



## **SPECIAL GOVERNANCE AND AUDIT COMMITTEE**

### **MINUTES OF THE SPECIAL MEETING HELD IN PENALLTA HOUSE AND VIA MICROSOFT TEAMS ON WEDNESDAY 1<sup>ST</sup> MAY 2024 AT 10.00 AM.**

PRESENT:

Councillors:

M. A. Adams, Mrs. E.M. Aldworth, A. Broughton-Pettit, M. Chacon-Dawson, E. Davies, G. Enright, and C. Wright (Chair).

Lay Member:

V. Pearson.

Together with:

Officers: S. Harris (Head of Financial Services and S151 Officer), L. Sykes (Deputy Head of Financial Services and S151 Officer), D. Gronow (Acting Internal Audit Manager), A. Southcombe (Finance Manager – Corporate Finance), S. Hughes (Committee Services Officer) and J. Lloyd (Committee Services Officer).

M. Jones and R. Davies (Audit Wales).

Also in attendance: Councillor. E. Stenner.

#### **RECORDING AND VOTING ARRANGEMENTS**

The Chair reminded those present that the meeting would be live-streamed and a recording made available to view via the Council's website, except for discussions involving confidential or exempt items - [Click Here to View](#). Members were advised that voting on decisions would take place via Microsoft Forms.

#### **1. TO RECEIVE APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor J. Taylor, and Lay Members N. Yates, M. Rees, and J. Williams.

#### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest received at the commencement or during the course of the meeting.

### 3. FINANCIAL STATEMENTS FOR 2022/23.

The Head of Financial Services and S151 Officer introduced the report which presented the Governance and Audit Committee with the Audit Wales 'Audit of Accounts Report' for the 2022/23 financial year and sought a recommendation from the Governance and Audit Committee that Council approves the 2022/23 Audited Financial Accounts at its meeting on 9<sup>th</sup> May 2024. Members were advised of the Welsh Government deadlines that had applied to the publication and audit of the 2022/23 financial accounts.

M. Jones (Audit Wales) advised Members that the 2022/23 Audited Financial Accounts attached at Appendix 2 would be presented to Council for approval at its meeting on 9<sup>th</sup> May 2024, and were then scheduled to be certified by the Auditor General on 14<sup>th</sup> May 2024. Members were informed that an unqualified audit opinion was due to be issued. However, Members were advised that whilst the audit remains 'substantially' completed this could be subject to change if any material matter emerges prior to the Auditor General certifying the accounts on 14<sup>th</sup> May. M. Jones (Audit Wales) expressed his thanks to the CCBC Finance team and all other Officers involved with the audit.

A Member also wished to note his thanks to the Head of Financial Services and S151 Officer and his team for the work involved in the production of the report. The Member referred to 'other matters' on page 10 of the report and sought clarification on the checks and balances conducted to assure Members that the issues raised will be addressed moving forward. Members were advised that a large number of the adjustments related to fixed assets, which were a challenging area, and improvements were already in the process of being made. M. Jones (Audit Wales) provided further explanation to Members on the cause of the adjustments and noted the good working relationship with CCBC.

A Member referred to page 8 of the report and sought clarification on 'lower materiality' regarding related party disclosures. Members were advised that a lower materiality is set for these as there is more interest in the disclosure as they are a higher risk to audit.

A Member wished to note his thanks to the CCBC Finance team and referred to the good working relationship with Audit Wales and the expected unqualified opinion. The Member queried whether the issues regarding the fixed assets would need to be revisited by CCBC due to the changing nature of property values. R. Davies (Audit Wales) advised Members that the Council already does a lot of work to value their properties and noted that as the leisure centres had been re-valued, this had affected the difference in the figures stated for other properties.

The Chair referred to the following comments and questions submitted via email, prior to the meeting, by an absent Lay Member, J. Williams.

#### **Comments**

These 2022/23 accounts are very late 13 months after the year end . This reduces their usefulness in providing timely financial information about the authority. Can we have assurance that there won't be a similar problem in relation to the 2023/24 audited accounts?

#### **Questions**

##### 1. Pack Page 45 - Comprehensive I and E Statement

There is a prior year increase in Communities net expenditure of £9.108m (12% increase on original 2021/22 fig of £76768). This seems to account fully for the drop in

the figs for the two years: 85876, 76762 per the CIES - 12%. All other net spend lines have increased significantly over the 2 years and well above 12%. Why has this not happened in Communities and the PYA effect reduced?

2. There are a large number of corrected items in the non-current assets figures - pack pages 19-26 - including a number of prior year adjustments - also on pack page 70. The fixed asset register review has been mentioned as the source of this. What steps are to be taken to avoid excessive corrections like this in the future and how regularly will the fixed asset register be reviewed?
3. Can the S151 Officer and AW comment on the experience of the 2022/23 audit process and whether the application of the new Auditing Standard mentioned at GAC last year marked a significant change in that as compared with previous years.
4. It is difficult to find the notes as they are not always set out sequentially numbered. Note 5 on pack page 70 is followed by note 8 on page 79. Note 24 (non-current assets) is on pack page 81 followed by notes 33 and 34, then 43 and then 6 which appears to then be back in sequence! Note 24 is again on pack page 128 and seems to be back in sequence at that point.

Members were advised that there were delays in the preparation of the 2022/23 draft accounts and that the required statutory notice advising of this had been placed on the Council's website. Delays have been experienced in a number of Authorities and Members were assured that steps are being taken to address this moving forward.

Members were advised that due to the technical nature of question 1, a response would be emailed to Members following the meeting but prior to the Council meeting on 9<sup>th</sup> May 2024.

Members were advised, in relation to question 2, 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 in place that will meet the needs of a number of service areas.

In relation to question 3, Members were advised that this has already had an impact on the way the audit is undertaken. The Chair queried whether the new audit standard and the challenges faced were unique to Caerphilly, or similar across all authorities. Members were referred to the numerous adjustments in appendix 3 but noted that similar findings would have occurred in previous years.

In relation to question 4, Members were advised that adjustments would be considered and include hyperlinks to the relevant information, going forward.

The Chair referred to the use of 'temporary measures' which were due to expire in 2025/26 and queried what would happen after this time. Members were advised that this related to the infrastructure assets, the highway network, and covered all local authorities including Caerphilly. Members were informed that a temporary arrangement was in place where accounts could be adjusted but that moving forward, the assets would have to be accounted for in accordance with the Code, from 2025/26 onwards. M. Jones (Audit Wales) advised Members that the statutory relief was for 4 years including 2024/25.

The Chair sought clarification on the misstatements referred to as being in the wrong columns and queried whether these would be rectified going forward. Members were

advised that the misstatements had been agreed with Audit Wales and would be dealt with correctly in the future.

The Chair noted thanks to the Head of Financial Services and S151 Officer and his team, together with Audit Wales for their work undertaken.

Having reviewed and commented upon the Audit Wales 'Audit of Accounts Report,' it was moved and seconded that the recommendations be approved. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED to:

1. Recommend to Council that the 2022/23 Audited Financial Accounts are approved at its meeting on 09 May 2024.
2. 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 the Audit Wales recommendations arising from the audit of the Council's 2022/23 Financial Accounts along with the associated management responses.

The Chair thanked Members and Officers for their attendance and the meeting closed at 10.57 am.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 4<sup>th</sup> June 2024.

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CHAIR