

# East London Waste Authority

2009/10 Report to those charged with  
governance

September 2010

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## **Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2009/10 audit of the East London Waste Authority under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from the Chief Executive of the East London Waste Authority. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Executive Summary

## The purpose of this report

This report summarises the results of our 2009/10 audit. It sets out:

- matters arising from our audit of the financial statements which we are required to report to you under the Audit Commission's Code of Audit Practice and International Standard on Auditing (UK & Ireland) 260 - "Communication of audit matters with those charged with governance";
- the results of our work under the Code of Audit Practice, to support the Value for Money conclusion; and
- an audit fee update.

Our work during the year was performed in line with the plan that we presented to you on 12 April 2010.

## Financial Statements

We were pleased with the quality of the draft accounts and the working papers provided to support them. This ensured that the audit process itself was efficient.

No significant accounting issues arose in our audit of the 2009/10 financial statements.

## Financial Standing

No issues in relation to financial standing arose from the 2009/10 audit.

We ask the Members of East London Waste Authority to:

- Consider the draft management representation letter (Appendix A) and confirm you are comfortable with the representations proposed.

# Financial statements

## Accounts

We have completed the audit of the Authority's accounts in line with the Code of Audit Practice and International Standards on Auditing (UK & Ireland). At the time of drafting this letter we have completed substantially all audit work on the Authority's accounts, with the exception of obtaining all bank and investment confirmations.

The draft management representation letter is attached for your consideration in Appendix A.

We anticipate issuing an unqualified audit opinion on the financial statements.

## Accounting Issues

There are no misstatements identified during the course of our audit, which remain unadjusted, other than those of a clearly trivial nature. We regard misstatements less than £1,000 as clearly trivial.

## Systems of internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. There are no such matters to bring to the attention of members.

## Accounting practices

We are also required to report to you our view on qualitative aspects of the Authority's accounting practices and financial reporting. The financial statements were prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 (the SORP). There are no such matters to bring to the attention of members.

## Other matters

At the time of drafting this report, we have not received any electors' questions or objections relating to the financial statements.

# Value for Money in the Use of Resources

## Work performed

We have performed work to conclude on the Authority's arrangements for achieving economy, efficiency and effectiveness in its use of resources.

Our work to support our Value for Money conclusion comprised the following elements:

- Work performed on the key lines of enquiry (KLoEs) specified by the Audit Commission as underpinning the Value for Money conclusion.
- Review of the Annual Governance Statement

## Value for Money Conclusion

Under the Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. The conclusion is based on the adequacy of the Authority's arrangements to meet criteria issued by the Audit Commission. Since 2008/09, selected Key Lines of Enquiry (KLoEs) have formed the criteria for the Value for Money conclusion. These are listed in Appendix E.

We intend to issue an unqualified value for money conclusion.

## Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'. The AGS was included in the financial statements.

CIPFA recently issued a statement on The Role of the Chief Financial Officer in Local Government 2010<sup>1</sup>, which makes recommendations about:

- the Chief Finance Officer's position in an authority's leadership,
- their involvement in and ability to influence key business decisions
- their responsibility for promotion of good financial management,
- their role in leading and directing a finance function which is resourced to be fit for purpose, and
- the qualifications and experience required of a Chief Finance Officer.

The recommendations of the statement are expected to be consolidated into the CIPFA/Solace Framework "Delivering Good Governance in Local Governance" over the next year. In the meantime, CIPFA has recommended a voluntary "comply or explain" approach in the 2009/10 AGS. This means the AGS is expected to include either:

- a confirmation that the authority's financial management arrangements conform to the CIPFA Statement, or
- an explanation of why they do not and how the authority delivers the same impact.

The Authority has included this in the AGS. As auditors, we are not required to report on this aspect of the AGS for 2009/10.

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<sup>1</sup> [http://www.cipfa.org.uk/pt/download/role\\_of\\_CFO\\_in\\_LG\\_2010\\_WR.pdf](http://www.cipfa.org.uk/pt/download/role_of_CFO_in_LG_2010_WR.pdf)

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

# Audit plans and fee update

## Audit Plan

We issued our Audit Plan for 2009/10 and presented it to Members on 12 April 2010. The plan has not been changed in any significant respect.

In this report we comment only on those areas where we believe we need to communicate with those charged with governance.

