

Audit of Accounts Report – Newport City Council and Newport City Council Group

Audit year: 2021-22

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We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2021-22 Statement of Accounts in this report.
- 2 We have already discussed these issues with the Head of Finance/Section 151 Officer.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £5.6 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Related party transactions (with individuals): £1,000
 - Senior officer remuneration: £1,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between us and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. We summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year’s audit

Timetable	<p>Given the continuing impact of COVID-19 and its ongoing impacts on workloads, the Welsh Government provided flexibility in terms of accounts preparation and audit deadlines:</p> <ul style="list-style-type: none">• the timescale for completing your accounts was revised by the Welsh Government from 31 May to 31 August 2022;• we received the approved draft accounts on 12 July 2022;• our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2022, then again to 31 January 2023, largely due to a technical accounting issue arising on infrastructure assets affecting all councils this year (further details of this issue are provided in Exhibit 2 below); and• we expect your audit report to be signed on 30 January 2023.
Electronic signatures	<p>We are currently continuing to use electronic signatures to certify the final Statement of Accounts. We will liaise with management to arrange this, in line with practice followed in prior years.</p>
Audit evidence	<p>Audit Wales staff continue to work remotely from Council offices. As a result, we have not had direct access to certain systems such as the Council’s financial ledger, payroll systems and ‘Information @Work’ system, which we use to directly review financial records and obtain invoices.</p> <p>Consequently, we have continued to request such information from Finance staff for the 2021-22 audit, although all information requested has been provided as required.</p>

Proposed audit opinion

- 9 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 10 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 13 There are no misstatements arising from the audit which remain uncorrected in the final Statement of Accounts.

Corrected misstatements

- 14 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention, and they are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

- 15 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year as shown in **Exhibit 2**:

Exhibit 2 – significant issues arising from the audit

Uplifts to property assets valued under 'depreciated replacement cost' methods	<p>The Council normally values its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also requires Councils to verify that there have been no material movements in the value of assets between valuations. Given recent inflationary pressures, assets valued under the depreciated replacement cost method would likely be subject to material increases in value during 2021-22. As a result, the Council (in line with many other Councils in Wales) has undertaken an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p> <p>We are satisfied that by following this approach, the Council has continued to ensure that values of such property assets in the 2021-22 accounts are materially reasonable. The values of the adjustments arising from this exercise are set out for completeness in Appendix 3, to detail changes from the draft account figures.</p>	No further action required – matter disclosed for information only.
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<p>Changes to accounting and disclosure of infrastructure assets</p>	<p>At a late stage in the audit process, the 2021-22 accounting requirements for infrastructure assets were retrospectively updated for all councils:</p> <ul style="list-style-type: none"> • firstly, in December, the Code was updated to remove the need to disclose such assets within the main Property, Plant and Equipment disclosure (Note 14). Instead, the net book value of infrastructure assets is now disclosed separately in the Balance Sheet with a further reconciling table of their net book value included in Note 14. • a further statutory instrument was then issued by the Welsh Government, requiring that where the above change has been made, the Council deems any replaced infrastructure assets to be valued at zero. The instrument requires that councils should disclose in the accounts that this is the case. <p>Subsequent audit work has confirmed that revisions to infrastructure assets disclosures in the final accounts comply with the above updated requirements.</p>	<p>No further action required – matter disclosed for information only.</p>
<p>Review of assets with zero Net Book Value</p>	<p>Note 14 of the draft accounts (Property, Plant and Equipment) included £23.0 million of non-current assets with a residual Net Book Value of zero. Our audit identified that £12.8 million of those assets were no longer in use by the Council, and therefore needed to be removed from the 2021-22 accounts.</p> <p>While we are satisfied that there is no material issue with the remaining nil-Net Book Value of assets held in the 2021-22 accounts, we recommend that the Council carry out a detailed review of these assets going forward to provide assurance that they remain in use.</p>	<p>See recommendation 1</p>
<p>Declarations of Interest from Members</p>	<p>Council staff did not receive updated declarations of interest from 16 Council Members for the 2021-22 financial year in support of the Council’s related party disclosures. The process was complicated this year given the May 2022 Council elections.</p> <p>We have performed other audit work to provide assurance over the completeness of these disclosures in the final accounts, but we recommend that the Council ensure declarations of interest returns are obtained for all Council members to support the annual accounts and audit process.</p>	<p>See recommendation 2</p>

