

Thurrock Council
Year ending 31 March 2013

Audit Progress Report

January 2013

Audit Committee
Thurrock Council
Civic Offices
New Road
Grays
Essex
RM17 6SL

23 January 2013

Dear Sir/Madam

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

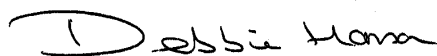
Our report sets out the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in planning your 2012/13 audit. This Progress Report is the first step in ensuring that our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

This report begins to assess and identify the key risks we have identified during the initial planning discussions with officers and internal auditors. Once we have finalised this work, these risks will drive the development of an effective audit for the Council. Our detailed Audit Plan will outline our planned audit strategy in response to those risks. We will agree our detailed Audit Plan with officers by the end of February 2013, and present it to the next Audit Committee on 6 March 2013.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Director
For and behalf of Ernst & Young LLP
Enc

Contents

1. Work completed 2

2. Timetable 4

Appendix 1: Audit Progress on Deliverables 5

1. Work completed

Meetings

We have held, or have scheduled, a number of planning meetings with the Executive, key officers and other stakeholders as part of our audit planning process:

- 22 November 2012 – Introductory meeting with the Head of Corporate Finance to discuss engagement team and outline on our audit approach.
- 9 January 2013 – Meeting with Chief Accountant to discuss significant risks around the account preparation process.
- 4 March 2013 – Meeting with the Chief Executive and Director of Finance and Corporate Governance to discuss the significant risks being faced by the Council.

Discussion of significant risks

We have held a number of meetings with key finance officers, reviewed key Council documents and used historic knowledge in the team to identify the significant risks being faced by the Council. These discussions are ongoing and our assessment of risk will continue to be updated throughout the audit process.

We will seek to validate the risks we have identified to date with officers as well as discuss any additional risks that the Audit Committee has highlighted through its work.

Initial risks identified

Planning discussions and other audit planning procedures have at this stage of our audit identified the following significant risks that we see the Council is facing:

- Upgrade to the general ledger system and new chart of accounts may lead to incorrect postings and errors in the financial statements
- Implementation of new payroll system during 2012/13 may lead to a risk of inaccurate payments
- Ongoing financial pressures faced by all Councils increase the risk of financial manipulation and inaccurate cut off of income and expenditure between years
- Ongoing accounting issues from prior years, including double counting of education income and expenditure due to the coding structure, although the new chart of accounts may address this risk
- History of poor quality accounts and working papers, although the general ledger changes and further training of staff may mitigate this risk
- Revaluation of all the Council's property, plant and equipment and investment property during 2012/13 creates a risk to the valuation assertion

Further risks may be identified as our planning work continues. We will complete our planning processes over the coming weeks and will report our updated risk assessment in our Audit Plan, which we plan to bring to the next Audit Committee meeting in March.

Value for money assessment

We are in the process of completing our initial risk assessment for our value for money work against the Audit Commission's specified criteria and areas of focus. Once we have

Work completed

completed our risk assessment we will communicate to you any specific risks we have identified and any additional local risk based work we may need to undertake as a result.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in June and your NNDR claim in August.

2. Timetable

Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit Committee cycle.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

| Audit phase | Timetable | Deliverables |
|---|--------------------------|---|
| High level planning: | November | Fee Letter |
| Risk assessment and setting of scopes | November/ January | |
| Testing of routine processes and controls | January/April | Audit Plan Interim Report (if required) |
| Value for money conclusion | February/April | |
| Year-end audit | July – September | Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification |
| Reporting | October | Annual Audit Letter |
| Grant claims | December | Report on the audit of grant claims |

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Ongoing planning discussions

We will conclude our planning discussions during January 2013. We will discuss and share our draft 2012/13 Audit Plan with the Executive and officers. We intend to discuss our 2012/13 Audit Plan with the Audit Committee on 6 March 2013.

Appendix 1: Audit Progress on Deliverables

Progress against key deliverables

| Key deliverable | Timetable in plan | Status | Comments |
|--|--------------------------|---------------|-----------------------------|
| Fee Letter | November 2013 | Completed | Reported to Chief Executive |
| Audit Plan | March/April 2013 | | |
| Report to Those Charged with Governance | September 2013 | | |
| Audit Report (including opinion and vfm conclusion) | September 2013 | | |
| Audit Certificate | September 2013 | | |
| WGA Certificate | September 2013 | | |
| Annual Audit Letter | October 2013 | | |
| Report on the Audit of Grant Claims | December 2013 | | |

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© Ernst & Young LLP 2012. Published in the UK.
All rights reserved.