

Government and Public Sector

November 2009

# East London Waste Authority 2008/09 Annual Audit Letter

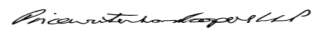
The Members  
East London Waste Authority  
Arden House  
198 Longbridge Road  
Barking  
London  
IG11 8SY

4 November 2009

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2008/09 audit.

Yours faithfully



PricewaterhouseCoopers LLP  
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**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'. 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.*

# Contents

<b>Section</b>	<b>Page</b>
Introduction .....	4
Audit findings .....	5
Matters affecting future accounting periods .....	6

# Introduction

## The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2008/09 audit work we have undertaken at East London Waste Authority (“ELWA”) that is accessible for members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2008/09 financial statements, incorporating the conclusion on Use of Resources
- Report to those charged with Governance (ISA (UK&I) 260) which was presented to the ELWA Authority meeting on 29 September 2009.

The matters reported here are those that we consider are most significant for the Authority and a summary of the key recommendations that we have made can be found in Appendix A.

## Scope of work

Our audit work is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also

responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Authority’s Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2008/09 audit work has been undertaken in accordance with the Audit Plan that was considered by the Authority at its meeting on 21 July 2009.

# Audit findings

## Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 29 September 2009.

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.

## Conclusion on Use of Resources

The Audit Commission requires us to assess the overall arrangements that the Authority has in place in the following three areas:

- Managing finances
- Governing the business.
- Managing Resources.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE).

We were required to issue a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued a unqualified conclusion on the Authority's arrangements for its Use of Resources on 29 September 2009.

## 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.

# Matters affecting future accounting periods

## Transition to International Financial Reporting Standards (IFRS)

CIPFA has issued the Exposure Draft and Invitation to Comment on the Code of Practice on Local Authority Accounting in the United Kingdom 2010. This will apply to accounting periods starting on or after 1 April 2010. The new Code is the first to be prepared under IFRS. Because of the need to have comparative information for the first set of full IFRS accounts the effective date of the transition is 1 April 2009. The authority will need to have values for assets and transactions as they should be recognised under IFRS from this date.

The Authority will need to ensure that it has a good grasp of the changes to accounting requirements under the new Code, and that it has robust plans in place to enable collection and processing of the information needed to comply with the new Code. In our experience the key features of a successful IFRS conversion project have proven to be:

- Completed impact analysis and comprehensive conversion plans;
- The commitment of key stakeholders in the organisation;
- Operational steering and technical groups;
- Authority oversight;
- Regular progress reporting against the plan;
- The necessary project management resources; and
- Appropriate and timely training for all members and officers with

## IFRS involvement.

The most significant aspect of the conversion to IFRS will be in respect of Private Finance Initiative (“PFI”) schemes. Under IFRS there is an expectation that the vast majority of PFI schemes will fall to be accounted for as “on balance sheet”, in contrast with current practice under UK GAAP and the SORP, where most are accounted for as “off balance sheet”.

It is important to note that the 2009 SORP adopts IFRS accounting principles for PFI schemes. Consequently, the Authority will need to ensure that its 2009/10 financial statements account for its PFI scheme appropriately. This will entail restating the prior year comparatives as if the PFI scheme had always been on balance sheet.

PwC have already performed an impact assessment for LB Redbridge and we understand that the lessons learned from this work are being applied to the Authority's circumstances and in particular to its PFI scheme. The Authority should:

- Assess its PFI scheme under the appropriate IFRS (IFRIC 12) as interpreted by the SORP 2009;
- Determine the accounting entries required to account for its PFI scheme as on balance sheet (if required); and
- Liaise with us at an early stage during the audit of the 2009/10 financial statements to enable us to comment on its proposed approach.

*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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