



City and County of Swansea

**Minutes of the Special Governance & Audit Committee**

Remotely via Microsoft Teams

Tuesday, 24 August 2021 at 10.00 am

**Present:** Paula O'Connor (Chair) presided

**Councillor(s)**

C Anderson  
T J Hennegan  
C E Lloyd  
L V Walton

**Councillor(s)**

P M Black  
P R Hood-Williams  
S Pritchard  
T M White

**Councillor(s)**

D W Helliwell  
J W Jones  
J A Raynor

**Lay Member**

Julie Davies

**Also Present**

Councillor R C Stewart – Leader of the Council

**Officer(s)**

Simon Cockings  
Adam Hill  
Jeremy Parkhouse  
Ben Smith  
Debbie Smith

Chief Auditor  
Deputy Chief Executive / Director of Resources  
Democratic Services Officer  
Chief Finance Officer / Section 151 Officer  
Deputy Chief Legal Officer

**Also Present**

Jason Garcia                      Wales Audit Office

**Apologies for Absence:** None.

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**20 Disclosures of Personal and Prejudicial Interests.**

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

**21 Statement of Accounts 2020/21.**

Ben Smith, Chief Finance Officer / Section 151 Officer presented the Draft Statement of Accounts for 2020/21 'for information' and review.

The Leader of the Council Paid tribute to the Chief Finance Officer / Section 151 Officer and the financial staff for their work throughout the Covid 19 Pandemic and highlighted the budget surplus achieved during the 2020/21 financial year. The

Chair also echoed the comments of the Leader and stated that she had been kept very well informed of financial progress throughout the year.

It was outlined that the Draft Accounts for 2020/21 had been prepared and were signed by the Section 151 Officer on 27 May 2021. A copy was appended at Appendix 'A' to the report.

The Accounts had been formally presented to the Council's auditors, Audit Wales, who had completed the audit of the Accounts. As part of the audit process the Accounts were made available for inspection by the public for a four week period from 12 July to 6 August 2021.

The qualified audit opinion was noted and the technical reasons surrounding the decision were highlighted as follows: -

- The Authority had incorrectly recorded in its accounting records historical cost depreciation adjustments between its revaluation reserve (Note 22) and its capital adjustment account (Note 22) since at least 2011-2012 resulting in both being potentially materially misstated. The Council was currently analysing its accounting records to correct for this matter but to date, had been unable to quantify the full value of the misstatement.

Jason Garcia, Audit Wales added that the issue had first been reported 5 years ago and Audit Wales felt that the threshold level of £9m had been breached. Audit Wales had to assess that the accounts were materially correct but it was felt that the error was more than materiality and commented upon the current asset register system used by the Council, which had resulted in the asset management aspect not being effective. The system used was also very labour intensive.

As a result, Audit Wales were unable to determine the level of adjustment necessary to correct for the matter.

The Chief Finance Officer / Section 151 Officer commented that it would be very difficult to overcome the issue with complete certainty and could possibly take up to 6 months to finalise matters with a mutually agreed estimate of the adjustment needed.

The Committee asked questions of the Chief Finance Officer / Section 151 Officer, which were responded to accordingly.

It was noted that the Statement of Accounts were scheduled to be presented to Council on 2 September 2021.

## **22 Audit Wales - ISA 260 Report - City And County of Swansea.**

Jason Garcia, presented the draft Audit Wales Audit of Accounts Report – City and County of Swansea.

The significant effect of the COVID-19 pandemic upon the process was underlined and the considerable effort of the Council's accounts team who succeeded in doing so this year in the face of the challenges posed, was highlighted. The Council were able to produce the draft statement of accounts by 27 May 2021, which was well ahead of the statutory deadline. Audit Wales were extremely grateful to the professionalism of the team in supporting them to complete their audit in such difficult circumstances.

It was added that the pandemic had once again unsurprisingly affected the audit and Exhibit 1 outlined the main impacts and was provided for information. Audit Wales intended issuing a qualified audit opinion on this year's accounts once the Authority had provided the Letter of Representation based on Appendix 1. Audit Wales had material concerns about aspects of the accounts and outlined that the financial statements included unusable reserves and the background relating to the decision was provided.

The proposed Audit Report was provided at Appendix 2.

One misstatement was identified in the accounts that was above the trivial level which had been discussed with management but remained uncorrected. After discussions with Council officers, Audit Wales agreed that the value of the misstatement was not material and therefore the Council had not amended the financial statements. The misstatement related to donated personal protective equipment (PPE) received during 2020-21 that had not been accounted for and recognised in the financial statements. The value of PPE received totalled £2.018 million, of which some had been retained and used by the Council and some had been issued to third parties. The accounting requirements for these transactions were set out in the Code but the Council had omitted them from the financial statements. It should be noted that the impact of these transactions had a net nil effect on both the balance sheet and the comprehensive income and expenditure statement.

Appendix 3 provided the corrected misstatements, other significant issues were presented at Exhibit 2 and the recommendations arising from the audit were at Appendix 4.

It was noted that the report would be presented to Council on Thursday, 2 September 2021.

**23 Audit Wales - Financial Sustainability Assessment - City and County of Swansea Council.**

Jason Garcia, presented the Audit Wales Financial Sustainability Assessment – City & County of Swansea.

The report outlined what Audit Wales looked at and why. It was outlined that the Council was well placed to maintain its financial sustainability and planned to strengthen some aspects of its financial management.

It was added that the immediate impact of COVID-19 on the Council's financial sustainability had been mitigated by additional Welsh Government funding and Exhibit 1 provided the cost to the Council of COVID-19 over 2020-21.

The Council had revised both its transformation strategy document and medium-term financial plan which were supported by new governance arrangements and it Exhibit 2 noted that the Council had a total projected funding gap for the period 2022-23 to 2025-26 of £20.8 million.

The significant improvement in the level of useable reserves was highlighted and Exhibit 4 outlined the amount of overspend / underspend relative to total net revenue budget.

The report further stated that the Council had not monitored its savings during 2020-21, but planned to reintroduce revised monitoring processes in 2021-22 to help meet its future funding gap. The Council's liquidity position was sound, enabling it to meet its financial obligations when they fall due.

Exhibit 5 provided the savings delivered during the period 2016-17 to 2019-20 as a percentage of planned savings and Exhibit 6 provided the working capital ratio 2015-16 to 2019-20.

The Chair thanked the Audit Wales representative for the report and thanked Officers for keeping the Committee well informed throughout the financial year.

The meeting ended at 12.00 pm

**Chair**