

## NORTH LONDON WASTE AUTHORITY

<b>REPORT TITLE</b>	
2014/15 STATEMENT OF ACCOUNTS	
<b>REPORT OF</b>	
FINANCIAL ADVISER	
<b>FOR SUBMISSION TO</b>	<b>DATE</b>
AUTHORITY MEETING	25 SEPTEMBER 2015
<b>1. SUMMARY OF REPORT</b>	
<p>The 2014/15 draft Statement of Accounts was signed by the Financial Adviser on 30 June 2015 in accordance with the Accounts and Audit Regulation requirements and submitted to KPMG, the Authority's external auditor. The auditor is required to report to Members in advance of issuing a formal audit opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) advises that the external auditor has completed this work for 2014/15 and asks Members to consider his findings and to approve the Authority's letter of management representation so that he may issue his opinion on the Authority's 2014/15 accounts. The ISA 260 report is attached at Appendix A.</p> <p>The accounts must be published by 30 September 2015. Philip Johnstone and Antony Smith of auditors KPMG LLP will be in attendance at the meeting</p> <p>This report summarises the auditor's findings and invites Members to agree the Authority's letter of management representation which can be found at Appendix B. The audited 2014/15 Statement of Accounts including the Authority's Annual Governance Statement, is also submitted for approval and is shown at Appendix C.</p>	
<b>2.RECOMMENDATIONS</b>	
<p>The Authority is requested to:-</p> <ul style="list-style-type: none"><li>(i) Note the Report to those Charged with Governance (ISA 260) and the Authority's response not to amend the Authority's group financial statements for the unadjusted audit differences in the accounts of LondonWaste Ltd.</li><li>(ii) Authorise the Financial Adviser to sign the 2014/15 management representation letter.</li><li>(iii) Approve the Authority's 2014/15 Statement of Accounts and Annual Governance Statement and authorise the Chair to sign these documents and to agree any changes that may subsequently arise.</li></ul>	
Signed by the Financial Adviser:	
Agreed by Mike O'Donnell	Date: 16 September 2015

### 3. **Introduction and Background**

- 3.1 The 2014/15 outturn was reported to the June Authority meeting. The report concluded that the Authority ended the year in good financial health with revenue balances of £15.422m at 31 March 2015 – an improvement of £3.479m compared with the February forecast.
- 3.2 The Authority's final outturn and revenue balance position is unchanged from the position reported in June.
- 3.3 These statements are prepared in accordance with International Financial Reporting Standards and provide an important means by which the Authority accounts for its stewardship of public funds. The Accounts and Audit Regulations 2011 require the Financial Adviser, as the Authority's responsible financial officer, to sign the accounts before audit. The draft statement was duly signed on 30 June 2015 and passed to the external auditor.
- 3.4 The draft audited Statement of Accounts was considered by the Members' Finance Working Group on 8 September 2015 which provided Members with an opportunity to examine in some detail the draft statement, the annual governance statement and to consider the external auditor's findings.
- 3.5 As the responsible financial officer, the Financial Adviser is required to report to the Authority on any material amendments made as a result of the audit. Similarly, auditing standards placed on the auditor requires that he presents a Report to those Charged with Governance to the Authority at this time setting out the key issues that Members should consider before the audit is completed and before the auditor issues a formal opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) is attached at Appendix A.

### 4. **Key Messages**

#### 4.1 **Key Issues and recommendations**

- 4.1.1 The ISA 260 report identifies three key issues and recommendations. All are given a priority the lowest rating of three meaning that if corrected they would improve the internal control in general but are not vital to the overall system.

#### 4.1.2 Quality of working papers

KPMG was able to complete testing within the planned timescales but recommends that the Authority reviews the production of working papers in order to simplify the this process. Finance officers will review the working paper requirements in advance of the 2015/16 accounts closure process.

