South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTING
Contains Confidential or Exempt Information	NO

For Consideration By	Corporate Joint Committee
Report Title	2025/26 Audited Statement of Accounts and Annual Government Statement.
Report of	James Howse, Strategic Director Resources
Contact Details	James.howse@cardiffcapitalregion.gov.uk
Date to be Considered	12 October 2026
Implementation Date	N/A
Affected Council Areas	All
Keywords / Index	Finance; Statements of Accounts; Audited Accounts; Annual Governance Statement

Report Summary

1. To provide for information, the final audited Statement of Accounts and the Annual Governance Statement in respect of the South-East Wales Corporate Joint Committee for the financial year 2025/26 (as presented and approved by the Governance and Audit Sub-Committee on 25 September 2026).

2. To provide for information, the Appointed Auditor's report on key matters arising from the audit examination of the Statement of Accounts for the year ending 31st March 2026, as required by International Standard on Auditing (ISA) 260 and as presented to the Governance and Audit Sub-Committee on 25 September 2026.

Recommendations

3. It is recommended that the CJC notes:

   (1) That the Governance and Audit Sub-Committee at its meeting on 25 September 2026 approved the audited Statement of Accounts 2025/26 (and Annual Governance Statement) for South East Wales Corporate Joint Committee, following review of the Audit report of Audit Wales on those Statement of Accounts;

(2) The Audit of Accounts Annual Report 2025/26 of Audit Wales (as included at Appendix 1)

(3) That, as reported to the Governance and Audit Sub-Committee at its meeting on 25 September 2026, the following documents will be formally signed upon completion of all outstanding audit procedures:

- Statement of Accounts for South East Wales Corporate Joint Committee (Chair of CJC and S151 Officer);
- Annual Governance Statement (Chair of Governance and Audit Sub Committee and Chief Executive);
- Audit Certificate for the South East Wales Corporate Joint Committee (Appointed Auditor, Wales Audit Office);
- Letter of Representation for the South East Wales Corporate Joint Committee (Chair of CJC and Chief Executive).

Reason for Recommendations and Background Information

4. To update the Corporate Joint Committee, following the Governance & Audit Sub-Committee meeting on 25 September 2026, of the conclusion and findings of the audit relating to the 2025/26 financial statements and Annual Governance Statement.

5. To comply with The Accounts and Audit (Wales) (Amendments) Regulations 2018.

Background

6. The audited Statement of Accounts for the South East Wales Corporate Joint Committee for the financial year 2025/26 can be found at (Financial Statements for 2025/26).

7. The Statement of Accounts having been previously published and provided to our external auditors (in draft terms) in line with appropriate guidance and required timelines, on 1 June 2026.

8. It should be noted that the Statement of Accounts were made available for public inspection for a period of 4 weeks from 21 July – 17 August, as required by the Public Audit (Wales) Act 2004 and the Accounts and Audit (Wales) Regulations, 2014.

Statement of Accounts

9. Following submission of the Draft Statement of Accounts on the 1 June 2026 (which compares to 3 September 2025 in the prior year), Audit Wales have undertaken an audit of the CJC's 'Single Entity' Accounts and its 'Group' Accounts which include its subsidiaries: CCR Energy Ltd, CSC Foundry Ltd and Innovation Investment Capital LLP.

10. As set out in their "Audit of Financial Statements Report" (referred to as the 'audit report' and attached at Appendix1) Audit Wales have substantially

completed their work and they intend to issue an unqualified audit report (following receipt of the approved financial statements and the signed standard Letter of Representation).

11. As set out in the audit report, the remaining tasks of Audit Wales involved (at the time of writing that report):

- Audit of the agreed amendments and final draft accounts, including any changes arising from amendments to the single-entity accounts of the components.
- Receipt of the final information and confirmations from the component auditors.
- Final review and closure of the audit file.

12. Audit Wales subsequently updating the Governance and Audit Sub-Committee at its meeting on 25 September 2026, that these matters had been substantially completed.

Quality of Accounts Closedown Process

13. In addition to improvements with regard to the accounts closedown timetable for 2025/26 noted above, the qualitative aspects of the process continue to be improved and developed.

14. The positive comments made within the audit report in this regard by our external auditors relate to the quality of the draft accounts, supporting working papers and levels of CJC responsiveness to audit enquiries.

15. Consequently, the significant issue previously raised by external audit in relation to the accounts and associated working papers, has not been raised this year.

16. Critically, as set out in the Auditor Report, Audit Wales anticipate being able to issue an unqualified audit opinion.

Adjustments to the draft accounts

17. During the audit, a relatively small number of misstatements were identified, and corrected by management (and therefore accounted for within the Statement of Accounts), and these have been set out in the audit report.

18. There were also two misstatements identified in the accounts, which have not been corrected. As set out in the audit report it is management’s judgement not to make these corrections because the amounts are not material, either individually or in aggregate, and do not result in a distortion of the financial statements or impact users' understanding of the CJC's financial position.

Other Significant Issues

19. As part of their audit work, Audit Wales consider whether there are any other significant issues that need to be brought to the attention of those charged with governance. No such issues have been raised.

Recommendations

20. Two recommendations for improvement have been made in the audit report. These relate to audit documentation in relation to financial instrument disclosures and declarations of interest and related party disclosures. Management have accepted and put in place agreed actions for both recommendations.

Annual Governance Statement

21. The Annual Governance Statement (AGS) for 2025/26 is produced and audited alongside the primary financial statements and incorporated within the Statement of Accounts for 2025/26.

22. The AGS (which is included at Appendix 2) summarises an assessment of governance against the Governance Framework and comprises three elements:

- assurance statements from Senior Management, Internal Audit and the Governance and Audit Committee;
- a supporting analysis mapped to the seven Framework principles to indicate how the assessment is based on supporting information and evidence;
- identification and disclosure from the Senior Executive Team (SET) of any significant governance issues affecting the CJC in the form of summary actions to take forward and address.

23. Audit Wales have considered the 2025/26 Annual Governance Statement and identified no changes are required.

Comments of the s.151 Officer

24. Members attention is drawn to the Audit Report from Audit Wales (Appendix 1) which outlines their intention to issue an unqualified audit opinion.

Comments of the Monitoring Officer

25. The CJC has a legal duty to produce annual accounts. The Audited Statement of Accounts and the Annual Governance Statement are key annual assurance documents for the CJC, its stakeholders and the public it serves.

Staffing Implications

26. There are no staffing implications arising from this report.

Equality, Human Rights and Community Cohesion

27. No adverse equalities implications have been identified.

Well-being of Future Generations

28. Regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015.

Welsh Language Implications

29. None.

Background Papers

30. Audited Annual Statement of Accounts 2025/26 which can be found at (Financial Statements for 25/26)

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Meeting Date: 12 October 2026

Appendices: Appendix 1 Audit of Accounts Annual Report 2025/26
Appendix 2 Audited Annual Governance Statement 2025/26

Archwilio Cymru
Audit Wales

Audit of Accounts Report – South East Wales Corporate Joint Committee

Audit year: 2025-26

Date issued: September 2026

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Introduction

Catherine Mealing-Jones

Auditor General for Wales

As the newly appointed Auditor General for Wales, I am pleased to share my Audit of Accounts Report. The Report summarises the main findings from my audit of your 2025-26 annual report and accounts. My team have already discussed these findings with the Interim Strategic Director, Resources (S151 Officer).

My team has substantially completed the audit work set out in my Audit Plan dated March 2026. The work outstanding at the date this report was provided is as follows:

- Audit of the agreed amendments and final draft accounts, including any changes arising from amendments to the single-entity accounts of the components.
- Receipt of the final information and confirmations from the component auditors.
- Final review and closure of the audit file.

