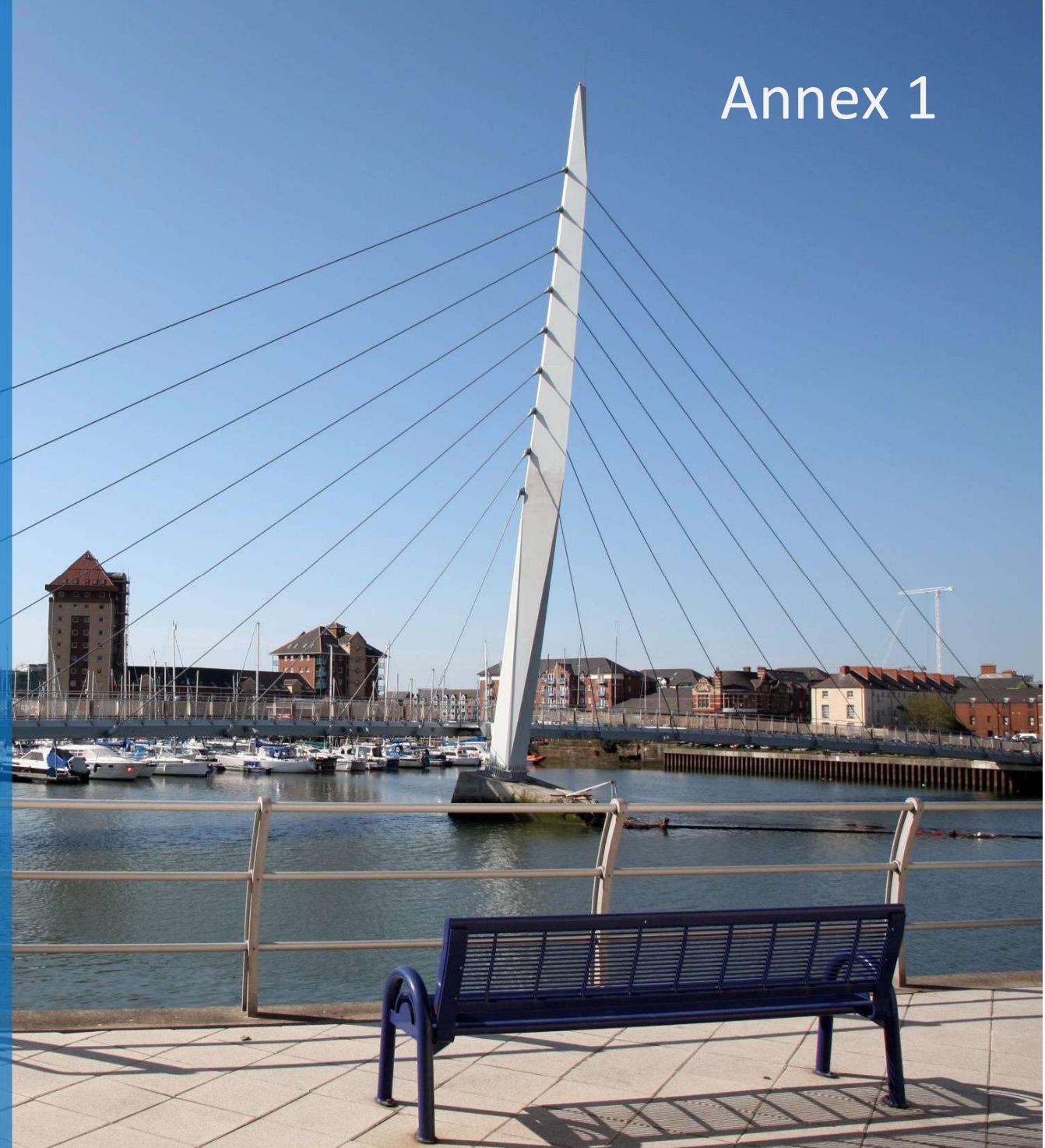


# Audit Findings

## Report for the year ended 31<sup>st</sup> March 2023

Annex 1



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. The terms and conditions, under which our audit will be performed, including our roles and responsibilities and auditors, are set out in our letters of engagement. These have been issued separately.

