

ITEM 5

PAPER NO. WRWA **725**

**WESTERN RIVERSIDE WASTE
AUTHORITY**

MEETING	28 th November 2012
REPORT AUTHOR/DATE	Treasurer <i>(Chris Buss - Tel. 020 8871 8300)</i> <i>20th November 2012</i>
SUBJECT	2011/12 External Audit Letter
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STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	None

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EXECUTIVE SUMMARY AND BACKGROUND

1. The Authority's external auditors PricewaterhouseCoopers (PwC) are required, as part of the annual audit process, to complete an annual Audit letter. The letter relating to the audit for the financial year 2011/12 is attached as an Appendix to this report. The purpose of the letter is to "provide a high level summary of the results of the 2011/12 audit work". Much of the information contained here was included in the previous report by the Auditors (see Paper No. WRWA 717) presented to the September 2012, but the audit regulations require a separate letter to be reported to the Authority.
2. The letter notes that the Auditors have issued an unqualified audit report on the accounts and an unqualified value for money conclusion. They also found no areas of concern with the Authority's Annual Governance Statement.

MATTERS ARISING FROM THE ANNUAL AUDIT LETTER

3. There were only two recommendations in the letter, as follows: "*The completion of the bank reconciliation for the new NatWest Bank account*" and "*To continue to embed appropriate segregation of duties for all manual journals through authorisation*".
4. The NatWest Bank account was opened under the new contract for Wandsworth Council's banking arrangements from 1st April 2012 and I can confirm that regular bank reconciliations are undertaken.
5. Also the system error regarding segregation of duties has been addressed so as to ensure that the raising and authorising of all manual journal entries - allowing them to be successfully processed through the accounting system - are undertaken by separate individuals.

RECOMMENDATION

7. The Authority is recommended to receive this report as information.

C. Buss
Treasurer

Town Hall
Wandsworth High Street
LONDON SW18 2PU

20th November 2012

Government and Public Sector

***Western Riverside
Waste Authority***

Annual Audit Letter

2011/12 Audit

18 October 2012



Introduction

The purpose of this letter

This letter is a public document which summarises the results of our 2011/12 audit for members of the Authority and other stakeholders.

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

- Audit Plan for the 2011/12 Statement of Accounts audit;
- Audit report for the 2011/12 Statement of Accounts, incorporating the value for money conclusion; and
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here the most significant for the Authority. Appendix A summarises our recommendations for the year.

Scope of work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by 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.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we issued on 3 July 2012 and 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.

We met our responsibilities as follows:

Audit responsibility	Result
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	We reported our findings to those charged with governance on 17 September 2012 in our 2011/12 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . On 25 September 2012 we issued an unqualified audit opinion.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	We confirmed the Authority was below the threshold that required a full consolidation pack review. We followed the audit requirements and reported our findings to the National Audit Office on 25 September 2012.
<i>Form a conclusion on the arrangements the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</i>	On 25 September 2012 we issued an unqualified value for money conclusion.
<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	There were no issues to report in this regard.
<i>Consider whether, in the public interest, we should make a report on any matter coming to their notice in the course of the audit.</i>	There were no issues to report in this regard.
<i>Determine whether any other action should be taken in</i>	There were no issues to report in this regard.



Audit responsibility	Result
<i>relation to our responsibilities under the Audit Commission Act.</i>	
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	We issued our completion certificate on 25 September 2012.





Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 25 September 2012.

We identified the following key issues from our audit of accounts:

- An adjusted error of £1,296,913 in relation to a receipt of 2012/13 levy payment in advance. This was received within the new bank account prior to the year-end, which was not initially recognised within the financial statements.
- Due to the adjustment required above, we noted that this was a result of a new bank account coming in to operational use at an earlier stage than expected. This meant that no bank reconciliation was completed as at 31 March 2012, therefore a control deficiency recommendation was made.
- In 2010/11, we recommended additional controls around journals authorisation, something that the Authority implemented. However, we have identified further instances where authorisation did not occur and reported the a reiteration around the authorisation of the controls required.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion as:

- reviewing the annual governance statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- other local risk-based work as appropriate, or any work mandated by the Commission.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. We confirmed the Authority was below the threshold and therefore did not require a full consolidation pack review.

We followed the audit requirements and as a result, we found no areas of concern to report as part of this work.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.



Summary of recommendations

A summary of the significant recommendations we have made to the Authority (within our ISA260 Report to those charged with governance) during 2011/12 as documented below:

- An adjustment to the financial statements to reflect receipt of 2012/13 levy payment in advance totalling £1,296,913. Management amended the financial statements accordingly.
- The completion of the bank reconciliation for the new NatWest Bank account. Management have confirmed that bank reconciliations for this account are now undertaken and will continue to do so in the future.
- To continue to embed appropriate segregation of duties for all manual journals through authorisation. Management have confirmed that the system has been addressed and separate individuals have to raise and authorise in order for successful processing of manual journals.



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

In March 2010 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.

Other Matters

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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