Since my Audit Plan, I have updated materiality to reflect the 2025-26 accounts. I have also identified one new audit risk which has been brought to your attention, along with my response to previously identified audit risks in **Appendix 1**.

I am required to provide an opinion on whether the accounts have been properly prepared and give a true and fair view, in all material aspects. My proposed audit opinion and basis for it is outlined on page 10.

It is the responsibility of those charged with governance to address any matters raised in my report and provide me with a Letter of Representation.

I would like to extend my gratitude to the officers and staff for their cooperation throughout the audit process which has been invaluable in completing this audit effectively.

Your audit at a glance

We intend to issue an **unqualified opinion** on the accounts.

See **Appendix 3**

There are **no other significant matters** to report. However, we have provided an update to significant matters reported in prior year audit reports.

See **Audit findings**

There are **two uncorrected misstatements** in the accounts which we wish to draw to your attention.

See **Audit findings**

We have raised **two recommendations** as a result of our work.

See **Appendix 5**

We are aiming to certify your accounts on **29 September 2026**, which is ahead of the deadline of **30 September 2026.**

Materiality

I use professional judgement to set a materiality threshold to identify and correct misstatements that could affect users' decisions, considering both financial errors and disclosure requirements according to the applicable accounting framework and laws. My team updates materiality throughout the audit and I include in this report matters that exceed my reporting threshold, as set out below:

Materiality	Reporting threshold
Set at 1% of gross assets based upon 2025-26 draft financial statements	Set at 5% of materiality
Audited body £2.2 million	**Audited body £111,000**
Group £2.4 million	**Group £118,000**

Some areas of the accounts may be of greater importance to users of the accounts. We confirm lower materiality levels for these:

Remuneration report	Related party disclosures - senior officer and CJC members
£1,000	£10,000

Audit of Groups

The group accounts contain the results of the single entity, being South East Wales Corporate Joint Committee (the CJC) and its trading subsidiaries: Compound Semi-Conductor Foundry Ltd, Cardiff Capital Region Energy Ltd, and Innovation Investment Capital LLP which are regarded as components of the group.

Last year, we were required to implement a revised auditing standard for the audit of groups. The revised standard saw us adopt a more risk-based approach, ensuring that audit procedures were tailored to address specific risks impacting the group accounts.

My team maintained regular communication with component auditors throughout the audit, including directing and reviewing their work. Although delays in receiving information created pressure in the latter stages, support from the CJC enabled us to obtain the evidence needed and complete this work in time to support the planned audit timetable. If the audit is to be delivered sooner in future, component auditor information will need to be received in line with agreed deadlines so that group audit procedures can be completed and reviewed earlier. Our responses to the group risks, and the related findings, are documented in **Appendix 1**.

Audit Findings

Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

Uncorrected misstatements

We set out below the misstatements we identified in the accounts, which have been discussed with management but remain uncorrected:

- we noted a variance in the carrying value of a loan calculated by ourselves and the CJC. This was due to the CJC's calculation approximating the appropriate value; and
- we noted that a loss on modification of a loan asset has not been recognised.

They both relate to the CJC using an estimation basis rather than calculating actual values, as required by the CIPFA Code of Practice on Local Authority Accounting (the Code), which is the relevant accounting framework.

In each case, the difference between the value recalculated in accordance with the Code and the estimated value calculated by the CJC is not material and is only marginally above our reporting threshold. We have therefore concluded that the estimates are materially reasonable. However, we have concluded that the differences between the actual and estimated values should still be reported here for those charged with governance.

We have requested that the CJC correct both misstatements. However, as reported in the Letter of Representation, the CJC has decided not to make these corrections because amounts are not material, either individually or in aggregate, and do not result in a distortion of the financial statements or impact users' understanding of the Council's financial position.

Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 2**.

Other significant issues

International Standard on Auditing 260 requires us to communicate certain matters to those charged with governance. We must report significant findings from the audit and other matters if they are significant to your oversight of the CJC's financial reporting process.

There were no such issues identified during the audit.

Improvements to the quality of Statement of Accounts and Working Papers

We have previously reported significant issues with the quality and accuracy of the financial statements and supporting working papers. We are pleased to report that the 2025-26 draft accounts and audit process demonstrate continued improvement for the second year in a row.

The quality of the draft accounts and supporting working papers has improved with the draft accounts being provided a month in advance of the statutory deadline. In both cases this demonstrates positive development and reflects the continued steps taken by officers to strengthen the quality and timeliness of submissions.

Officers have also continued to engage constructively with the audit team throughout the audit. Responses to audit enquiries have generally been provided promptly, which has supported the effective and timely completion of our work.

We would like to thank officers for the way they have worked with us throughout the accounts production and audit process. Maintaining this progress will be important, particularly in the more technical accounting areas arising from the nature of the CJC's activities, including financial instrument disclosures.

Proposed audit opinion

Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 3**.

Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is required by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 4** and is in line with our standard request for representations.

Recommendations

We have made recommendations during the audit, which are set out in **Appendix 5** along with management's responses to the recommendations.

We will monitor progress against the recommendations during next year's audit.

Audit team and ethical compliance

The main members of my team who carried out the audit work, together with their contact details, are summarised in **Exhibit 1**.

Exhibit 1: My local audit team

Engagement Lead	Richard Harries Richard.Harries@audit.wales
Audit Manager	Alice King Alice.King@audit.wales
Audit Lead	Ali Tariq Ali.Tariq@audit.wales

Compliance with ethical standards

We confirm that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been compromised; and
- we have no relationships that could undermine our independence or objectivity.

Appendix 1 – Audit risks and outcomes

In May 2026, our Audit Plan was provided to the Governance and Audit Committee based on the risks identified.

At that time, we were considering whether an overarching financial statement level risk relating to the quality of the accounts and supporting working papers remained necessary, given the issues identified in 2023-24 and 2024-25.

Our assessment of the improvements made in 2024-25 compared with 2023-24, alongside our initial review of the 2025-26 draft accounts and working papers, supported our conclusion that an overarching risk was no longer required. We have instead adopted a more targeted assessment focused on the specific balances, disclosures and judgements where material error remains possible. These areas are set out in **Exhibit 2**, while other unchanged risks from our Audit Plan are set out in **Exhibit 3**.

Exhibit 2: Audit risks identified following issue of my Audit Plan

Audit risk	Work done	Outcome
The overall quality of the accounts and supporting working papers has improved. However, our previous audit work has highlighted specific areas where there remains a higher risk of material misstatement. We will therefore focus our audit work on those transactions, balances and disclosures.	The audit team performed targeted audit procedures to confirm the accuracy, valuation and presentation of the following account areas: • Other Service Expenses • Government Grants and Contributions • Financial Instrument Interest Receivable • Long-term Loans Assets • Short-term Debtors • Short-term Creditors • MiRS and Reserves • Cash Flow and Supporting Notes • Expenditure Funding Analysis and Supporting Note	My audit work identified ten corrections as included within the summary of corrections made in **Appendix 2**. There are 2 uncorrected misstatements associated with Long-term Loans Assets as reported on p.9 of this report.

Exhibit 3: Audit risks reported previously, work done and outcome

Audit risk	Work done	Outcome
Risk of management override	The audit team: • tested the appropriateness of journal entries and other adjustments made in preparing the financial statements; • reviewed accounting estimates for bias; and • evaluated the rationale for any significant transactions outside the normal course of business.	My audit work did not identify any instances of management override of controls.
Consolidation of the component accounts into the group	My audit team: • audited the consolidation process, including a sample of consolidation adjustments; and • reviewed and confirmed the appropriateness of the assessment made by the CJC of the impact of differences in the accounting framework and policies of the components on the group accounts.	My audit work did not identify any issues/errors.