<p>Reconciliation of Movement in Reserves Statement</p>	<p>Prior to the audit we were notified by officers that the Movement in Reserves Statement could not be reconciled, with an immaterial difference of £893,000 arising.</p> <p>This Statement is not drawn from the Council’s financial ledger – instead, it derives from the remainder of the Council’s accounts to summarise the year-end reserves position. Many accounting transactions made during the year which are included in the main financial statements (for example, depreciation of fixed assets, or accruals for annual leave outstanding) have no impact on the taxpayer, and as such are removed when confirming the Council’s year-end reserves.</p> <p>Neither we nor management have identified the reason for this discrepancy, but without a compensating adjustment the MiRS would not balance. Management have therefore adjusted the net expenditure of the ‘non-departmental expenditure’ service area in the Comprehensive Income & Expenditure Statement, which in turn provides a balanced MiRS.</p> <p>The amount involved is immaterial and does not affect our overall audit opinion, but it is raised for your attention and we recommend that this is reviewed after certification to understand how this discrepancy arose.</p>	<p>See recommendation 3</p>
<p>Disclosure of senior officer remuneration</p>	<p>The Strategic Director (Environment and Sustainability) is in receipt of a car paid for via salary sacrifice – this is appropriately disclosed in Note 31 of the accounts (Officer Remuneration).</p> <p>It is our view that this salary sacrifice arrangement also gives rise to a Benefit in Kind for this individual, which is not disclosed in the accounts. Under legislation, a Benefit in Kind is defined as ‘any benefits received...by the person in respect of their employment’.</p> <p>As the car is paid for via a salary sacrifice scheme provided by the Council (which would not otherwise be available to the individual), our view is that a Benefit of Kind of £806 in 2021-22 should be disclosed. In response, the Council believes that as the car is not provided directly by the Council as an additional benefit it does not constitute a Benefit in Kind. As such, this has not been disclosed in the accounts.</p> <p>However, as the value of any disclosure would not be material, its omission does not affect our audit opinion.</p>	<p>No further action required – matter disclosed for information only.</p>

Recommendations

- 16 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

26 January 2023

Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Newport City Council and Newport City Council Group for the year ended 31 March 2022 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 the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; 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 Newport City Council and Newport City Council 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.

There are no material differences between the accounting policies of Newport City Council and Newport City Council Group.

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 of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Governance and Audit Committee

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 Governance and Audit Committee on 26 January 2023.

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:

Meirion Rushworth
Head of Finance/Section 151 Officer

Date: 26 January 2023

Signed by:

Gareth Chapman
Chair, Governance and Audit Committee

Date: 26 January 2023

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Newport City Council

Opinion on financial statements

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

Newport City Council's financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

Newport City Council Group's financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes, including a summary of significant 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 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Newport City Council and Newport City Council Group as at 31 March 2022 and of its 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 2021-22.

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 of Public Sector Entities 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. I am independent of the Council and the 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 the Council's and Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 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.

Report on other requirements

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 the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial

statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Newport City Council Group's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's and 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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, the Council's Chief Internal Auditor and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's and 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;
- obtaining an understanding of the Council's and Group's framework of authority as well as other legal and regulatory frameworks that the Council and 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 the Council and Group.

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 advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- 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 the Council's and 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.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Newport City Council and Newport City Council Group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
30 January 2023

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

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 due to their relevance to your responsibilities over the financial reporting process. The three exhibits below show those corrections which:

- affect the Council's year-end reserve balances;
- do not affect the Council's year-end reserve balances;
- relate to presentational or disclosure matters only.

Exhibit 3: corrections which affect the Council's reserve balances

Area of correction	Nature of correction	Reason for correction
Comprehensive Income & Expenditure Statement (CIES): Inclusion of 'Cost of Living Support Scheme' grant funding.	To ensure that the grant income is recorded in the correct accounting period, as per the Code.	<p>Our audit identified that the Welsh Government 'Cost of Living Support Scheme' funding had not been included in the 2021-22 draft accounts. This funding comprised:</p> <ul style="list-style-type: none">• an 'agency' element of £7.6 million to be passed on directly to relevant households; and• a 'principal' discretionary element of £1.5 million, which the Council could allocate as it wishes. <p>As the funding is to be paid out by the by the Council based on the Council Tax status of households on 15 February 2022, it should be accounted for in 2021-22. The Council has therefore corrected as follows:</p> <ul style="list-style-type: none">• the 'agency' element has been disclosed in Note 35 (Agency Income), with a corresponding debtor and creditor to reflect the funds receivable and payable; and• the 'principal' element has been recorded as income in the CIES, with a corresponding transfer to earmarked reserves being made to cover the expenditure to be made in future years.

