

**Minutes of the Audit Committee  
5 February 2019**

**Present:**

Councillor M.J. Madams (Chairman)  
Councillor H.A. Thomson (Vice-Chairman)

Councillors:

H.R.D. Williams

In attendance: Councillor I.T. Harvey, Leader of the Council

**Apologies:** Councillors C.A. Davis and Q.R. Edgington

**27/19 Disclosures of Interest**

There were none.

**28/19 External Audit Report on Audit and Statement of Accounts  
2016/17**

The Chief Finance Officer reported that external auditors appointed by the Public Sector Auditor Appointments, KPMG, were required, in accordance with international auditing standards, to annually report to the Council on:

- Their opinion on the Statement of Accounts
- Any uncorrected items in the Statement of Accounts
- Qualitative aspects of the Council's accounting practices and financial reporting
- The Annual Governance Statement
- Their annual Value for Money conclusion

They also report annually on their audit of the Council's accounting and internal control systems.

KPMG had presented a draft ISA260 report to the Audit Committee in October 2017, pending completion of their Value For Money (VFM) work on the BP campus acquisition. An update on that work was provided at the July 2018 meeting. Having completed this work, KPMG had issued their opinions on the 2016/17 Accounts and on the Value for Money Statement.

Joanne Lees, on behalf of KPMG, presented the report. She stated that the financial statements required some adjustments, mainly due to turnover of staff in the Finance team. KPMG was ready to issue an unqualified opinion on the financial statements.

Ms Lees emphasised that it was the auditor's responsibility to look at the *arrangements* the Council had in place to secure economy, efficiency and effectiveness in its use of resources (i.e. VFM), not to consider the 'value for

money' of any specific investments themselves. As reported to the July 2018 Audit Committee, KPMG were issuing an adverse VFM conclusion, making four recommendations on the BP acquisition process, which were set out on pages 116-121 of the supplementary agenda, along with the Management responses.

The Monitoring Officer commented that the Council disagreed with the auditor's findings leading to the qualified conclusion and these had been set out in the Management responses to the auditor's report. These particularly concerned the auditor's assessment of the Council's Value for Money arrangements in relation to the purchase of the BP campus.

He summarised the Management responses:

- It was the Council's opinion that the auditor had focussed on some factors which did not affect economy, efficiency and effectiveness, i.e. publication of decisions in line with Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and documented evidence that the Council had considered Counsel's opinion on the proportionality of the BP investment.
- The Council had provided the auditor with a large volume of documentation to evidence the decision making process and was disappointed that the email trails were not sufficient to satisfy the auditor in terms of a written record of decisions taken.
- The Council had assessed the Council's position at the end of the BP 20 year lease with regard to alternative use values for the site, bearing in the mind the strength of the location close to an expanding Heathrow and a future Crossrail 2 station. Reports from competent professionals on these assessments had been shared with the auditors.
- Counsel's opinion on the proportionality of investment property transactions only related to the BP transaction not all future property transactions, so the auditor ought not to construe this opinion applies to all our arrangements.

Philip Johnstone, KPMG, responded to concerns about the conclusions which had led to their adverse opinion.

The Leader, Councillor I.T.E. Harvey commented that the Council had gone to great lengths to ensure transparency around the BP acquisition, including presentations to all councillors and residents' associations, press releases, radio interviews, and FAQs on the Council's website. He further stressed that as a result of the Council's property investment strategy, the Council had not needed to make cuts to services or draw on reserves to maintain them, with the result that residents were in a better position than those in many other local authority areas.

**Resolved** that:

- 1) the Audit Committee notes the External Auditor's 2016/17 audit report;
- 2) the Chief Finance Officer and Chairman of the Committee sign the statement of accounts; and
- 3) the Audit Committee notes the draft officer responses to the recommendations made in Appendix 1 of the Auditors' report.