Valuation of investments and investment properties	For investments held by the single entity, my audit team: • tested a sample of investments to ensure the valuation basis, key data and assumptions used in the valuation process were reasonable, and the investments had been correctly reflected in the financial statements; • reviewed information provided to external experts to assess for completeness; and • evaluated the competence, capabilities and objectivity of external experts. For investments and investment properties held by components of the group, my audit team: • maintained regular communication with the component auditors through the issue of group auditor instructions; • determined the scope of the component auditor's work; • evaluated the component auditor's work; and	My audit work did not identify any misstatements related to this risk.

	• considered any significant audit findings.	
Fair value of financial instruments	My audit team: • reviewed the information provided to the treasury management provider to assess completeness and accuracy; • evaluated the competence, capabilities and objectivity of the treasury management provider; • tested a sample of fair value calculations to ensure the calculations, key data and assumptions used in the calculation process were reasonable; and • agreed that the calculated fair values of financial instruments had been correctly reflected in the financial statements.	My audit work identified two corrections as included within the summary of corrections made in **Appendix 2**.

Valuation of pension fund net liability or surplus	My audit team: • evaluated the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the valuations; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • assessed the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required; • undertook a programme of work to provide assurance over the data used by the actuary to undertake the triennial valuation; and • assessed whether any legal cases could have had a material impact on the net liability and, if so, confirmed that this had been appropriately	My audit work did not identify any misstatements related to this risk.

	recognised and disclosed within the financial statements.	
Accuracy of IAS19 disclosures	My audit team: • tested the accuracy of the pension fund net liability and disclosures in the financial statements against the actuarial report from the actuary; and • assessed the accounting treatment against the CIPFA Code requirements.	My audit work identified one correction as included within the summary of corrections made in **Appendix 2**.
Senior officer remuneration	My audit team: • understood the movements in the senior management team during 2025-26; • ensured that remuneration disclosed was consistent with supporting evidence; • ensured that amounts paid were consistent with those approved by the CJC; and • ensured that disclosures were complete based on the team's knowledge and were prepared in accordance with requirements.	My audit work identified five corrections as included within the summary of corrections made in **Appendix 2**.

Related party disclosures	My audit team: • reviewed the CJC's process for identifying related party relationships and associated transactions and balances; • undertook procedures to confirm the completeness of related party relationships; and • ensured disclosures were complete, accurate, consistent with evidence and in accordance with the Local Government Code.	My audit work identified one correction as included within the summary of corrections made in **Appendix 2**.

Appendix 2 – Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

Exhibit 4 – Corrections with an impact on the primary statements

Value of correction	Accounts area	Explanation
£2,661k	Note 8: Financial instruments	Expected credit losses for ten loan assets were not recognised. This reduced the net total comprehensive income and reduced the total balance sheet position.
£336k	Note 8: Financial instruments	The interest income for three loan assets was understated. The carrying value of said loans was also increased as a consequence of this. This increased the net total comprehensive income and increased the total balance sheet position.
£239k	Note 9.4: Short term loans	The interest income for a short-term loan was under accrued. This also resulted in a change in the carrying value. This increased the net total comprehensive income and increased the total balance sheet position.

£148k	Note 8.4: Equity investments	The fair value of an equity investment was overstated as the calculation did not reflect the actual shareholding at the year end. This reduced the total balance sheet position.
£135k	Note 11: Creditors	There was a missing accrual for a creditor balance that required inclusion in the accounts. This reduced the net total comprehensive income and reduced the total balance sheet position.

Exhibit 5 – Corrections which did not impact the primary statements

Value of correction	Accounts area	Explanation
£22,329k	Note 11: Creditors	A creditor balance was disclosed twice in the financial statements. The duplicated disclosure was removed. This did not affect the total balance sheet position.
Various	Note 8.3: Fair values of assets and liabilities	Carrying values in the disclosure table were overstated and resulted in the following changes: • reducing Welsh Government repayable funding by £3,631k in the current year and £3,942k in the prior year; and • reducing Equity investments by £7,396k in the current year and £7,056k in the prior year.

		This did not affect the total balance sheet position.
£6,200k	Note 28: Capital expenditure and capital financing	Funding applied to REFCUS was not clearly disclosed. An equivalent amendment of £7,683k is made for the comparative figures. This did not affect the net total comprehensive income.
£5,475k	Note 8: Financial instruments	Two loan assets were incorrectly classified as long term when it was more appropriate to classify them as short term. This did not affect the total balance sheet position.
£4,237k	Note 8: Financial instruments	A prior year gain on a soft loan was incorrectly classified as other comprehensive income when it should have been included under grant income. This did not affect the net total comprehensive income, or the total balance sheet position.
£3,885k	Note 17: Cash Flow Statement – Interest within Operating Activities	Figures in this disclosure note contained non-cash items, however this note should include only cash-based interest payments and receipts. This did not affect the year end cash balance.
£3,885k	Note 18: Cash Flow Statement - Investing Activities	The receipts from investing activities contained non-cash items, however this note should include only cash-based payments and receipts. This did not affect the year end cash balance.

£292k and £553k	Movement in reserves statement	A posting error occurred whereby the pension reserve movements were recorded in the opposite direction to the intended entry resulting in an incorrect total reserve position. This did not affect the year end reserves position.
£708k	Note 9.4: Short term loans	Part of one loan asset was incorrectly classified as long term when it was more appropriate to classify as short term. This did not affect the total balance sheet position.
£373k	Note 27.4: Reconciliation of the fair value of scheme assets	The disclosure of actual returns in year did not reflect figures provided by the actuary. This did not affect the total balance sheet position.
£261k	Note 21: CJC income and expenditure analysis	Note 21 was inconsistent with the Comprehensive Income and Expenditure Statement because: • employee expenses were overstated due to pension remeasurements being incorrectly included within the note; and • there was a misclassification between interest income and interest expenses. This did not affect the net total comprehensive income.
£210k	Note 20.1: Expenditure and funding analysis	REFCUS expenditure was overstated and misclassified. The appropriate classification is:

		• (£68k) under Policy impact and partnerships; and • (£6,132k) under Regional Growth and Investments. This did not affect the net total comprehensive income.
£27k and £5k	Note 23: Officers remuneration	Remuneration of a senior officer included salary payments and employer pension contributions that did not relate to their work as a senior officer. This did not affect the net total comprehensive income.
£4k, £11k, and £19k	Note 23: Officers remuneration	Costs paid to agencies for employment of senior officers did not reflect the exact period they served as senior officers. This did not affect the net total comprehensive income.
£5k	Note 23: Officers remuneration	Remuneration for a senior officer did not include all relevant payments received in year. This did not affect the net total comprehensive income.
£1k	Note 23: Officers remuneration	Remuneration for a senior officer was not rounded correctly. This did not affect the net total comprehensive income.
Various	Note 18: Cash flow statement – investing activities	Three net cash inflows and outflows were inappropriately aggregated and required disaggregation into separate inflows and outflows. This did not affect the year end cash balance.