Area of correction	Nature of correction	Reason for correction
<p>Comprehensive Income & Expenditure Statement (CIES): Inclusion of accrued income for care home services.</p>	<p>To ensure that the income is accrued for as care home services are provided, as required by the Code.</p>	<p>In the draft accounts, the Council disclosed care home services income as a contingent asset – that is, not accruing for any income until care services ceased and charges could be made against residents’ assets.</p> <p>Our review determined that this treatment was incorrect, and income should instead be accrued while care home services are being provided.</p> <p>The Council has performed an exercise to identify £2.9 million of gross income to be recognised in 2021-22 under this method, as well as a provision for irrecoverable debtors of £2.0 million. The resulting £0.9 million of net income has been transferred to an earmarked reserve in the final accounts.</p> <p>We are satisfied that these corrections have been appropriately made in the final accounts.</p>

Exhibit 4: corrections which do not affect the Council’s year-end reserve balances

Area of correction	Nature of correction	Reason for correction
<p>Note 8 (Nature of Expenses): Overstatement of income and expenditure.</p>	<p>To ensure that income and expenditure are appropriately recorded.</p>	<p>Our audit identified that £1.8 million of income relating to the sale of land had been incorrectly recorded in the Council’s ledger, leading to both income and expenditure being overstated by this amount.</p> <p>This correction has now been made in the final accounts.</p>
<p>Property Plant & Equipment (Note 14): Removal of assets no longer in Council use with a zero net book value.</p>	<p>To ensure that only assets still in use by the Council are included in the accounts.</p>	<p>As per Exhibit 2, our audit identified £23.0 million of property, plant and equipment assets with a net book value of zero in the draft accounts.</p> <p>£12.8 million of those assets were confirmed as no longer in use by the Council, and so therefore needed to be removed from the 2021-22 accounts.</p> <p>This correction has now been made in the final accounts.</p>
<p>Property Plant & Equipment (Note 14):</p>	<p>To ensure that asset values held in the Balance Sheet are</p>	<p>As per Exhibit 2, and in line with many other councils in Wales, the Council has undertaken an exercise to uplift the value of assets valued using the ‘depreciated replacement cost’ method in 2021-22 using appropriate industry indices. This results in asset values being</p>

Area of correction	Nature of correction	Reason for correction
Uplifts to values of 'depreciated replacement cost' assets.	materially reasonable for 2021-22.	increased by £11.6 million in the final accounts when compared with the draft accounts. We are satisfied that by following this approach, the values of such assets in the 2021-22 accounts are materially reasonable in the final accounts.
Note 18 (Financial Instruments): Correction of Tredegar House Lease debtor.	To ensure that the long-term debtor is accurately reflected in line with the Code.	Our audit identified that the long-term debtor for the prepayment of a lease amount to the National Trust for Tredegar House had been overstated by £472,000. This debtor has now been corrected in the final accounts.
Short-Term Creditors (Note 23): Removal of balances relating to 2022-23.	To ensure that balances included in the accounts relate to 2021-22 activity.	Our audit identified £798,000 of creditors relating to homelessness accommodation in 2022-23 that should not have been accounted for in 2021-22. A corresponding debtor was also set up to recognise Welsh Government Hardship Funds receivable to cover this expenditure. These balances have now been correctly removed.
Group accounts (Note 5): Removal of historic valuation adjustment for Newport Transport Ltd. depot.	To ensure that the valuation of the depot is appropriately recorded.	Our audit identified that the Newport Transport Ltd. depot was revalued at 31 March 2021, in line with the Group's accounting policies. However, a historic valuation adjustment of £413,000 was retained in the group accounts working papers, inflating the value of the asset. This historic adjustment has now been removed in the final group accounts.

Exhibit 5: corrections relating to presentation/disclosure matters only

Area of correction	Nature of correction	Reason for correction
Property, Plant & Equipment (Note 14): Reclassification of in-year asset additions.	To ensure that asset additions are correctly classified in the accounts.	Our audit identified that £409,000 of 'vehicles, plant and equipment' additions had been incorrectly classified as 'assets under construction' in the draft accounts. This amount has now been correctly classified in the final accounts.

