

<b>5 March 2014</b>		<b>ITEM: 9</b>
<b>Standards &amp; Audit Committee</b>		
<b>External Audit: Audit Plan</b>		
Report of: Sean Clark, Head of Corporate Finance		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> No	
<b>Accountable Head of Service:</b> Sean Clark, Head of Corporate Finance		
<b>Accountable Director:</b> Graham Farrant, Chief Executive		
This report is public		
<b>Purpose of Report:</b> To present to the Committee the External Audit Plan for the audit of the 2013/14 financial statement and their assessment of the Council's arrangements for economy, efficiency and effectiveness.		

## **EXECUTIVE SUMMARY**

This report is for noting: attached is the Annual Audit Plan from Ernst & Young, the Council's external auditors, that partly duplicates the papers considered at the last meeting but pulls together a number of considerations.

### **1. RECOMMENDATIONS:**

#### **1.1 That the report be noted.**

### **2. INTRODUCTION AND BACKGROUND:**

2.1 This report introduces the Audit Plan that will cover the audit of the 2013/14 financial statements and the assessment of the Council's arrangements to secure economy, efficiency and effectiveness.

2.2 The plan clearly sets out the key risks and the areas the auditors will focus on.

2.3 The key financial statement risks identified are noted below along with steps taken by the Council to address them:

- Accounting for the localisation of business rates and the calculation of the provision for rating appeals.

There have been significant changes in the accounting arrangements for business rates and a need to support a key change which is the calculation of the provision for appeals.

The Council has noted the revised accounting requirements of the CIPFA Code of Practice. Staff attended the detailed CIPFA training session and the draft financial statements include an updated collection fund completed in accordance with the revised guidance.

The calculation of the provision for rating appeals has been based on data from the Valuation Office to date and is supported by relevant calculations for each appeal. The Council is continuing to work with the Valuation Office to secure similar data to support the position at 31 March 2014 and will provide detailed working papers to support the year-end position.

- **Misclassification of Income and Expenditure**

The Council incorrectly categorised items of income and expenditure in respect of certain grants and schools income and expenditure. While there was no impact on the general fund position of the Council in 2012/13 these issues have been discussed with the relevant officers to ensure they do not reoccur in 2013/14. These areas will be the subject of detailed management review prior to the completion of the financial statements.

- **Asset Valuations**

The former development corporation assets were reclassified from operational to surplus assets in 2012/13. The treatment of these assets will be reviewed as part of the 2013/14 closure process.

There are also more general risks noted in respect of the ability of management to override the control environment in place and the need for the external auditors to address the inherent risk of fraud present in all financial systems. There have been no concerns in these areas identified in previous years and no material weaknesses in the system of internal control have been identified to date in 2013/14.

2.4 The external auditors have not identified any significant risks in their initial assessment of the Council's arrangements to secure economy, efficiency and effectiveness. They have noted the areas they are considering in section 3 of their report.

2.5. The auditors will be available at tonight's meeting to answer any questions that Members may have.

### **3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:**

3.1 The report is only for noting as it is the report of the external auditors.

### **4. REASONS FOR RECOMMENDATION:**

4.1 So the Committee acknowledge the Audit Plan put forward from the Council's external auditors.

## 5. CONSULTATION (including Overview and Scrutiny, if applicable)

- 5.1 There has been no consultation on this report though officers will be consulted in the report that will be submitted to the Committee in April on the various issues.

## 6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 6.1 Robust financial processes safeguard the Council's assets that support the Council in delivering its policies and priorities

## 7. IMPLICATIONS

### 7.1 Financial

Implications verified by: **Sean Clark**  
Telephone and email: **01375 652010**  
**sclark@thurrock.gov.uk**

These are included in the body of the report.

### 7.2 Legal

Implications verified by: **David Lawson**  
Telephone and email: **01375 652087**  
**dlawson@thurrock.gov.uk**

There are no specific implications from this report.

### 7.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**  
Telephone and email: **01375 652472**  
**SDeAlyn@thurrock.gov.uk**

There are no specific implications from this report.

### 7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no specific implications from this report.

## BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- None

## APPENDICES TO THIS REPORT:

- Ernst & Young Audit Plan for Thurrock Council

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