



COUNCIL – 17TH 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 Council with the Audit Wales 'Audit of Accounts Report' for the 2021/22 financial year.
- 1.2 To seek Council approval of the 2021/22 Audited Financial Accounts.

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 Audit Wales report and the 2021/22 Audited Financial Accounts attached at Appendix 2 were presented to and endorsed by the Governance and Audit Committee at its meeting on 10 January 2023.
- 2.5 Following Council approval of the 2021/22 Audited Financial Accounts they will be certified by the Auditor General on 18 January 2023.

3. RECOMMENDATIONS

- 3.1 Council is asked to: -
 - 3.1.1 Receive and comment upon the Audit Wales 'Audit of Accounts Report'.
 - 3.1.2 Approve the 2021/22 Audited Financial Accounts.

- 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 The Audit Wales report and the 2021/22 Audited Financial Accounts were presented to the Governance and Audit Committee at its meeting on 10 January 2023.

10.2 Members sought clarification on a number of issues including the accounting treatment of infrastructure assets, the unadjusted misstatement £997,409, the restated 2020/21 figures in relation to the City Deal and the adjusted misstatement in relation to retirement benefits.

10.3 In response, Officers and colleagues from Audit Wales referred Members to paragraphs 12 to 15 of the Audit Wales report which provided an explanation of the accounting treatment for infrastructure assets. Officers also explained that the unadjusted misstatement of £997,409 is not material and that the relevant adjustments would be made in the 2022/23 financial year. In relation to the restated figures it was explained that this arises from the City Deal being incorporated into the 2021/22 Financial Accounts due to this now being material, and as a result of this the figures for the previous year need to be restated. Officers also explained that the adjusted misstatement for retirement benefits related to a pension liability for Capita Gwent Consultancy that no longer exists.

10.4 A query was also raised by a member of the Committee in relation to the Financial Liabilities Note on page 62 of the 2021/22 Financial Accounts. The query focussed on the figure for short-term liabilities and the figure for liabilities maturing within 1 year as these did not match. Officers confirmed that there appeared to be an error and that this would be adjusted. The appropriate adjustments have now been made and agreed with Audit Wales and are reflected in both the Audit Wales report and the 2021/22 Financial Accounts attached at Appendices 1 and 2.

10.5 Following consideration of the Audit Wales report and the 2021/22 Financial Accounts, the Governance & Audit Committee unanimously recommended to Council that the 2021/22 Audited Financial Accounts be approved.

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.