

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the hybrid meeting held on 18 January 2023

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)
Councillor Euryyn Morris (Deputy Chair)
- Councillors Geraint Bebb, Neville Evans, Dyfed Wyn Jones, Dafydd Roberts, Keith Roberts, Margaret M. Roberts, Liz Wood.
- Lay Member: Sharon Warnes
- IN ATTENDANCE:** Director of Function (Resources) and Section 151 Officer
Head of Audit and Risk
Committee Officer (ATH)
- APOLOGIES:** Mrs Carys Edwards (Head of Profession (HR) and Transformation), Mr Gethin Morgan (Programme, Business Planning and Performance Manager)
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance, Corporate Business and Customer Service), Yvonne Thomas (Financial Audit Manager – Audit Wales), Bethan H. Owen (Accountancy Services Manager) Claire Klimaszewski (Finance Manager), Nanette Williams (Principal Auditor), Andrew Lewis (Senior Auditor), Sarah Jones (Trainee Accountant)
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1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Governance and Audit Committee held on 8 December, 2022 were presented and were confirmed as correct.

3 STATEMENT OF THE ACCOUNTS 2021/22 AND ISA 260 REPORT

- The report of the Director of Function (Resources)/Section 151 Officer incorporating the Final Statement of the Accounts for 2021/22 following audit was presented for the Committee's consideration.

The Director of Function (Resources)/Section 151 Officer reported that the statutory deadline for the completion of the audited accounts for the 2021/22 financial year was again extended to 30 November, 2021 to accommodate the working conditions in relation to the Coronavirus pandemic. This was extended further to 31 January, 2023 due to two significant technical issues which affected all Welsh and English councils, the first being to allow additional valuations of each of the Council's assets which have not been revalued as at 31 March, 2022 and might have materially changed in value, and the second was in relation to the valuation and accounting treatment of infrastructure assets such as highways, street furniture, street lighting and pathways. He welcomed the External Auditors' conclusion that the accounts had been prepared in

accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22; that there were no misstatements that remain uncorrected and that it was the Auditors' intention to issue an unqualified opinion on the 2021/22 accounts. The audit testing did however identify some changes needed and some errors which the External Auditors recommended were amended to ensure the accounts are materially correct. A summary of the corrections made is set out in Appendix 3 of the Auditors' ISA 260 report; in addition some other minor changes have been made since the draft statement was presented to the Committee in July, 2022 including the removal of some of the explanatory notes that were not deemed to add value to the accounts in line with a previous recommendation made by the auditors about streamlining the contents. Other changes and matters to note include the following –

- With regard to the Comprehensive Income and Expenditure Statement following the auditors' recommendation that the Penhesgyn Landfill Site provision be reduced by £228k in line with the consultant's report which evaluated the site and recommended a provision of £4.411m rather than £4.639m, and also as a result of the revaluation of assets. The reduced provision for the Penhesgyn Landfill site also increases the Council fund revenue outturn for 2021/22 to £5.026m and increases the Council Fund general reserve to £12.278m. This is not reported by the auditors in the ISA 260 report as it is not a significant value.
- With regard to the Balance Sheet as a result of the revaluation of the Council's assets which were at risk of being materially undervalued due to significant cost increases and increases in the market value of properties not revalued as at 31 March 2022. The updated valuations have resulted in an increase of £24.6m in the value of the Council's assets from the draft statement to the final accounts.
- The changes to the figures in the CIES and the Balance Sheet noted above also impacted on other statements and notes in the accounts including the Cash flow Statement but by way of process rather than the actual cash levels held by the Council at the end of the year, as well as Note 13a - Non-Current Assets, Property, Plant and Equipment.
- No post Balance Sheet events were recorded in the period between 31 March, 2022 and 26 January, 2023 when the final Statement of the Accounts was signed.
- Note 7 – Earmarked Reserves has been redesigned in the interests of clarity
- Note 18 – Debtors where the format has changed to better summarise the results along with an adjustment referred to in Appendix 3 of the Auditors' report.
- Note 20 – Creditors has been condensed in agreement with the Auditors.
- Note 21 – Provisions has been adjusted following the reduction in the provision for the Penhesgyn Landfill site.
- Notes 22-24 – Cash Flow from Operating Activities, Investing Activities and Financing Activities have been adjusted to reflect changes in figures
- Note 27 - Officers Remuneration amended to reflect additional staff disclosed as required by the regulations
- Note 30 – Grants Income amended to reflect a change in the treatment of the North Wales Economic Ambition grant
- Note 38 – Agency Arrangements includes an additional table to reflect grants paid by the Council to business and individuals on behalf of Welsh Government.

The Director of Function (Resources)/Section 151 Officer took this opportunity to thank the Accountancy Services Manager and her team for their work on preparing and completing the accounts and he extended those thanks also to Audit Wales for their approach to the audit process.

- The report of the Head of Profession (HR) and Transformation incorporating the Annual Governance Statement for 2021/22 was presented for the Committee's

consideration and endorsement. The Annual Governance Statement (the draft version of which was presented to the Committee for comment in July, 2022) seeks to provide assurance that the Council had in place during 2021/22 appropriate arrangements for conducting its business according to the law and proper standards and that it properly accounted for public money and how it was spent. The Annual Governance Statement will form part of the final 2021/22 Statement of the Accounts.