Area of correction	Nature of correction	Reason for correction
<p>Capital Commitments (Note 14): Reduction in value of commitments.</p>	<p>To ensure that capital commitments are accurately disclosed in the final accounts.</p>	<p>Our audit identified that for one contract commitment within the City Services section, the value of that contract was overstated by £629,000 within working papers. The value of this commitment has now been correctly reduced in the final disclosure.</p>
<p>Capital Commitments (Note 14): Amendments to comparative figures.</p>	<p>To ensure that comparative figures accurately reflect the audited 2020-21 accounts.</p>	<p>Our audit identified a number of differences to the comparative capital commitments disclosures for 2020-21 in this year's draft accounts, totalling £11.9 million. These comparatives have now been corrected to bring the figures in line with the audited 2020-21 accounts.</p>
<p>Note 18 (Financial Instruments): Misclassification of short-term and long-term borrowings.</p>	<p>To ensure that balances are appropriately disclosed in line with the Code.</p>	<p>Our audit identified that £4.4 million of borrowings had been incorrectly disclosed as long-term borrowings in the Balance Sheet, as they were due within 12 months and therefore were short-term in nature. This classification has now been corrected.</p>
<p>Provisions (Note 24): Reclassification of income subsidy liability.</p>	<p>To ensure that liabilities are correctly classified in line with the Code.</p>	<p>During the audit, we were informed that the income subsidy obligation to the owners of the Friars Walk shopping centre (£500,000 per annum) had been transferred to a third party and was now payable under a fixed contract. Therefore, the remaining balance of £5.0 million (classified as a provision in the draft accounts) should be classified as a creditor. This amount has now been appropriately reclassified.</p>
<p>Note 31 (Officer Remuneration): Amendment of Council disclosures on senior employees.</p>	<p>To accurately present these disclosures in line with the Accounts and Audit Regulations (Wales) 2014.</p>	<p>Our audit identified a number of required amendments in this note relating to senior officer remuneration and grouped pay bandings, to ensure that disclosures complied with the requirements of underlying legislation. These amendments have been made and we are satisfied that the final disclosure is appropriate.</p>
<p>Note 35 (Agency Income): Removal of receipts and payments for prior years.</p>	<p>To ensure that the disclosure only includes income relevant to 2021-22.</p>	<p>Our audit identified that £36.7 million of receipts and payments of business support grants relating to 2020-21 activity had been incorrectly recorded in this disclosure. These amounts have now been correctly removed from this stand-alone disclosure in the final accounts.</p>

Area of correction	Nature of correction	Reason for correction
<p>Note 36 (Related Parties): Corrections to various areas of the disclosure.</p>	<p>To ensure that related parties are appropriately disclosed in line with the CIPFA Code.</p>	<p>Our audit identified a number of required corrections to the related parties disclosure note, such as:</p> <ul style="list-style-type: none"> • the amount of trade commissioned from companies in which Members had an interest, and the number of Members who had an interest in such companies; • disclosure of which members and officers have CSC Foundry Ltd. as a related party; and • disclosure of correct totals and balances for the Cardiff Capital Region City Deal. <p>These amendments have been made and we are satisfied that the final disclosure is appropriate.</p>
<p>Group accounts (Note 16): Reclassification of revaluation reserve for Newport Transport Ltd.</p>	<p>To ensure that the revaluation reserve is correctly classified in the final group accounts.</p>	<p>Our audit identified that the revaluation reserve applicable to Newport Transport Ltd. (totalling £1.2 million) had been incorrectly included within the 'profit and loss' row within Note 16 of the group accounts. This amount has now been correctly re-classified within the 'revaluation reserve' row in the final accounts.</p>
<p>Group accounts (CIES): Reclassification of Newport Transport Ltd. administrative expenses.</p>	<p>To ensure that such expenditure is correctly classified in the group accounts in line with the Code.</p>	<p>Our audit identified that £5.6 million of administrative expenses for Newport Transport Ltd. had been incorrectly classified as 'other operating expenditure'. This is the incorrect classification under the CIPFA Code. This amount has now been separately disclosed in the group CIES in the final accounts, meeting the requirements of the CIPFA Code.</p>
<p>Group accounts (Balance Sheet): Reclassification of deferred government grants.</p>	<p>To ensure that such liabilities are correctly classified as 'short-term' or 'long-term'.</p>	<p>Our audit identified that £5.0 million of long-term deferred government grants relating to Newport Transport Ltd. had been incorrectly consolidated as 'other short-term liabilities' in the group Balance Sheet. This amount has now been correctly reclassified as 'other long-term liabilities' in the final accounts.</p>
<p>Various: Other presentational changes to supporting notes.</p>	<p>To ensure that all disclosures are accurately presented.</p>	<p>A number of other narrative, presentational and minor amendments were made to supporting notes throughout the final financial statements.</p>