Various	Note 20.1: Expenditure and funding analysis	Comparative information in this note was not presented in a format that was comparable to the current year information included in this note. This did not affect the net total comprehensive income.
Various	Note 23: Officers remuneration	Banding disclosures were misclassified, and this was rectified. This did not affect the net total comprehensive income.
Various	Note 26: Related parties	Disclosure for transactions and balances with subsidiaries of SEW CJC were omitted in error. This did not affect the total comprehensive income or total balance sheet position.
Narrative	Note 1: Accounting policies	Accounting policies for the treatment of borrowings and for IAS19 disclosures were not included. This did not affect the primary statements as it is a narrative amendment.
Narrative	Note 5: Events after the reporting period	A disclosure for a loan extension signed after the year end and before the certification date was omitted. This did not affect the primary statements as it is a narrative amendment.
Narrative	Note 29: Provisions and contingent liabilities	A disclosure for a contingent liability was omitted and subsequently included.

		This did not affect the primary statements as it is a narrative amendment.
Various	Various	There were several casting, cross casting, cross referencing issues amended to ensure accuracy. Several line descriptions and narrative disclosures were amended to increase accuracy and clarity. This did not affect the net total comprehensive income or total balance sheet position.

Exhibit 6 – Corrections arising due to changes in subsidiary financial statements

The amendments described below arise from changes between the draft financial statements of the subsidiaries of SEW CJC, and their audited financial statements. These impact on the primary statements of the SEW CJC's group accounts and have been included for information. They did not arise due to errors in the preparation of SEW CJC's group accounts.

Value of amendment	Subsidiary & Accounts area	Explanation
£7,463k	IIC: Net changes in the fair value of investments	There was a reduction in the fair value of investments recognised as a loss in the Comprehensive Income and Expenditure Statement and a consequent reduction in the carrying value of investments in the Balance Sheet.
£2,832k	IIC: Trade receivables	There was a reduction in value of trade debtors held in the balance sheet.

£2,558k	CCR Energy: Taxation for the year	There was an increase in the tax expense for the year in the Comprehensive Income and Expenditure Statement and a corresponding reduction in tax debtors in the Balance Sheet.

Appendix 3 – Proposed audit report

The report of the Auditor General for Wales to the members of South East Wales Corporate Joint Committee

Opinion on financial statements

I have audited the financial statements of:

- South East Wales Corporate Joint Committee; and
- South East Wales Corporate Joint Committee Group

for the year ended 31 March 2026 under the Public Audit (Wales) Act 2004.

South East Wales Corporate Joint Committee's financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including the material accounting policies.

South East Wales Corporate Joint Committee Group's financial statements comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2026.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of South East Wales Corporate Joint Committee and South East Wales Corporate Joint Committee Group as at 31 March 2026 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2026.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of financial statements and regularity of public sector bodies in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of South East Wales Corporate Joint Committee and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on South East Wales Corporate Joint Committee and its Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2026;

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of South East Wales Corporate Joint Committee and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or

- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages ... to ..., the responsible financial officer is responsible for:

- the preparation of the statement of accounts, including South East Wales Corporate Joint Committee Group financial statements, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines are necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error; and
- assessing South East Wales Corporate Joint Committee and its Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by South East Wales Corporate Joint Committee and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, South East Wales Corporate Joint Committee's internal audit provider and those charged with governance, including obtaining and reviewing supporting documentation relating to South East Wales Corporate Joint Committee and its Group's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, posting of unusual journals;
- obtaining an understanding of South East Wales Corporate Joint Committee and its Group's framework of authority as well as other legal and regulatory frameworks that South East Wales Corporate Joint Committee and its Group operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of South East Wales Corporate Joint Committee and its Group; and
- obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisers about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of South East Wales Corporate Joint Committee and its Group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of South East Wales Corporate Joint Committee and its Group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Catherine Mealing-Jones
Auditor General for Wales
29/09/2026

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Appendix 4 – Letter of representation

Auditor General for Wales

Wales Audit Office

1 Capital Quarter

Cardiff

CF10 4BZ

Date

Representations regarding the 2025-26 financial statements

This letter is provided in connection with your audit of the financial statements of South East Wales Corporate Joint Committee and its Group for the year ended 31 March 2026 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2026; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects South East Wales Corporate Joint Committee and Group and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to

achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free from material misstatements, including omissions. There are two misstatements identified in the accounts, which remain uncorrected. Management has reviewed the unadjusted differences relating to the loan carrying value and the unrecognised modification loss and has concluded that no adjustment is necessary. The amounts are not material, either individually or in aggregate, and do not result in a distortion of the financial statements or impact users' understanding of the Council's financial position.

Representations by Those Charged with Governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the South East Wales Corporate Joint Committee Governance and Audit Committee on 25 September 2026.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Officer who signs on behalf of management	Member who signs on behalf of those charged with governance
Date:	Date:

Appendix 5 – Recommendations

We set out below recommendations from our audit along with your management's response to them.

1. Accuracy and completeness of financial instrument disclosures

This is a complex aspect of the accounts, the CJC should strengthen its arrangements for preparing and reviewing financial instrument disclosures to ensure that the information included in the financial statements is complete, accurate and supported by appropriate evidence. This should include clear checks to confirm that expected credit losses have been considered and disclosed where required, that any changes or updates to loan terms are appropriately reflected, and that evidence is retained to support loan arrangements, including arrangement fees and any other key terms relevant to the accounting treatment and disclosure. The CJC should also ensure a quality assurance review of the disclosures prepared is undertaken to confirm that the supporting evidence has been appropriately reviewed and that all relevant financial instrument information is accurately reflected in the financial statements.

Priority: Medium

Accepted in full by management: Yes

Management response:

We agree and will strengthen our arrangements for preparing and reviewing financial instrument disclosures which will going forward include additional checks to confirm that expected credit losses have been considered and disclosed where required, that loan terms are appropriately reflected, and that evidence is retained to support loan arrangements. Our closedown working papers will in future include additional documented checks which will strengthen the evidence that all relevant financial instrument disclosures have been reviewed.

Implementation date: May 2027

2. Completeness and accuracy of declarations of interest and related party disclosures

The CJC should strengthen its arrangements for identifying, obtaining and reviewing declarations of interest to ensure that related party disclosures included in the financial statements are complete, accurate and supported by appropriate evidence. This should include clear checks to confirm that declarations are obtained from all relevant members and officers for the full financial year, including those who join or leave during the year and agency staff where relevant. The CJC should also ensure a quality assurance review of the disclosures prepared is undertaken to confirm that the supporting evidence has been appropriately reviewed and that all relevant related party relationships and transactions and balances are accurately reflected in the financial statements.

Priority: Medium

Accepted in full by management: Yes

Management response:

We agree and will strengthen our arrangements for identifying, obtaining and reviewing declarations of interest to ensure that related party disclosures included in the financial statements are complete, accurate and supported by appropriate evidence - including those who join or leave during the year and agency staff where relevant. Our closedown working papers will in future include additional documented checks which will strengthen the evidence that all relevant related party relationships and transactions and balances are accurately reflected in the financial statements.

Implementation date: May 2027

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board acts as a link to our Board on audit quality. For more information see our latest audit quality report.

Our People

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality
Selection of right team

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance

- EQRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

Supporting you

Audit Wales has a range of resources to support the scrutiny of Welsh public bodies, and to support them in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

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Information on our upcoming work and forward work programme for performance audit.

Data tools to help you better understand public spending trends.

Details of our Good Practice work and events, including the sharing of emerging practice and insights from our audit work.

Our newsletter which provides you with regular updates on our public service audit work, good practice, and events.

Archwilio Cymru
Audit Wales

Audit Wales

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E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Prifddinas Ranbarth Caerdydd | Cardiff Capital Region

South East Wales Corporate Joint Committee
Annual Governance Statement 2025-26

South East Wales Corporate Joint Committee Annual Governance Statement 2025/2026

Introduction and Background

1. The South East Wales Corporate Joint Committee (SEWCJC) is a regional body (also known Cardiff Capital Region) established as a body corporate by the South East Wales Corporate Joint Committee Regulations 2021 (the Regulations).

