



## **SPECIAL GOVERNANCE AND AUDIT COMMITTEE - 10<sup>TH</sup> JANUARY 2023**

**SUBJECT: FINANCIAL STATEMENTS FOR 2021/22**

**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 2021/22 financial year.
- 1.2 To seek a recommendation from the Governance and Audit Committee that Council approves the 2021/22 Audited Financial Accounts at the Special Council meeting on 17 January 2023.

### **2. SUMMARY**

- 2.1 The statutory deadline for the preparation of the 2021/22 draft accounts was 31 May 2022, with the statutory deadline for their audit certification by the Auditor General being 31 July 2022. 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 Further to the Covid-19 extension, the Welsh Government recently moved the 2021/22 deadline for Councils further back, to 31 January 2023. This extension was put in place to enable all Councils to consider their adoption of new temporary accounting arrangements for infrastructure (road) assets.
- 2.3 Caerphilly CBC's 2021/22 Draft Financial Accounts were prepared and submitted to Audit Wales on 19 July 2022. 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.
- 2.4 The 2021/22 Audited Financial Accounts attached at Appendix 2 will be presented to Council for approval at its meeting on 17 January 2023, and they are then scheduled to be certified by the Auditor General on 18 January 2023.

### **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 2021/22 Audited Financial Accounts are approved at its meeting on 17 January 2023.

- 3.1.3 Note that an 'Audit of Accounts Addendum Report' will be presented to the Governance and Audit Committee at its meeting on 18 April 2023, setting out details of Audit Wales' recommendations arising from the audit of the Council's 2021/22 Financial Accounts and the associated management responses.

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

- 4.1 To ensure that the 2021/22 Financial Accounts are approved and submitted to the Auditor General by 31 January 2023, 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 2021/22 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 2021/22 Provisional Outturn position reported to Council on 04 October 2022, or on cash or usable reserve balances held at 31 March 2022.
- 5.3 There is one uncorrected non-trivial misstatement highlighted in the 'Audit of Accounts Report'. The misstatement relates to expenditure of £178,000 that had been incorrectly classified as revenue expenditure. The amount related to the purchase of a front-wheeled loader vehicle, which should have been capitalised. Officers undertook extended work to establish whether similar misclassifications existed. This work, which has been reviewed by Audit Wales, established that capital expenditure totalling £997,409 had been incorrectly disclosed as revenue expenditure. Officers have decided not to correct the £997,409 misstatement because it is not material, and its correction would affect numerous notes within the accounts.
- 5.4 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 the management responses. This report will be presented to the Governance and Audit committee at its meeting on 18 April 2023.

#### **Conclusion**

- 5.5 It is the Auditor General's intention to issue an unqualified audit opinion on the 2021/22 Financial Accounts.
- 5.6 The 'Audit of Accounts Report' provides details of misstatements identified during the audit process. All misstatements have been adjusted with the exception of one non-trivial misstatement as detailed in paragraph 5.3 of this covering report.
- 5.7 The Audit Wales 'Audit of Accounts Addendum Report' will be presented to the Governance and Audit Committee on 18 April 2023.

#### **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).

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Background Papers:

Working Papers for 2021/22 Financial Accounts

Appendices:

Appendix 1 Audit Wales 'Audit of Accounts Report – Caerphilly County Borough Council'.  
Appendix 2 Financial Accounts for the Year Ended 31 March 2022.