

Audit of Accounts Report – Blaenau Gwent County Borough Council and Group

Audit year: 2022-23

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Contents

We intend to issue an unqualified audit report on your 2022-23 Statement of Accounts.

However, there are some significant issues to report to you prior to sign off particularly in respect of the quality of the draft 2022-23 financial statements, the timeliness of the accounts production and the poor governance arrangements surrounding the joint funding arrangements with Welsh Government to develop land at Lime Avenue on the old steelwork site.

Audit of Accounts Report

Introduction	4
Proposed audit opinion	5
Significant issues arising from the audit	5

Appendices

Appendix 1 – Suggested Letter of Representation	11
Appendix 2 – Proposed Audit Report	14
Appendix 3 – Summary of Corrections Made	19
Appendix 4 – Recommendations	21

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2022-23 Statement of Accounts in this report.
- 2 We have already discussed these issues with the Section 151 Officer.
- 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 £3 million for this year's accounts audit of Blaenau Gwent County Borough Council, and £3 million for the audit of Blaenau Gwent County Borough Council Group.
- 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 Party transactions (with Members and Officers) - £10,000; and
 - Senior officer remuneration - £1,000.
- 6 We have now substantially completed this year's audit work, but the following work is outstanding:
 - clearance of a small number of outstanding audit queries with officers;
 - our final review of the revised Statement of Accounts to ensure all the relevant changes have been made to the draft financial statements; and
 - the completion of some areas of our internal review arrangements, in particular the final review of the Engagement Lead.
- 7 We will update the Governance and Audit Committee on the above at their scheduled meeting to approve the financial statements.
- 8 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.
- 9 The timeline of the audit is set out in **Exhibit 1** below:

Exhibit 1: audit timetable

Timetable	<ul style="list-style-type: none">• The Welsh Government set out its expectation for Local Government Statements of Accounts for 2022-23 to be prepared by 31 July 2023.• We received the draft accounts on 13 November 2023 which was four and a half months following the Welsh Government preparation deadline.• The Welsh Government set out its expectation for Local Government Statements of Accounts for 2022-23 to be audited by 31 December 2023.• We expect your audit certificate to be signed by the Auditor General on 25 November 2024.• The Council will have exceeded the Welsh Government deadline for the completion of the audited accounts by nearly 11 months.
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Proposed audit opinion

- 10 We intend to issue an unqualified 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**.
- 11 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 12 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.
- 13 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 14 There is one misstatement that remains uncorrected in the financial statements. As described in **paragraphs 35 and 36**, the Council has decided not to charge the additional Minimum Revenue Provision (£110k) that has arisen as a result of funding agreement with Welsh Government for the development of land at Lime Avenue on The Works site.

Corrected misstatements

- 15 There were other misstatements in the draft Statement of Accounts that have now been corrected by management. The most significant of these are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

We are satisfied that the uncertainty around the Council's properties useful economic lives (UEL), that resulted in a qualified audit opinion in your 2021-22 Accounts, is no longer a material issue.

- 16 Our work on the 2021-22 Financial Statements identified that the useful economic lives of properties had not been subject to regular review as required by the accounting framework. We were, therefore, unable to obtain sufficient assurance over the depreciation charged in the 2021-22 financial statements or previous financial years. Consequently, there was a doubt over the material accuracy of the net book value of these properties, with the Council being unable to quantify the misstatement at that point in time.
- 17 For 2022-23 financial year, the Council commissioned an external valuer to commence a programme of providing estimated UEL's for its properties. Their report has now been received and appropriate adjustments made to the draft accounts. We have tested these amendments and are content that the net book value of the Council's properties is materially accurate within the 2022-23 financial statements.

The Draft Accounts submitted for audit were incomplete and were not fully supported with appropriate working papers and supporting evidence.

