

# Audit of Accounts Report – City and County of Swansea

Audit year: 2023-24

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

# About Audit Wales

## Our aims and ambitions

### Assure



the people of  
Wales that public  
money is well  
managed

### Explain



how public  
money is being  
used to meet  
people's needs

### Inspire



and empower  
the Welsh  
public sector to  
improve



Fully exploit  
our unique  
perspective,  
expertise and  
depth of insight



Strengthen our  
position as an  
authoritative,  
trusted and  
independent  
voice



Increase our  
visibility,  
influence and  
relevance



Be a model  
organisation for  
the public sector  
in Wales and  
beyond

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# Introduction

I have now largely completed my audit in line with my Detailed Audit Plan 2024 dated September 2024.

This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 accounts. My team have already discussed these issues with the Director of Finance.

I am very grateful to your officers for their support in undertaking this audit.



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**Adrian Crompton**

Auditor General for  
Wales

# Your audit at a glance



## Audit opinions

We are proposing to give an unqualified opinion on the accounts.

We have nothing to report under the other sections of my report, i.e. those relating to going concern; other information; other matters; or matters I report by exception.



## Significant issues

There are uncorrected misstatements of £1.6 million in the Group accounts. This does not have an impact on our proposed audit opinion.

# Financial statements' materiality



## Materiality £11.7 million

My aim is to identify and correct material misstatements, i.e. those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross expenditure of £1,169 million
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £585,000, calculated as 5% of materiality (called the 'trivial level').



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Senior Officer Remuneration £1,000
- Related party disclosures £10,000 (for disclosures relating to individual members or officers)

# Ethical compliance



## Compliance with ethical standards

We confirm that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.



# Proposed audit opinion



## Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1**.



## Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

# Issues arising during the audit



## Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

### Uncorrected misstatements

During our audit, one misstatement was identified in the accounts which has been discussed with management but remains uncorrected as management have chosen not to adjust. We request that this misstatement be corrected.

If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting the accounts.

### Group Balance Sheet

The Group's investment in associates and joint ventures includes £8,606,000 in respect of the National Waterfront Museum. The Museum was valued on a depreciated replacement cost (DRC) basis as at 31 March 2021. However, this valuation has not subsequently been reviewed to confirm that it remains materially correct as at 31 March 2024. The Council has estimated that the valuation is understated by approximately £1.6 million if the valuation is uplifted on the same basis as other assets valued on a DRC basis i.e. by the movement in the BCIS (Building Cost Information Service) index. There is a corresponding understatement of the Group's general fund balance and to the Group Account Disclosures in Note 30.

The misstatement is not considered material to the accounts and the Council will review the valuation of the National Waterfront Museum within the 2024-25 financial statements.

### Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.



## **Other significant issues**

In the addition to misstatements identified during the audit we also report other significant issues to you.

There were no such issues identified during the audit.

# Recommendations

Following the audit certification by the Auditor General, we will continue to work with the Authority's finance team to further improve the accounts production process for 2024-25. There are no issues or recommendations that are sufficiently significant to warrant bringing to your attention.

# Appendix 1

## Proposed audit report

### The report of the Auditor General for Wales to the members of City & County of Swansea

#### Opinion on financial statements

I have audited the financial statements of:

- City & County of Swansea; and
- City & County of Swansea Group

for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

The City & County of Swansea'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 material accounting policies.

The City & County of Swansea'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, including the material accounting policies.

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 2023-24.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of the City & County of Swansea and the City & County of Swansea Group as at 31 March 2024 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 2023-24.

#### 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.

My staff and I are independent of the City & County of Swansea 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 City & County of Swansea 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.

## **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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24;
- 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 is in accordance with guidance.

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

In the light of the knowledge and understanding of the City & County of Swansea 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:

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

## **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 19, the responsible financial officer is responsible for:

- the preparation of the statement of accounts and the Group financial statements, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- assessing the City & County of Swansea and the 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 the responsible financial officer anticipates that the services provided by the City & County of Swansea and the Group will not continue to be provided in the future.

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

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 City & County of Swansea's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the City & County of Swansea and the 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 posting of unusual journals.
- obtaining an understanding of the City & County of Swansea and the Group's framework of authority as well as other legal and regulatory frameworks that the City & County of Swansea and the Group operate 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 the City & County of Swansea and the Group.
- obtaining an understanding of related party relationships.

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 City & County of Swansea and the 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.

