

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE**

2012/13 STATEMENT OF ACCOUNTS

**REPORT OF**

FINANCIAL ADVISER

**FOR SUBMISSION TO**

**DATE**

AUTHORITY MEETING

26 SEPTEMBER 2013

**1. SUMMARY OF REPORT**

The 2012/13 draft Statement of Accounts was signed by the Financial Adviser on 27 June 2013 in accordance with the Accounts and Audit Regulation requirements and submitted to the 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 his audit work for 2012/13 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 2012/13 accounts. Although not preventing the issue of the opinion, until ongoing correspondence with local government electors is resolved, he is unable to issue a certificate and formally close the audit. Also covered are the auditor's findings in respect of the Authority's Whole of Government Accounts return.

The accounts must be published by 30 September 2013. Philip Johnstone and Rich Clarke of auditors KPMG LLP will be in attendance at the meeting.

This report summarises the auditor's findings and invites Members to agree the Authority's letter of management representation. The audited 2012/13 Statement of Accounts including the Authority's annual governance statement, is also submitted for approval.

**2.RECOMMENDATIONS**

The Authority is requested to:-

- (i) Note the Report to those Charged with Governance (ISA 260) and agree the Authority's response to the recommendation concerning the earmarked reserve and to the uncorrected audit differences in the accounts of LondonWaste Ltd.
- (ii) Authorise the Head of Finance to sign the 2012/13 management representation letter.
- (iii) Approve the Authority's 2012/13 Statement of Accounts and Annual Governance Statement and authorise the Chair to sign these documents and to agree any changes that may subsequently arise.

Signed by the Financial Adviser: .....

Date: .....

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

- 3.1 The 2012/13 final 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 £18.032m at 31 March 2013 – an improvement of £3.779m compared with the February forecast.
- 3.2 The Authority's final outturn and revenue balance position is unchanged from the position reported in June and is reflected in its financial statements which include the annual governance statement. These statements are prepared under 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 27 June 2013 and passed to the external auditor.
- 3.3 The draft audited Statement of Accounts was considered by the Members' Finance Working Group on 6 September 2013 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.
- 3.4 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 The draft statement of accounts was presented to the auditor on 27 June in line with regulatory requirements. The statement was complete and supported by high quality working papers. A small number of presentational adjustments were required and these were addressed by the Authority's finance staff.
- 4.2.1 The statement of the Authority's own accounts contains no unadjusted misstatements but the Authority has not corrected in its group accounts (which incorporate the financial results of LondonWaste Ltd) two uncorrected audit differences in LondonWaste Ltd's statements:
- (1) NLWA Landfill Tax Debtor (£172k). The Company included an amount in its 2012 accounts for the settlement of its 2011/12 landfill tax claim on the Authority. The claim was agreed in February 2013 and resulted in an additional income to the Company of £172k. As agreement was reached sometime after the Company's 31 December year-end and since the additional income was not considered material the Company decided not to adjust its 2012 accounts.
  - (2) Accrued Income (£265k). The Company has an ongoing insurance claim for which it has received a number of payments from its insurer. The timing and amount of the payments is uncertain and therefore the 2012 accounts did not fully allow for the proceeds which were subsequently received in April 2013. Given the timing of

the payment which was also not considered material, the Company decided not to adjust its 2012 accounts.

- 4.2.2 The Company has advised BDO, its auditor that it believes these items to be immaterial both individually and in aggregate to the view given by its financial statements. Authority officers share this view and therefore recommend that no adjustments are made in respect of these items in the Authority's group accounts. This is reflected in the letter of representation.
- 4.3 The auditor recommends that the Authority draws up and approves a plan to either use the reserve of £1m earmarked to fund recycling initiatives or release it to fund general Authority purposes. The Authority's response advises the auditor of its intention to take such decisions once key decisions have been made on the procurement project. The full text of the recommendation and response is in Appendix 1 of the auditors report.
- 4.4 The Whole of Government Accounts return was also submitted on time. No changes or corrections to the return were required and the auditor will submit the final, audited return to the Government for consolidation into a set of accounts covering the whole of the UK public sector. These will be published by the Government at a later date.
- 4.5 The auditor is satisfied that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. He draws attention to the amount of management time absorbed by the procurement project and the operational and organisational risks in the process and notes that appropriate disclosure has been made in the Authority's annual governance statement.
- 4.6 The auditor anticipates issuing an unqualified audit opinion once the Authority provides the letter of management representation and approves the Statement of Accounts. The Authority is recommended to authorise the Head of Finance to sign the 2012/13 letter of management representation. The draft letter is included at Appendix 4 of the ISA 260 report.
- 4.7 While the auditor is considering a request by local government electors that he considers issuing a report in the public interest under Section 8 of the Audit Commission Act 1998 he is unable to issue his certificate that formally closes the 2012/13 audit. This report has been requested by the Pinkham Way Alliance. Although the auditor is unable at this time to issue a certificate and formally conclude the 2012/13 audit, the auditor is of the view that there are no matters under discussion that he considers materially affect the audit opinion and value for money conclusion.
- 4.8 The draft 2012/13 statement of accounts is attached at Appendix B.

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

- 5.1 The Legal Adviser has been consulted in the preparation of this report and has no further comments to add.

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

Documents used in the preparation of this report:-

Accounts and Audit Regulations 2011 (SI 2011/817)

2012/13 Report to those Charged with Governance Report (ISA 260) to the North London Waste Authority

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