any significant issues in the post-employment benefit disclosures.

There were some presentational and narrative issues identified within the disclosures, which have now been amended.

Valuation of Land and Buildings

The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.

Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity, depending on the specialist and management assumptions, and changes in these can result in material changes to valuations.

Assets are required to be revalued every five years, but values may also change year-on-year, and there is a risk that the carrying value of assets recognised in the accounts could be materially different to the current value of assets as at 31st March 2025.

My audit team:

- reviewed the information provided to the valuer to assess for completeness;
- evaluated the competence, capabilities and objectivity of the professional valuer;
- tested a sample of assets revalued in the year to ensure that the valuation basis, data and key assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements.

My audit team identified several issues within the testing of valuation of land and buildings, including the one uncorrected misstatement of £1.25m. All other misstatements identified were corrected. The misstatements identified have been outlined in **Appendix 2**.

Senior Officer Remuneration

Remuneration paid to senior officers continues to be of high interest and is material by nature.

There were changes to the senior officer structure at Blaenau Gwent during 2024-25, and hence there is a risk that these changes may not be appropriately reflected in the financial statements.

My audit team:

- have understood the movements in the senior management team during 2024-25;
- ensured that the remuneration disclosure is consistent with supporting evidence;
- ensured that the amounts paid are consistent with those approved by the Council; and
- ensured that the disclosures are complete based on the team's knowledge and are prepared in accordance with requirements.

We identified some disclosures which needed amendment and are reported in Appendix 2.

Treatment of Lime Avenue

There have been amendments made to the agreement governing the project at Lime Avenue. Given the issues identified with the project in the past, there is a risk that the amendments to the agreement have not been appropriately reported in the financial statements.

My audit team:

- ensured that any changes to the Lime Avenue agreement were appropriately and accurately disclosed in the financial statements.

My audit team did not find any significant issues in relation to the treatment of Lime Avenue.

**Implementation of
International Financial
Reporting Standard
(IFRS) 16 – Leases**

Local Government bodies were required to adopt IFRS 16 for all accounting periods from 1st April 2024 onwards.

This significantly changes the accounting treatment and disclosures required for leased assets and means that a high proportion of leases will require recognition on the balance sheet through an asset and a liability.

My audit team:

- reviewed the authority's working papers to ensure that all leases falling within scope of IFRS 16 have been appropriately included in the calculations;
- where material, tested a sample of asset and liability calculations to ensure that the assumptions are reasonable, and the calculations have been correctly prepared; and
- confirmed that asset and liability values have been correctly accounted for and disclosed in the financial statements

My audit team did not find any significant issues in relation to the identification and accounting of leases under IFRS 16.

Appendix 2 – Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management.

Value of correction	Accounts area	Explanation
£0.762m	(Surplus)/Deficit Arising on the Revaluation of Non-Current Assets Revaluation Reserve	(Surplus)/Deficit Arising on the Revaluation of Non-Current Assets included £762k Unrealised (Gain)/Loss on arising from changes in Fair Value of Financial Instruments.
£0.163m	Capital Grants & Contributions Current Debtors	Current Debtors was overstated as it included the Active Travel Grant. This has been moved into Capital Expenditure & Financing as it is funded by borrowings.
£0.205m	Capital Grants & Contributions Current Debtors	Capital Grants in relation to the Shared Prosperity Fund was overstated and incorrectly funded by borrowings. A current Debtor has been created to recognise this.
£4.467m Funding allocation	Agency Transactions	loan arrangements pertaining to Home

£2.169m Payments made £0.723m Repayments received £3.020m Total balance		Improvement Loans was identified, whereby BG is acting as an agency. A debtor and creditor were correctly recognised in the accounts but the balances were not included within the Agency Transactions disclosure.
£1.103m	Other Operating Expenditure Property, Plant & Equipment Capital Adjustment Account General Fund	1 asset was duplicated in the fixed asset register, was consequently double counted in the accounts.
£0.336m	Corporate Services Expenditure Corporate Services Income	Recovery of Overpayment of Housing Benefits made by BG remained in the income population at year-end. This has been removed from income.
£0.557m	Grant Income Financial Instruments General Fund Capital Adjustment Account	Rail Infrastructure Loan (1) Correction of negative grant income posting in relation to the loan.
£0.070m	Interest Income Financial Instruments General Fund Capital Adjustment Account	Rail Infrastructure Loan (2) Correction to account for discounted grant income over the three previous years.

