

<b>SUBJECT:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2022/23 - MONMOUTHSHIRE COUNTY COUNCIL</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>22<sup>nd</sup> February 2024</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

## 1. PURPOSE:

- 1.1. The purpose of this report is to provide the audited Statement of accounts for Monmouthshire County Council for 2022/23, subsequent to the audit process undertaken by Audit Wales, for approval by the Governance & Audit Committee, fulfilling their role in reviewing and scrutinising the Council's financial affairs.

## 2. RECOMMENDATIONS:

- 2.1. That the committee note that the accounts have been amended since the draft version was published to reflect the outcomes of the external audit process, and as noted within the Audit Wales ISA260 Audit of accounts report shown at **Appendix 2**.
- 2.2. That the Governance and Audit committee approve the final audited Monmouthshire County Council statement of accounts for 2022/23 as shown at **Appendix 1**.

## 3. KEY ISSUES

### The Accounts closure process to date

- 3.1. Legislation in place requires the draft statement of accounts to be produced each year by 31<sup>st</sup> May following the financial year they relate to, with audited accounts to be published by 31<sup>st</sup> July.
- 3.2. Welsh Government, in recognising the continued pressure on Council's operating environments in the post-pandemic period, continue to allow the Council the flexibility to publish the statement of accounts after the statutory deadline. This is subject to providing a statutory notice as per paragraph 10(4) of the regulations detailing the reasons for not meeting the deadline. This notice was made by the Council on the 1st June 2023.
- 3.3. The draft Statement of Accounts were subsequently signed by the Responsible Finance Officer on the 19th July 2023, published on the Council's website, and considered by this committee at the meeting on the 20th of September 2023.
- 3.4. The production of the draft accounts was completed a full three weeks earlier than in the previous financial year, and broadly in line with the timetable communicated to Audit Wales at the start of the process.

- 3.5. A public inspection period commenced from 21st August to 17th September 2023 and no requests for further information or questions were received.
- 3.6. The external audit process has been ongoing since August 2023 with the original expectancy that the process would conclude in November 2023.
- 3.7. Despite the best efforts of finance officers and Audit Wales colleagues it has not been possible to meet the original expected timeframe. From a Council perspective, the period has seen finance team capacity drawn into the draft budget process for 2024/25. Continued restrictions in resourcing across many of the Council departments which are relied upon to respond to audit queries has also impacted on the ability to bring audit matters to a close.

### **Audit conclusion**

- 3.8. It is pleasing to note that the auditors intend to provide an **unqualified audit opinion** once again, and the Council wish to acknowledge the continuing strength of relationship between Council and Audit Wales, and the professional and constructive approach in which audit colleagues have conducted their activities during a challenging period.
- 3.9. The audit report contains a list of misstatements that have been corrected for in full within the final statement of accounts appended. These primarily relate to presentational issues, along with updating asset valuations for eight assets that were not included in the original programme of revaluation.
- 3.10. The audit report also raises the following three recommendations, to which the council's management response is included alongside to reassure Committee of the ongoing steps being taken to ensure the quality of the accounts.

### **Recommendation 1**

*We found that the Council do not allocate its non-enhancing capital expenditure to individual assets. This means that subsequent revaluations of those assets could lead to an overstatement of the revaluation reserve.*

*For the 2023/24 financial statements, the Council should ensure that it allocates non-enhancing capital expenditure to the relevant asset within its fixed asset register.*

*Allocating the expenditure to the relevant asset will ensure that subsequent revaluations reverse impairment losses and that the revaluation reserve is not overstated.*

**Management comment:** Recommendation accepted. This has primarily arisen in areas of widespread programmes of works where it hasn't been practicable or cost effective to split expenditure down to individual asset level.

Given the requirement to have clearly defined revaluation reserve balances per asset, an additional step will be added to the closure process for 2023/24 to ensure that this is maintained moving forward.

### **Recommendation 2**

*Last year we recommended that the Council implement an annual declaration process for members to aide compiling the related party transactions disclosure note.*

*The Council has implemented a process however several declarations had not been returned prior to the commencement of the audit.*

*In particular, 8 returns were not received until January 2024.*

*The Council should ensure the new processes is embedded via training to ensure all declarations are received annually.*

*Obtaining an annual return would ensure completeness of the disclosure note, compliance with the CIPFA code requirements and ensure a more efficient audit process.*

**Management comment:** Recommendation accepted. The new process in place for 2022-23 was not fully embedded and established with members until June 2023 which disrupted the progress in collating declarations.

The Council has subsequently looked to support members fully in understanding their responsibilities and the process will be started in a timely manner to collate declarations as at 31st March 2024.

### **Recommendation 3**

*Our testing of property revaluations identified that property additions are posted to the fixed asset register after revaluations are posted. This means that the expenditure in the year isn't considered when re-valuing assets and could result in property valuations being overstated.*

*For 2022-23 we have determined that there is no material risk of overstatement to property valuations arising from this issue.*

*The Council should post fixed asset additions to the fixed asset register before valuation updates to ensure assets are appropriately valued and to ensure compliance with CIPFA code requirements. Posting additions before valuations will ensure all spend during the year is considered when revaluing an asset and will reduce the risk of material misstatement of the balance sheet and reserves.*

**Management comment:** Recommendation accepted. The Council agrees that applying capital additions before valuations will maintain a consistent approach to revaluation and ensure accuracy and uniformity of approach. This will be embedded fully for 2023/24 closure processes.

## **4. REASONS**

- 4.1. To approve the Council's final audited statement accounts which incorporate all adjustments for "corrected misstatements" which have been identified by Audit Wales and as noted within their ISA260 Audit of Accounts report shown at **Appendix 2**.

## **5. CONSULTEES**

Deputy Chief Executive (Section 151 Officer)  
Cabinet Member for Resources  
Audit Wales

## **6. BACKGROUND PAPERS**

Appendix 1: Audited Statement of Accounts 2022/23  
Appendix 2: Audit Wales ISA260 Audit of Accounts report

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