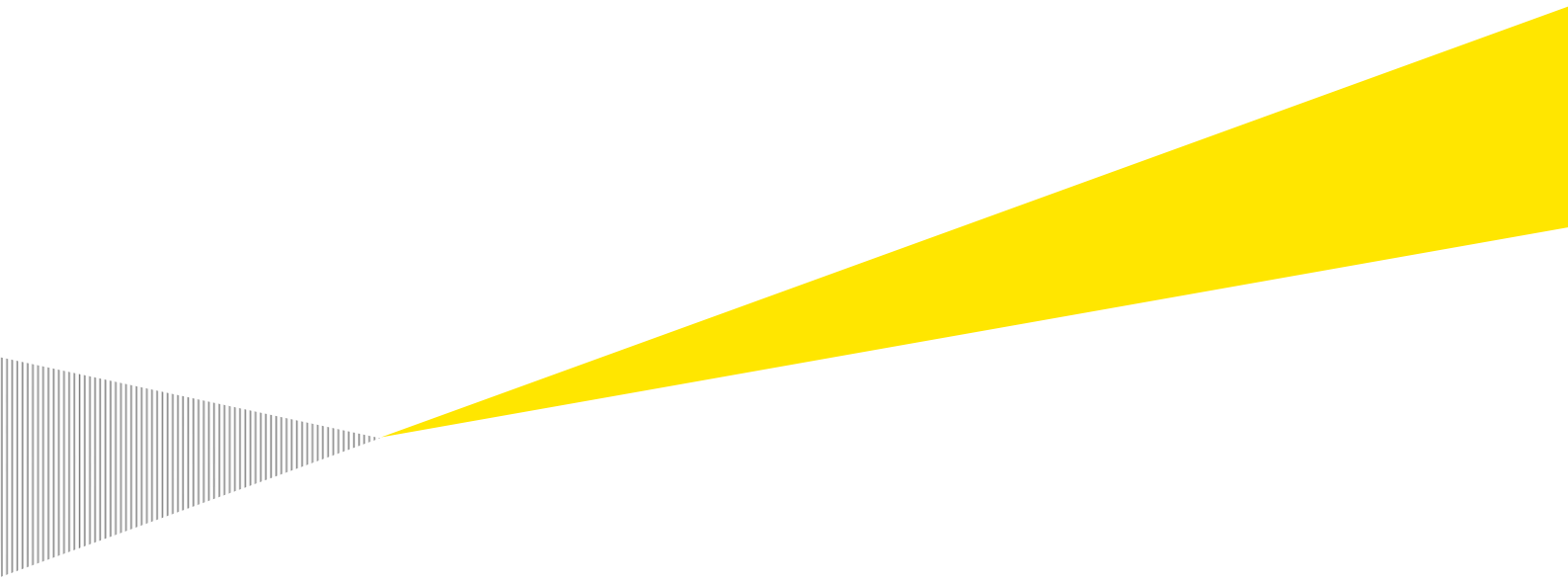


Thurrock Unitary Council

Year ending 31 March 2013

Annual Audit Letter

23 October 2013



Building a better
working world

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The Members
Thurrock Council
Civic Offices
New Road
Grays
Essex
RM17 6SL

23 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Thurrock Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Thurrock Council in the following reports:

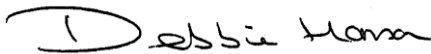
**Thurrock Council audit results report for
the year ended 31 March 2013**

Issued 6 September 2013

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of Thurrock Council for their assistance during the course of our work.

Yours faithfully



Debbie Hanson
Director
For and behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012-13 audit work has been undertaken in accordance with the Audit Plan we issued in February 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Thurrock Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2013 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 30 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Standards and Audit Committee) communicating significant findings resulting from our audit.	On 6 September 2013 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 1 October 2013.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 1 October 2013 we issued our audit completion certificate.

Executive summary

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.

We plan to issue our annual certification report to those charged with governance with respect to the 2012-13 financial year by 31 January 2014.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2013.

There have been significant improvements in the quality of the accounts and working papers the Council submitted for audit in 2012-13. As a result, there was a much lower level of amendments to the accounts as a result of audit. Some further improvement is still required to further reduce the level of errors, which are still higher than we would expect, but there has been a real step change in arrangements for 2012-13 compared to previous years and the Council is to be commended for this. None of the errors identified during the audit impacted on the Council's financial position or level of useable reserves.

The main findings from our audit in relation to the risk areas identified in our audit plan were:

Significant risk 1: General ledger upgrade

The general ledger was upgraded on 1 April 2012 with a new reporting package and chart of accounts. We tested opening balances and concluded they were brought forward correctly. We reviewed the coding structure and confirmed it is in line with the Service Reporting Code of Practice.

Significant risk 2: Grant revenue recognition

We tested both capital and revenue grants substantively to ensure they were correctly recognised. We identified errors in the accounting treatment in relation to the funding of some revenue expenditure which was funded from capital. This was a technical accounting issue and had no impact on the Council's revenue position. The accounts were amended to correct these errors.

Significant risk 3: Double counting of schools income and expenditure

Our work identified that some schools income and expenditure was incorrectly omitted from the accounts. This was amended without impact on the total net cost of services.

Significant risk 4: Asset valuations

The Council undertook a full asset revaluation exercise in 2012/13, including the review of classification and valuation of assets transferred from the former Thurrock Thames Gateway Development Corporation. We tested asset valuations substantively to ensure the correct accounting treatment. We found some errors in the classification of asset valuations and some errors where services were charged with the impairment of former Development Corporation assets. The accounts were amended to correct these errors.

Other key findings:

There was only one misstatement in the accounts which management did not correct. This related to the waste collection contract set up costs which the Council has recognised as a long term debtor which is being written down over life of the waste contract. In our view, this should have been charged to revenue in the year in which the set up costs were incurred. The impact of this, if correctly, would be to decrease useable reserves by £467,000.

Management correct misstatements amounting to £74.8 million. Further details of the main changes are outlined in our Audit Results Report. None of the amendments made had any impact on the Council's financial position or its level of useable reserves.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012-13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30 September 2013. Our audit did not identify any significant matters.

2.4 Whole of government accounts

We reported to the National Audit office on 1 October 2013 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We have not yet completed our work on the certification of grants and claims. We will issue the Annual Certification Report for 2012-13 in January 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
The reconciliation between the adult social care system and the general ledger was completed to February 2013, but the year end reconciliation was not available at 6 September 2013. This reconciliation should be completed on a regular basis throughout the year.	The failure to complete this key year end reconciliation on a timely basis means that there was a risk that adult social care costs reported with the net cost of services as part of the accounts could have been misstated.

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