- 18 The draft accounts were submitted for audit on 13 November 2023, but these accounts contained several material misstatements. This has meant a protracted and difficult audit process which has led to significant additional costs.
- 19 Some examples of the issues we encountered are listed below:
- The trial balance initially provided with the draft financial statements had no audit trail showing how the trial balance reconciled to the draft accounts. This is a key requirement as it underpins the integrity of the financial statements and is therefore critical to our audit work. This was not provided until 1 February 2024 and led to considerable delays in the audit process. **See recommendation 1 in Appendix 4.**
 - Some of the errors identified in the accounts were picked up as part of our initial high-level review and relatively straight forward to identify. It is therefore critical that the Council ensures that the financial statements are subject to a robust quality review process before the financial statements are submitted to the audit team. This

is a key process in ensuring the draft accounts stand up to audit scrutiny and meet the required professional accounting standards. We recommend that the Council's Finance team ensure that a robust quality review process is completed prior to submission of the accounts for audit in future years. **See recommendation 2 in Appendix 4.**

- Much of the supporting documentation and working papers to support the figures in the accounts were either missing, inaccurate or confusing which led to additional audit work and meetings with officers to understand how they had been prepared and to request clear and appropriate evidence. Again, this led to considerable delays in the audit process.
- Despite the Draft Financial statements being submitted for audit on 13 November 2023, the final report from the external valuers commissioned to provide useful economic lives for the Council's property portfolio was not received until 24 May 2024. The final report contained material differences to those originally submitted in the draft accounts. These amendments have now been made to the final audited Financial Statements.

The Council must get back on track with its accounts preparation to achieve the Welsh Government accounts deadlines

- 20 Coupled with the issues outlined above in paragraph 18, it is important to note that the Welsh Government accounts audit deadlines will be coming forward over the next two years (effectively three years for the Council as the 2023-24 have not yet been prepared and audited) as outlined in **Exhibit 2** below:

Exhibit 2: future accounts preparation and audit timetable

2023-24	<ul style="list-style-type: none">• Accounts completion deadline – 30 June 2024• Audit Completion deadline – 30 November 2024
2024-25	<ul style="list-style-type: none">• Accounts completion deadline – 30 June 2025• Audit Completion deadline – 30 October 2025
2025-26	<ul style="list-style-type: none">• Accounts completion deadline – 30 June 2026• Audit Completion deadline – 30 September 2026

- 21 As things stand, we are of the view that the Council will struggle to meet the revised deadlines unless significant changes are made to the resources and processes which support the accounts preparation and the subsequent audit. This process needs to be supplemented by a robust recovery plan to help the Council steer its way back to achieving the Welsh Government deadlines. **See recommendation 3 – Appendix 4.**
- 22 Once we have issued the audit opinion on the 2022-23 Financial Statements, we will be holding a post project learning workshop with the Council's Finance team to talk through in detail the issues we faced above and how they can be avoided and/or improved for future years. This will include a review with the Council as to where the financial statements can be streamlined with unnecessary notes and disclosures potentially removed for future years.

A funding arrangement with Welsh Government to develop land at Lime Avenue, The Works site, was accounted for incorrectly, demonstrated poor governance arrangements, and did not offer good value for money for the residents of Blaenau Gwent.

- 23 On 25 September 2019, the Council entered into an agreement which provided up to £3.15 million from the Welsh Government for the development of Lime Avenue Industrial units on the old steelwork site (The Works). This agreement was supplemented on 12 August 2021 with the Welsh Government providing up to a further £5.8 million, and again on 3 July 2023 with up to a further £1.4 million funding made available.
- 24 The agreement specified various options for the repayment of the funding in the future. However, the accounts presented for audit recorded no liability in the balance sheet in respect of the repayment.
- 25 The original agreement in September 2019 specified that Welsh Government would receive approximately 80 percent of any income

generated from the units that have been built. This percentage was revised in the first supplemental agreement in August 2021 to 92%.

26 The liability arises due to the terms set within the agreement in respect of the disposal of the asset which are:

- Disposal of the assets (in part or whole) to a third party prior to 24 October 2028 would require repayment of £2m funding received from WEFO. Any proceeds on disposal are to be divided between the Council and Welsh Government in line with the contract percentages..
- Up to 25 September 2034, the Council has the option to purchase Welsh Government's capital interest at the greater of market value or Welsh Government's initial contribution.
- Disposal of assets to a third party at any point to 25 September 2039 requires the proceeds to be shared in line with the percentages above.
- If disposal of the asset is not made by 25 September 2039, the Council are required to purchase Welsh Government's capital interest at market value.

27 The Council have now amended the financial statements, and £4.492 million has been accounted for in the balance sheet as a non-current Capital Grant Received in Advance as at 31 March 2023.

28 The draft accounts also recognised the expenditure in this area as part of the Council's assets with expenditure to date on the project amounting to £9.913m. During 2022-23 the completed element of the project was revalued, reducing the value of the asset by £4.664m. As at 31 March 2023 the value of the project's assets is £5.249m.

29 However, this asset value has required further amendment to reflect the much smaller value of the Council's share of the asset based upon its share of generated income (approximately 8%).

30 In summary, the Council have:

- reduced the asset held in the balance sheet by 92% to £0.456 million (equating to the Council's 8% share of the asset value of £5.249m) and
- recognised the previously unaccounted liability of £4.492m being the grants received to date from Welsh Government for this project.

31 When we first reviewed this as part of our audit testing, it was clear that there was a lack of documentary evidence supporting the initiation and subsequent amendments to this project / agreement. For a project of this size and complexity, the lack of transparency from a governance perspective was concerning particularly from a decision making and approval perspective. The original agreement in September 2019 was signed by the former Director of Regeneration and Community, and we can see no

- evidence of the project being considered or approved by Cabinet, Full Council or any of its Committees.
- 32 The supplementary agreement of July 2023 was signed by the current Director of Regeneration and Community, but again this did not go to members for approval or information.
- 33 This lack of governance and transparency in respect of this agreement was compounded by the Section 151 Officer being unaware of this agreement and the liabilities the Council had committed itself to.
- 34 Consequently, there is no evidence that value for money or the requirements of the Future Generations Act were considered. In our view, this agreement offers the residents of Blaenau Gwent poor value for money, with it shouldering the majority of any financial risk.
- 35 The Section 151 Officer is of a similar view, and is currently in the process of trying to re-negotiate the agreement with Welsh Government, in the hope of reducing the liability sitting on Blaenau Gwent's balance sheet, and negating any impact on the Minimum Revenue Provision (MRP) and any direct cost to the Council Taxpayer.
- 36 In respect of the 2022-23 accounts, the Council has decided not to charge any MRP on the basis of materiality (the MRP charge would be £110k). However, the financial statements will require a Minimum Revenue Provision charge in future years unless the Council can re-negotiate the existing terms of the agreement with Welsh Government. This charge is required to ensure that the Council builds up a sufficient level of reserve to discharge the liability at the end of the agreement.
- 37 We have asked that the Council update its Annual Governance Statement (AGS) to reflect the current position in respect of Lime Avenue agreement coupled with the Council's plans to re-negotiate the position with Welsh Government.
- 38 We recommend that the Section 151 Officer continues to renegotiate the position with Welsh Government and importantly the Council should identify any 'lessons learned' from this failure of governance, to ensure that any future agreements of this nature are fully supported by risk, value for money analysis and improved governance. **See recommendation 4 – Appendix 4.**

Appendix 1

Suggested Letter of Representation

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

20 November 2024

Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of Blaenau Gwent County Borough Council and Group for the year ended 31 March 2023 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; 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 Group 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; and
- 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.
- There are no material differences between the accounting policies of Blaenau Gwent County Borough Council and Group.

- 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 is set out below:
 - Adjustments made to the accounting statements to include a liability for the Welsh Government share of the Lime Avenue Joint Venture Agreement resulted in an increase in the Council's Capital Financing Requirement of £4.492m. Consequently, this increased the calculated Minimum Revenue Provision by £0.110m for the 2022/2023 financial year. As this amount is not considered material it was agreed not to process this amendment to avoid further delay to the completion of the 2022/2023 Statement of Accounts. The MRP figure will be adjusted in the 2023/2024 accounts to ensure that the Council is making adequate provision over time for the repayment of these liabilities.

Representations by the 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 the Governance and Audit Committee on 20th November 2024.

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:

Signed by:

Section 151 Officer

Chair of Meeting

Appendix 2

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 and
- Blaenau Gwent County Borough Council Group

for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

Blaenau Gwent County Borough Council'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.