£0.264m	Short-Term Debtors Long-Term Debtors	Rail Infrastructure Loan (3) Correction to recognise the correct short-term element of the loan as short-term overstated.
£0.244m	Interest Income Debtors General Fund Deferred Capital Receipts	Rail Infrastructure Loan (4) Correction to financing of the loan for the over-impairment.
£7.517m	Capital Commitments	Balance included as a capital commitment related to a company which has gone into administration.
£1.065m	Education – Schools Gross Expenditure Education – Gross Expenditure	The pensions current service cost was not allocated to the correct service area.
£0.970m	External Fees Charges and Other Service Income Other Service Expenditure	Recharges had been incorrectly included in these lines of the financial statements.
£6.170m	Property, Plant & Equipment	Testing identified numerous assets with a nil net book value. Further testing suggested these assets no longer exist or owned. The Gross Book Value of these assets has been removed.

£1.271m	Property, Plant & Equipment	The revaluation balances in Note 25 were entered into the financial statements incorrectly.
£3.130m	Property, Plant & Equipment	Prior period adjustment made to reclassify an asset from Surplus Assets to Other Land & Buildings.
Remuneration Report	Officers earning over £60k	There were 4 officers included in the wrong salary bandings.
Remuneration Report	Officers earning over £60k	There were 2 senior officers who were in post for part of the year and were thus excluded from the disclosure. These have subsequently been included in the disclosure.

Appendix 3 – Proposed audit report

The 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 and Group

for the year ended 31 March 2025 under the Public Audit (Wales) Act 2004.

BGCBC's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including the material accounting policies.

BGCBC's Group financial statements comprise 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 the material 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 2024-25.

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

- give a true and fair view of the financial position of BGCBC and BGCBC Group as at 31 March 2025 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 2024-25.

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 and regularity of public sector bodies 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 the BGCBC and Group 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 BGCBC and 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.

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 2024-25;
- 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 is in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of BGCBC and 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.

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 set out on page 14, 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 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 the BGBC and 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 the responsible financial officer anticipates that the services provided by the BGCBC and Group 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, the head of internal audit 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's framework of authority as well as other legal and regulatory frameworks that it 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 BGCBC.

- 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 & Audit Committee and legal advisors 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'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. 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 BGCBC and 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

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Appendix 4 – Letter of representation

Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Cardiff
CF10 4BZ

[Date]

Representations regarding the 2024-25 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 BCCBC for the year ended 31 March 2025 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;
- 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 BGCBC 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. A summary of these items is set out below:

- £1.25 million over depreciation of a small number of assets.

During the 2024/2025 financial year, an overstatement of depreciation expenditure was identified relating to a small number of assets within Property, Plant and Equipment. This arose due to a process omission in 2023/2024 whereby, following asset revaluation entries, the remaining useful lives of certain assets were not explicitly updated within the Asset Module. Consequently, the system defaulted to a recalculated remaining life which was shorter than the appropriate economic life.

The impact of this issue was an overstatement of depreciation charged to the Comprehensive Income and Expenditure Statement (CIES) in 2024/2025. However, in accordance with statutory accounting requirements, depreciation is reversed out through the Movement in Reserves Statement (MiRS) and as a result there is no impact on the Council Fund balance.

