

Audit Committee – 31 July 2020

Title of paper:	Statement of Accounts 2018/19	
Director(s)/ Corporate Director(s):	Laura Pattman Strategic Director of Finance	Wards affected: All
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Other colleagues who have provided input:	Strategic Finance – Technical Team	
Recommendation(s):		
1	To consider the external auditors' Audit Findings report (Appendix A) to those charged with governance	
2	To approve for publication the audited Statement of Accounts (Appendix B) and authorise the Chair of Audit Committee to sign them on the Committee's behalf.	
3	To approve the Draft Management Representation Letter (Appendix C) for signature by the Chair of Audit Committee.	
4	To delegate power to the Chair of the Audit Committee and the Strategic Director of Finance to approve any subsequent necessary amendments to the Statement of Accounts.	

1 Reasons for recommendations

- 1 Audit Committee approved the unaudited Statement of Accounts for 2018/19 for publication on 29 July 2019. Grant Thornton had been unable to conclude their audit of the accounts due to the Robin Hood Energy (RHE) audit not having been concluded. Following the completion of this audit, changes have been made to the Statement of Accounts. Grant Thornton are now carrying out their final review processes and will then issue their opinion on the Council's accounts.
- 1.2 The Accounts and Audit Regulations 2015 require the Audit Committee to approve the Statement of Accounts. The Chair of the Audit Committee and the Chief Finance Officer are then required to sign a Statement of Responsibilities.
- 1.3 As part of the audit, Grant Thornton require the Council to make certain statements in a management representation letter. This confirms that the statements have been constructed accurately and on an appropriate basis and that, relevant and complete disclosures have been made.

2 Background

- 2.1 The unaudited draft Statement of Accounts presented to Audit Committee on 29 July 2019 has been adjusted in accordance with Grant Thornton's recommendations. This report updates members on the changes made from the draft to final version. If in the course of Grant Thornton's final review process, any further changes to the Statement are needed, they will be outlined at the Committee meeting and if possible, a supplementary note circulated in advance of the meeting.

- 2.2 This along with the Audit Findings Report is intended to help Committee consider any relevant issues before approving the Statements for signature by the Chair of the Audit Committee.

3 Changes from Draft to Final Accounts

- 3.1 There is a statutory requirement to consider any material events, favourable or unfavourable that occur between the balance sheet date, which in this case is 31 March 2019 and the date that the accounts are authorised for issue. If any of these events provide more information about a condition that existed at 31 March 2019, then the Statement of Accounts must be adjusted for the new information. In compliance with this requirement, the accounts have been adjusted for the increased RHE reported loss. This has resulted in a significant number of adjustments to the core financial statements, accompanying disclosure notes and working papers.

4 Amendments to the Statement of Accounts following Audit review

- 4.1 Amendments to the accounts have been agreed with Grant Thornton and incorporated into the final version of the 2018/19 Statement of Accounts presented to Audit Committee today for approval. Please note that all changes from the draft version presented to Audit Committee in July 2019 are highlighted in yellow.
- 4.2 As a result of RHE's reported financial position, the Comprehensive Income and Expenditure Account (Page 24) has been adjusted to include £13.310m of increased financing expenditure. This comprises of an increase in the Loss Allowance for loans and financial guarantees to RHE of £3.430m and £2.380m respectively. The £7.500m equity holding in RHE has been impaired to zero.
- 4.3 The Balance Sheet (Page 25) reflects the changes and shows the updated financial position of the Council. From the draft to final version, there are reductions in Long Term Investments (£7.500m) and Long Term Debtors (£3.430m) and an increase in Provisions (£2.380) due to the additional Loss Allowances. The bottom section of the balance sheet shows the reduction in reserves used to fund the impairments. The Movement in Reserves Statement provides more detail on the impact on Usable and Unusable reserve categories (Page 26).
- 4.4 The other notable event, which occurred after the Balance sheet date, was the worldwide COVID-19 pandemic. Although there is no material impact on the accounting period ending 31 March 2019, there will be a long-term financial impact for the Council. A statement has been added in Events After the Balance Sheet Date (Page 112).
- 4.5 The draft Statement of Accounts was prepared on a going concern basis. Due to the lapse of time and significant events, this has been reassessed and again a statement is included in Events After the Balance Sheet Date (Page 112).
- 4.6 The Narrative Report has been updated to reference the changes to the Accounts and notes (Page 3).

4.7 Details of the companies included within Group Accounts has been expanded in accordance with the CIPFA Code of Practice. (Page 131).

5 Background Papers Other than Published Works or Those Disclosing Exempt or Confidential Information

5.1 None

6 Published Documents Referred To In Compiling This Report

6.1 Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

6.2 Guidance Notes for Practitioners 2018/19 Accounts

6.3 The Accounts and Audit Regulations 2015

6.4 Grant Thornton External Audit Plan 2018/19