Blaenau Gwent County Borough Council'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 2022-23.

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

- give a true and fair view of the financial position of Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council Group as at 31 March 2023 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 2022-23.

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 the Blaenau Gwent County Borough Council and the Blaenau Gwent County Borough Council 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 Blaenau Gwent County Borough Council and the Blaenau Gwent County Borough Council 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 2022-23; 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 Blaenau Gwent County Borough Council and the Blaenau Gwent County Borough Council Group 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 set out on page 14 the responsible financial officer is responsible for:

- the preparation of the statement of accounts, including Blaenau Gwent County Borough Council Group's 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 Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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 Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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, Blaenau Gwent County Borough Council's Audit and Risk Manager and those charged with governance, including obtaining and reviewing supporting documentation relating to Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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 Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council Group's framework of authority as well as other legal and regulatory frameworks that Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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 Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council Group; and
- 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 and the Governance and Audit Committee about actual and potential litigation and claims;
 - Reading minutes of meetings of those charged with governance; and
 - 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

Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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. 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 Blaenau Gwent County Borough Council and Blaenau Gwent County Borough Council 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
25 November 2024

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.

Value of correction	Nature of correction	Reason for correction
£4,793K (2022-23) £6,471K (2021-22) (Council and Group)	Reduce non-current assets and unusable reserves to remove the Welsh Government's share of Lime Avenue as at 31 March 2023 (and 2022).	As noted in paragraphs 23 – 38 above, the Council had not correctly accounted for the arrangement it had entered into with Welsh Government regarding the site at Lime Avenue. Amendments are required to recognise just the Council's share of the joint operation. Amendments were required for both the 2022-23 and 2021-22 accounts, with a new Note, Note 3 Prior period errors, added to explain the amendments required. A further new Note, Note 46 has been added disclosing the agreement in more detail.
£4,492K (2022-23) £2,768K (2021-22) (Council and Group)	Create a non-current capital grant received in advance to account for the liability arising from the agreements entered into with the Welsh Government for the Lime Avenue development; and decrease unusable reserves.	As noted in paragraphs 23 – 38 above, the Council had not correctly accounted for the arrangement it had entered into with Welsh Government regarding the site at Lime Avenue. Amendments are required to recognise the liability to Welsh Government arising from the agreements, which is disclosed as a non-current liability, Capital grants received in advance. Creation of the liability reduces the unusable reserves balance.
£1,184K (2022-23) £1,710K (2021-22) (Council and Group)	Increase cash; and increase current debtors by £1,418K (£44K 2022) and increase creditors by £2,602K (£1,754K 2022).	The Council had incorrectly accounted for a number of agency arrangements in 2021-22 and 2022-23. Although these are not material in 2021-22, the Council chose to amend the 2021-22 accounts and included them in the new Note 3, Prior Period Errors (referred to above), with an explanation of the amendments required.
£35,691K (Council and Group)	Increase non-current asset Additions and decrease non-current asset Other	Note 26.3, Carrying amount of 'Other' Property, plant and equipment assets, included a line 'Other movements in cost or valuation' which was a balancing entry, and this figure has been reanalysed to the correct lines in the

Value of correction	Nature of correction	Reason for correction
	movements to correctly classify expenditure on PPE in year.	Note. The main element is £28,967K for the Ebbw Vale Rail project.
£2,756K (net) (Council and Group)	Increase in non-current assets and increase in unusable reserves; being a decrease in revaluation reserve of £1,951K and an increase in the capital adjustment account of £4,707K.	A number of assets were revalued by Savills as at 31 March 2023. The draft accounts had not accounted for this exercise correctly. Revised working papers were prepared resulting in adjustments to the revaluation gains recognised in both the revaluation reserve and in the capital adjustment account.
£4,669K (2022-23 and 2021-22) (Group only)	Increase non-current assets and increase revaluation reserve.	The Council is the sole Trustee of Bedwellty House and Park charity and so the charity should be consolidated into the Council's group accounts. The charity's main asset is Bedwellty House which is valued at £4,669 which is material. Amendments were made in both the 2022-23 and 2021-22 group accounts, with a new Note, Note G2.1, Correction of Prior period errors, added.
Various figures and narrative in the financial statements and Narrative report (Council and Group)		A number of other non-material adjustments were made where errors and misclassifications were identified during the audit.
AGS expanded to include reference to the Lime Avenue development		The AGS was updated to reflect the governance issues identified during the audit regarding this development project.