2. In 2025-26, the SEWCJC had three key areas of responsibility:

   - preparing a Strategic Development Plan;
   - preparing a Regional Transport Plan and overseeing its delivery;
   - doing whatever is deemed necessary to enhance or promote the economic well-being of the region

3. Under the Regulations the core membership of the SEWCJC comprises the elected leaders of the 10 local authorities[1] falling within the SEWCJC Region and a representative of the Bannau Brycheiniog National Park Authority. There is a general power to co-opt additional members.

Scope of Responsibility

4. The SEWCJC is responsible for ensuring that (i) its business is conducted in accordance with the law and proper standards; and (ii) that public money is safeguarded and properly accounted for, with resources being used economically, efficiently, and effectively. In discharging this overall responsibility, the CJC is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk and must publish an Annual Governance Statement (AGS) that reflects on how, in the previous financial year, it has discharged these responsibilities.

5. In addition to the three key areas set out in paragraph 2 above, SEWCJC is responsible for the delivery of the Cardiff Capital Region City Deal, an Investment Zone centred on Cardiff and Newport and the Local Innovation Partnership Fund. It has two wholly owned subsidiary companies, CSC Foundry Ltd and CCR Energy Ltd, both of which traded in 2025-26. The SEWCJC is also the general partner in a private fund limited partnership, Innovation Investment Capital Limited Partnership.

6. The CJC's governance framework detailed in the Constitution sets out the systems, processes and values by which itis directed and controlled; and the activities through which it accounts to the region. It ensures that the CJC directs its resources towards its priorities and in accordance with its policy framework;

[1] Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen and Vale of Glamorgan

Draft

that there is sound and inclusive decision-making; and that there is clear accountability. These arrangements cannot be viewed in isolation and there are a number of different bodies involved in the delivery of CCR's objectives, each with their own governance arrangements. These include:

- The ten constituent Local Authorities in South East Wales
- The Brecon Beacons National Park Authority
- Regional Partners and Stakeholders
- Welsh Government
- UK Government
- CCR Energy Ltd
- CSC Foundry Ltd
- Innovation Investment Capital Limited Partnership
- Organisations in which the CJC holds investments

Annual Governance Statement (AGS)

7. This AGS has been prepared in accordance with the framework set out in the CIPFA/Solace publication '**Delivering Good Governance in Local Government**'. The Framework comprises two core principles and five supporting principles. Good governance is dynamic, and the SEWCJC is committed to improving governance on a continuing basis through a process of evaluation and review. These seven principles remain untouched by the recently issued addendum on Delivering Good Governance.

Core principles

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

Supporting principles

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Draft

Assessment Process and Summary

8. The AGS summarises the assessment of governance against the Governance Framework and comprises three elements:

- **assurance statements** from Senior Management, Internal Audit and the Governance and Audit Committee
- a **supporting analysis** mapped to the seven Framework principles (A-G) to indicate how the assessment is based on supporting information and evidence
- identification and disclosure from the Senior Executive Team (SET) of any significant governance issues affecting the CJC in the form of **summary actions** to take forward and address.

Taken together, these three elements assess the SEWCJC's governance through the perspectives of SET and the independent opinions of Internal Audit and the Governance and Audit Committee, based on their respective programmes of work and assessments of the systems of internal control.

Assurance Statements for the year 2025-26

9. The following statements take performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the SEWCJC into account.

Senior Management Statement

10. The region has worked successfully as a partnership since 2017 and that has continued and accelerated following the incorporation of the Corporate Joint Committee in 2024. The CJC invests in things that improve quality of life – jobs, transport, homes, and communities and has statutory powers for transport and planning which provide the opportunity to do more. Gateway Reviews assessing the impact of the City Deal fund have resulted in positive feedback highlighting good investment decisions, strong partnership working, positive political engagement, robust governance, and evidence-based decision making.

11. In 2023-24 a new streamlined and strengthened governance framework was put in place to support the transition to a corporate body and provide strong foundations upon which the CJC could develop and grow. Having looked closely at how this operated in 2025-26, SET have committed to a rigorous review of governance during 2026-27 to ensure it remains fit for purpose, resilient and sustainable. Project Evolution will closely examine governance, assurance and process to ensure that the CJC's transition from a City Deal to a regional body with statutory responsibility is fully reflected in its governance and operations.

12. As described in this AGS, SET considers that the CJC demonstrates primarily strong application of good governance. The actions from 2024-25 have largely been closed and there is a clear plan to complete work on the MTFP.

Draft

The three new actions for 2026-27 build on work that commenced in 2025-26 and will be monitored closely throughout the year. Those actions are described in more detail elsewhere in this AGS.

13. SET continues to meet on a weekly basis. The focus of these meetings has been to ensure that resources are used appropriately, outcomes delivered, and controls remain in place or are amended to reflect the environment at the time. The following areas are considered on a regular basis:

- Delivery across multiple programmes and delivery functions
- Development of 5 year Corporate and Business Plans
- Performance and Impact and linked systems of regular self evaluation
- Audit and Risk

14. In 2025-26 SET continued to collectively own the Corporate Risk Register, reviewing all corporate risks quarterly and monitoring progress against the action plan. The Chief Executive continues to emphasise that areas of weakness need to be addressed. There is a maintained focus on acting upon audit recommendations in a timely and proportionate manner but self-identification of solutions and improvements is strongly encouraged. The CJC operates within an external landscape of significant challenge and uncertainty and this only serves to emphasise the importance of maintaining consistent standards of governance and control across all operations.

Internal Audit Annual Opinion

15. The Internal Audit Annual Report 2025/26:

1. INTRODUCTION

1.1 The purpose, authority and responsibility of the Corporate Joint Committee's (CJC) Internal Audit Service is set out within the Internal Audit Charter, which was reported to and approved by the Governance and Audit Sub Committee at its meeting held on 11th April 2025.

1.2 The CJC's Internal Audit Service is an assurance function that provides an independent and objective opinion to management and the Governance and Audit Sub Committee on the organisation's overall governance, risk management and control processes. The Service helps the CJC to deliver its objectives by applying a systematic and disciplined approach to evaluating and supporting improvements to the arrangements in place.

1.3 The Risk Based Internal Audit Plan was reported to and approved by the Governance and Audit Sub Committee at its meeting held on 11th April 2025. The outcome of the work completed during 2025/26 contributes to this annual report.

1.4 This report summarises the work of the Internal Audit Service between the period April 2025 and March 2026. It provides a detailed account of the performance of the service along with a summary of the work undertaken during this period. The report concludes with an overall opinion. The opinion

is used as a source of assurance for the Annual Governance Statement 2025/26.

2. INTERNAL AUDIT SERVICE 2025/26

Performance

2.1 This section of the report aims to set out what the Service planned to deliver at the start of the year.

2.2

2.3 Within the audit plan for 2025/26 the Internal Audit Service planned to complete a total of 6 individual assurance assignments. As at the end of the financial year all 6 audits have been completed either to final report or draft report stage. This equates to 100% of the audit plan completed for the year, split as follows:

- 6 audits completed to report stage, comprising:
  - 4 finalised audits;
  - 2 audits completed to draft report stage.

Performance – concluding comments

2.4 The Internal Audit Service has performed well during 2025/26 delivering 100% of the audit plan, and this provides a sound platform looking ahead to 2026/27. The Service has invested in its workforce with the skills and experience of the team being used to mentor a new member of staff. There have been no instances whereby our Officers have not had the necessary competencies to deliver the work required.