However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

## Executive Summary

This report highlights the key issues affecting the results of the association and the preparation of the financial statements for the year ended 31<sup>st</sup> March 2023. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK) 260.

We are required to report whether, in our opinion, the association's financial statements give a true and fair view of the financial position of the association and its income and expenditure for the year and whether they have been properly prepared in accordance with FRS 102.

Status of our audit	<p>We have completed all of our audit work.</p> <p><b>Matter outstanding:</b></p> <ul style="list-style-type: none"> <li>- Board approval of financial statements</li> <li>- Signed letter of representation</li> </ul>
Audit opinion	On the completion of the audit we expect to issue an unmodified opinion.
Materiality	Final materiality has been set at £572,000. A level of £28,600 has been set as our clearly trivial level.
Audit risks & other areas of focus	This year the pension deficit has been replaced by a pension surplus. The decision on whether this surplus can be recognised as an asset in the accounts is a very complex judgement and has increased the complexity and risk of material misstatement in the audit.
Accounting estimate and judgements	We have no issues to report in this area other than the assumptions surrounding the pension scheme asset and considered the process of estimation to be appropriate and key assumptions to be well balanced for these items.
Internal controls	<p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, if we identify any control weaknesses, we report these.</p> <p>Our work has identified no control weakness which we wish to highlight for your attention.</p> <p>Our follow up to the interim audit and prior year recommendations has shown that 1 has been resolved and 1 is still ongoing.</p>

Adjusted misstatements	As a result of our audit work, we identified 2 misstatements that required adjustment by management.
Unadjusted misstatements	We have noted no errors above triviality level of £28,600 that require adjustment.
Independence	We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity in performing our duties as auditors.

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the Martin and the finance team during our audit.

## Audit approach

The auditing findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

As auditor we are responsible for performing the audit in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance their responsibilities for the preparation of the financial statements.

## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In our audit plan presented to you in April 2023 we reported our planning materiality used in planning our overall audit strategy. In line with ISA (UK) 450, prior to the evaluation of uncorrected misstatements, we have considered whether it necessary to revise materiality.

As planning materiality was based on prior year accounts we have revisited our actual materiality to consider actual result for the period. Our audit work has been carried out using the revised materiality so has had no impact on our audit testing.

Area	Planning materiality	Final materiality
Overall	£730,000	£572,000

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have applied the de minimis level of 5% of overall materiality reported in our audit planning report to the final materiality.

## Areas of significant risk

We raised a number of significant risks in our audit plan where we detailed work we would be carrying out as part of our audit procedures. We performed procedures during the audit to address each of these risks and ensure the financial statements are free from a material misstatement.

Risk	Overall Risk Factor	Work completed, issues & assurance gained
<b>Revenue recognition</b>  <i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK) 240)</i>	High	<p>During the course of our audit work we have completed walk through tests on all significant income streams.</p> <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
<b>Management Override of Controls</b>  <i>Management override of controls should be considered a risk on every engagement (ISA (UK&amp;I) 240.74)</i>	High	<p>During the course of our audit we have undertaken the following procedures:</p> <ul style="list-style-type: none"> <li>● Considered indication of management bias in accounting estimates and their overall appropriateness;</li> <li>● Reviewing journal entries and other adjustments made at the end of the accounting period; and</li> </ul> <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
<b>Treatment of Deferred Income</b>	High	<p>We reviewed the deferred income calculations provided by the finance team and compared to the information in the grant offer letters for accuracy.</p> <p>There were no issues identified.</p>

## Additional areas of audit focus

Although not considered to be significant risks, the following areas/risks will be given specific consideration due to the nature of the area and the risk of material misstatement to the financial statements.