Appendix 4

Recommendations

We set out the key recommendations arising from our audit with management's response to them. We will follow up this next year and include any outstanding issues in next year's audit report:

Exhibit 4: Recommendation 1

It is essential that the trial balance (ledger) reconciles to the draft financial statements and the reconciliation is undertaken alongside the preparation of the financial statements	
Findings	The trial balance initially provided with the draft financial statements had no audit trail showing how the trial balance reconciled to the draft accounts. This is a key requirement as it underpins the integrity of the financial statements and is therefore critical to our audit work. This was not provided until 1 February 2024 and led to considerable delays in the audit process.
Priority	High
Recommendation	It is critical that the draft financial statements submitted to audit are supported with a trial balance that can be reconciled to the disclosures within the financial statements
Benefits of implementing the recommendation	There is both a time and cash saving to the Council in terms of reducing the time required to support audit queries.
Accepted in full by management	YES
Management response	The requirements to produce a trial balance mapped to the required financial statements has been central to the review of the coding structures in the Council's Core Financial System. A revised structure is

It is essential that the trial balance (ledger) reconciles to the draft financial statements and the reconciliation is undertaken alongside the preparation of the financial statements

	<p>currently being uploaded to the Civica Financials Live system and will be available to produce a trial balance for the 2023/2024 Accounts through system generated reports.</p> <p>In addition, in year and year-end processes have been reviewed and amended where required to better facilitate the production of the trial balance and statutory accounts/disclosures.</p> <p>The core working papers used to prepare the financial statements will be reviewed to improve the timeliness of production and understandability. This will be in place for the closure of the 2024/2025 financial year.</p>
Implementation date	<p>November 2024 – Trial balance & code structure</p> <p>March 2025 – Core working paper review finalised</p>

Exhibit 4: Recommendation 2

It is critical that the Council ensures that the draft financial statements are subject to a robust quality review process before they are submitted for audit.

Findings	<p>Some of the errors identified in the accounts were picked up as part of our initial high-level review and were relatively straight forward to identify.</p>
Priority	<p>High</p>
Recommendation	<p>It is critical that the Council ensures that the financial statements are subject to a robust quality review process before the financial statements are submitted to the audit team.</p>

It is critical that the Council ensures that the draft financial statements are subject to a robust quality review process before they are submitted for audit.

Benefits of implementing the recommendation	There is both a time and cash saving to the Council in terms of reducing the time required to support audit queries.
Accepted in full by management	YES
Management response	<p>Roles and responsibilities are under review with the intention of reallocating the initial accounts closedown and preparation work from the Senior Business Partner to other team members. This will allow the Senior Business Partner to undertake the required robust quality review of the financial statements prior to submission to Audit Wales.</p> <p>To further assure quality of information senior leaders within the team will oversee preparation of supporting documentation.</p>
Implementation date	December 2024 – subject to successful recruitment to Business Partner role.

Exhibit 4: Recommendation 3

The Council must get back on track with its accounts preparation to achieve the Welsh Government deadlines.

Findings	<ul style="list-style-type: none">• The 2022-23 accounts should have been prepared by 31 July 2023.• Draft accounts were received for audit on the draft accounts on 13 November 2023 four and half months following the Welsh Government preparation deadline.• The Welsh Government set out its expectation for Local Government Statements of Accounts for 2022-23 to be audited by 31 December 2023.• We expect your audit certificate to be signed by the Auditor General on 25 November 2024.• The Council will have exceeded the Welsh Government deadline for the completion of the audited accounts by nearly 11 months.• Over the next two years, the Welsh Government accounts completion deadline will come forward to 30 June 2026 with an audit deadline of 30 September 2026.
Priority	High
Recommendation	<p>The Council should:</p> <ul style="list-style-type: none">• undertake a root and branch review to ensure it has the appropriate capacity and capability within its Finance function to ensure it gets back on track with the Welsh Government accounts and audit deadlines over the next two years; and• develop an accounts preparation recovery plan to support the achievement of the Welsh Government deadlines.
Benefits of implementing the recommendation	<p>The timeliness of the accounts production is key to ensuring good governance and their preparation, coupled with the subsequent audit process, provides assurance to the taxpayer in respect of financial management and reporting.</p>

The Council must get back on track with its accounts preparation to achieve the Welsh Government deadlines.

