

Our reference South/MA202/DW/1

27 September 2012

Councillor D Butler
Chairman of the Audit Committee
Maidstone Borough Council
Maidstone House
King Street
Maidstone
ME15 6JQ

Mobile

07748 760569

Email

d-wells@audit-
commission.gov.uk

— Dear Councillor Butler

Audit Opinion on Maidstone Borough Council's Financial Statements 2011/12

I presented my Annual Governance Report to the Audit Committee meeting on 17th September 2012. At that time there were a number of outstanding matters that needed to be resolved before I could issue my audit opinion on the Council's financial statements for 2011/12.

Following that meeting good progress was made in finalising these matters, and I intend issuing an unqualified audit opinion on 28th September 2012.

As a result of the additional work, a number of changes have been made to the financial statements presented to the Audit Committee, and I need to bring the following matters to your attention:

- The balance sheet figure for heritage assets was increased by £3.6m
- Following receipt of revised valuations for investment properties, the balance sheet figure was reduced by £1.8m
- The disclosure notes for prior period adjustments, NNDR debtors and financial instruments were amended
- The cash figure on the balance sheet has been amended following a reclassification of entries

The following issues were identified where officers have decided not to amend the accounts :

- The prior period adjustment incorrectly made in respect of capital grants (£225k) has not been adjusted.
- An investment property (£130k) has been excluded in error from the balance sheet.

- A contingent liability disclosure note has been added to the accounts in respect of mesothelioma claims. In my opinion this should have been treated as a provision.

In respect of the last three bullet points, I am required to invite you as the chair of the audit committee to consider requesting officers to amend the accounts. If you decide following discussion with officers not to request a change to the accounts, can you please include your reasons along with specific mention of the three items in the letter of representation. For clarity, should the Council decide not to amend the accounts for these items, I do not consider their significance to affect my audit opinion.

I have now received a reply from the Council's valuers Harrisons setting out their responses to my audit queries. They have identified a number of limitations to the scope and reliability of their valuations, particularly in respect of the timescale for their work, assumptions made and the extent to which the valuations can be relied upon. In particular, Harrisons make clear that their valuations are based on the information provided by the Council without any independent inspections. I have therefore requested that officers include a statement within the letter of representation to confirm that the information provided to Harrisons was accurate and complete.

I have asked for the Director of Regeneration and Communities to email me a copy of a revised Letter of Representation dated 28th September 2012 so that I may issue my audit opinion.

Yours sincerely

Darren Wells
District Auditor
Audit Practice

cc Zena Cook - Director of Regeneration & Communities
Paul Riley – Head of Finance & Customer Services
Paul Holland – Senior Accountant (Client)