

**MAIDSTONE BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**25 NOVEMBER 2013**

**REPORT OF HEAD OF FINANCE & RESOURCES**

**Report prepared by Paul Holland**  
**Senior Accountant (Client)**

**1. EXTERNAL AUDITOR'S LETTER TO THE CHAIRMAN**

1.1 Issue for Decision

1.1.1 To consider the letter from the External Auditor to the Chairman of Audit Committee and the Head of Finance & Resources' proposed action plan with regards to the Collection Fund.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 It is recommended that Audit Committee note the contents of the letter and endorses the Head of Finance & Resources' current actions in relation to the collection fund.

1.3 Reasons for Recommendation

1.3.1 The letter from the External Auditor, attached as Appendix A, confirms the details of the matters that were outstanding that needed to be resolved prior to the formal issuing of the audit opinion on the Statement of Accounts for 2012/13. These issues were outstanding at the time Audit Committee considered the Statement at the last meeting on September 16<sup>th</sup> 2013.

1.3.2 These issues were addressed to the satisfaction of the External Auditor, and an unqualified audit opinion was issued. The attached letter details the adjustments that were made to the Statement of Accounts, none of which had an impact on the financial resources of the Council.

1.3.3 The letter does however raise one issue with regards to the Collection Fund that requires further action to be taken by officers, which is detailed further in the next section of this report.

#### 1.4 Collection Fund

- 1.4.1 As the Committee was advised at its meeting on September 16<sup>th</sup> 2013 the External Auditors had not been provided with working papers to support debtors and creditors figures in the Collection Fund. These working papers were subsequently provided in time for the External Auditor to issue his audit opinion.
- 1.4.2 However there does remain a level of uncertainty over the figures that were submitted. There was an issue identified that meant that figures in the Council's Financial Management System and system used by the Revenues section did not reconcile. These were not material figures and an unqualified audit opinion was issued, but the External Auditor has raised concerns in his letter over this situation.
- 1.4.3 Officers have acknowledged the External Auditor's concerns and commenced an investigation of the imbalance. The difference in relation to Business Rates has been traced to the treatment of an adjustment to the business rates due for collection in 2009/10 which was posted to the wrong account following the completion of the external audit in that year. The difference in relation to Council Tax has not yet been identified. The Head of Finance & Resources is completing a reconciliation of cash receipts for the last three years in order to resolve the difference. In both cases correcting entries to the balance brought forward will be complete prior to the commencement of the 2013/14 statement of accounts.

#### 1.5 Alternative Action and why not Recommended

- 1.5.1 The requirement to approve the Statement of Accounts is a statutory requirement and therefore no alternative action is recommended as the Committee needs to be assured that the information submitted to the External Auditor is sufficiently robust for their purposes.

#### 1.6 Impact on Corporate Objectives

- 1.6.1 None.

#### 1.7 Risk Management

- 1.7.1 Failure to achieve an unqualified Audit Opinion represents a reputational risk to the Council, therefore the Committee needs to seek assurances from officers that the information in key financial systems is adequate for the purposes of the Statement of Accounts.

#### 1.8 Other Implications

- 1.8.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management


1.9 Relevant Documents

1.9.1 Appendix A – Letter from the External Auditor the Chairman of the Audit Committee.

1.10 Background Documents

1.10.1 None.

**IS THIS A KEY DECISION REPORT?**

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because: .....

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Wards/Parishes affected: .....

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