## Audit fees update for 2009/10

We reported our audit fee proposals in the Audit Plan. Our actual fees were in line with our proposals.

Our fees charged were:

	2009/10 Outturn	2009/10 Fee proposal
Financial Statements	£27,800	£27,800
Governance / VFM conclusion	£10,200	£10,200
<b>Total audit fee</b>	<b>£38,000</b>	<b>£38,000</b>

# Appendix A: Draft management representation letter

To PricewaterhouseCoopers LLP

80 Strand  
London  
WC2R 0AF

Your audit is conducted for the purpose of expressing an opinion as to whether the financial statements of the authority give a true and fair view of the state of affairs of the authority as at 31 March 2010, of its income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009.

My responsibilities as Finance Director for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the authority. I also acknowledge that I am responsible for making accurate representations to you I believe to be accurate.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the East London Waste Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief and having made the appropriate enquiries, the following representations regarding the preparation of the Statement of Accounts that properly presents in all material respects the financial position of the East London Waste Authority:

## **Accounting records**

I have taken all the steps that I believe I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the authority's auditors) are aware of that information, including that:

- All the accounting records, whether for the purposes of financial reporting or any other purpose, have been made available to you for the purposes of your audit and all the transactions undertaken by the authority have been properly reflected and recorded in the accounting records.
- All other records and related information which might affect the fair presentation of, or necessary disclosure in, the financial statements, including minutes of the Authority and relevant management meetings, have been made available to you and no such information has been withheld.

So far as I am aware, there is no relevant audit information of which you are unaware.

## **Accounting policies**

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the financial statements are the most appropriate to give a true and fair view for the authority's particular circumstances, as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2009.

## **Related party transactions**

I confirm that the Authority has disclosed all related party transactions relevant to the Authority and that I am not aware of any other such matters required to be disclosed in the financial statements under the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009.

## **Employee benefits**

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the Authority participate.

## **Contractual arrangements/agreements**

All contractual arrangements (including side-letters to agreements) entered into by the Authority with third parties of which I am aware have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

## **Laws and regulations**

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

The pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule that have arisen which I considered were not required to be reported to the Pensions

Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

## **Fraud**

I acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud.

I have disclosed to you:

- i) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- ii) my knowledge of fraud or suspected fraud affecting the authority involving:
  - members
  - management
  - employees who have significant roles in internal control, or
  - others where the fraud could have a material effect on the financial statements;

where the fraud could have a material effect on the financial statements.

- iii) my knowledge of any allegations of fraud, or suspected fraud, affecting the authority's financial statements communicated by members, employees, former employees, analysts, regulators or others.

## **Misstatements detected during the audit**

I acknowledge my responsibility for the design and implementation of internal control to prevent and detect error.

I confirm to the best of my belief that the financial statements are free from material misstatement, including omissions.

## **Taxation**

To the best of my belief I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest.

In particular:

- In connection with any tax accounting requirements, I am satisfied that to the best of my belief our systems are capable of identifying all material tax liabilities and transactions subject to tax and have

maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.

- I have to the best of my belief submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

### **Bank accounts**

I confirm that we have disclosed all bank accounts to you.

### **Subsequent events**

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the financial statements or in the notes thereto.

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Finance Director

# Appendix B: Summary of unadjusted misstatements and material adjusted misstatements

We have not identified any unadjusted misstatements during our audit of the financial statements that exceeded the £100,000 threshold agreed by those charged with governance at the meeting of the Authority on 12 April 2010. No material adjustments have been made to the accounts presented to the Authority on 21 June 2010.

# Appendix C: Value for Money conclusion criteria

The Audit Commission publishes Code of Practice criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources. The criteria are linked to Key Lines of Enquiry (KLoEs). The Commission specifies which KLoEs will form the 'relevant criteria' for the VFM conclusion for each type of body each year. The table below shows the KLoEs specified for the conclusion in 2009/10 and 2008/09.

## Managing Finances

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	✓	✓
1.2	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	✓	✓
1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	✓	✓

## Governing the Business

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	x	x
2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	x	x
2.3	Does the organisation promote and demonstrate the principles and values of good governance?	x	x
2.4	Does the organisation manage its risks and maintain a sound system of internal control?	✓	✓

### Managing Resources

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
3.1	Is the organisation making effective use of natural resources?	✓	x
3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	x	✓
3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	x	x

*In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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