3. ASSIGNMENTS COMPLETED DURING 2025/26

3.1 On completion of each review an audit opinion is formed in respect of the overall governance, risk management and control processes. The following structure is applied to all opinions:

Audit Assurance Category Code	
Robust Arrangements in place (No Findings)	No findings have been raised in this report. The overall control environment is considered robust.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3.2 The following Table summarises the outcome of the assignments that have been completed by the Internal Audit Service during 2025/26:

Table 1

	Summary of audit opinions compared to the priority of each planned audit assignment					Recs		
Priority	**Robust Arrangements in place (No Findings)**	**Substantial Assurance**	**Reasonable Assurance**	**Limited Assurance**	**No Assurance**	**H**	**M**	**L**
High	4	0	1	0	0	**0**	**3**	**2**
Medium	1	0	0	0	0	**0**	**0**	**0**
Low	0	0	0	0	0	**0**	**0**	**0**
Total	**5**	**0**	**1**	**0**	**0**	**0**	**3**	**2**

*Note: the full detail in respect of opinions and recommendations against each audit, as per the 2025/26 audit plan, is provided at **Annex A** to this report.*

3.3 Robust arrangements were in place whereby the status of the High and Medium priority recommendations made were followed up with Management to confirm they had been implemented. During the 2025/26 Municipal Year, the Governance and Audit Sub Committee received updates in respect of the status of these recommendations.

3.4 The work summarised across paragraphs 3.2 to 3.3 provides the basis and evidence upon which the Head of Internal Audit forms the overall opinion for 2025/26.

Internal Audit assignments completed – concluding comments

3.5 The service completed 6 assignments to report stage during the year with all of the audit opinions providing a satisfactory level of assurance in respect of the governance, risk management and control processes that were reviewed. As shown in Table 1, for five of the six completed assignments there were 'Robust Arrangements in place' and there were no findings raised within the audit reports.

3.6 All High and Medium rated recommendations have been subject to routine monitoring by the Internal Audit Service.

4. EDUCATION & TRAINING UPDATE

4.1 The Global Internal Audit Standards in the UK Public Sector require that the Head of Internal Audit make arrangements for ongoing training and continued professional development. During 2025/26 the following training has been delivered to the Team:

- CIPFA – On the Agenda – Ethics and Professionalism
- Professional Scepticism & Root Cause Analysis
- Safeguarding – Keeping People Safe
- General Data Protection Regulations
- Cyber Ninjas – Cyber Security
- Compliance Awareness – Welsh Language Standards
- Diversity & Inclusion

In addition, the Internal Audit Graduate Officer is currently undertaking a professional qualification with the Institute of Internal Auditors to become an Internal Audit Practitioner.

4.2 The training programme is informed by the requirements of the Global Internal Audit Standards and by the performance management arrangements in place. All Internal Audit staff received a performance review during 2025/26, the outcomes from these will inform the training programme for 2026/27.

5. OUTCOME OF FEEDBACK FROM CLIENTS

5.1 The Global Internal Audit Standards in the UK Public Sector requires the Internal Audit Service to obtain feedback on the overall audit process. This includes the conduct of the auditor and the value they place on the findings and recommendations.

5.2 On completion of each audit assignment, a feedback questionnaire is issued to the Client to enable them to provide feedback on the work undertaken by auditors.

5.3 The return rate was 25%, an area that needs to be improved. A review of the process undertaken where surveys have not been returned will take place to help ensure this rate improves in the future.

6. GLOBAL INTERNAL AUDIT STANDARDS

6.1 The Internal Audit Service conformed with the Global Internal Audit Standards in the UK Public Sector during 2025/26 with no significant instances of non-conformance.

6.2 The Service is independently placed, and this enables the Head of Internal Audit to have direct access to the Chief Executive, Section 151 Officer, Monitoring Officer and the Governance and Audit Sub Committee.

6.3 All Internal Auditors have undertaken their roles in accordance with the Global Internal Audit Standards in the UK Public Sector and have carried out their duties independently, with objectivity, integrity and with the necessary competencies to deliver the tasks allocated to them.

6.4 All work is undertaken using purpose built internal audit software and this helps to ensure quality assurance arrangements are in place for each individual internal audit undertaken.

7. OVERALL OPINION FOR 2025/26

5.1 Based on the work undertaken by Internal Audit during 2025/26, ***in my view, the overall governance, risk management and control processes of the Corporate Joint Committee operated effectively during 2025/26 with some areas identified for improvement***.

5.2 There have been some instances whereby areas for improvement in the governance, risk management or control processes have been identified but, in my opinion, these do not have a material impact on the overall level of assurance provided.

5.3 It should be noted that absolute assurance can never be provided in respect of assets being safeguarded, transactions authorised and properly recorded. This is due to the sample testing approach undertaken when completing internal audit reviews.

Governance and Audit Committee Annual Letter

16. The letter from the Chair of the Governance and Audit Committee for 2025-26:

As Chair of the Governance and Audit Sub-Committee, I am writing to provide you with a summary of the work of the Sub-Committee in the municipal year 2025-26.

At the first meeting of the year, I was elected as the Chair and Andrew Blackmore was elected as the Deputy Chair. Together we have met with officers to shape the agendas, advise on draft reports and to monitor the Action Log and Work Programme for the Sub-Committee. Also, in my capacity as Chair, I attend the Investment Board and the Corporate Joint Committee as an observer. This has allowed me to gain a broader understanding of the full governance structure within CCR and organisational priorities, which gives comforting levels of assurance.

The membership of our Sub-Committee, both in terms of the councillors and the lay members, has considerable experience of audit, governance and risk committees in local authorities. Many of our Members, also have a career background in these areas. This

external view and experience is a valuable resource that we are encouraging officers to utilise whenever possible.
We are grateful to officers for working with us to help us understand organisational assumptions which in turn enables us to review and scrutinise the CJC's financial affairs.

During the course of our five meetings, including one Extraordinary Meeting, held throughout the year, we have worked with officers to improve the information that is available to us in fulfilling our functions. We have focused on reviewing and scrutinising the CJC's financial affairs to provide an independent focus on the audit, assurance, performance and reporting arrangements that underpin good governance and financial standards.

In addition to these meetings, we have had one additional Briefing as a Sub-Committee, and one joint Briefing with the Joint Overview and Scrutiny Committee. I have also attended a joint meeting between the Chairs and Deputy Chairs of the Governance and Audit Sub-Committee and the Joint Overview and Scrutiny Committee to discuss joint working opportunities and to establish the role, remit and responsibilities of both Committees. This joint working has been valuable to the Members of the Governance and Audit Sub-Committee, particularly in regards to the Independent Review and we will continue to work closely with this Committee and other Sub-Committees in Cardiff Capital Region as appropriate.

In accordance with good governance practice, the Governance and Audit Sub-Committee approved a Work Programme for the full municipal year, which sat alongside the Actions Log. These documents were monitored at each meeting and periodically throughout the year. We have requested further reports to be included within our Work Programme, such as an independent annual report on the operation of the Anti-Money Laundering Policy and additional, more focused, reports on the Risk Register.

A few matters have arisen during the year which it is important to raise:

Risk Management

The Governance and Sub Committee has overseen the organisation's risk management arrangements over the past year and in particular would note the following areas where oversight will continue:

- **Resourcing**: As set out in the risk register, the organisation faces challenges in terms of its resources and resourcing. The absence of recurring core funding over the medium to long term is worthy of particular consideration and the case for extra funding to manage CCR as a Public body needs to be won. As set out in the risk register, this is a risk that requires further mitigation.

