

# **Audit of Accounts Report** **Vale of Glamorgan Council**

Audit year: 2022-23

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2022-23 accounts in this report.
- 2 We have already discussed these issues with the Head of Finance.
- 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 have this year set this level at £4.886 million for the Vale of Glamorgan Council (the Council) single entity financial statements, with a materiality level of £4.887 million in respect of the Council's group accounts.
- 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 for members and senior officers: £10,000; and
  - Senior officer remuneration: £1,000
- 6 We have now substantially completed this year's audit but the following work remains outstanding at the time of writing this report:
  - Resolving a small number of outstanding audit queries with officers;
  - The receipt of and review of the revised financial statements; and
  - The completion of some areas of our internal file review arrangements.
- 7 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.
- 8 The timeline of the audit is set out in **Exhibit 1** below:

### Exhibit 1 – audit timetable

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The draft accounts were received on 30 June 2023</li><li>• We commenced our audit of the accounts on 3 July 2023</li><li>• The audit report will be signed by the Auditor General on 7 December following Full Council approval on 4 December 2023</li></ul>
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## Proposed audit opinion

- 9 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**.
- 10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 12 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 13 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 14 As a result of our audit there have been a small number of adjustments to the financial statements, none of which are material or impact upon the closing position of the Council. These adjustments are summarised, for information, in **Appendix 3**.

### Other significant issues arising from the audit

- 15 In the course of the audit, we consider a number of matters relating to the accounts, such as any significant qualitative issues or internal control weaknesses. There are no issues of this nature that require reporting to you.

## Recommendations

- 16 There is one recommendation arising from our audit and this is set out in **Appendix 4**. Management has responded and we will follow up progress against during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final Letter of Representation

*Audited body's letterhead*

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

4 December 2023

### Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the Vale of Glamorgan Council and its group for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness.

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 UK 2022-23; 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 the Vale of Glamorgan Council and its 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.
- 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. There are no uncorrected misstatements.

## Representations by the Vale of Glamorgan 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 the Council on 4 December 2023.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Head of Finance (S151 Officer)

Chair of the Council – signed on behalf  
of those charged with governance

Date: 4 December 2023

Date: 4 December 2023



# Appendix 2

## Proposed Audit Report

### The report of the Auditor General for Wales to the members of the Vale of Glamorgan Council

#### Opinion on financial statements

I have audited the financial statements of:

- Vale of Glamorgan Council; and
- Vale of Glamorgan Council Group

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

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

- give a true and fair view of the financial position of the Vale of Glamorgan Council and the Vale of Glamorgan Council's 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 2023.

#### 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 Vale of Glamorgan Council and the 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 [name of local government body and the 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 2023;

- 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 the Vale of Glamorgan Council and 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, the responsible financial officer is responsible for:

- the preparation of the statement of accounts including the Council'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; and
- assessing the Vale of Glamorgan Council 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 Vale of Glamorgan Council 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 Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Vale of Glamorgan Council 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. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals;
- Obtaining an understanding of the Vale of Glamorgan Council and group's framework of authority as well as other legal and regulatory frameworks that the Vale of Glamorgan Council and group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Vale of Glamorgan Council and group.
- 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;
- 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 Vale of Glamorgan Council and group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **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 name of the Vale of Glamorgan Council 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  
7 December 2023

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

# Appendix 3

## Summary of Corrections Made

Some adjustments have been made to the Financial Statements as a result of our audit. These have been corrected by management. A summary of the most significant corrections made are summarised below.

### Exhibit 2: summary of corrections made

Value of correction	Nature of correction
£560k	<b>Short-term debtors / Long-term debtors (Notes 19 and 20)</b> The short-term debtors figure in the Balance sheet (and Note 20) was decreased by £560k to correct a classification error between short-term and long-term debtors for social care debts held against estates. There was a corresponding increase of £560k to the figure for long-term debtors in the Balance Sheet (and Note 19). This adjustment impacts on the Group accounts. This is a classification and has no impact on the overall financial position of the Council.
£10.744m	<b>Note 20 - Debtors</b> The note was amended to include an additional disclosure for the provision for bad debts of £10.717m with corresponding adjustments to the individual debtor categories within the note. This adjustment impacts on the Group accounts. There is no overall financial impact on the total short-term debtors balance disclosed in the note or Balance Sheet
£4.317m	<b>Note 22 - Creditors</b> Classification errors totalling £4.317m between categories within the note have been amended. General creditors were decreased by £4.317m, Other local authorities increased by £1.293m and Central government bodies increased by £3.024m. This adjustment impacts on the Group accounts. There is no overall impact on the net asset position in the balance sheet.
£0.540m	<b>Note 18 - Capital expenditure and capital financing</b> The figure for capital receipts was over-stated by £0.540m and government grants and contributions understated by the same amount. Whilst the disclosure note was amended to reflect these adjustments there was no overall impact on the closing balance. This adjustment impacts on the Group accounts.
£2.878m	<b>Note 26 - Capital Adjustment Account (CAA)</b> The CAA was amended to remove the entry for 'Application of grants to capital financing from the Government Grants Unapplied Account'

