

# Audit of Accounts Report – Denbighshire County Council

Audit year: 2021-22

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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We intend to issue an unqualified audit report on your Accounts. There are some matters 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 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Corporate Finance Manager and his team.
- 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 £4,136,000 for this year's audit.
- 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:
  - Senior officer remuneration £1,000
  - Related party transactions £10,000
- 6 We have now substantially completed this year's audit.
- 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.
- 8 There are no relationships between us that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity arising and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## 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 along with confirmation of other specific information you have provided to us during our audit.
- 12 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 13 Where we identify misstatements, we raise them with management who have the option to amend for them. Where management decide not to amend, their decision needs to be ratified by those charged with governance to ensure they agree.
- 14 **Exhibit 1** sets out the misstatements we have identified in the financial statements which have been discussed with management, but which they have chosen not to amend.

#### Exhibit 1 – uncorrected misstatements

Uncorrected misstatements in Note 13 – Property, Plant and Equipment	
£2,234,000	As part of the proposed impairment adjustment relating to 'Other Land & Buildings,' the Council decided that it would not treat £2,234,000 as a prior period adjustment. Instead, the correction was processed as an in-year transaction impacting on the closing balances for 2021-22.

### Corrected misstatements

- 15 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention, and they are set out with explanations in **Appendix 3**.

## Other significant issues arising from the audit

16 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were four issues arising in these areas this year as shown in **Exhibit 2**.

### Exhibit 2 – significant issues arising from the audit

Area	Issue identified	The way forward
<p><b>Uplifts to Council Dwellings and property assets valued under ‘depreciated replacement cost’ methods</b></p>	<p>The Council normally values its property asset portfolio every five years on a rolling basis, in line with CIPFA’s Code (the Code). However, the Code also requires Council’s to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, assets valued under the depreciated replacement cost method would likely be subject to material increases in value during 2021-22. As a result, the Council (in line with many other councils in Wales) has undertaken an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices. We are satisfied that by following this approach, the Council has continued to ensure that values of such property assets in the 2021-22 accounts are reasonable in all material respects. The values of the corrections arising from this exercise are set out for completeness in <b>Appendix 3</b> to detail changes from the draft account figures.</p>	<p>See recommendation in <b>Exhibit 5</b> in <b>Appendix 4</b>.</p>

Area	Issue identified	The way forward
<p><b>Changes to accounting and disclosure of infrastructure assets</b></p>	<p>In common with other local authorities, the Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.</p> <p>The Authority has not disclosed gross cost and accumulated depreciation for infrastructure assets, because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.</p> <p>The reliefs are a temporary expedient that are intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.</p>	<p>No further action required – matter disclosed for information only.</p>

Area	Issue identified	The way forward
<p><b>Limitations of the non-current asset register</b></p>	<p>The CIPFA Code requires impairment losses to be recognised in the revaluation reserve up to the extent that the impairment does not exceed the revaluation reserve (RR) amount for the same asset and thereafter in the CIES before being reversed to the capital adjustment account (CAA). Historically the Council had recognised impairment losses arising on certain Council Dwellings assets as a whole rather than against the individual assets. As the Council could not categorically identify whether these impairments arose on specific assets with a RR balance or not, there was a risk that past postings to the CAA and RR were materially misstated. Consequently, the Council undertook an exercise to revisit accounting entries in the non-current asset registers dating back to 2016-17 to assess the impact on the opening balances for 2021-22. The values of the corrections arising from this exercise are set out for completeness in <b>Appendix 3</b> to detail changes from the draft account figures.</p> <p>We understand that the Council is due to implement a new financial ledger during the 2024-25 financial year, which will incorporate a new non-current asset register. We emphasise the importance of this new ledger in ensuring appropriate recording of non-current assets going forward.</p>	<p>No further action required – matter disclosed for information only.</p>

Area	Issue identified	The way forward
<p><b>Delays in the audit process</b></p>	<p>We have good working relationships and as in prior years we maintained a list of outstanding audit queries which were shared with the Council on a regular basis. Due to a number of issues requiring additional resources, specifically the asset uplifts, prior-period adjustment and review of the accounting treatment of transactions linked to Denbighshire Leisure Limited, a number of these queries remained outstanding for a period of time, leading to delays in the audit process. These delays are likely to impact on the final audit fee charged for the work. Looking ahead to 2022-23, we plan to use a software package called INFLO to help manage information flows between ourselves and the Council.</p>	<p>No further action required – matter disclosed for information only.</p>

## Recommendations

- 17 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them 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  
1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

20 September 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Denbighshire County Council for the year ended 31 March 2022 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 Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; 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 Denbighshire County Council 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. 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.

