



## **ANNUAL MEETING OF COUNCIL – 9<sup>TH</sup> MAY 2024**

**SUBJECT: FINANCIAL STATEMENTS FOR 2022/23**

**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 2022/23 financial year.
- 1.2 To seek Council approval of the 2022/23 Audited Financial Accounts.

### **2. SUMMARY**

- 2.1 There has been disruption to the annual accounts preparation and audit certification process in recent years across the Local Government sector due to the Covid-19 pandemic and infrastructure asset audit issues raised in 2021/22. In addition to this, Audit Wales advised Local Authorities in March 2023 that the introduction of a revised auditing standard (ISA 315) for the 2022/23 financial year would have significant and far-reaching impacts on how auditors undertake audit risk assessments and the overall audit approach.
- 2.2 In light of the above, the Welsh Government wrote to Local Authorities in May 2023 informing them that the following deadlines would apply to the publication and audit of the 2022/23 Financial Accounts: -
  - Preparation of Draft Accounts 2022/23 – 31 July 2023.
  - Audit Wales certification – 30 November 2023.
  - Publication of Final Accounts 2022/23 – 31 December 2023.
- 2.3 Caerphilly CBC's 2022/23 Draft Financial Accounts were prepared and submitted to Audit Wales on 12 September 2023. Largely due to the additional workload associated with the introduction of the revised auditing standard (ISA 315), along with some delays in the submission of draft accounts, the certification of the 2022/23 audited accounts is being completed later than anticipated for some Local Authorities. However, the Caerphilly CBC audit has now been completed and the Audit Wales 'Audit of Accounts Report' is attached at Appendix 1.
- 2.4 The Audit Wales report and the 2022/23 Audited Financial Accounts attached at Appendix 2 were presented to and unanimously endorsed by the Governance and Audit Committee at its meeting on 01 May 2024.
- 2.5 Following Council approval of the 2022/23 Audited Financial Accounts they will be certified by the Auditor General on 14 May 2024.

### **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 2022/23 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 08 October 2024, setting out details of Audit Wales' recommendations arising from the audit of the Council's 2022/23 Financial Accounts along with the associated management responses.

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

4.1 To ensure that the 2022/23 Financial Accounts are approved and submitted to the Auditor General for certification.

### **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 2022/23 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 2022/23 Provisional Outturn position reported to Cabinet on 26 July 2023 and Council on 27 September 2023, or on cash or usable reserve balances held at 31 March 2023.

5.3 There are three uncorrected non-trivial misstatements, the details of which are set out in paragraphs 8 to 12 of the Auditor's Report. The effect of these misstatements is not material to the financial statements taken as a whole, and Officers have therefore decided not to correct the misstatements as their correction would affect many figures within the financial statements.

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 associated management responses. The 'Addendum Report' will be presented to the Governance and Audit committee at its meeting on 08 October 2024.

#### **Conclusion**

5.5 It is the Auditor General's intention to issue an unqualified audit opinion on the 2022/23 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 three non-trivial misstatements 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 08 October 2024.

### **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 2022/23 Audited Financial Accounts were presented to the Governance and Audit Committee at its meeting on 01 May 2024.
- 10.2 Members sought clarification on a range of issues, in particular the number of corrected misstatements in relation to Property, Plant and Equipment. Officers explained that this has been a challenging area and that prior period adjustments were also required in relation to some of the audit findings. It was also explained that the Council does not currently have an integrated asset register and that this would be subject to a procurement exercise in the coming months to ensure that a fit-for-purpose system is place that will meet the needs of a number of service areas. Officers also explained that any lessons to be learned from the 2022/23 accounts preparation and audit process would be considered to ensure that measures are put in place to reduce the number of adjustments required in future years.
- 10.3 A query was also raised regarding whether hyperlinks could be inserted into the Financial Accounts to take the reader to relevant supporting notes to the core statements, and it was agreed that Officers would explore this moving forward.
- 10.4 Following consideration of the Audit Wales report and the 2022/23 Financial Accounts, the Governance and Audit Committee unanimously recommended to Council that the 2022/23 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 2022/23 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 2023.