

1 Capital Quarter  
Tyndall Street / Stryd Tyndall  
Cardiff / Caerdydd  
CF10 4BZ  
Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Rhian Hayden  
Chief Officer - Resources  
Blaenau Gwent County Borough Council  
Anvil Court  
Church Street  
Abertillery  
Gwent  
NP13 1DB

**Reference:** BGCBC/MGT 2022-23

**Date issued:** 3 January 2024

Dear Rhian,

## **Blaenau Gwent County Borough Council 2022-23 financial statements: Audit enquiries to management**

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of Blaenau Gwent Council and 'those charged with governance' (the Full Council).

I have set out below the areas of governance on which I am seeking your views:

1. Matters in relation to financial reporting
2. Matters in relation to fraud

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

3. Matters in relation to laws and regulations
4. Matters in relation to related parties
5. Matters in relation to control environment, IT systems, risk and governance

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2022-23 financial statements.

I would be grateful if you could update the attached table in [Appendix 1](#) for 2022-23.

The completed [Appendix 1](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by 23 February 2024. In the meantime, if you have queries, please contact me on [mike.jones@audit.wales](mailto:mike.jones@audit.wales).

Yours sincerely,

Mike Jones

Audit Manager

## Appendix 1

### Enquiries of management - in relation to financial reporting

Question	2022-23 Response
1. Are there any accounting framework changes affecting the current year financial statements of the Council? Where there are changes, what actions have been taken in response to these changes?	There were no significant changes to the accounting framework for 2022/23.
2. What are your general views on the risk assessment process relating to financial reporting for the Council?	<p>The Council has well established processes integral to the financial reporting and risk management frameworks of the Council.</p> <p>Internal controls operate to reasonable assurance, ensuring the ongoing integrity of financial information and preventing fraud.</p> <p>Financial reports are developed by experienced finance staff and undergo quality assurance checks by senior qualified officers utilising professional judgement throughout.</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
	<p>Financial reports are reviewed by departmental and corporate leadership teams prior to consideration and challenge by Corporate Overview and Performance Scrutiny Committee, the Governance and Audit Committee, Cabinet and Council (as appropriate).</p> <p>Identified risks are assessed to determine the potential impact and where possible mitigating actions to address high risk areas are put in place. Risks will also be escalated if required.</p> <p>The Authority has an Internal Audit Service who undertake a risk-based audit plan which incorporates audits to test the assurance levels of the frameworks in place.</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
<p>3. Have you considered the appropriateness of the accounting policies adopted by the organisation in preparation of the Council's financial statements?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p> <p>How do you ensure the compliance and completeness of narrative on critical accounting policies and judgements?</p>	<p>The Authority's accounts are produced in line with the Accounting Code of Practice and relevant legislation.</p> <p>No</p> <p>The Authority employs suitably qualified and experienced accountants. A Cipfa checklist is used to support the production of the Statement of Accounts.</p>
<p>4. Are you aware of significant transactions that are outside the normal activities of the Council?</p>	<p>There were no significant transactions outside of normal activities for 2022/23.</p>
<p>5. Are you aware of any transactions, events or changes in circumstances that would cause impairments of non-current assets?</p>	<p>No</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
<p>6. Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?</p> <p>Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimation uncertainty inherent in the estimate?</p> <p>Have there been any changes in accounting policies adopted in relation to significant estimates?</p>	<p>There is disclosure in the accounts for any transactions etc that require significant accounting estimates. These would be reported to CLT as part of the sign off process for the Statement of Accounts.</p> <p>The Authority instructs relevant experts in relation to significant estimates e.g. Savills for asset valuation, Hymans Robertson for pension assets and liabilities. Detailed reports are provided with the impact of changes to estimates on the accounts.</p> <p>No changes to policies have occurred.</p>
<p>7. Have you used any experts in the preparation of the accounts?</p>	<p>Yes, see 6 above</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
<p>8. Have there been any issues that may impact the preparation of the accounts identified so far?</p>	<p>The 2022/23 accounts have been delayed as a result of the previous year's accounts being delayed whilst asset valuers were engaged.</p> <p>The 2022/23 accounts have been presented in draft to the Governance and Audit Committee.</p>
<p>9. Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?</p> <p>Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the Council's ability to continue as a going concern?</p>	<p>We have prepared our accounts on the going concern basis that can only be discontinued for local authorities under statutory prescription (in compliance with Section 3.4.2.23 of the Accounting Code of Practice).</p> <p>No</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
10. How do you ensure the compliance and completeness of narrative on critical accounting policies and judgements?	The Authority employs suitably qualified and experienced accountants. A Cipfa checklist is used to support the production of the Statement of Accounts.
11. Are there any issues around the use of service organisations or common functions, including uncorrected misstatements from service organisations?	No
12. Please provide information on the use of financial instruments, including derivatives.	The Authority has no derivatives. Financial instruments are disclosed in the accounts in the financial instruments section, in line with the code of practice.
13. Please provide information on the status of contingencies from the prior year.	For 2021/22 contingencies were disclosed for the following:  Tai Calon - this has not changed for 2022/23



## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
	<p>Aneurin leisure trust (admittance to pension scheme) - this has not changed for 2022/23</p> <p>Arwen cultural trust (admittance to pension scheme) – This has ended for 2022/23.</p> <p>Potential liabilities for Municipal Mutual Insurance - this has not changed for 2022/23</p> <p>Potential for Part 1 compensation claims - this has not changed for 2022/23</p> <p>Deed of priority for site in Brynmawr (Wells Fargo) – this has not changed for 2022/23</p> <p>Contingent liability for potential claims (Social Services) – this has not changed for 2023</p>

## Enquiries of management - in relation to financial reporting

Question	2022-23 Response
14. Are you aware of any guarantee contracts?	Yes, in relation to admittance of Aneurin Leisure Trust to the pensions scheme
15. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements of the Council?	See 13 above  Some contingency built in to reserves for potential Social Services claims.

## Enquiries of management- in relation to fraud

Question	2022-23 response
16. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?	No frauds have been highlighted that would result in material mis-statement to the financial statements.
17. Do you have knowledge of any actual, suspected or alleged fraud affecting the Council?	Yes, investigations are ongoing the outcome of which will be reported to Corporate Leadership Team and the Governance and Audit Committee when appropriate.
18. What is management's process for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to its attention?	The Authority has a Fraud Policy and a Whistle blowing Policy that set out the appropriate actions to take in relation to fraud.
19. What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?	Risk of fraud is considered when developing the risk based annual audit plan. The risk of fraud and misappropriation is considered when assessing the internal control environment. Appropriate checks and balances are put in

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

## Enquiries of management- in relation to fraud

Question	2022-23 response
	place to minimise the risks. Cash based transactions are considered to be high risk, however these are decreasing in both value and frequency as processes change.
20. Are you aware of any whistle-blowing or complaints by potential whistle blowers? If so, what has been your response?	There have been 2 whistleblowing complaints received during 2022/23. They have been considered in line with the Authority's Whistleblowing Policy.
21. What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?	Progress reports are presented to the Governance and Audit Committee on a quarterly basis. These reports will highlight any work being undertaken in relation to fraud. Individual investigation reports are presented to committee as appropriate.
22. What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	All employees are required to adhere to the Authority's Code of Conduct. Training is provided as required / appropriate.

### Enquiries of management- in relation to fraud

Question	2022-23 response
23. For service organisations, have you reported any fraud to the user entity?	N/A

### Enquiries of management- in relation to laws and regulations

Question	2022-23 response
24. Are you aware of any laws, other statutory and regulatory requirements that could affect the financial statements of the Council?	<p>The Authority's accounts are produced in line with the Accounting Code of Practice and relevant legislation.</p> <p>Accountants keep abreast of changing issues through their membership to professional bodies and peer networks.</p>

## Enquiries of management- in relation to laws and regulations

Question	2022-23 response
25. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?	Accountants keep abreast of changing issues through their membership to professional bodies, attendance on training courses and peer networks.
26. What policies and procedures are in place for identifying, evaluating and accounting for litigation claims and assessments?	Accountants meet regularly with service areas to discuss any known or potential liabilities. These are fed into the accounts where appropriate.
27. Have there been any changes to laws and regulations that directly impact the entity this year?	No
28. Are you aware of any instances of non-compliance with laws or regulations? Are you on notice of any such possible instances of non-compliance?	None known.
29. Have there been any examinations or inquiries performed by licensing, tax or other authorities/regulators?	Routine examinations and inquiries are undertaken by Audit Wales, Estyn and CIW.

