

# GOVERNANCE AND AUDIT COMMITTEE

## Minutes of the extraordinary meeting held on 23 October 2025 in the Committee Room and on Zoom

<b>PRESENT:</b>	Mr Dilwyn Evans (Lay Member) (Chair) Councillor Euryrn Morris (Deputy Chair)  Councillors Geraint Bebb, Kenneth Hughes, Margaret M. Roberts.  Lay Members: Dr Geraint Jones, William Maund, William Parry
<b>IN ATTENDANCE:</b>	Director of Function (Resources) and Section 151 Officer Accountancy Services Manager (BHO) Performance and Projects Team Manager (GP) Committee Officer (ATH) Webcasting Officer (FT)
<b>APOLOGIES:</b>	Councillor Keith Roberts
<b>ALSO PRESENT:</b>	Councillor Robin Williams (Deputy Leader and Portfolio Member for Finance, Corporate Business & Customer Experience), Rachel Freitag (Financial Audit Manager – Audit Wales), David Tomalin (Financial Audit Lead - Audit Wales), Head of Audit and Risk (IoACC )(MP), Principal Auditor (IoACC) (NW).

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The Chair welcomed everyone present to the meeting and noted the apology for absence. He informed the committee of a change in membership following Councillor Ieuan Williams's appointment to the Executive and expressed thanks for Councillor Williams's contribution during his tenure on the Governance and Audit Committee.

### 1. APOLOGIES

An apology for absence was received from Councillor Keith Roberts.

### 2. DECLARATION OF INTEREST

No declaration of interest was received.

### 3. STATEMENT OF THE ACCOUNTS 2024/25, ANNUAL GOVERNANCE STATEMENT 2024/25 AND ISA 260 REPORT

- The report of the Director of Function (Resources)/Section 151 Officer incorporating the Final Statement of the Accounts for 2024/25 following audit was presented for the committee's consideration.

The Director of Function (Resources)/Section 151 Officer reported that the Isle of Anglesey County Council's draft Statement of Accounts 2024/25 was presented to the Council's external auditors, Audit Wales for audit on 30 June 2025. The detailed audit work is now substantially complete. The statutory deadline for the completion of the

audited accounts for the 2024/25 financial year for all Welsh councils is 31 October 2025. The Statement of the Accounts will be considered by the Full Council on 28 October 2025 and signed shortly afterwards. Audit Wales conducted a thorough review of the accounts and financial transactions relating to 2024/25. Their audit testing identified some necessary changes and all material errors recommended for correction by the audit team have been amended to ensure that the accounts are materially correct. A summary of these changes is included in Audit Wales's ISA 260 report.

The Section 151 Officer guided members through the amendments, as outlined in section 3 of the report and detailed in the ISA 260 report presented separately below. Key points included –

- A reduction in the Council's end of year surplus by £500k, primarily due to technical accounting adjustments.
- A £5k reduction in the General Fund.
- An increase of £2.46m in earmarked reserves following the reclassification of costs associated with potential remedial works at the Penhesgyn former landfill site specifically relating to an onsite culvert. This risk has long been recognised, and a provision previously made in the accounts. On the auditors' advice the original £2m has now been transferred from the provision to an earmarked reserve.
- Technical changes have been made to the capital adjustment account and revaluation reserve (two unusable reserves) to reflect asset valuation adjustments. These do not affect the General Fund or earmarked reserves.
- The reduction in the end of year surplus has led to a corresponding decrease in the net asset value shown on the balance sheet.
- Update to Note 41 – Contingent Liabilities. – Electrical Installation Condition Report (EICR) Certificates. Under Part 4 of the Renting Homes (Wales) Act 2016 landlords are required to ensure their properties are in good repair and fit for human habitation. Whilst this and other councils in Wales have ensured that all electrical checks have been undertaken there has been a delay in issuing some certificates to tenants. A recent High Court ruling confirmed that rent repayment is not required for the period when a certificate was not available. The contingent liability remains in place pending any appeal, but the wording has been updated to reflect the current position.