Management has assessed the misstatement as not material, both individually and in aggregate, to the 2024/2025 financial statements. While the gross impact affects reported depreciation and carrying values of Property, Plant and Equipment, the net impact on usable reserves and council tax requirements is nil. Furthermore, the adjustments required to correct the misstatement retrospectively would be extensive, impacting multiple core statements (including the CIES, Balance Sheet, MiRS, and Cash Flow Statement) and a wide range of supporting disclosures.

Subject to Committee approval, management has therefore elected not to adjust the 2024/2025 financial statements on the basis that:

- The misstatement is not material to users of the financial statements;
- There is no impact on usable reserves or the Council's financial standing;
- The correction would require widespread amendments across the full suite of financial statements and disclosures; and
- Adjustment would not proportionately enhance the reliability or understanding of the accounts.

The misstatement has been corrected prospectively from 1 April 2025, through adjustment of the affected asset carrying values to reflect the previously overcharged depreciation and revision of the remaining useful lives to appropriate levels.

Year-end procedures have also been enhanced to ensure that the remaining useful lives of all assets subject to revaluation entries are reviewed and confirmed in the Asset Module.

Representations by Governance and Audit Committee

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 Governance and Audit Committee on xx June 2026

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:

Section 151 Officer

Date:

Signed by:

Chair

Date:

Appendix 5 – Recommendations

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

1. Failure to follow Procurement Rules

The Council failed to follow its own procurement rules in entering into a verbal agreement with a private company for the block booking of accommodation.

There was no tender process undertaken or any contract documentation to support this transaction. The arrangement is currently ongoing.

We recommend that this arrangement is looked at in detail and a contract drawn up and signed for the current agreement. In future all expenditure and agreements should be awarded in line with the Councils own tender procedures and Standing Financial Instructions (SFIs), to ensure proper governance is followed and the Council can ensure and demonstrate value for money.

Priority:

High

Accepted in full by management: Yes

Management response:

The Council acknowledges that the arrangements did not comply with Contract Procedure Rules (CPRs). This arose due to the exceptional service pressures in relation to the demand for temporary accommodation which was reported to the Corporate Leadership Team in April 2024.

Corrective actions are now being implemented:

1. Procurement Arrangements

- A robust set of contract terms and conditions to cover the immediate service provision is being established

- A compliant procurement route is being progressed to secure future provision, in line with the Council's CPRs:
 - Tender documentation is being developed and will be issued to the market within an agreed timeframe
 - The procurement approach will ensure transparency, competition, and demonstrate value for money

2. Strengthening Governance and Compliance

- Following the implementation of the Social Partnership and Public Procurement Act, enhanced officer guidance has been developed and issued and is being embedded across services
- Targeted training and awareness sessions are being delivered to:
 - Heads of Service & Service Managers
 - Budget Holders
 - Business Support Officers involved in ordering and payments

3. Monitoring

- Enhanced spend analysis and monitoring arrangements have been implemented:
 - Procurement officers will review and challenge spend levels on an exception basis
 - Any off-contract or non-compliant expenditure will be challenged and escalated where necessary to Governance, Risk, Integrity, Performance and Partnership meeting

Implementation date:

- Contract to be formalised for immediate service provision: 30 June 2026
- Tender to be issued: W/c 22 June 2026 for contract award and start date 1 September 2026
- Training to be delivered by: 31 August 2026

- Monitoring commenced: 1 April 2026

**Responsible Officer – Head of Financial Services and Service
Manager Procurement**

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 the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



Our People

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



Arrangements for achieving audit quality Selection of right team

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



Independent assurance

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

Supporting you

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

Visit our website to find:



Our publications which cover our audit work at public bodies.



Information on our upcoming work and forward work programme for performance audit.



Data tools to help you better understand public spending trends.



Details of our Good Practice work and events including the sharing of emerging practice and insights from our audit work.



Our newsletter which provides you with regular updates on our public service audit work, good practice, and events.



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We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

