

27 June 2012		ITEM 6
Audit Committee		
ANNUAL AUDIT LETTER 2010/11 AND SECTION 11 ACTION PLAN UPDATE		
Wards and communities affected: N/A	Key Decision: N/A	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Martin Hone, Corporate Director of Finance and Corporate Governance		
This report is Public		
Purpose of Report: To introduce the Audit Commission's Annual Audit Letter for financial year 2010/11 and provide the Committee with an update of the implementation of the recommendations arising from the Section 11 regarding the problems with the preparation of the accounts.		

EXECUTIVE SUMMARY

The Council's accounts are audited by the Audit Commission. As a result of the problems they encountered in relation to the audit of the accounts for the year ended 31 March 2011, they made recommendations to the Council under section 11(3) of the Audit Commission Act 1998 (the Act). These recommendations were contained in the Commission's Annual Governance Report dated 3 November 2011, which was considered by this Committee at its meeting on 10 November 2011.

Elsewhere on tonight's agenda the accounts for financial year 2010/11 are presented for approval by the Committee.

Having completed their work on the accounts, the Audit Commission have now published their Annual Audit Letter.

1 RECOMMENDATION:

That the Committee note the contents of the Annual Audit Letter for 2010/11

2 INTRODUCTION AND BACKGROUND:

2.1 At its meeting in September 2011, the Audit Committee received a report from the Director of Finance & Corporate Governance regarding the production of the annual accounts for 2010/11. There were

significant delays in preparing the financial statements and accompanying notes, working papers were incomplete and the implementation of new accounting policies under International Financial Reporting Standards was badly managed. The report concluded that the Council's preparation for the audit of the 2010/11 financial statements had been poor, and lessons must be learned. The Annual Audit Letter attached as an appendix to this report reflects and confirms these issues.

- 2.2 At its meeting in November, the Audit Committee received a further report updating them on progress in finalising the post audit 2010/11 financial statements and introducing the Audit Commission's Annual Governance Report. The report from the Director of Finance & Corporate Governance recommended a nine-point action plan to deliver the necessary improvements in time for the 2011/12 accounts exercise.

3 PROGRESS TO DATE

3.1 Production of the 2010/11 Financial Statements

Elsewhere on tonight's agenda the accounts for financial year 2010/11 are presented for approval by the Committee.

3.2 Preparation for the Production of the 2011/12 Financial Statements

Upgrade of Financial Systems and Chart of Accounts

The upgrade to the Council's financial systems went live in early April 2012. The new chart of accounts, which will simplify both year-end closure of accounts and the associated government returns, was completed on 6 January 2012.

Addressing Issues of Capacity and Capability

The actions being taken to address capacity and capability are unchanged from the report considered by this Committee in February:

- A new Chief Accountant started work in mid-January
- On 18 January the Chartered Institute of Public Finance & Accountancy began a bespoke 12-month training programme for Thurrock Council to improve the skills and capabilities of its finance and related staff.
- The accounts closing team attended the Audit Commission's accounts closure briefings, ahead of 31 March 2012;

- Three senior members of staff (an accountant and two asset managers) transferred from the Thurrock Thames Gateway Development Corporation on 1 April. Their experience and capability will strengthen both the Accountancy and Asset Management Teams.
- A series of training sessions for Audit Committee are being arranged by the Council's internal audit partner, RSM Tenon.

A very detailed plan for the production of the financial statements has been drawn up by the accounts closing team, and is on schedule at the time of writing.

An update on progress against the action plan will be reported to each meeting of the Audit Committee during 2012.

4 CONSULTATION

- 4.1** The matters discussed in this report and set out in more detail in the Annual Audit Letter have been considered by this Committee at its meetings in September and November 2011 and January, February and March 2012. Council received a report and briefing from the Director of Finance & Corporate Governance on 1 December 2012. The Chief Executive and Director of Finance & Corporate Governance have worked closely with the Council's auditors in agreeing what actions need to be taken to respond to the recommendations. The Leader of the Council and the Chair of the Audit Committee have been briefed on matters arising from the late completion of the 2010/11 accounts.

5 IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 5.1** There are no direct implications arising from this report in terms of the community and delivery of services.
- 5.2** The steps outlined in this report and appendices are designed to ensure that these problems will not recur in future years.

6 IMPLICATIONS

6.1 Financial

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Although as a result of the audit further significant amendments have been made to the Council's draft financial statements, they do not impact on the financial resources available to the Council.