The Head of Audit and Risk confirmed that there were no material changes to the Annual Governance Statement from the draft version apart from a formatting change to the cover page. The Statement draws on evidence from various sources and highlights governance matters that will be addressed in 2022/23.

Having reviewed the draft Annual Governance Statement at its meeting in July 2022, the Committee made the following further recommendations/observations for future iterations of the Statement –

- For the annual review of the effectiveness of the Council's Governance Statement against the core principles of the CIPFA Framework for Delivering Good Governance in Local Government, that evidence be provided in the "Conclusion" segment to support and illustrate the overall assessment of performance against each principle for the benefit and understanding of the public readership.
- That if the governance issues identified for action in 2022/23 are successfully implemented, it may not be unreasonable to expect the overall assessment of performance against each or some of the principles to be upgraded as appropriate.
- The report of External Audit on the audit of the Financial Statements for 2021/22 (ISA 260 report) was presented for the Committee's consideration.

Ms Yvonne Thomas, Audit Wales Financial Audit Manager reported on the main findings from the audit of the Council's accounts for the 2021/22 financial year as follows –

- That auditors can never provide complete assurance that accounts are correctly stated and work instead to a level of materiality. This level of materiality is set to try identify and correct misstatements that might otherwise cause a user of the accounts into being misled. For the 2021/22 audit the level of materiality was set at £2.845m. A lower materiality level was set for related party transactions (for individuals) (£10,000) and for Senior Officer Remuneration (£1,000).
- That the audit is now substantially complete subject to a final review of the amendment made to the accounts; while no significant issues have arisen the audit of accounts report will be updated for the meeting of the Full Council to confirm the completion of the audit and/or to reflect any other matter arising.
- That it is the Auditor General's intention to issue an unqualified audit opinion on this year's accounts once the Council has provided a Letter of Representation based on that set out in Appendix 1 to the report. An unqualified opinion means there are no material concerns about any aspects of the accounts.
- The proposed audit report is set out in Appendix 2 to the report and confirms the independent auditor's view that the financial statements give a fair view of the financial position of the Council as at 31 March, 2022 and that they have been properly prepared in accordance with legislative requirements and international accounting standards.
- There are no misstatements identified in the accounts which remain uncorrected.

- There were initially misstatements in the accounts that have now been corrected by management. These are set out with explanations in Appendix 3 to the report and include the national issues which impacted this year's audit timetable.
- That in the course of the audit, the auditors consider a number of matters relating to the accounts and report on any significant issues arising thereon; there were no such matters to report for this year's audit.
- That the 2020/21 Audit of Accounts report highlighted issues in relation to streamlining the accounts and the quality of the draft accounts and working papers; these matters were also included as a risk within External Audit's Audit Plan for 2021/22. The review of the draft accounts presented for audit identified that considerable improvements have been made in these areas. However, there are some areas where further improvements can be made and the auditors will continue to work with the Council to further develop these for the 2022/23 accounts.
- That a post project learning exercise with key staff to discuss those potential improvements will be held.

To conclude, Ms Yvonne Thomas thanked the Council's Accountancy Services team for their co-operation and assistance with this year's audit process.

The Director of Function (Resources)/Section 151 Officer and Audit Wales's Financial Audit Manager responded to points raised by the Committee with regard to the final Statement of the Accounts and Audit of Accounts report as follows –

- Confirmed that the accounts are still being reviewed and that any grammatical and formatting errors and/or inconsistencies in the Welsh or English versions will be corrected for the Full Council meeting.
- Clarified that the provision for the Penhesgyn waste site is for the aftercare of the areas of the site formerly used for landfill including the maintenance of a culvert pipe under the site. The culvert is inspected annually by the Council's Waste Management Service which provides an assessment of the remedial costs should the culvert be damaged or fail in any way which is then fed into the accounts. The consultant's report is used to determine the level of provision within the accounts.
- Confirmed that the result of the revaluation of assets was an increase of approximately £24.6m in the value of the Council's assets due largely to the increase in value of council dwellings.
- Confirmed that the reduction in the Highways Service revenue costs in the final accounts is as a result of the reduction in the level of provision for the Penhesgyn Waste Landfill site as any increase or decrease in provision is charged to the revenue account. The decrease in the Penhesgyn provision resulted in the amount charged to the revenue account being reduced which affected the Highways, Waste and Property line in the accounts.
- Further clarified the misstatements/adjustments in Appendix 3 to the Audit of Accounts report as capable of being categorised into revaluation and/or reclassification of assets issues and under/over provisions which altogether do not significantly affect the Council's General Fund balance.
- Confirmed that the potential for making further improvements to the accounts relates to tailoring the working papers to the auditors' needs; as this is only the second year whereby the audit of the Council's accounts has been undertaken by Audit Wales, it is expected that as the relationship develops both parties will come to better understand the other's practices and approach.

The Chair closed the discussion by thanking the Finance Service and Audit Wales for the work undertaken during the closure of accounts and audit processes.

It was resolved –

- **To recommend to the County Council that it confirms acceptance of the 2021/22 Final Statement of the Accounts as presented in Appendix 1 to the report of the Director of Function (Resources)/Section 151 Officer.**
- **To approve the Annual Governance Statement that will form part of the 2021/22 Statement of the Accounts.**
- **To note External Audit's ISA 260 Report on the Financial Statements for 2021/22.**

**Mr Dilwyn Evans
Chair**