The Director of Function (Resources)/Section 151 Officer welcomed the auditors' intention to issue an unqualified opinion on the accounts and thanked them for their professionalism and thoroughness in the conduct of the audit. He also thanked the Finance Service staff for their efforts in ensuring the accounts were completed on time. The audit process has been reviewed with the auditors, and for the 2025/26 financial year it is proposed that the Council's Constitution be amended to allow the Governance and Audit Committee to approve the final accounts in place of Full Council. The change will help in meeting the revised timetable for 2025/26 which brings forward the accounts completion deadline to 30 September.

- The Annual Governance Statement for 2024/25 was presented for the Committee's review and endorsement prior to its submission for approval by the Full Council. The first draft of the Annual Governance Statement was presented to the Committee for comment at its 16 July, 2025 meeting and the definitive version will form part of the final 2024/25 Statement of the Accounts following approval by the Full Council.

The Performance and Projects Team Manager reported that, following the committee's input at its 16 July 2025 meeting, the draft 2024/25 Annual Governance Statement now includes a RAG (Red, Amber, Green) status indicator for each governance matter identified in 2023/24 to support more effective tracking and analysis of progress. Regarding governance matters identified as part of the 2024/25 process, under the

objective of modernising the Council's digital and data infrastructure, the timeline for developing a Data Strategic Plan and related actions has been extended to March 2027. This reflects a shift in priorities, as the council's IT infrastructure needs to be updated and adapted to enable more robust use of data and to support the formalisation of a strategic plan. The Performance and Projects Team Manager confirmed that the committee's comments from its July meeting have been incorporated in the updated governance statement.

The following matters were raised by the committee –

- The committee noted that one of the governance matters identified in 2023/24 – mapping all sources of assurance is currently behind schedule. The committee queried the timetable and associated risks.

The Performance and Projects Team Manager confirmed that the issue has been carried forward to the schedule of governance matters identified in 2024/25 due to capacity constraints within the Council Business service. Discussions are ongoing to secure the necessary resources, but no definitive timeline can be provided until these are resolved. The matter is considered low risk.

- The committee also questioned whether the March 2026 completion target for the governance matters identified in 2024/25 is realistic.

The Performance and Projects Team Manager responded that the timeline is considered achievable, as many of the associated improvement actions are already being implemented through current service provision plans and are being monitored. An update will be provided to the committee in February 2026 to confirm progress and provide assurance. The Officer further clarified that the work to modernise the Council's digital and data infrastructure is not related to cyber security. Instead, it forms part of the broader goal of becoming a data informed organisation.

**It was resolved to recommend the Annual Governance Statement 2024/25 to the Full Council as a fair evaluation of the Council's governance arrangements.**

- The report of External Audit on the audit of the Financial Statements for 2024/25 (ISA 260 report) was presented for the Committee's consideration.

Rachel Freitag, Audit Wales Financial Audit Manager reported on the main findings from the audit of the Council's 2024/25 accounts and she thanked the Council's accountancy team and wider Finance Service for their support throughout the process. She confirmed that the auditors intend to issue an unqualified audit opinion on the 2024/25 accounts with formal certification by the Auditor General on 30 October, 2025 following approval by the Full Council on 28 October, 2025.

She referred to two outstanding tasks on the audit. The first involves confirming that lesser disclosures are immaterial. While this is not expected to be material, supporting evidence is still required and this will be completed ahead of the Full Council's meeting. The second task relates to confirming that all audit amendments have been appropriately made. The revised accounts were received yesterday morning and checks were completed later that day. Some amendments are still being processed and an update will be provided at the Full Council meeting.

She noted that one error valued at £1.561m has not been corrected. This falls below the auditors' £3m materiality threshold, allowing the financial statements to be considered true and fair and free of material misstatement. The error is a technical

accounting misclassification between two unusable reserves with no impact on cash, the General Fund or taxpayer. Correcting the error would require a review of historical fixed asset records which would take time. The Finance team has decided to make this adjustment within the 2025/26 accounts which is acceptable given its immaterial nature.