#### 4.1.3 Formal review of the Authority's risk register

Officers should review the risk register quarterly to ensure that it remains relevant to the activities of the Authority. This will be undertaken in scheduled meetings

#### 4.1.4 Impairment review

In accordance with its accounting policies which require that assets are valued every five years, the Authority did not commission a specialist valuer to revalue its land holding at 31 March 2015. It should however have documented a formal internal impairment review to demonstrate that the balance reported in the accounts is not materially overstated. A review will be minuted as part of the preparation of the 2015/16 accounts.

#### 4.2 **Audit differences**

4.2.1 Four audit differences were identified. Subsequent to the preparation of the draft statement in June, the Authority changed the classification of the Hornsey Street transfer station from an investment property to property, plant and equipment (reflecting two of the differences identified). Although the change has no impact on the previously reported outturn for the year or retained balances at 31 March 2015, the draft statement has been amended to reflect the re-classification. The ISA 260 report sets out the adjustments that were required. In addition, the classification of loan interest was changed on the balance sheet and a correction was required to an adjustment that finance officers made when consolidating the statements of the Authority and LondonWaste Ltd to produce the group accounts. All the necessary adjustments are reflected in the statement of accounts attached at Appendix C

4.2.2 The Authority's own accounts presented to this meeting therefore contain no uncorrected audit differences but the Authority has not corrected in its group accounts (which incorporate the financial results of LondonWaste Ltd) two uncorrected audit differences of £83,000 and £22,000 identified by the Company's auditors BDO. The former was a provision for a bad debt, however the income was received in the new financial year. The latter was a provision for income made at year end that was subsequently settled at a higher amount than anticipated. The Company advised BDO that it would not be adjusting its 2014 accounts. Given the relatively low sums involved and the benefits of maintaining consistency, officers are recommending that no adjustments are made in respect of these items in the Authority's group accounts. This view is reflected in the draft management letter of representation attached at Appendix B.

#### 4.3 **Value for Money conclusion**

4.3.1 Members will recall that owing to the need to undertake a detailed review of the Authority's decision not to proceed with the procurement process, KPMG was not able to issue a VFM conclusion in 2013/14. The ISA 260 sets out the four key questions and KPMG's conclusion for each of them. KPMG's overall conclusion is that the Authority has met both VFM criteria i.e. it has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

4.3.2 For 2014/15 KPMG has concluded that there are no matters of any significance arising from the audit work in relation to the procedures it is required to complete in relation to VFM.

#### 4.4 **Certificate**

4.4.1 KPMG is unable to issue a certificate and close the audit because of ongoing correspondence with local government electors relating to 2012/13 and the procurement

process. Following the recent conclusion of the procurement review, KPMG expects to be in a position to conclude on the matters raised by the local government electors.

- 4.4.2 KPMG cannot formally conclude the 2014/15 audit until completion of the above matters. It is satisfied that this work does not have a material effect on the financial statements or the value for money conclusion. Nevertheless, KPMG anticipates issuing an unqualified audit opinion by 30 September 2015 once the Authority provides the letter of management representation and approves the Statement of Accounts. The Authority is recommended to authorise the Financial Adviser to sign the 2014/15 letter of management representation. The draft letter is included at Appendix B of this report.
- 4.5 The draft 2014/15 statement of accounts is attached at Appendix C.

## 5 **Comments of the Legal Adviser**

- 5.1 The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated into the report.

### **Local Government Act 1972 - Section 100 as amended**

Documents used in the preparation of this report:-

Accounts and Audit Regulations 2011 (SI 2011/817)

2014/15 Report to those Charged with Governance Report (ISA 260) to the North London Waste Authority

Contact Officer: P Gulliford - Head of Finance  
N Harris - Deputy Head of Finance  
NLWA  
Unit 1B  
Berol House  
25 Ashley Road  
London N17 9LJ

Tel: 020 8489 5833/8609  
Email paul.gulliford@nlwa.gov.uk  
nick.harris@nlwa.gov.uk