

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Monday, 20 May 2024</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Accounting Policies 2023/24, Key Headlines for 2023/24 Audit and Preparation and Audit of the 2022/23 Statement of Accounts Review and Consideration of Lessons Learnt
Purpose of Report:	To present to those charged with governance the proposed Accounting Policies for 2023/24 with a review of the preparation and audit of the 2022/23 Statement of Accounts and proposals for improvements as part of the 2023/24 cycle.
Report Owner:	Report of the Chief Executive
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework:	The proposals in this report are in accordance with Policy Framework and Budget
<p>Executive Summary:</p> <ol style="list-style-type: none"> <li>1. This reports the proposed timelines for the closure of the 2023/24 accounts and the proposed accounting policies to be utilised.</li> <li>2. The 2022/23 Statement of Accounts were completed by the 30th June 2023 and presented to Governance and Audit Committee on 17th July 2023.</li> <li>3. The Audit was completed by 16th November 2023 alongside the ISA260 and was reported to Full Council in early December 2023. The November date was in line with the Audit Wales planned deadline which was set in the context of some resourcing challenges regarding the Audit of Local Authority accounts by Audit Wales.</li> <li>4. The preparation of the 2022/23 accounts was impacted by a number of key issues as set out below. <ul style="list-style-type: none"> <li>- Valuation of Land and Building Assets.</li> </ul> </li> </ol>	

- Pressures associated with resource implementing Oracle Fusion and an upgrade on Pay 360 cash management system in April 2023 in addition to some long term vacancies in the team that have now been filled.
  - Some delay with obtaining information from BFCC accounts and Joint Committee accounts impacting consolidation and group accounts.
5. This report details some of the potential reasons for delay and considers how these issues could be mitigated for 2023/24.

## **Recommendations**

1. That the timelines and Accounting Policies proposed for use as part of the 2023/24 accounts be approved.
2. That the comments setting out the key pressures in respect of the delivery of the 2022/23 Statement of Accounts be considered by Committee and the proposed mitigating activities for the delivery of the 2023/24 Statement of Accounts are noted.

## **Reasons for Recommendations**

1. To ensure that the members of the Governance & Audit Committee, as those charged with governance, have considered proposed timescales and Accounting Policies for the preparation of the 2023/24 accounts.
2. To ensure that the members of the Governance & Audit Committee, as those charged with governance, are aware of the issues highlighted as part of a review of the 2022/23 accounts and mitigations to address these issues for the preparation and auditing of the 2023/24 Statement of Accounts.

## **1. Background**

- 1.1 The Council is responsible for the preparation of the Financial Statements that presents fairly its financial position as at 31st March 2024. The Auditor General for Wales is responsible for reporting whether, in his opinion, this is indeed the case. The audit of the 2023/24 accounts will be undertaken by the Audit Wales, as the Council's Engagement Lead, on behalf of the Appointed Auditor.
- 1.2 The Statement of Accounts for 2022/23 was prepared by the 30th June 2024 and on 17th July the unaudited copy was presented to this Committee. The audited accounts were brought to this Committee, and then Council for approval on 16th November as was set out in the Audit Wales plan to manage resourcing issues associated with the Local Authority accounts for 2022/23. The Council had its accounts signed off as part of the first tranche of accounts because it was able to hit the 30th June deadline.
- 1.3 The Vale of Glamorgan accountancy team targeted delivery of the accounts initially by 15<sup>th</sup> June but following some early issues with Oracle and Pay 360 implementation the target date was amended to 30th June and were able to achieve this date.
- 1.4 The Vale of Glamorgan was not an outlier in terms of delivery of the draft 2022/23 Statement of Accounts as a significant proportion of Welsh Authorities delivered their accounts after the 31st May 2023 statutory deadline.

- 1.5** A number of issues associated with the preparation of the accounts were reported to Governance and Audit Committee alongside the draft accounts on 17th July 2023, and as part of that report a commitment was made to bring a lessons learnt review to a future Governance and Audit Committee which are reflected with proposed mitigations in this report.
- 1.6** The Council is responsible for the preparation of the Financial Statements that presents fairly its financial position as at 31st March 2024. The Auditor General for Wales is responsible for reporting whether, in his opinion, this is indeed the case. The audit of the 2023/24 accounts will be undertaken by Audit Wales, as the Council's Engagement Lead, on behalf of the Appointed Auditor.
- 1.7** The 2023/24 statutory deadlines are shown in the table below. Welsh Government has continued to recognise resourcing issues in finalising local authority accounts, from preparation, through to external audit and final approval. Welsh Government intends to amend the statutory deadlines but this will not be in place for 2023/24. Therefore, in accordance with the statutory guidance the Council will publish an advert of the website setting out the delay against the statutory deadlines and the reasons for the delay.

Reporting Item	Statutory Deadline	Extended Deadline
Draft Statement of Accounts 2023/24	31st May 2024	31st August 2024
Audited Statement of Accounts	31st July 2024	30th November 2024

- 1.8** It is proposed that the Draft 2023/24 Statement of Accounts are prepared with a target date of 30th June this delay reflects capacity issues with the service and gives the team maximum time to ensure the completeness and accuracy of the accounts alongside other service delivery needs but also reflects the expectation that the Audit & Accounts Regulations will be amended to require draft accounts by this date. This also reflects the indicated likely delayed Audit timetable for 2023/24 accounts by Audit Wales.