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the City & County of Swansea and the 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  
25 March 2025

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

# Appendix 2

## Letter of representation

### Audited body's letterhead

Auditor General for Wales  
Wales Audit Office  
Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

20 March 2025

## Representations regarding the 2023-24 financial statements

This letter is provided in connection with your audit of the financial statements of City & County of Swansea for the year ended 31 March 2024 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 CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2023-24; in particular the financial statements give a true and fair view in accordance therewith; and
- 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 the 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; and
- 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 aggregate, to the financial statements taken as a whole. The unadjusted misstatement is set out below:

- The Group's investment in associates and joint ventures includes £8,606,000 in respect of the National Waterfront Museum. The Museum was valued on a depreciated replacement cost (DRC) basis as at 31 March 2021. However, this valuation has not subsequently been reviewed to confirm that it remains materially correct as at 31 March 2024. The Council has estimated that the valuation is understated by approximately £1.6 million if the valuation is uplifted on the same basis as other assets valued on a DRC basis i.e by the movement in BCIS (Building Cost Information Service) index. There is a corresponding understatement of the Group's general fund balance and to the Group Account Disclosures in Note 30.

The misstatement is not considered material to the accounts and the Council will review the valuation of the National Waterfront Museum within the 2024-25 financial statements.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

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 Members of the City & County of Swansea on XX March 2025.

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:

Ben Smith  
Director of Finance and S151 Officer

Rob Stewart  
Leader of the Council

Date: 20 March 2025

Date: 20 March 2025

# 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.

Value of correction	Accounts areas	Explanation
£9,038,000	<b>Note 14 – Capital commitments</b> Capital commitments relating to Castle Square regeneration were disclosed, although there is not a contractual liability relating to this scheme.	To correctly disclose the Council's capital commitments.
£2,785	<b>Note 27a – Officers' remuneration</b> The remuneration disclosed for the Chief Executive omitted some employer pension contributions for 2023-24 which were not paid until 2024-25.	To correctly disclose the remuneration of the Chief Executive.
£1,095	<b>Note 27a – Officers' remuneration</b> The remuneration disclosed for the Interim Director of Corporate Services was understated due to an incorrect deduction for a 2022-23 accrual.	To correctly disclose the remuneration of the Interim Director of Corporate Services.
Disclosure only	<b>Note 27a – Officers' remuneration</b> The full time equivalent remuneration for the Interim Director of Corporate Services exceeded £150,000 but the Interim Director of Corporate Services was not named as required by the Accounts and Audit (Wales) Regulations 2014.	To comply with the disclosure requirements of the Accounts and Audit (Wales) Regulations 2014.
Disclosure only	<b>Note 27b – Remuneration bands</b> The number of employees included in the remuneration bandings included senior officers who should have been excluded.	To correctly disclose the number of employees whose remuneration exceeded £60,000.

Value of correction	Accounts areas	Explanation
£417,000	<p><b>Note 29 – Related parties</b>  Related party transactions with Swansea Business Improvements Ltd were not disclosed in the draft accounts.</p>	To disclose all related party transactions.
£986,000	<p><b>Note 35 – Defined benefit pension scheme</b>  Private equity scheme asset valuations were updated with actuals rather than estimated valuations after the draft accounts were prepared with a corresponding increase in the Council's fair value of scheme assets.</p>	To correctly disclose the Council's fair share of pension scheme assets.
Disclosure only	<p><b>Note 35 – Defined benefit pension scheme</b>  The accounting treatment of material special events were not disclosed in relation to:</p> <ul style="list-style-type: none"> <li>• Surplus recognition</li> <li>• Guaranteed Minimum pension (GMPs): indexation and equalisation</li> <li>• McCloud judgement</li> <li>• Virgin media judgement</li> </ul>	To disclose the accounting treatment of material special events highlighted by the Council's consulting actuary.
£2,723,000	<p><b>Note 40: Leasing</b>  The income the Council was committed to receive under operating leases was calculated by rounding the outstanding lease term to years rather than using the actual lease days outstanding.</p>	To correctly disclose the income the Council was committed to receive under operating leases.
N/A	A small number of other narrative, presentational and minor amendments were made to supporting notes.	To ensure that all disclosures are accurately presented.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\*, and our Chair acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.






- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

## Visit our website to find

	our <a href="#">Good Practice</a> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <a href="#">newsletter</a> which provides you with regular updates on our public service audit work, good practice, and events.
	our <a href="#">publications</a> which cover our audit work completed at public bodies.
	information on our <a href="#">forward performance audit work programme 2023-2026</a> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <a href="#">data tools</a> and <a href="#">infographics</a> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).





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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.