

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

Audit year: 2020-21

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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.

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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 2020-21 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 £5.25 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): £5,000
  - Senior officer remuneration: £5,000
- 6 We have now substantially completed this year's audit, although at the time of issue of this report some work remained outstanding. We do not expect any outstanding work to affect the financial statements, but we will provide a further verbal update to the Governance and Audit Committee when presenting this report.
- 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 ourselves 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 significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the ongoing challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit.
- 9 The pandemic continues to affect our audit and 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

<p><b>Timetable</b></p>	<p>Given the continuing impact of COVID-19, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"> <li>• The timescale for completing your accounts was revised by the Welsh Government from 31 May 2021 to 31 August 2021.</li> <li>• We received the approved draft accounts on 2 July 2021.</li> <li>• Our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2021.</li> <li>• We expect your audit report to be signed on 2 November 2021.</li> </ul> <p>As stated previously, officers should be commended for the timely completion of the draft financial statements.</p>
<p><b>Electronic signatures</b></p>	<p>Given ongoing Welsh Government guidance to work from home where possible, we will continue to use electronic signatures to certify the final Statement of Accounts. We will liaise with management to arrange this.</p>
<p><b>Audit evidence</b></p>	<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. We normally use this access to directly review financial records and obtain invoices.</p> <p>Consequently, we have continued to request such information from Finance staff for the 2020-21 audit, although all information requested has been provided.</p>
<p><b>Uncertainty in land and building valuations</b></p>	<p>The Council obtains valuations of its land and building assets over a five-year rolling period, and investment properties annually. Valuations are supplied by Newport Norse, and we are satisfied that any valuations obtained have been accounted for appropriately in the final 2020-21 Statement of Accounts.</p> <p>In its valuation report, Newport Norse has notified the Council of a ‘material valuation uncertainty’ arising from the COVID-19 pandemic. To ensure transparency, the Council has referenced the valuer’s comments in Note 5 of the final Statement of Accounts (separately for land and buildings and investment properties). We have also included an emphasis of matter paragraph within our audit certificate to draw attention to this uncertainty. However, our 2020-21 audit opinion is not modified in respect of this matter.</p>

- 10 We will continue to review what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt to enhance that process.

## Proposed audit opinion

- 11 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**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 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.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 We set out below the misstatements we identified in the accounts, which have been discussed with management but remain uncorrected. We request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting them.

#### **Overstatement of deficit on provision of services (£625,000)**

Our audit identified a number of misstatements in the draft accounts, mostly at or below our trivial threshold:

- A £264,000 overstatement of expenditure relating to recognition of future losses in the year, which is not permitted by the CIPFA Code;
- A £208,000 overstatement of expenditure on training costs, which were accrued for incorrectly in the year (see paragraph 18);
- A £153,000 overstatement of expenditure relating to the accrual of secondary pension contributions relating to Newport Transport Ltd.

Correcting the above adjustments would lead to a cumulative increase in the Council's General Fund of £625,000, meaning that if corrected a further allocation of underspend to reserves would be required, subject to Member approval. Given the tight timescale now in place to approve the final accounts and the immaterial value of the amendments required, the Council has informed us that they do not wish to correct these items.

## Corrected misstatements

- 16 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

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you, such as:
- concerns about the qualitative aspects of accounting practices and financial reporting;
  - any significant difficulties during the audit;
  - significant matters discussed and corresponded upon with management which we need to report to those charged with governance;
  - any other matters significant to the oversight of the financial reporting process that we need to report;
  - any identified material weaknesses in internal controls; and
  - any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 18 There are three matters to report to you for your consideration:
- management notified us during the audit that the Council have agreed to assume formal responsibility for the pension liability of staff of Newport Transport Ltd. who remained members of the Greater Gwent Pension Fund. We are satisfied that this matter has been correctly accounted for within the final accounts (including a prior period adjustment to reflect the corresponding impact arising on previous balances).
  - Council staff did not receive updated declarations of interest from nine out of 50 Council Members for the 2020-21 financial year as part of our work over related party disclosures. 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.
  - in last year's audit, we identified that three out of 19 sampled creditor balances were incorrectly manually accrued in the year, although we were satisfied that this did not lead to a material misstatement of creditors. This year, we tested 12 manual accruals to provide more detailed assurance over this specific area, and one balance was found to be incorrectly accrued in 2020-21. Again, we have performed further audit procedures to provide assurance that no likely material error arises within the creditors balance, and we are satisfied that this is the case.