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

## Enquiries of management- in relation to laws and regulations

Question	2022-23 response
30. Has there been any significant communications with regulators?	<p>Regular engagement is undertaken with regulators e.g. quarterly meetings are held with Audit Wales.</p> <p>In addition, an Assurance and Risk Assessment Joint Inspectorate Workshop is held annually to identify areas of concern.</p>
31. For service organisations (if applicable), have you reported any non-compliance with laws and regulations?	N/A

## Enquiries of management- in relation to related parties

Question	2022-23 response
<p>32. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships?</p>	<p>The following related parties have been considered: Silent Valley Waste Services – no change Education Achievement Service – no change City Deal – no change Elected Members –The local government elections in May 2022 saw a number of changes to elected members this resulted in a change to related parties. These changes are detailed below:</p> <p>Councillors who stood down or did not get re-elected: Garth Collier, Joanne Collins, Martin Cook, Nigel Daniels, Gareth L Davies, Phil Edwards, Lyn Elias, Denzil Hancock, Keith Hayden, Stewart Healy, Mark Holland, John Mason, Hedley McCarthy, Clive Meredith, Jonathan Millard, Mandy Moore, Greg Paulsen, Keith Pritchard, Keri Rowson, Tim Sharrem, Bob Summers, Brian Thomas, Bernard Willis.</p> <p>New Councillors: Carl Bainton, Sonia Behr, Keith Chaplin, Helen Cunningham, Sue Edmunds, Jules Gardner, George Humphreys, Ross Leadbeater, Ellen Jones, Jen Morgan,</p>



## Enquiries of management- in relation to related parties

Question	2022-23 response
	Diane Rowberry, Chris Smith, Jaqueline Thomas, Dean Woods.
33. What transactions have been entered into with related parties during the period? What is the purpose of these transactions?	All transactions are disclosed in the Statement of Accounts under related parties.
34. What controls are in place to identify, account for and disclose related parties?	The Authority employs suitably qualified and experienced accountants. A Cipfa checklist is used to support the production of the Statement of Accounts. Accountancy also write out to Elected Members requesting any relevant information.
35. What controls are in place to authorise and approve significant transactions and arrangements: <ul data-bbox="286 1150 853 1219" style="list-style-type: none"><li>• with related parties, and</li><li>• outside the normal course of business?</li></ul>	Robust controls are set for all transactions. There are no specific additional / alternative controls for any transactions outside of the normal course of business.

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

## Enquiries of management- in relation to control environment, IT systems, risk and governance

Question	2022-23 response
36. What are your views on the entity's control environment? How would you assess the process for reviewing the effectiveness of internal control?	The Audit and Risk Manager provides an annual opinion on the Authority's control environment. This is reported to CLT and the Governance and Audit Committee.
37. Have there been any changes to significant IT systems or applications in the period?	No
38. How do you communicate with those charged with governance regarding business risks including fraud?	Reports are provided to the Governance and Audit Committee. Meetings can also be called with Members as appropriate.

## Appendix 2 - Background information

### **Matters in relation to fraud**

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard has been revised for 2022-23 audits.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for Blaenau Gwent County Borough Council is the Audit Committee. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

### **What are we required to do?**

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- The intentional misappropriation of assets (cash, property, etc); or
- The intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

## **Matters in relation to laws and regulations**

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

## **What are we required to do?**

As part of our risk assessment procedures we are required to make enquiries of management and those charged with governance as to whether **the Council is in** compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

## **Matters in relation to related parties**

International Standard for Auditing (UK) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Audit enquiries to management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### **What are we required to do?**

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.