

Councillor Rodd Nelson Gracie
Maidstone Borough Council
Maidstone House
King Street
Maidstone
ME15 6JQ

30 September 2013

Dear Cllr. Nelson Gracie

Audit Opinion on Maidstone Borough Council's Financial Statements 2012/13

We presented our Audit Findings Report at the Audit Committee meeting on 16th September 2013. At that time there were a number of outstanding matters that needed to be resolved before we could issue our audit opinion on the Council's financial statements for 2012/13. Following that meeting progress has been made in finalising these matters, and we intend to issue an unqualified audit opinion on 30th September 2013.

As a result of the additional work, some further audit findings have emerged, and we need to bring the following matters to your attention.

1. Uncertainty in accounts

In our Audit Findings Report we reported that we had not been provided with working papers to support debtors and creditors in respect of the collection fund. Officers provided these working papers on the 24th September. Audit review resulted in further revision and identified an uncertainty over the value of council tax arrears and the recorded creditor in the balance sheet in respect of non-domestic rates. The working papers provided to support the balance sheet entries for council tax and NNDR did not agree to the accounts presented to members. On further investigation, we determined that Academy as the prime system did not agree with the produced working papers or the accounts.

Officers have not been able to reconcile the balances in the council's main financial system to those recorded in the subsidiary revenues system. Officers cannot currently explain the differences and acknowledge the need to investigate the issues further.

The resulting impact of the differences between the two systems is a level of uncertainty over the Balance Sheet entries for council tax and non-domestic rates, amounting to £247k and £955k respectively.

These amounts are not material to the financial statements, but with any uncertainty, there is always a note of caution. On consideration, we have concluded this uncertainty is not material and will not impact on our audit opinion. We have sought further assurances from officers on this issue in a revised letter of representation.

2. Adjustments to the financial statements

Officers made a number of changes to the draft accounts submitted for audit to correct errors relating to the Balance Sheet entries for Council Tax and Non-Domestic Rates. These changes were reflected in the Statement of Accounts presented to the Audit Committee on 16th September 2013. At this date we had not reviewed the amended financial statements, as we were waiting for the supporting working papers as noted above. Further changes to the accounts were made following the auditors' review of working papers provided on 24th September 2013.

The table below sets out amendments to the draft Statement of Accounts presented for audit on 5th July 2013, and further changes to these balances made since the accounts were approved by the Audit Committee on 16th September 2013.

Balance Sheet

	Draft Accounts (05/07/2013) £000	Audit Committee (16/09/2013) £000	Final Position (30/09/2013) £000
Short Term Debtors	14,096	13,797	11,555
Short Term Creditors	8,357	9,206	6,882

Other changes made to correct errors in the Collection Fund disclosure notes are set out below. These changes also arose from the auditors' review of working papers provided on 25th September 2013:

Collection Fund Note 1 – Council Tax

	Draft Accounts £000	Audited Accounts £000
Initial accounts	101,076	101,353
Additional accounts	75,037	75,037
Less: reduced accounts	-74,264	-84,393
	101,849	91,997
Less: amounts written off	-9,852	-278
Net income to Fund	91,997	91,917

The following changes were required following review of the amended Statement of Accounts presented to the Audit Committee on 16th September. These adjustments correct errors which had been previously identified and raised with officers, but had not been accurately reflected in the amended statements:

Note 22 – Financial Instruments

	Audit Committee (16/09/2013) £000	Final Position (30/09/2013) £000	Audit Committee (16/09/2013) £000	Final Position (30/09/2013) £000
	Long Term		Short Term	
Investments				
Loans & Receivables	0	0	13,520	13,520
Available-for-sale financial assets	11	11		
	11	11	13,520	13,520
Bank Overdraft	0	0	0	77
Debtors				
Loans & Receivables	30	30	21,795	5,453
Creditors				
Financial liabilities at amortised cost	0	0	4,909	5,174
Other Long Term Liabilities				
Finance Lease Liabilities	2,124	0	428	0

Note 47 – Cash Flow Statement – Investing Activities

	Audit Committee (16/09/2013) £000	Final Position (30/09/2013) £000
Purchase of short-term and long-term investments	5,000	7,000

Property, Plant and Equipment – Comparative Figures

The prior year balance for property, plant and equipment was changed to achieve consistency with the supporting note:

	Audit Committee (16/09/2013) £000	Final Position (30/09/2013) £000
Property, plant and equipment (2011/12 figure)	62,298	62,103

Yours sincerely

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