

Report to:	AUDIT COMMITTEE
Report of:	Chairman of Audit Committee
Date of Decision:	22 November 2016
Subject:	USE OF DELEGATED AUTHORITY
Wards affected: All	
1 Purpose	
1.1	This report asks members to note the use of the Chairman's delegated authority to act between meetings in signing the Council's financial statements that included amendments to the statements considered by this committee on 12 September 2016.
2 Decisions recommended:	
2.1	Members are asked to note: <ul style="list-style-type: none">• The amendments to the Council's financial statements;• The additional Audit Findings Report; and• The use of the Chairman's delegated authority to act between meetings.

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3 Compliance Issues:

3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The production of the annual accounts is a statutory requirement for the Council.

3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
Yes.

3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015. The accounts were prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which is based on International Financial Reporting Standards (IFRS). Section 151 of the Local Government Act 1972 requires the Strategic Director – Finance & Legal (as responsible officer) to ensure the proper administration of the Council's financial affairs.

3.4 Will decisions be carried out within existing finances and resources?
Yes

3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
The issues raised in this report are largely of a technical financial nature. The Statement of Accounts includes the Annual Governance Statement, which has previously been considered by this committee.

4 Relevant background/chronology of key events:

4.1 The Council's Statement of Accounts was approved by this committee at its meeting on 12 September and signed in my role as Chairman of this committee and by the Strategic Director – Finance & Legal. The external auditors indicated in their Audit Findings Report their intention of issuing an unqualified audit opinion on the financial statements.

4.2 Following the meeting on 12 September, the external auditors identified a technical issue on the carrying value in the financial statements of the investment held by the council in the National Exhibition Centre (Developments) Limited (NECD). The external auditor's view was that the council's investment should be impaired in line with the requirements of International Accounting Standard (IAS) 36, *Impairment of Assets*.

4.3 Where a council has investments in companies that it consolidates into its group accounts, the council has the option to include that investment at either:

- Its historic cost; or
- Its fair value.

The council had opted to include investments in its subsidiary and associate companies at historic cost as set out in its accounting policies, xvii, *Interests in Companies and Other Entities*.

- 4.4 However, the external auditor's view was that as the value of the investment in NECD was generated only as a result of a guarantee by the council to meet the company's liabilities as they fell due then there was no material value in the company. As such the external auditor's view was that the investment should be impaired.
- 4.5 Following a review of the investments and a discussion with the external auditors it was agreed that the council would impair its investment in NECD by £66.3m. As the council's investment in NECD was accounted for as a capital transaction this meant that any impairment that would be a charge against the cost of services in the Comprehensive Income and Expenditure Statement would be reversed out through statutory adjustments and would not impact on the level of usable reserves held. The level of unusable reserves was reduced by £66.3m to recognise the impairment.
- 4.6 The original accounting treatment for the investment was to write it down in 2027 at the same time as the NECD loan stock was repaid. The effect of the impairment is to accelerate the write down of the investment value.
- 4.7 Due to the changes in the financial statements, the accounts needed to be resigned so that they could be issued by the statutory deadline of 30 September 2016 with the associated audit opinion. Acting under delegated authority, after the accounts had been signed by the Strategic Director – Finance & Legal, I signed the accounts on 29 September and the external auditors issued a signed audit opinion and a certificate of closure of the accounts on 30 September. Attached at appendix 1 is the revised version of the Council's Financial Statements and at appendix 2, an addendum to the Audit Findings Report considered by this committee on 12 September 2016.

5 Recommendations

- 5.1 Members are recommended to note the use of my delegated authority to act between meetings in signing the Statement of Accounts following the adjustment in the value of the investment in the National Exhibition Centre (Developments) Limited

Signature:

Chairman of Audit Committee:

Dated: