



## **GOVERNANCE AND AUDIT COMMITTEE 12<sup>TH</sup> OCTOBER 2021**

**SUBJECT: FINANCIAL STATEMENTS FOR 2020/21**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

### **1. PURPOSE OF REPORT**

- 1.1 To present the Governance and Audit Committee with the Audit Wales 'Audit of Accounts Report' for the 2020/21 financial year.
- 1.2 To seek a recommendation from the Governance and Audit Committee that Council approves the 2020/21 Audited Financial Accounts at the Special Council meeting on 14 October 2021.

### **2. SUMMARY**

- 2.1 The statutory deadline for the preparation of the 2020/21 draft accounts was 31 May 2021, with the statutory deadline for their audit certification by the Auditor General being 31 July 2021. However, due to the ongoing impact of Covid-19 the Welsh Government wrote to all councils advising them that they could submit their draft accounts by 31 August 2021, and have them audited and certified by 30 November 2021.
- 2.2 Caerphilly CBC's 2020/21 Draft Financial Accounts were prepared and submitted to Audit Wales on 15 July 2021. The draft accounts have since been subject to audit review and this work has now been completed. The Audit Wales 'Audit of Accounts Report' is attached at Appendix 1.
- 2.3 The 2020/21 Audited Financial Accounts attached at Appendix 2 will be presented to Council for approval at its meeting on 14 October 2021, and are then scheduled to be certified by the Auditor General on 18 October 2021.

### **3. RECOMMENDATIONS**

- 3.1 The Governance and Audit Committee is asked to: -
  - 3.1.1 Receive and comment upon the Audit Wales 'Audit of Accounts Report'.
  - 3.1.2 Recommend to Council that the 2020/21 Audited Financial Accounts are approved at its meeting on 14 October 2021.

- 3.1.3 Note that an 'Audit of Accounts Addendum Report' will be presented to the Governance and Audit Committee at its meeting on 25 January 2022, setting out details of Audit Wales' recommendations arising from the audit of the Council's 2020/21 Financial Accounts and the associated management responses.

#### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that the 2020/21 Financial Accounts are approved and submitted to the Auditor General by 30 November 2021 in accordance with current Welsh Government guidance.

#### **5. THE REPORT**

- 5.1 The Audit Wales 'Audit of Accounts Report' states that it is the Auditor General's intention to issue an unqualified audit opinion on the 2020/21 Financial Accounts.
- 5.2 Appendix 3 of the Auditor's Report provides details of the misstatements identified during the audit process which have subsequently been corrected by management. It is important to stress that these adjustments have no impact on the 2020/21 Provisional Outturn position reported to Council on 13 July 2021, or on cash or usable reserve balances held at 31 March 2021.
- 5.3 There are two uncorrected non-trivial misstatements highlighted in the 'Audit of Accounts Report'. The first of these relates to a debtor balance of £1.5m that requires further work to be undertaken to confirm the nature of the balance and the appropriate accounting treatment. This was also raised as part of the 2019/20 audit of accounts but the review was not yet been finalised. The review will, however, be completed before the end of the 2021/22 financial year.
- 5.4 The other uncorrected misstatement relates to financial differences between the valuation reports and accounting records, for both Tredomen Innovation Park and Business Park. The accounting records and the accounts are incorrect and understated by £1.321 million. This was identified late in the audit process and will therefore also be adjusted in the 2021/22 financial year.
- 5.5 Members should note that the two uncorrected misstatements are not material, individually or collectively.
- 5.6 Following certification of the accounts by the Auditor General, Audit Wales will issue an 'Audit of Accounts Addendum Report' which will set out the main findings of the audit along with recommendations and management responses. This report will be presented to the Governance and Audit committee at its meeting on 25 January 2022.

#### **Conclusion**

- 5.7 It is the Auditor General's intention to issue an unqualified audit opinion on the 2020/21 Financial Accounts.
- 5.8 The 'Audit of Accounts Report' provides details of misstatements identified during the audit process. There are two uncorrected misstatements which management will review during the 2021/22 financial year. All of the other misstatements have been corrected by management and are incorporated into the 2020/21 Audited Financial Accounts attached at Appendix 2 of this report.
- 5.9 The Audit Wales 'Audit of Accounts Addendum Report' will be presented to the Governance and Audit Committee on 25 January 2022.

#### **6. ASSUMPTIONS**

6.1 A range of accounting assumptions and estimates have been made in respect of the Financial Accounts in accordance with best accounting practice and guidance.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 An Integrated Impact Assessment is not required as the Financial Accounts represent a statement of fact and do not require a change of policy or strategy.

## **8. FINANCIAL IMPLICATIONS**

8.1 As identified throughout the report.

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no direct personnel implications arising from this report.

## **10. CONSULTATIONS**

10.1 There are no consultation responses that have not been reflected in this report.

## **11. STATUTORY POWER**

11.1 Accounts and Audit (Wales) Regulations 2014 (As Amended).

Author: Stephen Harris, Head of Financial Services & S151 Officer  
Tel: 01443 863022 E-mail: [harrisr@caerphilly.gov.uk](mailto:harrisr@caerphilly.gov.uk)

Consultees: Richard Edmunds, Corporate Director for Education & Corporate Services  
(Email: [edmunre@caerphilly.gov.uk](mailto:edmunre@caerphilly.gov.uk))  
Andrew Southcombe, Finance Manager, Corporate Finance  
(Email: [southak@caerphilly.gov.uk](mailto:southak@caerphilly.gov.uk))  
Cllr Eluned Stenner, Cabinet Member for Customer, Performance and Property Services (Email: [stenne@caerphilly.gov.uk](mailto:stenne@caerphilly.gov.uk))

Background Papers:

Working Papers for 2020/21 Financial Accounts

Appendices:

Appendix 1 Audit of Accounts Report – Caerphilly County Borough Council  
Appendix 2 Financial Accounts for the Year Ended 31 March 2021.