- **Staffing**: there has been a high level of vacancies across the organisation in the last year, and the senior team have been stretched as a result. This is identified on the CJC risk register and mitigations have been put in place. It is important that these mitigations are implemented.

- The Governance and Audit Committee were unable to scrutinize the CJC Treasury Management Strategy prior to it being approved by the CJC at its meeting on 27 March 2026. We would value the opportunity to do this, including whether the balance of risk and reward is appropriate, and therefore are pleased that the planned committee timetable for 2026/27 will enable this next time.

- **Aberthaw:** The Governance and Audit Sub Committee has received assurances regarding the steps taken in response to the Aberthaw procurement matter and has received the Summary Report. Questions have been raised regarding the level of transparency on this matter – with some members wishing to see the full report. That said the Committee has been advised that the full Report is subject to legal privilege which belongs to Cardiff Council and that publication could prejudice the potential claims referenced in the Action Plan. The Committee as a result needs to consider whether they are best placed to provide oversight and scrutiny of the Action Plan that has been put in place in this regard. A way forward on this matter has been discussed. We will keep the Chair of the CJC informed.

- **Governance:** The CJC has 5 Sub-Committees (three of which meet on a regular basis) and four advisory Boards. As set out in the risk register, it remains important that governance structures are both sufficient and sustainable and that the risk of duplication is mitigated.

Finally, I would like to take this opportunity to thank the Lay Members and the Elected Members of the Governance & Audit Sub-Committee for their hard work and dedication throughout the year. All meetings have been well attended and all Members have been fully engaged and come together from their different backgrounds and perspectives to ensure that the Sub-Committee operated cohesively with constructive questioning and challenge throughout.

We look forward to continuing to advise and support the South East Wales Corporate Joint Committee with good governance practices and financial standards.

Governance Framework – Supporting Analysis for the year 2025-26

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

17. All SEWCJC members and officers are required to comply with the Codes of Conduct set out in the Constitution, which detail their different roles and responsibilities and provide clarity on the interface between them, including:

    - Delegations to Officers (part 3C)
    - Code of Conduct for members (part 5A)
    - Code of Conduct for Employees (part 5B)
    - Protocol on Member Officer Relations (part 5C)

18. The Strategic Director of Legal & Governance is the Monitoring Officer and, amongst other things, has a duty under section 5 of the Local Government and Housing Act 1989 to ensure that SEWCJC, its officers, and its members maintain the highest standards of conduct. The Monitoring Officer received no complaints relating to member conduct in 2025-26.

19. The Standards Sub-Committee will monitor and scrutinise standards and report any matters of concern to SEWCJC.

20. SEWCJC has adopted a Whistleblowing Policy which explains how workers (whether employed or contracted) are encouraged to raise whistleblowing concerns without fear of victimisation, discrimination or disadvantage. A whistleblowing concerns (also known as disclosures in the public interest) are concerns about misconduct or illegal behaviour which affects the public or other people or which otherwise relate to wrongdoing at work. There were no whistleblowing disclosures in 2025-26.

21. Members and Co-opted Members are required to register their personal interests in SEWCJC business and to comply with the rules on personal interests set out in the Members' Code of Conduct. Under the Employees' Code of Conduct, employees must ensure that their private interests do not conflict with their public duties and comply with SEWCJC's rules on the registration and declaration of financial and non-financial interests.

22. The CJC takes fraud, corruption, and maladministration very seriously, supported by the following strategy and policies to prevent and manage such occurrences:

    - Counter-Fraud, Bribery and Corruption Strategy
    - Financial Procedure Rules
    - Contract Standing Orders
    - Whistleblowing Policy
    - Anti-Money Laundering Strategy
    - Cyber Security Policy
    - Data Protection Policy

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Core Principle B: Ensuring openness and comprehensive stakeholder engagement.

23. Meetings of the SEWCJC and its sub-committees are open to the public to attend except where confidential or exempt information within the meaning set out in Schedule 12A of the Local Government Act 1972 is being discussed.

24. SEWCJC complies with legislative requirements to broadcast/webcast meetings. Recordings are kept for reference. The following table highlights webcasting activity since the SEWCJC was established on 1 April 2024:

Webcasting Data		
Year	**2025-26**	2024-25
Number of Meetings webcast	18	18
Number of Committees (Types) webcast	4	3
Total Hours Webcast	16h 54m	18h 42m

25. The CJC has risk management arrangements in place which are reported and reviewed on a quarterly basis at SET, with further challenge and oversight from the CJC and the Governance & Audit Committee. The process is supported by a culture of open discussion and constructive challenge on performance and risk management issues. The Chief Executive and Directors receive regular assurance on a number of key areas, including procurement compliance, performance management and implementation of internal and external audit recommendations.

26. The public and other stakeholders can share their views and provide feedback through the Comments, Complaints and Compliments process. The SEWCJC receives an annual report detailing the number of complaints received. In 2025-26 the CJC received no complaints.

27. Regular meetings are held with institutional stakeholders to whom the CJC is accountable, which include the Welsh Government, the UK Government and regulatory bodies such as Audit Wales.

Supporting Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

28. The SEWCJC set outs its aspirations for a “Stronger, Fairer, Greener” city region in its annual business plan. In the last decade, the CJC has used this process to lay the groundwork for a sustainable and resilient future. The guiding principle is to position the region to create prosperity, jobs, and improved living conditions for its 1.5m population, unlocking local potential, tackling regional socio-economic disparities and fostering dynamic inter-connected local economies through strategic investment, harnessing unique strengths and promoting collaboration for sustainable and inclusive development. Not only has the City Deal been effectively deployed in line with the above principles, but new programmes and opportunities have also been secured, a new kind of capability to engage with complex issues has been built and the region has evolved into a public investment body.

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29. The Annual Plan is framed by well-being objectives, steps and performance measure and plays a key role in translating the CJC's policy ambitions into deliverable organisational objectives, setting out what the CJC wants to achieve and how it will organise itself to achieve it. It is supported by directorate delivery plans which, in turn, detail further how business will be taken forward.

30. The region has its origins in the findings and foundations of the Economic Growth and Competitiveness Commission, led by globally renowned urbanist Professor Greg Clark CBE. In 2025-6 the CJC commissioned **CCR@ten**, asking Professor Clark to revisit progress over the last ten years and, learning from the experiences and insights of others, shape what good could look like for the next ten years. In 2026-27 this crucial work will provide inform the CJC's vision for the next decade and help to frame a five-year Strategic Corporate Plan for the region, aligning long, medium- and short-term objectives.

31. The CJC has developed a suite of assurance and performance frameworks for the City Deal (Gateway Review, Investment Framework, Assurance Framework) and for the Investment Zone but recognises it is now time to work on pulling them together into a single Planning and Performance Framework. The existing robust approach to the management of public funds is recognised in reports from Internal and External Auditors.

32. SEWCJC has embarked upon the planning phase of a five year MTFP to sit alongside the five year Corporate Plan. This is necessary since SEWCJC does not receive core funding for its activities from WG and instead, has an annual budget which is comprised of largely top-slicing programmes it is contracted to deliver, along with core contributions from each of the ten constituent councils for City Deal only and a small element of income generation and one-off specific grants. Given the SEWCJC is a public body with long-term policy aims and statutory duties to enact, it is critical these are matched with long-term funding sustainability. It is therefore anticipated that in line with the Regulations, a MTFP will be built on the following principles and financing pillars:

- enhanced annual government contributions
- programme-derived top-slices
- utilisation of some of the 'recycled capital' held in balances by SEWCJC
- the outputs of any early phases of 'double devolution' settlement negotiated by SEWCJC such as around annual precepting or single settlements
- other sources of income

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Supporting Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

33. All decisions taken by members are supported by reports from officers that include the legal, people (HR), property and financial implications arising from the decision and outline the economic, social, and environmental outcomes, member consultations, the key risks and alternative courses of action which are available.