The ambition for the 2025/26 accounts is to bring the certification deadline forward to 30 September. However, some key working papers, specifically the Valuer's report and IFRS 16 documentation, were received late in the audit process. IFRS 16 is a new accounting standard this year so the delay is expected to be a one-off with capacity issues within the Finance team a factor. It is imperative that a full set of working papers be submitted alongside the draft accounts if the revised deadline is to be met. The target is ambitious and concerns have been raised across the local government sector regarding its achievability. Audit Wales will work with audited bodies to explore ways of making the timeline more achievable including discussion with the Finance team about what can be done locally, and wider engagement through the society of Welsh Treasurers, Chief Accountants group, and good practice events. The goal ultimately is to return to the pre-pandemic audit schedule, ensuring that accounts are audited in a timely way so that the information is relevant and to avoid overlap with the autumn budgeting period.

The Director of Function (Resources)/Section 151 Officer advised that the delay in obtaining the Valuer's report was due to capacity issues within the Property Service. Discussions with the service have begun to ensure timely completion of property valuations for next year.

The committee raised the following matters –

- The committee suggested that the brackets on the usable reserves and unusable reserves figures in the balance sheet need to be removed.
- The committee enquired whether the uncorrected misstatement had existed undetected for some time or whether its discovery was prompted by a new regulation.

Audit Wales's Financial Audit Manager confirmed that it is a longstanding issue that has been present in the accounts for several years but was only identified this year by the auditors' sample testing approach. This year's sample happened to identify the issue. She explained that the issue would have naturally resolved over time through asset revaluation. Given the values involved, the auditors are satisfied that the accounts have remained materially correct over the years otherwise a prior period adjustment would have been necessary, which is not the case.

In response to a follow up question, the Financial Audit Manager confirmed that the misstatement did not delay the circulation of the final accounts. The decision not to correct it was made several weeks ago as it was recognised that addressing it would be time consuming.

- The committee asked whether the Council has sufficiently addressed the requirements of IFRS 16 – Leases in the current financial year.

The Director of Function (Resources)/Section 151 Officer explained that under the previous accounting approach, lease costs and income from leased assets were recorded in the income and expenditure account. However IFRS 16 requires the authority to calculate the total value of leased assets and liabilities with the aim of

reflecting them on the balance sheet. Historically, the council has not maintained a comprehensive record of leased assets as transactions were processed annually through the accounting system. As a result, much of the work this year has focused on identifying all leased assets and determining whether they meet the threshold for inclusion. This process which began in March has positioned the council well for meeting the requirements next year. Going forward, the council will only need to update the register by adding new leases and removing those that have ended.

- The committee asked whether the contingent liability in relation to Electrical Installation Condition Report (EICR) Certificates had been provided for in the accounts.

The Director of Function (Resources)/Section 151 Officer confirmed that it remains unprovided, as it represents a potential future liability with an unknown value. As such it is identified by way of a note rather than a provision.

- Further questions were raised by the committee about whether some of the corrected misstatements should have been identified earlier through the service's own self-assessment and whether time pressures contributed to their being overlooked.

The Director of Function (Resources)/Section 151 Officer acknowledged that ideally some of the misstatements would have been addressed in the draft accounts. However, the need to meet the 30 June deadline along with the late receipt of valuation information meant there was limited time available for reconciliation work and to verify whether the figures aligned following the processing of all accounting transactions relating to revaluations.

- The committee sought clarification of Note 14 – Significant Capital Commitments. The committee noted while the wording refers to 2025/26 and future years, the £20m capital commitment appears to relate specifically to 2025/26. The committee asked whether long-term capital project forecasts are captured elsewhere.

The Director of Function (Resources)/Section 151 Officer explained that the figures in Note 14 reflect contractual commitments, but capital projects often span more than one financial year. As such some of the projects listed may extend beyond the end of the 2025/26 financial year.

In closing the meeting the Chair on behalf of the committee, thanked all those involved in the preparation of the accounts and the audit process. It was agreed that any typing or grammatical errors identified by members would be passed on to the accountancy service team for correction prior to the Full Council meeting.

**It was resolved –**

- **To accept the Statement of the Accounts 2024/25 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 2024/25.**
- **To note the Audit Wales ISA 260 Report in respect of the audit of the Financial Statements for 2024/25.**

**Mr Dilwyn Evans  
Chair**

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