

xx October 2012

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

Direct line 0844 798 xxxx
Email xxxxxxl@audit-
commission.gov.uk

Dear Member

Thurrock Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter, which summarises my 2011/12 audit of Thurrock Council.

Financial statements

On 20 September, I presented my interim Annual Governance Report (AGR) to the Audit Committee, outlining the initial findings from my audit of the Council's 2011/12 financial statements. I issued a final update to my AGR to the Chair and Vice Chair of the Audit Committee on 27 September. This set out the final position regarding the unadjusted and adjusted errors within the accounts that my audit had identified. I will not replicate the detailed findings included in my AGR reports in this letter, but have summarised the key messages.

I was able to issue an unqualified opinion on the Council's 2011/12 accounts on 28 September. This was in advance of the statutory deadline of 30 September. This is a significant improvement on 2010/11, when I was not able to issue my opinion until 20 April 2012, over six months after the September deadline.

In 2011, as a result of the problems identified during the 2010/11 audit, I made formal recommendations to the Council under Section 11 of the Audit Commission Act 1998 regarding the Council's accounts production processes. The Council put in place an action plan to address the weaknesses identified and has monitored progress against these recommendations during 2012.

The 2011/12 accounts presented for audit in July 2012 were an improvement on the 2010/11 accounts, but again included a large number of errors, several of which were material. The quality and availability of working papers to support the accounts was also poor in many areas. The Council amended the accounts to correct for the material errors that were identified during the audit, and I was therefore able to issue an unqualified opinion. There were however a large number of non material errors and uncertainties that were not corrected.

It is recognised that the delays in the completion of the 2010/11 audit impacted on the Council's closedown arrangements for 2011/12. In addition, the Council's upgrade of its general ledger system (oracle) on 1 April 2012 affected the closedown programme, as the Council had problems obtaining detailed information from the system. The closure of the Thurrock Thames Gateway Development Corporation (TTGDC) and the transfer of assets and liabilities to the Council at 30 March 2012 also presented some challenges for 2011/12.

However, the processes underpinning the production of the accounts and supporting working papers remains poor and the Council needs to take further action to ensure these are improved for 2012/13. My interim AGR includes a number of recommendations to support the Council's improvement in this area.

Value for money conclusion

My assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources was made against two criteria specified by the Commission. These are; whether the organisation has proper arrangements in place to secure financial resilience; and whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

I concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. I have qualified the Council's value for money conclusion in recent years, so this represents good progress.

Some of the main improvements noted as part of my conclusion for 2011/12 are that:

- The arrangements for the production and regular updating of the Council's medium term financial strategy (MTFS) have been strengthened;
- The general fund balance has now increased to the level considered desirable by the Director of Finance and Corporate Governance;
- An asset management strategy is now in place and arrangements to get the best from the Council's assets are continuing to develop; and
- The Council has put in place appropriate arrangements in relation to its new regeneration responsibilities, which were transferred to it from the Thurrock Thames Gateway Development Corporation on 30 March 2012.

There remain a number of areas for improvement however, particularly in relation to the year end financial statements, as noted above. The Council has also experienced problems with the management of the housing repairs contract during the year. This led to overspends on the Housing Revenue Account (HRA) and, as a result, the HRA balance has dropped to just over £1 million, which is below the preferred level of £1.7 million. The Council has put in place plans to rebuild the level of the HRA balance under the new self-financing regime, but still needs to take action to address the problems with the housing repairs contract and ensure this is operating effectively.

Completion of the audit

Following the Audit Committee and meeting with the Chair and Vice Chair, on 28 September I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources; and
- concluded that there are no matters arising from my value for money work that I need to report.

I was unable to certify completion of the audit because I had yet to complete my work on the Council's Whole of Government Accounts (WGA) return to central government. The return had to be updated by the Council to reflect the material amendments made to the financial statements upon which it is based. I have now completed this return and issued my certificate. I was unable to conclude that the figures in the WGA return were consistent with the audited financial statements in a number of areas and therefore qualified my assurance statement. The working papers to support this return need to be improved for 2012/13.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Director of Finance and Corporate Governance. While this has been another challenging year for the Authority I wish to thank the finance staff for the positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

Yours sincerely

Debbie Hanson
District Auditor