

Government and Public Sector

September 2009

East London Waste Authority

2008/09 Report to those charged with governance

The Members
East London Waste Authority
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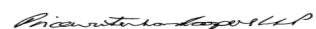
September 2009

Ladies and Gentlemen

2008/09 Report to those charged with governance

We are pleased to present our report on the results of our audit work for 2008/09. We hope that the information contained in this report provides a useful source of reference for members.

Yours faithfully



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Contents

Section	Page
Executive summary	4
Financial statements.....	4
Value for Money in the Use of Resources.....	6
Audit plans and fee update.....	8
Appendix A: Audit reports issued in relation to the 2008/09 audit year	9
Appendix B: Summary of unadjusted misstatements [and material adjusted misstatements].....	10
Appendix C: Value for Money Conclusion.....	11
Appendix D: Summary of recommendations contained in this letter.....	13
Appendix E: Representation letter.....	14

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

In April 2008 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’ which applies to the 2008/09 audit. It is available from the Chief Executive of each audited body. 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 to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. 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 audit work from our 2008/09 audit of accounts.

It includes the issues arising from our audit of the financial statements and those issues which we are formally required to report to you under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK & Ireland) (ISA(UK&I)) 260 - "Communication of audit matters with those charged with governance".

It also includes the results of the work we have undertaken on 'Value for Money in the Use of Resources' under the Code of Audit Practice, to support our formal conclusion in this area.

Our work during the year was performed in line with the plan that we presented to you on 21 July 2008. We plan to issue two reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate. A list of these reports is included at Appendix A to this letter.

We have set out below the most important issues and recommendations that we have discussed with you in the course of our work.

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.

We have commented in the Financial Statements section below on the Authority's treatment of the impairment in its investment with the Heritable Bank.

No significant accounting issues arose in our audit of the 2008/09 financial statements and at the time this report was drafted, no adjustments had been required to the draft accounts approved by Members in June 2009.

Financial Standing

No issues in relation to financial standing arose from the 2008/09 audit.

Use of Resources

Under the Audit Commission Code of Practice, we are also required to form a conclusion on the Council's Use of Resources. This is arrived at following an assessment of the Council against a set of criteria issued by the Audit Commission.

We have completed our assessment against these criteria and anticipate issuing an unqualified conclusion.

Financial statements

Accounts

We have completed the audit of the Authority's accounts in line with the Code of Audit Practice and Auditing Standards. We anticipate issuing an unqualified audit opinion on the financial statements.

Accounting Issues

There are no unadjusted misstatements for us to bring to the attention of members.

The Authority has correctly applied CIPFA's Local Authority Accounting Panel ("LAAP") Bulletin 82 to account for the impairment of its investment of £1,000,000 in the Heritable Bank. The Authority has elected to adopt a prudent approach and charge the impairment to the General Fund in 2008/09.

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 and have set out below our observations on key issues affecting the Authority. 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.

Management representation letter

Before we issue our opinion, auditing standards require us to obtain written representations from you and management.

A draft of the management representation letter is attached at Appendix E.

Value for Money in the Use of Resources

Work performed

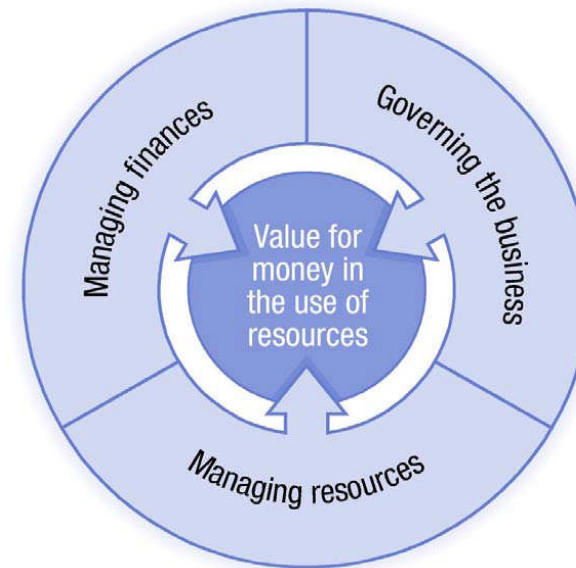
We have performed work to conclude on the Authority's arrangements for achieving economy, efficiency and effectiveness in its use of resources. Our work to support our conclusion comprised the following elements:

- Use of Resources assessment, supported by our conclusions on the key lines of enquiry (KLoEs) as specified by the Audit Commission.
- Review of the Annual Governance Statement.