34. To meet requirements of the Well-being of Future Generations (Wales) Act 2015, the CJC has well-being objectives and has built their consideration into reporting requirements.

35. Communications with staff remain a key focus, to ensure staff were consulted and involved in decision making. Various channels of communication have been used during 2025-26, in particular a face to face monthly whole-team meeting and regular in person events.

36. The CJC has detailed business planning and assurance mechanisms in place.

37. The CJC's budgets are informed by corporate priorities. During 2025-26 the CJC received quarterly budget monitoring reports.

38. Following the settlement of the procurement litigation involving CCR Energy Ltd (a subsidiary company) in March 2025, the CJC issued a new remit letter to the revised Board and received regular reports on progress during 2025-26.

Supporting Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

39. Decision making responsibilities and authority are clearly set out in the CJC's Constitution which documents roles and relationships for decision making, between the CJC, its sub-Committees and senior officers.

40. The Chief Executive is the statutory Head of Paid Service (most senior member of staff), responsible for overall management and leading the Senior Executive Team, working alongside the Monitoring Officer (Strategic Director of Lefal & Governance) and the section 151 (Finance) Officer (Strategic Director of Resources) as the Golden Triangle.

41. All officers are required to complete a suite of mandatory e-learning training modules, covering Cybersecurity, Data Protection, Equality and Diversity, Health & Safety, an Introduction to Welsh Language and the PREVENT duty. Completion rates for each module are reported to SET. CJC values, objectives, policies and procedures are communicated to new staff and existing staff and members through induction and engagement programmes.

42. An in-house Senior Leadership Training offer (Heads of Service) was introduced in 2025-26 alongside a compulsory Manager Essential Training

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programme as a key component of the learning and development of all staff with line management responsibilities.

43. Officer performance is primarily evaluated through SEWCJC's Personal Appraisal Development Review process, which provides a framework for employees and managers to discuss work performance and behaviour, as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the CJC's objectives.

44. The Strategic Director Legal & Governance is the Senior Information Risk Owner (SIRO).

45. The Strategic Director of Resources (s151 officer) has overall responsibility for financial administration. The CJC's financial management arrangements align to the CIPFA Financial Management Code (2020). The focus of the Code is to improve financial resilience by embedding enhanced standards of financial management. The Code is intended to support good practice in financial management and translates principles of good financial management into a series of standards.

46. Financial resilience is a key driver and spending plans are underpinned by robust business cases and funding strategies, underpinned by the need to ensure that the appropriate level of capacity and skills is available to ensure regional outcomes are delivered efficiently, effectively and economically with proper assurance in place.

Supporting Principle F: Managing risks and performance through robust internal control and strong public financial management.

47. A Risk Register is maintained and regularly reviewed by SET to ensure it includes key risks to the CJC's vision, objectives and priorities. The Risk Register was reported to Governance and Audit Committee throughout 2025-26 to provide an opportunity for comment and questioning on the status of corporate risks.

48. Under the provisions set out in Part 3 of the Corporate Joint Committees (general) (No. 2) (Wales) Regulations 2022, the CJC is required to:

    (i) co-operate with and give reasonable assistance to any relevant overview and scrutiny committee;
    (ii) consider any reports or recommendations from such a committee (**note**: this step cannot be delegated); and
    (iii) publish a statement in response within 2 months.

    The ten councils within the CJC region have set up a Joint Overview & Scrutiny Committee (JOSC), which is administered on their behalf by Rhondda Cynon Taf.

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49. SEWCJC has robust arrangements for internal control which are set out within the AGS assurance statements from Internal Audit, the Governance and Audit Committee and SET.

Supporting Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

50. Reports are written in a fair, balanced and understandable way to try to offer transparency without being onerous or overly complex.

51. SEWCJC looks to aligns its approach with the Information Commissioner's model publication scheme. Information that is not published due to practical constraints remains available upon request through the Freedom of Information process. The CJC receives an annual report detailing FOI requests received.

52. The CJC upholds the rights of individuals under UK Data Protection legislation (GDPR) and, with support under an SLA with Rhondda Cynon Taff, ensures that personal data is handled lawfully, transparently, and securely.

53. At its Annual Meeting, held in June following the Annual Meetings of the local authorities within the region, the Corporate Joint Committee notes the CJC membership of the Leaders of those authorities in accordance with the South East Wales Corporate Joint Committee Regulations 2021 and confirms appointments to its Sub-Committees and Advisory Boards. The Sub-Committees appointed to discharge regulatory and scrutiny services deliver annual reports on their performance and findings.

54. On 1 April 2024 the CJC inherited procurement litigation in respect of the award of a demolition contract by CCR Energy Ltd in 2023. The claim was settled in March 2025. The CJC subsequently commissioned an Independent Review into the procurement process which reported in January 2026. A summary of the Report and its good practice recommendations was shared with the local authorities within the region and CCR Energy Ltd. The summary was also published in February 2026. An Action Plan was shared with the CJC's Governance and Audit Committee, and implementation is being monitored by the CJC.

55. The Annual Governance Statement assesses the Corporate Joint Committee's governance against the 'Delivering Good Governance in Local Government' CIPFA/SOLACE framework, as outlined above. SET are responsible for the AGS Action Plan, which is an open disclosure of the most prominent issues of governance which require attention. Progress on the items in the 2024-25 Action Plan is set out below.

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2024-25 AGS Action Plan

56. The following outstanding actions from the 2024-25 AGS were carried forward and completed in 2025-26:

No.	Action
A2.1	review Strategic Equality Plan
B1.3	update FOI publication scheme with senior management organisation chart, guide to constitution and updated pay scales - complete in part. Will conclude in 2026-27 as the website is refreshed.
C2.1	review and refresh Child Poverty Strategy
B2.1	arrangements for new Regional Growth Board, Investment Board, CEO Group and Shareholder Group to be reviewed as they establish during 2024/5
C1.2	commence development of Regional Transport Plan and Strategic Development Plan
D1.2	develop new CCR Risk Management Framework
D2.1	embed new Governance arrangements as set out in Annual Governance Statement and report to CCR Committee on progress
E1.2	complete project closure and lessons learned report for Transition Programme
F1	develop Investment Dashboard to bring together to bring together information about projects and investments
G3	embed new ways of working with RCTBC Internal Audit

57. The following outstanding actions from the 2025-26 AGS is due for completion in 2026-27:

No.	Action
F4.1	develop a Medium Term Financial Plan

Action Plan 2026-27

58. Having considered this overall Annual Governance Statement, the following actions are proposed to strengthen assurance during 2026–27:

26-7 A1 **Project Evolution**: a rigorous review of governance to ensure it is fit for purpose, resilient and sustainable and the CJC's transition from a City Deal to a regional body with statutory responsibility is fully reflected in its governance and operations. As mentioned elsewhere in the AGS, this will include:

- A single planning and performance framework
- The MTFP

26-7 A2 **CCR@ten**: these reports will be received during 2026-7 and, as set out above, will influence the development of the CJC's five year Corporate Plan

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26-7 A3 **Local Growth Fund:** ensure that resilient and sustainable governance arrangements are in place ready for the assumption of responsibility on 1 April 2027

59. Progress will be reported to the Governance and Audit Sub-Committee and to the Corporate Joint Committee.

Signed

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SEWCJC Chair **SEWCJC Chief Executive**

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