Accepted in full by management	YES
Management response	<p>A review of the Finance functions / roles & responsibilities is underway alongside a strengths & weaknesses analysis of teams.</p> <p>Roles and responsibilities have begun to be realigned to support improved procedures for producing accounts and relevant skills development opportunities will be identified and sourced (e.g. internal / external training, coaching arrangements).</p> <p>For a short period of time, the Finance function is seeking to appoint an experienced Capital Accountant to assist with producing the 2023/2024 Accounts and reducing the timescales for completion of the draft accounts for 2024/2025. This temporary arrangement will bring additional expertise into the team whilst permanent longer term arrangements can be considered and implemented.</p> <p>A Recovery Plan is in development to address the issues identified. The plan identifies activities / actions required which are allocated to accountable officers. The plan will be monitored by Senior Leaders within the Finance team and form part of the service business planning framework.</p>
Implementation date	With immediate effect

Exhibit 4: Recommendation 4

A funding arrangement with Welsh Government to construct industrial units on the Lime Avenue site, was accounted for incorrectly, demonstrated poor governance arrangements, and did not offer good value for money for the residents of Blaenau Gwent.

Findings	<p>On 25 September 2019, the Council entered into an agreement which provided up to £3.15 million from the Welsh Government for the re-development of Lime Avenue Industrial units on the old steelwork site (The Works). This agreement was supplemented on 12 August 2021 with the Welsh Government providing up to a further £5.8 million, and again on 3 July 2023 with up to a further £1.4 million funding made available. In so doing, the Council:</p> <ul style="list-style-type: none">• incorrectly accounted for the transaction (in particular the liability that existed within the agreement); and• did not implement proper governance arrangements (particularly in respect of the transparency of the approval process) as well as failing to secure value for money.
Priority	High
Recommendation	<p>It is important that the Council identifies any 'lessons learned' from this governance failure, to ensure that any future agreements of this nature are fully supported by appropriate risk assessments, value for money analysis and good governance.</p> <p>We also recommend that the Section 151 Officer continues to review the position with Welsh Government.</p>
Benefits of implementing the recommendation	<p>Proper governance and value for money arrangements would have ensured that the Council's interests were safeguarded or at least appropriately risk managed when entering into contractual arrangement of this nature.</p>

A funding arrangement with Welsh Government to construct industrial units on the Lime Avenue site, was accounted for incorrectly, demonstrated poor governance arrangements, and did not offer good value for money for the residents of Blaenau Gwent.

Accepted in full by management	YES
Management response	<p>The unusual circumstances surrounding the joint venture agreement with regard to the Lime Avenue and Regain 2 developments was not known by the Finance team and the Draft Accounts for 2022/2023 were therefore prepared in line with usual capital accounting practice.</p> <p>Following receipt and review of the agreements the Council engaged with Audit Wales to determine and agree the approach and make the required corrections to the accounts for 2022/2023 (and prior years).</p> <p>The S151 Officer has raised this issue as a significant concern with the Council's leadership team and reinforced the requirement that any contractual arrangements which result in a material liability for the Council to be reviewed and approved by the S151 Officer or her nominated representative(s) prior to it being entered in to.</p> <p>The Council's constitution, financial regulations & standing orders for Contracts, will be amended to clearly state delegated responsibilities and authorisation processes. Further awareness raising will be undertaken via Directorate Leadership teams and the Council's wider Corporate Leadership team.</p> <p>S151 Officer is continuing discussions with Wales Government to renegotiate the Joint Venture Agreement.</p>
Implementation date	<p>CLT - Complete</p> <p>Wider CLT – November 2024</p> <p>Constitution – in progress</p>



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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.