

Annual Audit Letter

November 2006



# Annual Audit Letter

**East London Waste Authority**

**Audit 2005/2006**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our report to the Authority**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director or officer in their individual capacity; or
- any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## The purpose of this letter

- 1 The purpose of this Annual Audit Letter (Letter) is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to the members of the Authority, it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 2 This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

## The responsibilities of the auditor and the Authority

- 3 We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 4 As the Authority's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Authority achieving its objectives. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

## The scope of our work

- 5 Our main responsibility as your appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
  - the Authority's accounts; and
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## The audit of the accounts

- 6 We issued an unqualified opinion on the financial statements on 26 September 2006. In our opinion, the accounts presented fairly the Authority's financial position as at 31 March 2006 and its income and expenditure for the year.
- 7 The accounts presented for audit were available on time and there were no significant issues that we needed to report to the Authority in relation to the accounting statements or the underlying systems.
- 8 This year, the Authority was required to prepare a consolidation pack as part of the Whole of Government Accounts (WGA) process. This pack should be presented for audit at the same time as the draft accounts. However, we did not receive the pack until 2 October and we were therefore unable to complete our audit work by the deadline of 6 October. The audited consolidation pack was submitted on 9 October.

## Use of resources

### Financial position

- 9 Net expenditure for the year was £2.7 million less than the original budget of £24.9 million. This was due mainly to lower than forecast waste levels. The underspend has been taken to the Authority's general revenue reserve. As at 31 March 2006, this reserve totalled £9.8 million. This is higher than the Authority's target level of reserves of £7.1 million and a strategy has been developed to utilise the excess.

### Value for money conclusion

- 10 We are required to issue a conclusion on whether we are satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion and requires the review of the following criteria agreed by the Audit Commission in relation to the Authority's arrangements for:
  - monitoring and scrutiny of performance;
  - maintaining a sound system of internal control;
  - managing its significant business risks;
  - managing and improving value for money;
  - ensuring that its spending matches its available resources;
  - managing performance against budgets; and
  - promoting and ensuring probity and propriety in the conduct of its business.

- 11 Our conclusion was that the Authority has adequate arrangements in place in relation to all of the above criteria and an unqualified value for money conclusion was issued on 26 September 2006. We made some recommendations which have been agreed with officers, including formalising the Authority's approach to consultation and continuing to brief Members on medium term financial planning.

## Closing remarks

- 12 This letter has been discussed and agreed with the Managing Director and the Finance Director. A copy of the letter will be presented at the Authority meeting on 27 November 2006 and copies will be provided to all Authority members.
- 13 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Authority during the year. These are listed in the following table.

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**Table 1**

<b>Report</b>	<b>Actual date of issue</b>
Audit Plan	April 2005
Annual Governance Report including opinion on accounts and VFM conclusion	September 2006
Annual Audit and Inspection Letter	November 2006

I would like to take this opportunity to thank the Authority for its assistance and co-operation during the course of the audit.

**Jon Hayes**  
**District Auditor**

27 November 2006