

No.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a remote Extraordinary meeting held on 23rd January, 2023.

The Committee agenda is available [here](#).

The recording of the meeting is available [here](#).

Present: G. Chapman (Chair and Lay Member); N. Ireland (Vice-Chair and Lay Member); Councillors P. Drake, E. Goodjohn, M.J. Hooper, J.M. Norman, J. Protheroe and N. Wood

Also present: Councillors. I. Buckley, C. Franks, W. Gilligan, G. John and Dr. I.J. Johnson.

627 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Chair read the following statement: “May I remind everyone present that the meeting will be live streamed as well as recorded via the internet and this recording archived for future viewing.”

628 APOLOGY FOR ABSENCE –

This was received from M. Evans (Lay Member).

629 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 12th December, 2022 be approved as a correct record.

630 DECLARATIONS OF INTEREST –

No declarations of interest were received.

631 AUDIT OF THE 2021/22 FINANCIAL STATEMENT – REPORTING TO THOSE CHARGED WITH GOVERNANCE (CX) –

The Operational Manager – Accountancy introduced the report, the purpose of which was to present to those charged with governance the report of the Auditor General for Wales following the audit of the Council's Financial Statements for 2021/22. For this item, the Committee also welcomed Mr. S. Wyndham from Audit Wales.

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The audit of the 2021/22 Statement of Accounts was in the final stages of completion. The latest 2021/22 Statement of Accounts incorporating all agreed amendments was now presented to Governance and Audit Committee.

As a result of the impact of the Covid 19 Pandemic the Audit deadline was changed from 31st July to 30th November, 2022. It was further delayed due to the need to amend the Code and bring in statutory regulations to allow changes to the way Infrastructure Assets were disclosed in the Statement of Accounts.

The updated Annual Governance Statement at Appendix A, and the report of the Auditor General for Wales and the final Letter of Representation attached as Appendix B, had circulated prior to the Committee meeting.

The provisional findings of Audit Wales on behalf of the Appointed Auditor on the audit of the Financial Statements were that:

- Audit Wales intend to issue an unqualified audit opinion on this year's accounts.

There were some misstatements in the accounts that had now been corrected by management. The corrected misstatements were summarised below, and included for information in Appendix 3 of the Audit Wales ISA260 report shown in Appendix B:

- Overstatement of the Debtors figure in the Financial Instruments note.
- Vehicle Assets with a nil net book value that had not been written out of the Council's accounts and therefore the Gross carrying amount and Accumulated Depreciation were overstated by £483k.
- Corrections to the classifications included in the Debtors note.
- Some narrative changes to the Senior Officer Remuneration note.
- Amendment to the Accounting for a Transport for Wales transaction which required a reduction in the Deferred Capital Receipt value, disposal of the Asset Held for Sale and accounting for residual sum as a Capital Grant Received in Advance. This amendment impacted the Comprehensive Income and Expenditure and balance of the Unusable Reserve and therefore the amendments could be seen across a number of the Statements and disclosure notes contained within the accounts.
- Other narrative and presentational amendments including changes to the Audit Fee, Joint Committee disclosures and the Annual Governance Statement.

The Committee also noted some minor amendments required to be made within Appendix A. Those being:

- Typographical error in infrastructure paragraph;
- Opening Other Reserves in earmarked reserves disclosure;
- Note 30 Audit costs (prior year difference); and
- Updates to the note references.

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It was proposed that the audited Statement of Accounts be reported to Council on 30th January, 2023 for approval and then signed by the Auditor General for Wales.

Councillor M. Hooper queried the Council's policy relating to the level of its financial reserves which had been building up overtime. In reply, the Operational Manager advised that the Council policy was indicated within the Budget report presented to Cabinet on 19th January, 2023. That report outlined that the use of reserves would be more closely aligned to the Council's risks. That included extra funding from reserves for pressures such as homelessness, energy costs and staff pay awards. In addition, a significant portion of the reserves had been earmarked for capital project schemes. It had also been agreed to improve the frequency of reports relating to the use and levels of reserves to Cabinet and to the Scrutiny Committees. The Chair, Mr. G. Chapman, stated that there may be a need for training to be provided to members around the use of reserves and the Council's policy.

Councillor J. Protheroe queried what were the acceptable values for uncorrected misstatements. In reply, Mr. S. Wyndham (Audit Wales) stated that there was a formular used to calculate materiality, which for uncorrected misstatements was around £200k. Details relating to the levels of materiality were contained within the report.