## **2. Key Issues for Consideration**

- 2.1** The Finance Team identified a number of challenges which were encountered in preparation of the draft 2022/23 accounts and working with Audit Wales during the audit to enable the final sign off. These were predominantly – asset valuation, resources, obtaining joint account information and managing the complexities of the numerous grant streams which are set out in the following paragraphs. Further, a joint session was held with Audit Wales and the key considerations from those discussions are also covered below.

- 2.2** Valuation of Assets – In preparation for the 2022/23 the Council commissioned the valuation of the Council’s housing stock and new build housing stock and following discussion with the Council’s auditor a decision was taken to carry out a desktop valuation for any assets valued on a Depreciated Replacement Cost which reflects the significant inflationary pressures in the construction market. Again due to resource constraints this valuation was scheduled in for May 2023 which lead to very little contingency on the preparation of the Council’s asset register and associated impact on the Balance Sheet
- 2.3** Requirement to revalue HRA assets and DRC Land and Building assets – this has caused issues in the closure of the asset register alongside an impact on finalising the accounts.
- 2.4** Resource Constraints – The Council continued to have two long term vacant posts in the accountancy team during this period and this placed considerable pressure on the team as did resource issues associated with implemented of the Oracle Fusion system and an upgrade required on the Pay 360 cash management system.
- 2.5** There was also some delay with getting information from Big Fresh Catering Company accounts and Joint Committee accounts impacting consolidation and group accounts.
- 2.6** There continued to be a high number of grant funding streams in 2022/23 which increases the scale and complexity of the accounts and this was across both revenue and capital streams.
- 2.7** As part of the preparation of this report a meeting was held with the Audit Wales team to discuss the lessons learnt from the Audit of the 2022/23 accounts, a snapshot of the issues identified are set out below:
- It was felt that on the whole the Audit process went well and the accounts and working papers were of a good quality.
  - Closing process was very high pressure and the Vale Accountancy team felt that more could be done to monitor delivery to timetable so for 2023/24 the Council are trialling tasks in Microsoft 365.
  - Audit Wales did experience resource issues during the audit period but these have mainly impacted the Joint Committee accounts and the Grant work that Audit Wales carry out e.g. Teacher’s Pensions, NNDR and Housing Benefit.
  - It was felt that improvements had been made in respect of the number of staff able to respond to queries particularly in respect of Capital however there were some delays in some areas that we will work to address for 2023/24.

- Use of in person meetings helped to resolve technical queries in some areas and improve general communication between the teams and should be used slightly earlier in the Audit for 2023/24.
- It was felt that faster provision of working papers was required to maximise the use of Audit Resource during the period and that there was scope to improve the quality of working papers in some areas in future.
- It was felt that the use of Inflo worked very well particularly at the start of the Audit Period and the Audit Manager had some ideas about how the system could be set up differently to help monitor responses to queries and provision of sample information.
- Some potential to improve communication ins respect of any emerging issues and look to provide some key information in advance as was done prior to the pressures of the Covid period.
- Look to facilitate access for the Audit Wales team to the Council’s General Ledger to speed up query resolution.
- Very slow to get responses on the ICT elements of the audit and this was integral for planning of the audit so should be addressed for 2023/24.

**2.8** An action plan stating proposed mitigations and improvements for the completion of the 2023/24 accounts are set out below.

Action	Owner
Ensure Audit Wales are aware of key contacts for disclosure notes to maximise responses.	Vale Accountancy
Use of tasks to manage closing activities.	Vale Accountancy
Agree appropriate response times for queries and set up a regular internal review to monitor outstanding queries in addition to weekly catch up with Audit Wales. Minimise queries submitted via email and arrange periodic in person meetings.	Vale Accountancy/Audit Wales
Commence ICT Audit elements earlier (this has already been commenced by Audit Wales).	Vale Accountancy/Audit Wales
Propose alternative use of Inflo tool to manage working papers/queries.	Audit Wales with discussion with Vale Accountancy
Have regular monthly meetings prior to the commencement of the Audit.	Vale Accountancy/Audit Wales
Request for Audit Wales to have access to General Ledger – initial query raised with Vale ICT Security team	Vale Accountancy/ICT

## 2.9

### Next Steps

Date	Task	Owner
30 <sup>th</sup> June 2024	Hand Over Complete Vale of Glamorgan Draft Statement of Accounts 2023/24 to Audit Wales	Vale of Glamorgan Accountancy
30 <sup>th</sup> June 2024	Upload Working Papers to Inflo	Vale of Glamorgan Accountancy
July 2024	Audit Wales Commence Audit	Audit Wales
July 2024	Draft Accounts to Governance and Audit Committee	Vale of Glamorgan Accountancy
November 2024	Complete External Audit and Issue ISA260	Audit Wales
November 2024	Final Accounts to Governance and Audit Committee and Council for Sign Off	Vale of Glamorgan Accountancy

### 3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 The Council's revenue budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan through the 4 well-being outcomes.

### 4. Climate Change and Nature Implications

- 4.1 There are no Climate Change and Nature Implications associated with this report.

### 5. Resources and Legal Considerations

#### Financial

- 5.1 The preparation of and audit of the Statement of Accounts is funded from existing budgets. The cost of the External Audit of accounts is estimated as part of the Annual Audit Plan which is reported on an annual basis to the Governance and Audit Committee.

#### Employment

- 5.2 None as a direct consequence of this report

### **Legal (Including Equalities)**

- 5.3** The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended).

## **6. Background Papers**