



SPECIAL GOVERNANCE AND AUDIT COMMITTEE - 7TH MAY 2025

SUBJECT: FINANCIAL STATEMENTS FOR 2023/24

REPORT BY: DIRECTOR OF FINANCIAL SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To present the Governance and Audit Committee with the Audit Wales 'Audit of Accounts Report' for the 2023/24 financial year.
- 1.2 To seek a recommendation from the Governance and Audit Committee that Council approves the 2023/24 Audited Financial Accounts at its meeting on 08 May 2025.

2. SUMMARY

- 2.1 There has been disruption to the annual accounts preparation and audit certification process in recent years across the Local Government sector due to the Covid-19 pandemic and infrastructure audit issues raised in 2021/22. In addition to this, Audit Wales advised Local Authorities in March 2023 that the introduction of a revised auditing standard (ISA 315) for the 2022/23 financial year would have significant and far-reaching impacts on how auditors undertake audit risk assessments and the overall audit approach.
- 2.2 In light of the above, the Welsh Government wrote to Local Authorities in May 2023 informing them that the following deadlines would apply to the publication and audit of the 2023/24 Financial Accounts: -
 - Preparation of Draft Accounts 2023/24 – 30 June 2024.
 - Audit Wales certification – 31 October 2024.
 - Publication of Final Accounts 2023/24 – 30 November 2024.
- 2.3 Caerphilly CBC's 2023/24 Draft Financial Accounts were prepared and submitted to Audit Wales on 05 July 2024. Audit Wales had previously committed to initially focus its audit resources on those Local Authorities that submitted their Draft Accounts by 30 June 2024. Unfortunately, Caerphilly CBC marginally missed this deadline and therefore the audit and certification of the Draft Accounts has been delayed. However, the audit has now been completed, and the Audit Wales 'Audit of Accounts Report' is attached at Appendix 1.
- 2.4 The 2023/24 Audited Financial Accounts attached at Appendix 2 will be presented to

Council for approval at its meeting on 08 May 2025, and they are then scheduled to be certified by the Auditor General on 09 May 2025.

3. RECOMMENDATIONS

- 3.1 The Governance and Audit Committee is asked to: -
- 3.1.1 Receive and comment upon the Audit Wales 'Audit of Accounts Report'.
- 3.1.2 Recommend to Council that the 2023/24 Audited Financial Accounts are approved at its meeting on 08 May 2025.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the 2023/24 Financial Accounts are approved and submitted to the Auditor General for certification.

5. THE REPORT

- 5.1 The Audit Wales 'Audit of Accounts Report' states that it is the Auditor General's intention to issue an unqualified audit opinion on the 2023/24 Financial Accounts.
- 5.2 Appendix 3 of the Auditor's Report provides details of the misstatements identified during the audit process which have subsequently been corrected by management. It is important to stress that these adjustments have no impact on the 2023/24 Provisional Outturn position reported to Cabinet on 17 July 2024 and Council on 24 July 2024, or on cash or usable reserve balances held at 31 March 2024.
- 5.3 The Auditor's Report highlights five uncorrected non-trivial misstatements, the details of which are set out below: -
1. Various balances within the financial statements are misstated due to the consolidation of Cardiff Capital Region City Deal (CCRCD) 2022-23 audited figures instead of the 2023-24 draft figures.
 2. The Revaluation Reserve is understated by £656,000 and the Capital Adjustment Account overstated by the same amount
 3. Land and Buildings is overstated by £3.2 million and Impairments and other movements in revaluations (per the CIES) understated by £3.2 million.
 4. Property, Plant and Equipment depreciation is understated by £851,000.
 5. Other Loans is overstated by £524,000.
- 5.4 The effects of these uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Furthermore, their correction would affect many figures in the financial statements. Officers have therefore decided not to correct the misstatements, and the adjustments will instead be dealt with as part of the preparation of the 2024/25 Draft Financial Accounts which is already underway.
- 5.5 Appendix 4 of the Auditors Report includes 2 new recommendations that have been accepted by Officers. Updates are also provided in relation to progress against recommendations from previous years that are yet to be fully implemented.

Conclusion

- 5.6 It is the Auditor General's intention to issue an unqualified audit opinion on the 2023/24 Financial Accounts.
- 5.7 The 'Audit of Accounts Report' provides details of misstatements identified during the audit process. All misstatements have been adjusted with the exception of five non-trivial misstatements as detailed in paragraph 5.3 of this covering report.
- 5.8 Officers will ensure that the 2 new recommendations arising from the audit of the accounts will be fully implemented and steps will also be taken to ensure that recommendations from previous years that are yet to be fully addressed will be progressed as a matter of urgency.

6. ASSUMPTIONS

- 6.1 A range of accounting assumptions and estimates have been made in respect of the Financial Accounts in accordance with best accounting practice and guidance.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 An Integrated Impact Assessment is not required as the Financial Accounts represent a statement of fact and do not require a change of policy or strategy.

8. FINANCIAL IMPLICATIONS

- 8.1 As identified throughout the report.

9. PERSONNEL IMPLICATIONS

- 9.1 There are no direct personnel implications arising from this report.

10. CONSULTATIONS

- 10.1 There are no consultation responses that have not been reflected in this report.

11. STATUTORY POWER

- 11.1 Accounts and Audit (Wales) Regulations 2014 (As Amended).

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Appendices:

- Appendix 1 Audit Wales 'Audit of Accounts Report – Caerphilly County Borough Council'.
- Appendix 2 Financial Accounts for the Year Ended 31 March 2024.