Use of resources

Under the Code of Audit Practice (the Code), auditors are required to give a value for money (VFM) conclusion in their statutory audit report as to whether they are satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources

The introduction of the new Comprehensive Area Assessment (CAA) framework from 2009 has prompted the Commission to review the VFM conclusion criteria for all audited bodies. As a result of this review, the previous VFM conclusion criteria are being replaced by the set of key lines of enquiry (KLOE) that will be used to arrive at a scored use of resources assessment for local authorities, fire and rescue authorities, police authorities and primary care trusts for the purposes of CAA. These KLOE are generic and designed to be equally applicable to any audited body in an area in order to promote consistency



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. This conclusion is reached by assessing the Authority's arrangements against a set of criteria issued by the Audit Commission. From 2008/09 the Key Lines of Enquiry for the scored use of resources assessment also form the criteria for the Use of Resources conclusion. They are listed in Appendix C.

Auditors are required to apply a yes/no judgement against the criteria to indicate whether the audited body has proper arrangements in place or not.

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. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE guidance 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 2008/09

We issued our Audit Plan for 2008/09 and presented it to Members on 21 July 2008.

We have performed appropriate reporting procedures for each of the risks identified in our Audit Plan of 2008/09. 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 2008/09

We reported our fee proposals as part of the Audit Plan for 2008/09.

Our fee proposal was based on the 2007/08 fee charged by the Audit Commission. While the total final fee remains unchanged, we have altered the costs of the two elements of our work to reflect the time taken on these elements.

	2008/09 Outturn	2008/09 Fee proposal
Accounts	£26,000	£19,000
Use of Resources	£10,200	£17,200
Total	£36,200	£36,200

Appendix A: Audit reports issued in relation to the 2008/09 audit year

Other than this report to those charged with governance, we plan to issue the following audit report in relation to the 2008/09 audit year:

- Annual Audit Letter

Appendix B: Summary of unadjusted misstatements [and material adjusted misstatements]

We have not identified any errors during our audit of the financial statements that exceeded the £100,000 threshold agreed by those charged with governance at the meeting of the ELWA Board on 22 June 2009.

Appendix C: Value for Money Conclusion

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.

We are currently in the process of completing our 2009 Use of Resources assessment.

The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on:

- sound and strategic financial management;
- strategic commissioning and good governance; and
- the management of natural resources, assets and people.

Managing Finances

Key Lines of Enquiry		Adequate? Yes / no / N/a
1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
1.2	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes

Governing the Business

Key Lines of Enquiry		Adequate? Yes / no / N/a
2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	N/a
2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	N/a
2.3	Does the organisation promote and demonstrate the principles and values of good governance?	N/a
2.4	Does the organisation manage its risks and maintain a sound system of internal control?	Yes

Managing Resources

Key Lines of Enquiry		Adequate? Yes / no / N/a
3.1	Is the organisation making effective use of natural resources?	N/a
3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	Yes
3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	N/a

Appendix D: Summary of recommendations contained in this letter

We have no recommendations to raise on the financial statements or Value for Money elements of our work.

Appendix E: Representation letter

(ELWA letterhead)

[Date]

PricewaterhouseCoopers LLP
80 Strand
London
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This representation letter is provided in connection with your audit of the Statement of Accounts of the East London Waste Authority for the year ended 31 March 2009. The details provided are to the best of my knowledge and beliefs and subject to the materiality threshold which I understand to be £0.490 million.

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the East London Waste Authority as at 31 March 2009 and its income and expenditure and cashflows for the year then ended.

My responsibilities as Finance Director for preparing the Statement of Accounts 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:

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 Statement of Accounts, including minutes of the Board and 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 Statement of Accounts are the most appropriate to present fairly the Authority's particular circumstances, as required by the 2008 Code of Practice on Local Authority Accounting in the United Kingdom (A Statement of Recommended Practice (the SORP)).

Related Party Transactions

I confirm that 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 Statement of Accounts under the requirements of the 2008 SORP.

Employee benefits

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

Bank Accounts

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

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 Statement of Accounts, 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.

Fraud

I acknowledge responsibility for the design and implementation of internal control to prevent and detect material 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 Statement of Accounts;

- iii) my knowledge of any material allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by members, employees, former employees, regulators or others.

Misstatements detected during the audit

I acknowledge my responsibility for the design and implementation of internal control to prevent and detect material error. I confirm that to the best of my belief 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 for whose taxation liabilities the Authority may be responsible.

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.

As minuted by the Authority at its meeting on 29 September 2009

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Finance Director

Date

For and on behalf of

