

## **MAIDSTONE BOROUGH COUNCIL**

### **AUDIT COMMITTEE**

#### **MINUTES (PART I) OF THE MEETING HELD ON 16 JULY 2012**

**Present:**            **Councillor Butler (Chairman) and  
Councillors Black, Burton, Daley and Mrs Wilson**

**Also Present:**    **Ellie Dunnet and Steve Golding –  
Audit Commission**

18.    **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillor Warner.

19.    **NOTIFICATION OF SUBSTITUTE MEMBERS**

It was noted that Councillor Daley was substituting for Councillor Warner.

20.    **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

21.    **DISCLOSURES BY MEMBERS AND OFFICERS**

With regard to the exempt report of the Assistant Director of Regeneration and Cultural Services relating to the Maidstone Museum East Wing project, Councillor Daley stated that he was a Director Trustee of the Maidstone Trust, the fundraising capability of which had been used to gain external funding for the project. The Committee was informed that the Audit Review of the fundraising arrangements was not a matter for discussion at this meeting.

With regard to the Minutes of the meeting held on 11 June 2012, and, specifically, Minutes 13 (Internal Audit Annual Report 2011/12 insofar as it included details of the review in relation to community halls) and 14 (the Annual Governance Statement, which included reference to Parish Council funding), Councillor Burton wished to reiterate that he was a Trustee of Fusion, the booking agents for Heather House, and a Member of Langley Parish Council.

22.    **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

23. EXEMPT ITEMS

RESOLVED: That the item on Part II of the agenda be taken in private as proposed.

24. MINUTES OF THE MEETING HELD ON 11 JUNE 2012

RESOLVED: That the Minutes of the meeting held on 11 June 2012 be approved as a correct record and signed.

25. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 11 JUNE 2012

(1) Minute 10 (1) – Appointment of Independent Member of the Audit Committee

The Head of Finance and Customer Services updated the Committee on the efforts being made to recruit an Independent Member of the Audit Committee. He explained that following the last meeting he had contacted the one remaining person who, it was understood, might still be interested in the appointment, and he had indicated that he did not wish to take the matter further. The options appeared to be to re-advertise the position; to consider alternative methods by which the Committee might receive independent professional advice; or to defer consideration of the matter until the meeting of the Committee scheduled to be held on 26 November 2012 with a view to putting arrangements in place to support the Committee when reviewing the next Statement of Accounts.

In response to questions by Members, the Director of Regeneration and Communities explained that it was not a requirement to have an Independent Member. However, there were advantages to be gained in having an Independent Member with a relevant financial background to support the Committee in discharging its duties in relation to overseeing the financial reporting process and, in particular, in approving the Statement of Accounts. Approaches had been made by the Officers to neighbouring authorities, the Kent-Wide Auditors Group, the Chamber of Commerce, the Federation of Small Businesses and local accountancy firms, but there had been no expressions of interest. The feedback received was that this was because no remuneration was being offered for the role, other than the payment of expenses.

RESOLVED: That consideration of the appointment of an Independent Member of the Audit Committee be deferred until the meeting of the Committee scheduled to be held on 26 November 2012, but, in the meantime, the Officers be requested to follow up the suggestion that the Leader of the Council be requested to seek expressions of interest in the appointment through his contacts within the business community.

(2) Minute 13 – Training for New Members and Substitute Members of the Audit Committee

In response to questions by Members, the Head of Audit Partnership explained that although some provisional dates had been set for the induction training, they had, of necessity, been used for other Council business. Arrangements would be made for the training to take place before the next meeting of the Committee on 17 September 2012.

26. STATEMENT OF ACCOUNTS 2011-12

The Committee considered the report of the Head of Finance and Customer Services setting out the un-audited Statement of Accounts for 2011/12 which had been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. It was noted that:-