Risk/area of focus	Likelihood	Financial impact	Overall Risk category	Work completed, issues & assurance gained
Impact on the pension accounting treatment and asset valuations	Medium	Medium	Medium	We have reviewed the actuarial valuation report and analysed the information contained therein, considering whether it conforms to expectations based on the data contained in other actuaries' reports, to which we have access. We have also reviewed the movement of the balance & the balance itself, ensuring that they are correctly recorded
Treatment of dilapidation costs regarding the ongoing dispute with former landlord	Low	Low	Low	Upon discussion with management it does not deem necessary to include a provision for additional dilapidation costs for the previous building. Should any amount become due it would not be material and therefore would not have a material effect on the financial statements.

## Accounting estimates and judgements

Accounting estimates vary widely in nature and are required to be made by management when the monetary amounts cannot be directly observed. The measurement of these monetary amounts is subject to estimation uncertainty, which reflects inherent limitations in knowledge or data. The process of making accounting estimates involves selecting and applying a method using assumptions and data, which requires judgement by management and can give rise to complexity in measurement. We have outlined below a summary and how we assess the key accounting judgements applied by management.

### Assessment

- We consider the estimate to potentially be materially misstated and disagree with judgements used to derive the estimate or estimation process
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be optimistic
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be cautious
- We consider the process of estimation to be appropriate and key assumptions to be well balanced

Key Estimate	2023 Value	2022 Value	Assessment	Explanation
Accruals	2,379,099	2,418,555	●	Accruals are based on actual invoices instead of estimations and 65% of 2022 value has been verified to invoices. Large variance on previous year due to £6m one off grant in prior year.
Pension Liability	NIL	8,277,000	●	Pension liability is a highly material balance but the valuation is prepared by external actuary whose report is used by the auditors to record the transactions.

As part of the requirements of ISA (UK) 540 we will require written representations whether the methods, significant assumptions and the data used in making the accounting estimates and the related party disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with applicable reporting framework and as such has been included on the draft letter of representation provided.

## Internal Controls

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those deficiencies we have identified during the course of the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for year ended 31<sup>st</sup> March 2023.

The following control issues were identified during the audit. These control issues are categorised according to the level of risk attached:

- Red      Significant weaknesses – risk of material misstatement
- Amber      Significant deficiency – risk of significant misstatement
- Yellow      Deficiency – risk of inconsequential misstatement

	Area of control	Issue and risk	Recommendations
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No new internal control weaknesses have been identified this year.

## Follow up of prior year audit and interim audit recommendations

The following summarises the progress made to implement recommendations identified in our prior year audit findings reports and our interim audit for the current year.

	Included in report	Number of recommendations that were:			Position to be confirmed at final audit
		Implemented	Ongoing		
Final Audit Findings Report 2021	1	-	1		-
Interim Audit Findings Report 2022	1	1	-		-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>		-

	Area of control	Issue and recommendation	Status as of final audit
●	Grant claims going in late	<p>There are a couple of occasions where grant claims were submitted late, there could be a threat that the claims are rejected.</p> <p>The finance department should be made aware of all claims ongoing and when they are likely to claim, to ensure none are missed.</p>	Issue still ongoing at final audit
●	Personnel files not up to date	<p>There was one individual where the information held on the personnel file was out of date or missing.</p> <p>Personnel files should be reviewed and updated to include the most recent information.</p>	For the sample of employees we tested there were no issues with the information held on file. Therefore control weakness has now been satisfied.

## Adjusted misstatements

We are required to report all items above our trivial threshold to those charged with governance, whether or not the financial statements have been adjusted by management. Below is a summary of the adjustments made from the initial trial balance received to the financial statements along with the impact on the primary statements. All of these adjustments have been agreed with management before adjusting.

Adjustment			
	Dr £	Cr £	Description
1	474,154		Bank
	3,267,846		Reserves
		218,000	Accruals
		3,524,000	Pension Deficit
	<b>3,742,000</b>	<b>3,742,000</b>	<b>Opening Balance Adjustments</b>
2	8,277,000		Pension Movement
		621,000	Repost employers contributions
	1,323,000		Pension Charge
	241,000		Interest & Admin Charge
		9,220,000	Other Comprehensive Income
	<b>9,841,000</b>	<b>9,841,000</b>	<b>Pension Adjustment</b>

## Unadjusted misstatements

Below is a summary of any unadjusted misstatements identified during the course of our audit except for those deemed trivial. In line with ISA (UK) 450 'Evaluation of misstatements identified during the audit' we will require a written representation confirming the reasoning for not making these adjustments.

Income Statement		Balance sheet		Description
Dr £	Cr £	Dr £	Cr £	

No errors above triviality level of £28,600 to disclose

## Other Matters

### Fraud

- We have previously discussed the risk of fraud in our planning report. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.

### Laws & Regulations

- You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.

### Related parties

- In forming an opinion on the financial statements, we are required to evaluate whether identified related party relationships and transactions have been appropriately accounted for and disclosed. We have no issues to report in this area.

### Written representations

- A letter of representation has been requested from the board, including specific representations. This has been provided externally to this report.

### Disclosures

- Our review found no material omissions in the financial statements

### Accounting policies

- The accounting policies used to prepare the financial statements are considered to be appropriate and are in accordance with the relevant accounting standards.

## Appendix 1 – Auditor independence and objectivity

Bevan Buckland LLP is required to maintain independence from Welsh Local Government Association in line with the Ethical Standard (2019) issued by the Financial Reporting Council (FRC) and the ethical pronouncements established by the auditor's relevant professional body, in our case the Institute of Chartered Accountants in England & Wales. In addition, our reputation and continued success as a firm depends on us maintaining auditor independence. We have procedures in place to ensure that any conflicts of interest of which we are aware are communicated to directors and appropriate action taken. This includes all relationships between Bevan Buckland LLP and Welsh Local Government Association that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity of the audit engagement partner and the audit staff.

However, there may be factors known by the board of which we are not aware. Our letter of engagement requires the board to notify us if it becomes aware that any person becomes connected with Bevan Buckland LLP and we will be asking the board to give us written representations that there are no such matters at the conclusion of the audit.

Maintaining and assessing our independence is a continual process throughout the audit cycle. However, we will formally confirm our independence and any significant matters we have considered in assessing any threats to our independence and objectivity in our Report to the board.

We have made enquires of all Bevan Buckland LLP teams providing services to you for compliance matters to ensure our independence is maintained.

In our judgement we have complied with the UK regulatory and professional requirements including the Ethical Standard (2019) issued by the FRC. We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity at the date of the audit plan. As a result we are able to express an objective opinion on the financial statements.

### Safeguards

As part of the firms safeguards, all audits are subject to a review by a second partner or independent reviewing officer. The review undertook all high risk areas, significant judgements, financial statements, audit plan and audit findings reports.

The following other services are provided by Bevan Buckland LLP and the relevant safeguard applied is:

**Non audit service -  
Preparation of accounts in  
statutory format**

- Any adjustments required were approved by management first prior to updating the statutory accounts

## Appendix 2 - Strategic, Financial & Governance Health Check

Strategic	Current year	Prior year
Association has stated strategic objectives in trustees report	●	●
Association reports progress against these objectives	●	●
Are the activities of the association in line with the association's objects?	●	●
Association has a long term strategy/plan?	●	●
Association produces an annual budget?	●	●
Association reports against budget/strategy?	●	●

Risk	Current year	Prior year
Risk register in place	●	●
Risk Register regularly reviewed	●	●
Have all appropriate risks been identified?	●	●
Appropriate actions taken in response to risks identified	●	●

Governance	Current year	Prior year
Have the board held sufficient meetings in the year?	●	●
Is the financial reporting to the board clear, transparent, readily understood by all board members at each meeting?	●	●
Have the board reviewed their internal controls recently?	●	●
Have the board carried out a skills audit?	●	●
Are minutes of all board meetings kept?	●	●
Do you have procedures in place to deal with conflicts of interest?	●	●



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