## Representations by Denbighshire County 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 Governance and Audit Committee on 20 September 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:

Steve Gadd  
Head of Finance and Property  
20 September 2023

David Stewart  
Chair of the Governance and Audit  
Committee  
20 September 2023

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the members of Denbighshire County Council

#### Opinion on financial statements

I have audited the financial statements of:

- Denbighshire County Council; and
- Denbighshire County Council's Group

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's financial statements comprise the Expenditure and Funding Analysis, 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, the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Denbighshire County 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.

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 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Denbighshire County Council and Denbighshire County Council's Group as at 31 March 2022 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 2021-22.

#### 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. I am independent of the [Denbighshire County 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 Denbighshire County Council and the group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 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.

## **Report on other requirements**

### **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 the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;

- 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 the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of Denbighshire County Council and the 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:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **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 13, the responsible financial officer is responsible for the preparation of the statement of accounts, including Denbighshire County Council's Group financial statements, which give a true and fair view, and for such internal control 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.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Denbighshire County Council's 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 deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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 Denbighshire County 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: posting of unusual journals, reviewing accounting estimates for biases and evaluated the rationale for any significant transactions outside the normal course of business.
- obtaining an understanding of Denbighshire County Council and group's framework of authority as well as other legal and regulatory frameworks that Denbighshire County 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 Denbighshire County Council and group.

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, the Governance and Audit Committee and legal advisors 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 Denbighshire County 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.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Denbighshire County 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  
XX September 2023

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, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£24,655,000	<b>Expenditure and Funding Analysis</b> Adjustment between Funding and Accounting Basis has increased from (£13,525,000) to (£38,180,000) with a subsequent increase in Net Expenditure.	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 13 (detailed below).
£116,183,000	<b>Comprehensive Income and Expenditure Statement</b> Gross expenditure has decreased by £27,975,000 from £405,524,000 to £377,549,000 with a subsequent decrease in Net Expenditure.  (Surplus)/Deficit on revaluation of non-current assets increased by (£63,487,000), from (£48,015,000) to (£111,502,000).  Impairment losses on non-current assets charged to the revaluation reserve increased by £24,721,000 from £10,959,000 to £35,680,000.	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 13 (detailed below).

Value of correction	Nature of correction	Reason for correction
£88,076,000	<p><b>Movement in Reserves Statement</b></p> <p>Total comprehensive income and expenditure increased by £63,421,000 from (£125,280,000) to (£188,701,000).</p> <p>Adjustments between accounting basis and funding basis under regulation increased by £24,655,000 from £4,657,000 to (£19,998,000).</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 13 (detailed below).
£126,908,000	<p><b>Balance Sheet</b></p> <p>Council Dwellings increased by £19,671,000 from £139,074,000 to £158,745,000.</p> <p>Other Land &amp; Buildings increased by £37,930,000 from £281,745,000 to £319,675,000.</p> <p>Heritage Assets increased by £5,886,000 from £14,929,000 to £20,815,00.</p> <p>Revaluation Reserve increased by £29,178,000 from (£146,060,000) to (£175,238,000).</p> <p>Capital Adjustment Account increased by £34,243,000 from (£190,087,000) to (£224,330,000).</p>	As a result of amendments made to Council Dwellings and Other Land & Buildings in Note 13 and Heritage Assets in Note 38 (detailed below).

Value of correction	Nature of correction	Reason for correction
Nil impact	<p><b>Cash Flow Statement</b> Net (Surplus) or Deficit on the provision of services decreased by (£24,655,000) from (£12,631,000) to (£37,286,000).</p> <p>Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements increased by £24,655,000 from (£20,826,000) to £3,829,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 13 (detailed below).
£19,671,000	<p><b>Note 13 Property, Plant &amp; Equipment</b> Council Dwellings Net Book Value increased from £139,074,000 to £158,745,000.</p>	To correctly reflect the value of Council Dwellings because of significant fluctuations in building costs within the 2021-22 financial year.
£37,930,000	<p><b>Note 13 Property, Plant &amp; Equipment</b> Other Land &amp; Buildings Net Book Value increased from £281,745,000 to £319,675,000.</p>	To correctly reflect the value of Other Land & Buildings because of significant fluctuations in building costs within the 2021-22 financial year.
£5,886,000	<p><b>Note 38 Heritage Assets</b> Heritage Assets Net Book Value increased from £14,929,000 to £20,815,000.</p>	To correctly reflect the value of Heritage Assets because of significant fluctuations in building costs within the 2021-22 financial year.

Value of correction	Nature of correction	Reason for correction
£8,231,000	<p><b>Note 40 Prior Period Adjustments – Restated on 31 March 2021</b></p> <p>Revaluation Reserve decreased from (£116,565,000) to (£108,234,000).</p> <p>Capital Adjustment account increased from (£171,622,000) to (£179,953,000).</p>	To correctly restate the opening balances following the review of prior year impairment charges.