	<p>(GGUA) of £2.878m - as there has been no financing applied from GGUA in 2022-23.</p> <p>A corresponding contra adjustment in the line for 'Capital grants credited to CIES applied to capital financing' of £2.878m was also made. There was no overall impact on the closing balance of the CAA.</p> <p>This adjustment impacts on the Group accounts.</p>
£6.940m	<p><b>Movement in Reserves Statement (MIRS)</b>  <b>Housing Revenue Account (HRA)</b>  <b>Note 10 - Adjustments between accounting basis and funding basis under regulations</b></p> <p>Capital grant income recognised in the Comprehensive Income and Expenditure Account has been mis-classified between the Council Fund and HRA and the following adjustments have been made:</p> <ul style="list-style-type: none"> <li>• Note 10 – Application of capital grants to finance capital expenditure Council Fund has been increased by £6.940m with a corresponding decrease to the Housing Revenue Account for the amount.</li> <li>• MIRS - Amended to reflect the mis-classification between the Council Fund and HRA in Note 10 as detailed above</li> <li>• Capital grants recognised within the HRA has been decreased by £6.940m, with a corresponding increase in the adjustments between accounting basis and funding basis under regulations and HRA MIRS for the same amount.</li> </ul> <p>These adjustment impacts on the Group accounts.</p>
£0.3m	<p><b>CIES - Interest receivable and similar charges</b>  <b>Movement in Reserves Statement (MIRS)</b>  <b>Note 25 - Usable Reserves – Earmarked general fund reserves</b>  <b>Note 11 Transfers to / from earmarked reserves</b></p> <ul style="list-style-type: none"> <li>• CIES - Interest receivable and similar charges increased by £0.3m to reflect dividend income received from the Big Fresh Catering Company</li> <li>• MIRS – Total comprehensive income and expenditure (Earmarked reserves) increased to reflect the additional transfer to reserves to recognise the additional income of £0.3m with a corresponding adjustment to Note 11 Transfers to earmarked reserves and Note 25 Usable reserves.</li> </ul>
Various	<p><b>Multiple parts of the accounts</b></p> <p>The Cardiff Capital Region City Deal (CCRCD) accounts were not available for consolidation until after the Council's draft accounts were prepared. As a result, a number of adjustments have been made following receipt of these draft statements.</p> <ul style="list-style-type: none"> <li>• CIES – Other comprehensive income and expenditure increased by £2.337m</li> <li>• Balance Sheet – Increase in Net assets £2.337m with a corresponding increase in Usable reserves £0.907m and Unusable reserves £1.367m</li> </ul>

	<ul style="list-style-type: none"> <li>• MIRS – Corresponding adjustments in the movements within the MIRS to reflect the overall increase in reserves £2.337m</li> <li>• Note 33 Joint committees – the disclosure note was updated for the revised CCRCDC draft accounts figures.</li> </ul> <p>These adjustments impact on the Group accounts.</p>
N/A	<p><b>Other narrative amendments</b></p> <p>Several other narrative and presentational amendments have been made to the financial statements, including:</p> <ul style="list-style-type: none"> <li>• Prior period adjustments Note 7 - the Expenditure and Funding analysis Table was amended to reconcile to the corresponding primary statement;</li> <li>• The audit fee disclosure in Note 29 was corrected to reflect the estimated fee per our audit plan; and</li> <li>• A number of other minor amendments have been made relating to the revisions to disclosure notes, narrative changes, casting errors, prior-year comparatives or typos.</li> </ul>



# Appendix 4

## Recommendations

There is one recommendation arising from our audit that we will follow up during next year's audit.

### Exhibit 3: recommendation

<b>Matter arising 1 – improvements should be made to the Council's arrangements to obtain declarations of interests from senior management</b>	
<b>Findings</b>	<p>We found that the Council does not have a formal process to obtain Declaration of Interests from Senior Management to support the related party transaction disclosures within the accounts.</p> <p>Currently the Council has ad hoc arrangements that rely on management volunteering any interests. So to obtain assurance on the completeness and accuracy of the related party disclosures within the accounts a circularisation exercise was undertaken during our audit.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>The Council should introduce formal and annual arrangements to ensure that declaration of interests are received from senior management.</p> <p>These arrangements should also ensure that senior management disclose any entities that are controlled by close family members.</p>
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Senior Leadership Team will be required to make an annual declaration as part of the Statement of Accounts process on a non-exceptions basis.
<b>Implementation date</b>	31/03/2024







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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.