## Recommendations

- 19 The recommendations arising from our audit will be reported separately in a Financial Accounts Memorandum, which we expect to present to a future meeting of the Governance and Audit Committee. We will follow up progress on recommendations during next year's audit. Where any recommendations are outstanding, we will report them 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

28 October 2021

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Newport City Council and Newport City Council Group for the year ended 31 March 2021 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 2020-21; 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;
- 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. A summary of these items is set out below:

#### **Overstatement of deficit on provision of services (£625,000)**

There are three misstatements that remain uncorrected within the accounts. Correcting these would lead to a cumulative increase in the Council's General Fund of £625,000, meaning that, if corrected, a further allocation of underspend to reserves would be required. This allocation to reserves would be subject to Cabinet approval. We have taken the view that, given the tight timescale in place to approve the final accounts and the immaterial value of the amendments required, we will not correct these items.

### **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 28 October 2021.

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: 28 October 2021

**Signed by:**

John Baker  
Chair, Governance and Audit Committee

Date: 28 October 2021

# 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 2021 under the Public Audit (Wales) Act 2004.

Newport City Council's financial statements comprise 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### 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 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.

### **Emphasis of matter**

I draw attention to Note 5 of the financial statements, which describes material valuation uncertainties regarding the valuations of land and buildings and investment properties arising from the COVID-19 pandemic. My opinion is not modified in respect of this matter.

### **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 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.

## 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 2020-21; and
- 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 the Group and its 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 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 framework of authority as well as other legal and regulatory frameworks that the Council operates 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.

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 and the Council;
- 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 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 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](http://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**  
**2 November 2021**

**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.

There are no corrections which affect the Council's General Fund balance. The two tables below respectively set out:

- corrections to the financial statements which have no effect on the Council's General Fund; and
- corrections to disclosure notes or other presentational items in the accounts.

### Exhibit 2: financial statement corrections that do not affect the General Fund

Area of correction	Nature of correction	Reason for correction
<b>Comprehensive Income and Expenditure Statement (CIES):</b> Removal of agency transactions and internal recharges.	To remove agency transactions and internal recharges, as required by the CIPFA Code.	Our audit identified: <ul style="list-style-type: none"><li>• £4.3 million of income and expenditure in the Council's CIES relating to the Social Care Workers Scheme (one-off payments made by the Welsh Government, via Councils, to Social Care staff);</li><li>• £2.1 million of internal recharges between the Housing Benefit and Homelessness sections.</li></ul> The CIPFA Code requires the removal of agency transactions and internal recharges, which has been carried out in the final version of the accounts.
<b>Note 26 and 43 (Pension Liability):</b> Inclusion of liabilities relating to Newport Transport Ltd.	To ensure that the Council's overall liability is recorded in line with the CIPFA Code.	During the audit, the Council informed us that it had agreed to assume responsibility for the pension liability of Newport Transport Ltd. employees who remained members of the Greater Gwent Pension Fund. Consequently, the net pension liability in the Council's final 2020-21 accounts has increased by £4.1 million. The Council have also increased the prior year pension liability in the final accounts by £3.8 million. This adjustment does not impact the Group accounts, where the pension liabilities of both entities have always been consolidated.

Area of correction	Nature of correction	Reason for correction
<p><b>Note 23 (Short Term Creditors):</b> Removal of post year-end transactions.</p>	<p>To remove transactions ineligible for inclusion in the 2020-21 accounts.</p>	<p>Our audit identified that:</p> <ul style="list-style-type: none"> <li>£2.0 million relating to a lease premium payment due in April 2021 had been incorrectly recorded as a creditor, as it related to an underlying lease agreement and was not a creditor at year-end.</li> <li>£968,000 of 'cash received in advance' relating to Welsh Government 2021-22 grants had been included within creditors. However, further investigation showed that the grant had not been received by the Council before year-end.</li> </ul> <p>These balances have consequently been removed from short-term creditors within the final accounts.</p>
<p><b>Note 14 (Property, Plant and Equipment):</b> Removal of incorrect asset balances.</p>	<p>To ensure that assets are accurately recorded within this disclosure note.</p>	<p>Our audit identified that:</p> <ul style="list-style-type: none"> <li>one asset with a net book value of £1.4 million was correctly transferred from 'Assets Under Construction' to 'Other Land and Buildings' within Note 14. However, the balance within 'Assets Under Construction' was not removed from the draft accounts, so the asset was recorded twice.</li> <li>one asset with a net book value of £449,000 had been disposed of in 2018. This asset was therefore incorrectly included in the draft accounts.</li> </ul> <p>These asset balances have now been correctly removed in the final 2020-21 accounts.</p>
<p><b>Note 21 (Cash and Cash Equivalents):</b> Correction of overstatement.</p>	<p>To ensure that cash balances are accurately reflected.</p>	<p>Our audit identified that the cash balance in the draft accounts was overstated by £493,000, with a corresponding understatement of debtors by the same amount in Note 20.</p> <p>This position has been corrected appropriately in the final accounts.</p>

**Exhibit 3: corrections relating to presentational/disclosure matters only**

Area of correction	Nature of correction	Reason for correction
<p><b>Note 5 (Major Sources of Uncertainty):</b> Removal of 'material valuation uncertainty' for pension fund assets.</p>	<p>To ensure that only genuine 'material valuation uncertainties' are disclosed.</p>	<p>Our audit confirmed that a previous 'material valuation uncertainty' relating to certain investment assets held by the Greater Gwent Pension Fund no longer applied for 2020-21. As such, the narrative disclosure for the pension liability within Note 5 has now been amended to remove any reference to such an uncertainty this year.</p>
<p><b>Note 14 (Property, Plant and Equipment):</b> Inclusion of revaluation data for PFI assets.</p>	<p>To ensure that data relating to PFI assets is complete.</p>	<p>Our audit identified that £6.4 million of downward revaluations and £1.0 million of written-back depreciation figures for PFI assets within Note 14 had not been included within the draft accounts. These figures have now correctly been included in the final accounts disclosure.</p>
<p><b>Note 14 (Property, Plant and Equipment):</b> Correction of capital commitments.</p>	<p>To ensure that capital commitments are accurately disclosed.</p>	<p>Our audit identified that capital commitments were overstated by £11.9 million as various commitments were originally included despite there being no legal or contractual commitment in place at year-end. These amounts have been removed from the disclosure in the final accounts.</p>
<p><b>Note 17 (Financial Instruments):</b> Various presentational amendments.</p>	<p>To accurately present this disclosure note in line with other accounts disclosures.</p>	<p>Our audit identified that short-term borrowings and long-term creditors were disclosed incorrectly within Note 17, meaning that totals did not reconcile to the Balance Sheet by an offsetting amount of £7.0 million. This position has now been corrected.</p>
<p><b>Note 26 (Capital Adjustment Account):</b> Correction of Minimum Revenue Provision (MRP).</p>	<p>To accurately record MRP in line with underlying legislation.</p>	<p>Our audit identified that MRP had been understated within the Capital Adjustment Account by £1.1 million, with an offsetting £1.1 million overstatement of 'Capital Expenditure charged against the Council Fund balance' This has now been corrected in the final accounts, with no effect on the final CAA balance.</p>

Area of correction	Nature of correction	Reason for correction
<p><b>Note 31 (Officer Remuneration):</b> Amendment of Council disclosures on senior employees.</p>	<p>To accurately present these disclosures in line with the Accounts &amp; Audit Regulations (Wales) 2014.</p>	<p>Our audit identified a number of required amendments throughout this note relating to senior officer remuneration, 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><b>Note 34 (Grant Income):</b> Correction of disclosures.</p>	<p>To accurately present this disclosure note in line with other accounts disclosures.</p>	<p>Our audit identified a number of amendments to this stand-alone disclosure note:</p> <ul style="list-style-type: none"> <li>• As noted in <b>Exhibit 2</b>, Social Services COVID-19 Related Grants were overstated by £4.3 million, as this relates to agency income and expenditure.</li> <li>• Regeneration, Investment and Housing COVID-19 Related Grants were overstated by £4.3 million. This amount related to agency funding from the Welsh Government to be passed on to third parties.</li> <li>• Non-Ring-Fenced Government Grants were £3.9 million lower than recorded within the CIES.</li> <li>• £2.6 million of 'grant support' relating to interest-free Welsh Government loans was not recorded.</li> <li>• Other minor amendments were required to other grant income amounts disclosed.</li> </ul> <p>The disclosures for the above grants have been amended in the final accounts.</p>
<p><b>Note 35 (Agency Expenditure and Income):</b> Correction of disclosures.</p>	<p>To ensure that this note is disclosed in line with the CIPFA Code.</p>	<p>Our audit identified that further information and clarification was required in this disclosure, to show not just relevant grant income received but also relevant expenditure and outstanding balances. This information has now been set out as required in the final accounts.</p>
<p><b>Note 36 (Related Parties):</b> 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"> <li>• the inclusion of transactions and balances relating to Newport Transport Ltd.;</li> <li>• amendments to Member and Officer disclosures;</li> <li>• changes to a number of entries for entities controlled or significantly influenced by the Council.</li> </ul> <p>These disclosures have now been corrected.</p>

Area of correction	Nature of correction	Reason for correction
<p><b>Note 45 (Contingent Assets):</b> Disclosure of relevant assets arising.</p>	<p>To ensure that contingent assets are disclosed in line with the CIPFA Code.</p>	<p>Our audit identified that at year-end, the Council had accrued a total of £2.6 million of income from ongoing residential care placements. This income had not been included in the accounts given the uncertainty over the amounts that will be received. Amounts are instead recognised once the debts crystallise and the Council attempts to recover monies.</p> <p>This accounting treatment is appropriate, but a narrative contingent asset disclosure has now been included in the final accounts to explain this position.</p>
<p><b>Various:</b> 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>



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.