

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 27 November 2024 in the Committee Room and through Zoom

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)
Councillor Euryon Morris (Deputy Chair)
- Councillors Geraint Bebb, Trefor Lloyd Hughes, MBE,
Keith Roberts, Margaret M. Roberts, Ieuan Williams.
- Lay Members: Sharon Warnes, Michael Wilson
- IN ATTENDANCE:** Director of Function (Resources) and Section 151 Officer
Head of Audit and Risk
Corporate Planning, Programme and Performance Manager (GP)
Accountancy Services Manager (BHO)
Finance Manager (CLK)
Committee Officer (ATH)
Webcasting Officer (FT)
- APOLOGIES:** None received.
- ALSO PRESENT:** Councillor Robin Williams (Deputy Leader and Portfolio Member for Finance and Housing), Principal Auditor (IoACC) (NW), Rachel Freitag (Financial Audit Manager – Audit Wales), David Tomalin (Financial Audit Lead - Audit Wales)
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1 DECLARATION OF INTEREST

No declaration of interest was received.

2 STATEMENT OF THE ACCOUNTS 2023/24 AND ISA 260 REPORT

- The report of the Director of Function (Resources)/Section 151 Officer incorporating the Final Statement of the Accounts for 2023/24 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 2023/24 financial year was extended to 30 November, 2024 for all Welsh councils. The Isle of Anglesey County Council's draft Statement of Accounts 2023/24 was presented to the Council's external auditors, Audit Wales for audit on 28 June 2024 and will be considered by Full Council on 3 December after which they will be signed. Audit Wales conducted a thorough review of the accounts and financial transactions in relation to 2023/24 and concluded that in all material respects the financial statements give a true and fair view of the financial position of the Council as at 31 March 2024. The audit testing identified some changes needed and all material errors which the audit team recommended were amended to ensure that the accounts are materially correct. None of the amendments to the Statements of the Accounts affected the outturn which remains at an underspend of £1.732m as reported to

the Executive on 23 July 2024. Most of the amendments relate to changes on the balance sheet or expenditure in relation to grant income which had a nil impact on revenue.

The Section 151 Officer guided members through the amendments to the accounts which were outlined in section 3 of the report and set out fully in the auditors' ISA 26O report presented separately below and he clarified how they affected the figures within the accounts and the supplementary notes. He thanked the Finance Service's accountancy staff for their work in ensuring the timely completion of the accounts and the Audit Wales team for the professionalism and thoroughness of their approach and conduct of the audit.

- The report of the Head of Profession (HR) and Transformation incorporating the Annual Governance Statement for 2023/24 was presented for the Committee's review and endorsement prior to its submission for approval by the Full Council. The Annual Governance Statement (the draft version of which was presented to the Committee for comment at its 18 July, 2024 meeting) seeks to provide assurance that the Council had in place during 2023/24 appropriate arrangements for ensuring that its business was conducted according to the law and proper standards, that public money was safeguarded and properly accounted for and was used economically, efficiently, and effectively. The Annual Governance Statement will form part of the final 2023/24 Statement of the Accounts.

The Corporate Planning, Programme and Performance Manager updated the Committee on the status of the governance matters identified in the previous year's Statement confirming that four of the five actions to address weaknesses had been completed and that the fifth is underway. He referred to the governance matters identified in the 2023/24 Statement and advised that to provide assurance there would be an update on governance matters and the response to national recommendations to the committee's scheduled December meeting.

The following were points of discussion by the committee –

- The need to clarify with regard to the fifth identified governance matter in relation to ensuring that the Council's assets are needed, are fit for purpose and where required have been brought up to standards that the pressure on capital funding makes it unlikely that this will be fully achieved and that this objective is aspirational.
- Whether in relation to ensuring the financial resilience of the Council there is any further scope to review and streamline processes to improve the efficiency and effectiveness of services and reduce the impact of reduced funding.