- Under the amended Accounts and Audit Regulations 2011, there was no longer a requirement for Members to approve the Statement of Accounts prior to it being submitted for external audit. Instead, the Statement had to be signed by the Director of Regeneration and Communities, as the responsible officer, by 30 June and then approved by the Audit Committee by 30 September following the external audit. Notwithstanding these revised arrangements, it was considered appropriate to provide an early opportunity for Members to review the Statement and ask questions.
- After the introduction of International Financial Reporting Standards in the 2010/11 Code of Practice there was only one significant change in 2011/12, this being the introduction of a category for Heritage Assets. These were defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that were held and maintained principally for their contribution to knowledge or culture. Following a review of assets a number of Heritage Assets had been identified and valued where it was practical and cost effective to do so. Full details were disclosed in a note to the Accounts, and the Balance Sheet for 2010/11 had been restated to reflect the position had this category been in existence then.
- The Statement provided evidence that the Council had been able to continue to effectively manage its resources through the particularly difficult economic conditions of the last few years, and that it was in a good position to deal with the continuing economic uncertainty.
- Key messages from the Statement were as follows:-

The value of Long Term Assets had decreased by £9.9m. The major part of this decrease was a significant downward revaluation

of the Maidstone Leisure Centre. The new value was a reflection of a different set of assumptions used by the valuer in arriving at the figure compared to those used in the previous valuation. (A new valuer was engaged for this year). Subsequently, the External Auditor had suggested that the change be dealt with as a prior period adjustment and that last year's balance be re-stated.

Current Assets had decreased by £7.1m. This was due, in the main, to a reduction in the value of cash investments at the end of the financial year, and reflected the continuing use of resources to fund the capital programme which included major projects at the Museum, Mote Park and in the High Street.

Current Liabilities had decreased by £6.0m reflecting changes in monies owing to Central Government at the end of the financial year in respect of Housing Benefits and Business Rates.

There had been an increase in Long Term Liabilities of £15.4m, which was primarily due to a change in the projected deficit on the Pension Fund, which had increased from £30.3m to £46.6m. This movement reflected the actuary's short term view on the value of the Pension Fund's assets and differed from the three yearly, long term actuarial review.

In introducing the report, the Senior Accountant (Client) confirmed that although there had been problems in the collation of the agenda which had resulted in the distortion of text, there had been no problems with the copy of the Statement of Accounts sent to the External Auditor.

The Committee asked a number of questions of the Officers relating to, inter alia, the arrangements for funding the projected deficit on the Pension Fund; the changes negotiated nationally in relation to the Local Government Pension Scheme; the difference between the annual and triennial Pension Fund valuations; the Council's powers to make discretionary awards of retirement benefits in the event of early retirements; the accounting arrangements for the projected overspend in relation to the Museum East Wing project; the circumstances in which prior period adjustments might arise and the way in which they were recorded in the Accounts; the way in which the depreciation of revaluation gains was shown in the Accounts; the reason for the reduction in grant income received in Non-Domestic Rates; and the Council's investment and banking arrangements.

A Member expressed concern about (a) properties and other assets depreciating in value due to them not being maintained properly and then being sold for less than they might have been if they had been maintained and (b) the need for training to understand the new accounting policy for Heritage Assets. The Officers explained how loss of value due to lack of maintenance might be shown in the Accounts, but suggested that the Statement of Accounts was not the document/mechanism to inform policy and strategic choices in relation to the Council's property portfolio and the way in which assets were maintained or protected. This was dealt with

through the Asset Management Strategy, medium term financial planning and the annual budget setting process. It would be a matter for the Audit Committee if there were any risks arising. However, the concerns expressed about the Council's asset management arrangements would be referred to the Property Services Section and the Heritage Assets aspect of the accounting process could be covered in a future training session.

RESOLVED: That the un-audited Statement of Accounts for 2011/12, which has been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, be noted.

27. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information for the reasons specified, having applied the Public Interest Test:-

**Head of Schedule 12 A and Brief Description**

Exempt Report of the Assistant Director of Regeneration and Cultural Services – Maidstone Museum East Wing Project Review - Update	3 - Financial/Business Affairs 5 - Legal Professional Privilege/Legal Proceedings
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28. MAIDSTONE MUSEUM EAST WING PROJECT REVIEW - UPDATE

The Committee considered the exempt report of the Assistant Director of Regeneration and Cultural Services updating the position with regard to the actions being taken in relation to the Maidstone Museum East Wing extension construction project. The report included details of the negotiations regarding the final account; the claim in relation to inaccurate surveying; and the progress being made on the review of the project commissioned by the Cabinet. Having received replies to its questions, the Committee gave instructions to the Officers as to the way it wished to proceed.

29. DURATION OF MEETING

6.30 p.m. to 8.10 p.m.