



WALES **AUDIT** OFFICE

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Financial Accounts Memorandum - 2014-15 Audit

Newport City Council

Audit year: 2014/15

Issued: January 2016

Document reference: 148A2016

Status of report

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The team who delivered the work comprised Anthony Barrett (Engagement Lead), Terry Lewis (Audit Manager), Jeannette Sweet (Team Leader), Jon Martin (Team Leader) and a number of support auditors

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This report, on behalf of the Auditor General for Wales, summarises the issues arising from our audit of the Council's 2014-15 Financial Statements

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Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements of Newport City Council (the Council) give a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year then ended.
2. We completed a risk assessment and targeted our audit work to enable us to fulfil this responsibility. This included the documenting the key financial systems, assessing and evaluating of the Council's internal control environment, as well as forming an opinion on whether the financial statements had been properly prepared in accordance with relevant legislation and applicable accounting standards.
3. This report summarises the findings from our work on the Financial Statements.

The Council's 2014-15 Financial Statements were materially accurate and properly prepared

4. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of the audit of the accounting statements. We presented the Auditor General's '*Audit of the Financial Statements Report*' to the Council's Audit Committee meeting held on 24 September 2015. At that point, there were some minor areas of our work to finalise and we indicated that it was the intention of the Auditor General to issue an unqualified audit opinion.

Statutory publication deadlines were met with an unqualified audit opinion issued on 30 September 2015 on behalf of the Auditor General for Wales

5. The Council published its draft financial statements by the 30 June 2015 deadline. The final audited statements were also published by the statutory deadline of 30 September 2015.
6. An unqualified audit opinion was issued on 30 September 2015. Whilst not qualified, it was modified to include an 'emphasis of matter' paragraph, drawing attention to the fact that Group Accounts had not been prepared for the financial transactions of Newport Transport Ltd. Although this company operates at 'arms length', it is nevertheless wholly owned by the Council.

Overall, we found the information provided to support the Financial Statements to be relevant, reliable, comparable and easy to understand. However, despite improvements in some areas, there are still issues that the Council should address for the 2015-16 Statements

7. Last year we reported a number of qualitative and quantitative areas where the Council needed to improve and subsequently agreed a comprehensive 'Audit Deliverables' document for 2014-15. This set out all the supporting working papers we required to support our audit work. Whilst the Council made strenuous efforts to implement these improvements, some of the problems recurred and this delayed the progress of our audit work. It meant that our work continued right through to late September, and right up until the time that the accounts had to be finalised for presentation to the Audit Committee. The problems encountered can be summarised as follows:
 - All the working papers requested were not made available at the scheduled start of the audit which delayed its commencement. The outstanding working papers were provided during the course of our audit work;
 - Officers were sometimes slow to respond to queries and to make available some of the missing working papers; and
 - The supporting information to verify existence and ownership of some of the Council's assets was not sufficient so required additional time for verification.
8. The Audit Team held a 'post project learning' session and identified a number of areas where the process for the audit of the financial statements could be improved, both from an audit perspective and also for the Council to consider. The key themes for improvement were shared (and discussed) with the Council's Assistant Head of Finance in October 2015 and he consolidated them into a report that was presented to the Audit Committee in November 2015.
9. We will continue to liaise closely with officers to ensure that effective arrangements are put in place for the preparation and audit of the 2015-16 accounts. We are encouraged by the progress that has already been made by the Council to address these issues, with the preparation of very clear proposals and plans, in an effort to deliver significant improvement.

Recommendations to address the matters arising from the audit of the Council's 2014-15 financial statements

10. The following table sets out our recommendations for improvement to address the main issues arising from the audit of the 2014-15 financial statements.

Recommendations	Implementation
R1 Review the accounting arrangements for the Council's involvement in all Joint Committees and other Jointly Controlled operations (including Newport Norse), as set out in its Accounting Policy and as required by the Code of Audit Practice.	Accounting Statements 2015-16
R2 Incorporate the financial transactions of Newport Transport Ltd, in accordance with the requirements to account for 'group' operations.	Accounting Statements 2015-16
R3 Improve working papers and ensure they are available in a timely manner in accordance with the agreed 'Audit Deliverables' document (which will be updated early in 2016).	Accounting Statements 2015-16
R4 Make further improvements to the quality review of the working papers before they are submitted for audit, to ensure they are complete and of sufficient quality to enable the figures in the accounts to be verified.	Accounting Statements 2015-16
R5 For some capital assets, provide improved information covering their existence and ownership.	Accounting Statements 2015-16
R6 Consider the accounting arrangements for the Port Health Authority and incorporate into the financial statements.	Accounting Statements 2015-16
R7 Ensure timely publication of the 'notice of audit' to ensure the accounts are available for the 20 day period for inspection (so as to avoid re-advertisement).	Accounting Statements 2015-16
R8 Improve the process for preparation of the Whole of Government Accounts return so that it is prepared earlier (together with the supporting working papers) to ensure that there sufficient time to complete audit work and submit by the deadline set by Welsh Government.	WG Accounts 2015-16

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