Appendix 4

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow these up next year and include any outstanding issues in next year's audit report:

Exhibit 6: matter arising 1

Matter arising 1 – assets with a residual Net Book Value of zero	
Findings	<p>There were £23.0 million of non-current assets with a residual Net Book Value of zero as at 31 March 2022. Our audit identified that £12.8 million of those assets were no longer in use by the Council, and so therefore needed to be removed from the 2021-22 accounts.</p> <p>We are satisfied that these amounts have been removed from the final accounts, and that there is no material issue with the remaining nil-Net Book Value assets held in the 2021-22 accounts.</p>
Priority	Medium
Recommendation	We recommend that the Council carry out a detailed review of any remaining similar assets in the 2022-23 financial year to provide assurance that they remain in use by the Council.
Benefits of implementing the recommendation	Such a review will provide assurance that all assets disclosed by the Council in its accounts remain in place and are still in use.
Accepted in full by management	Yes
Management response	This is an area of work that the Council had intended on undertaking as part of the preparatory work for migrating to a new financial system during 2023/24. A full review of remaining similar assets will, therefore, be undertaken imminently.
Implementation date	31 st March 2023.

Exhibit 7: matter arising 2

Matter arising 2 – related party relationships	
Findings	<p>Council staff did not receive updated declarations of interest from 16 Council Members for the 2021-22 financial year as part of our work over related party disclosures.</p> <p>We have performed other audit work to provide assurance over the completeness of these disclosures in the final accounts, but we emphasise the importance of these returns to the annual accounts and audit process.</p>
Priority	Medium
Recommendation	<p>We recommend that the Council reaffirm to Members the importance of making these annual submissions to Finance staff, and that it reviews the process overall to determine any potential efficiencies that can be gained in future (for example, by merging the requirement for related party information for the accounts with the need for annual declarations of interest for Council business).</p>
Benefits of implementing the recommendation	<p>A higher response rate from Members will provide greater assurance over the completeness and accuracy of future disclosures over related parties.</p>
Accepted in full by management	Yes
Management response	<p>Despite additional measures being introduced in an effort to increase the percentage of returns received, this did not prove wholly successful. Officers will review the process again and identify options for potentially achieving a higher response rate. These options will need to go beyond simply reiterating the importance of submitting the returns. The recommended options will be discussed with the Executive Board for acceptability prior to being introduced.</p>
Implementation date	31 st March 2023.

Exhibit 8: matter arising 3

Matter arising 3 – Movement in Reserves Statement not reconciling by £893,000	
Findings	<p>Prior to the audit we were notified that the Movement in Reserves Statement (MiRS) could not be reconciled, with an immaterial difference of £893,000.</p> <p>This Statement is not drawn from the Council's financial ledger – instead, it derives from the remainder of the Council's accounts to summarise the year-end reserves position. Many accounting transactions made during the year (for example, depreciation of fixed assets, or accruals for annual leave outstanding) have no impact on the taxpayer, and as such are removed when confirming the Council's year-end reserves.</p> <p>Neither we nor management have identified the reason for this discrepancy, but without a compensating adjustment the MiRS would not balance. Management have therefore adjusted net expenditure of the 'non-departmental expenditure' service area in the Comprehensive Income & Expenditure Statement, which in turn provides a balanced MiRS.</p> <p>The amount involved is immaterial and does not affect our overall audit opinion, but it is raised for your attention and we recommend that this is reviewed after certification to understand how this discrepancy arose.</p>
Priority	Medium
Recommendation	We recommend that the Council continue to review this discrepancy to understand what it relates to, and to determine how it has arisen.
Benefits of implementing the recommendation	Understanding how this discrepancy has arisen in 2021-22 will allow management to learn how to avoid similar issues arising in future.
Accepted in full by management	Yes
Management response	The Council intends on undertaking a review of the 2021/22 accounts process following certification. This will involve a review of the production of the MIRS and will seek to identify the discrepancy, ideally, or, as a minimum, provide reassurance that the process undertaken in completing the MIRS is robust.
Implementation date	31 st March 2023



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We welcome correspondence and telephone calls in Welsh and English.
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