Mr. N. Ireland (Lay Member) queried the learning from some of the corrections, citing the £483k for vehicle assets as an example. In response, the Operational Manager stated that for vehicle assets, the Council had been reconciling additions and disposals for a number of years but not reconciling the overall fleet balance. The Council had been undertaking a lot of work around the Council's equipment and infrastructure assets, but that same piece of work had not been carried out for vehicles.

Subsequently, the Governance and Audit Committee

RESOLVED -

(1) T H A T the report of the Appointed Auditor on the audit of the Council's Financial Statements for 2021/22 be approved and the Financial Statements including the Annual Governance Statement and Final Letter of Representation be recommended for signature by those authorised.

(2) T H A T the minor changes to Appendix A be agreed. Those being:

- Typographical error in infrastructure paragraph;
- Opening Other Reserves in earmarked reserves disclosure;
- Note 30 Audit costs (prior year difference);
- Updates to the note references.

No.

Reason for decisions

(1&2) Having considered the results of the audit of the Council's Financial Statements for 2021/22.

632 PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23 (HRIAS) –

The purpose of the report was to provide Members with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

The progress made against the approved Internal Audit Risk Based Plan 2022-23 was detailed in Appendix A attached to the report. It showed that 18 reviews had been completed, 14 with an audit opinion whilst 6 reports had been issued in draft and 19 reviews were on-going.

Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment of the 14 completed audits, an audit opinion of substantial assurance had been given to 3 audits, an opinion of reasonable assurance to 9 audits and a limited opinion to the remaining 2 audits.

To date 48 recommendations had been made to improve the control environment. The progress being made in implementing those was regularly monitored by the Auditors and reported to Committee.

Whilst it was pleasing that the Regional Internal Audit Service (RIAS) had successfully recruited new Audit staff during 2022-2023, the new staff were having an impact on the current resource available to deliver the Internal Audit Plan due to the support and training they required. To assist with this some audits had been allocated to SWAP Internal Audit Services to undertake on RIAS behalf.

Although performance to date was lower than anticipated for 2022/23, it was felt that the level of coverage by the end of this financial year would be sufficient to allow the Head of Audit to provide an opinion on the Council's arrangements for internal control, governance and risk management.

Following a point of clarification, it was agreed for the guidance relating to the giving of audit opinions would be shared with members of the Committee.

With regard to the level of resources to complete the Audit Plan, the Deputy Head of the Regional Internal Audit Service advised that 2022/23 had been a challenging year in terms of training new staff members but going forward, the Team would be in a stronger position. The 2023/24 Plan was currently being put together, and there may be some audit reviews that would need to be carried forward from this year which would be considered on a basis of risk. In addition, some reviews may not be necessary as there may be overlap with some audit work carried out by the Council's external regulators. In addition, the Head of

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Service stated that he felt that by next year the Team would be in the strongest position that it had been for several years due to the number of vacancies filled and staff being trained and becoming more experienced. There were still two outstanding vacancies, the recruitment to which had been paused due to the process to finalise the Council's budget.

In terms of a comparison to the position of the other partner local authorities, the Head of Service stated that in terms of audit review work, they were all very similar, with a small number of limited opinions but mostly reasonable.

There being no further queries or comment, the Committee

RESOLVED – T H A T the content of the report and the progress made against the 2022-23 Internal Audit Annual Risk Based Plan be noted.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

633 UPDATED FORWARD WORK PROGRAMME (HRIAS) -

The report provided Members with an Updated Forward Work Programme for 2022/2023.

To assist the Committee in ensuring that due consideration had been given by the Committee to all aspects of their core functions, the Forward Work Programme appended to the report at Appendix A had been produced and was aligned to the Committee's Terms of Reference.

The Forward Work Programme had been updated to reflect changes required to the Committee's Terms of Reference under the new Local Government and Elections Act and included items previously requested by Members of the Committee.

The Committee was asked to note the Forward Work Programme and indicate whether any additional information was required.

Mr. N. Ireland (Lay Member), noting that the Recommendation Monitoring report would be presented on a quarterly basis, requested for the Committee to have an update if there were any concerns or anything significant that required reporting.

Subsequently, it was

RESOLVED –

- (1) T H A T the Forward Work Programme be noted.
- (2) T H A T the schedule of items for the next meeting, 27th February 2023, be endorsed.

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(3) T H A T in terms of audit review work, the Governance and Audit Committee be advised of any concerns or anything significant that the Head of the Regional Internal Audit Service may have.

Reasons for decisions

(1&2) To ensure the Governance and Audit Committee is aware and informed of progress on the proposed work programme.

(3) To advise the Committee of anything of significance or concern.