The above amendments also impacted on:

- Note 6 - Adjustments between Accounting Basis and Funding Basis
- Housing Revenue Account Income & Expenditure Statement
- Group Movement in Reserves Statement
- Group Comprehensive Income & Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

#### Exhibit 4: other issues identified - summary of corrections made

Value of correction	Nature of correction	Reason for correction
£3,320,000	<p><b>Comprehensive Income and Expenditure Statement</b></p> <p>Gross Expenditure and Gross Income for Planning &amp; Public Protection decreased by £3,320,000.</p>	To correctly account for grant funding held by the Council as the Lead Authority for the Local Full Fibre Network project.

Value of correction	Nature of correction	Reason for correction
£302,000	<p><b>Note 6 Adjustments between Accounting Basis and Funding Basis</b> Capital Adjustment Account decreased from (£10,269,000) to (£10,571,000).</p> <p>Deferred Capital Receipts Reserve increased from £500,000 to £802,000.</p>	To correctly account for deferred capital receipts relating to Denbighshire Leisure Limited.
Disclosure only	<p><b>Note 13 Property, Plant &amp; Equipment</b> Removal of Infrastructure Assets Column in the main disclosure table and inclusion of a separate disclosure note regarding the assets.</p>	To comply with the updated disclosure requirements following changes to the CIPFA Code and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
£4,513,000	<p><b>Note 23 Cash Flow Statement – Operating Activities</b> (Increase)/Decrease in Creditors/Receipts in Advance increased by £4,513,000 from (£15,282,000) to (£10,769,000)</p> <p>Other line decreased by £4,513,000 from £23,296,000 to £18,783,000.</p>	To correctly reflect the receipt in advance received from the Economic Ambition Board.

Value of correction	Nature of correction	Reason for correction
£267,000	<p><b>Note 32 – Related Parties</b></p> <p>Updated to include a member declaration as a Trustee and Director for Vale of Clwyd Mind to which the council paid £267,000.</p>	To ensure that all material declarations are correctly and accurately disclosed.
£12,798,000	<p><b>Group Balance Sheet</b></p> <p>Capital Receipts Reserve decreased by £8,657,000 from £1,700,000 to (£6,957,000).</p> <p>Capital Grants Unapplied Reserve decreased by £4,141,000 from (£6,957,000) to (£11,098,000).</p> <p>Profit &amp; Loss Reserve, increased by £12,798,000 from (£11,098,000) to £1,700,000.</p>	To ensure that the group reserves balances are correctly stated.
£2,057,000	<p><b>Group Balance Sheet</b></p> <p>Capital Adjustment Account decreased by £2,057,000 from (£224,330,000) to (£226,387,000).</p> <p>Deferred Capital Receipts Reserve increased by £2,057,000 from (£2,057,000) to £0.</p>	To eliminate intragroup balances.

Value of correction	Nature of correction	Reason for correction
£1,063,000	<p><b>Group Movement in Reserves Statement</b></p> <p>Adjustments between Group Accounts and Authority Accounts decreased by £1,063,000 from £4,577,000 to £3,514,000.</p> <p>Technical adjustments increased by £1,063,000 from (£953,000) to £110,000.</p>	To eliminate intragroup balances.
Various: other presentational changes to supporting notes	A number of other narrative, presentational and minor amendments were made to supporting disclosure notes.	To ensure that all disclosures are accurately presented.

# Appendix 4

## Recommendations

We set out all the 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 5: matter arising 1

<b>Matter arising 1 – Property asset valuations</b>	
<b>Findings</b>	<p>The Council values its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also requires councils to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, asset values under the depreciated replacement cost method would likely be subject to material increases in value during 2021-22.</p> <p>As a result, the Council undertook an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p>
<b>Priority</b>	High
<b>Recommendation</b>	<p>The Council should include an overall review of property asset values using information such as the Building Cost Information Services (BCIS) data, as part of the annual valuation process, to ensure the carrying value of assets not valued in the year are not materially different to current value as at the year-end.</p>
<b>Benefits of implementing the recommendation</b>	<p>By building this review in to asset valuation processes and making any required amendments to asset values (for assets not formally valued in year), the Council will ensure its property asset values are not materially misstated.</p>

**Matter arising 1 – Property asset valuations**

<b>Accepted in full by management</b>	Yes
<b>Management response</b>	A review of property asset values is now included as part of the annual valuation process and any required amendments will be made based on Building Cost Information Service data (for depreciated replacement cost assets) and house price inflation (for council dwellings).
<b>Implementation date</b>	31 March 2024





Audit Wales

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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.