The committee was advised as follows –

- That the Council's Asset Management Strategic Plan 2024-2029 recognises that in the current financial climate delivering the plan will be challenging and that due to increased costs and budget pressures there is a gap between the Council's ambitions for its assets and what it is able to achieve. It is hoped that the local government settlement for next year will include an increase in core capital funding which the Council can use according to its own priorities. Welsh Government's strategy in respect of capital funding in recent years has been to allocate grants in the short term which often come with conditions and are targeted at specific objectives which may not be a priority for the Council.
- That the Council has sought to achieve efficiencies in recent years by streamlining processes and organisational structures to reduce costs and improve effectiveness and it continues to develop programmes to maximise the use of technology and to digitise processes. Although this is an ongoing endeavour it is becoming more difficult to achieve efficiencies through streamlining internal operations and processes alone.

- The report of External Audit on the audit of the Financial Statements for 2023/24 (ISA 260 report) was presented for the Committee's consideration.

Rachel Freitag, Audit Wales Financial Audit Manager in reporting on the main findings from the audit of the Council's accounts for the 2023/24 financial year, thanked the Council's accountancy team and the wider Finance Service for their input and co-operation and described the audit exercise as having gone smoothly. She confirmed that the auditors intend to issue an unqualified audit opinion on the 2023/24 accounts and following approval by the Full Council on 3 December, 2024, the accounts will be certified by the Auditor General. She referred to the amendments to the accounts as documented in Appendix 3 to the report some of which were identified internally by the accountancy team in the subsequent quality assurance review of the accounts. She advised that the number of amendments is largely due to time pressures and a tight schedule rather than any quality or systemic issues and confirmed that the accounts and working papers provided to the auditors were of a high quality. She highlighted the net pension adjustment because of the high values involved and clarified that the net pension adjustment of £71,145,000 was incorrectly credited to the Comprehensive Income and Expenditure Account rather than debited. She confirmed that the adjustment had no impact on the Council's Balance Sheet nor General Fund.

The following were points of discussion by the committee –

- Members asked for clarification of the reference in the ISA 260 report to the audit having been largely completed and queried where there are any outstanding matters.
- Whether the prescribed deadlines for the production of the accounts and subsequent auditor reporting are putting Finance service staff under pressure and leading to errors that might not otherwise occur and whether the timescales should therefore be extended.
- That in the interests of clarity the final sentence under Budget Monitoring at page 2 of the narrative report should be amended to read "Both the Revenue and Capital information alongside HRA, are reported to the Finance Scrutiny subgroup, the Scrutiny Committee and then the Executive on a quarterly basis which facilitates a level of challenge as well as being able to mitigate any impact that is likely to occur on services."
- Whether the table showing capital expenditure per service at page 4 of the narrative report should be more accurately designated as showing project expenditure per service as it includes revenue expenditure.

The committee was advised as follows –

- That the report on the audit of the financial statements has been drafted in tandem with the finalisation and checking of the revised accounts. It can be confirmed that the audit has now been completed and signed off.
- That it is intended to bring the audit reporting schedule back to the end of October for the 2024/25 audit of accounts process and to the end of September thereafter in line with pre-pandemic timescales. While the auditors are happy to discuss any concerns with the Finance Service it is not considered that the timescale creates any significant issues as regard the completion of the audit.

The Director of Function (Resources)/Section 151 Officer advised that there had been an intention pre-pandemic to bring forward the deadlines for the production of the accounts and audit reporting processes to May and July respectively although it is now understood that the change may not be made. While the end of June deadline for the production of the draft accounts remains a challenge, it should become easier to manage as the Council

continues to learn from the audit process and to improve its own processes and working papers.

- That the expenditure shown in the table at page 4 is classified under accounting practice as capital expenditure because it has been spent on creating an asset the use of which will extend beyond the current financial year and the expenditure exceeds £10k. Capital expenditure can include a contribution from revenue.

In closing the meeting the Chair on behalf of the committee, thanked all those who had been involved in the accounts preparation and audit process.

It was resolved –

- **To accept the Statement of the Accounts 2023/24 and to recommend to the Full Council that the Chair of the County Council and the Director of Function (Resources)/ Section 151 Officer are authorised to sign the final audited accounts for 2023/24.**
- **To recommend the Annual Governance Statement 2023/24 to the Full Council as a fair evaluation of the Council's governance arrangements.**
- **To note the Audit Wales ISA 260 Report in respect of the Financial Statements for 2023/24.**

**Mr Dilwyn Evans
Chair**