
North London Waste Authority

Annual Audit Letter

November 2008

This report has been prepared on the basis of the limitations set out on page 8.

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1. Executive summary

We summarise our key conclusions from this year's audit process, grouped according to our key responsibilities as set out in the Audit Commission's Code of Audit Practice.

1.1 Introduction

The Audit Commission's Code of Audit Practice ("the Code") lays down the requirements for auditors in carrying out their audits of local authorities and the National Health Service. Following advice from the Audit Commission, we are required to apply the full Code to waste disposal authorities.

The Authority has contracted many of its operational functions to a joint venture company, LondonWaste Limited. As the Authority is committed to this contract for a twenty year period there is little discretion over some areas of its operations, and some of the objectives are therefore met only through high level work at the Authority itself.

The Code also requires us to prepare an annual audit letter summarising our work on each objective.

1.2 Performance management

Attention needs to be given to the Authority's performance in respect of Best Value Performance Indicator (BVPI) 82a (total tonnage of household waste arising – percentage recycled), and BVPI 82b (total tonnage of household waste arising – percentage composted) in view of the increasing local targets to ensure that these are met in the future.

We have concluded that the Authority's arrangements for managing its performance appear to be operating satisfactorily based on our testing of the performance indicators.

We have concluded that performance indicator information sent to the Audit Commission was 'fairly stated'.

No specific local studies were proposed this year.

1.3 Financial aspects of corporate governance

The Authority has continued to manage its expenditure within budget. Future budgeting processes should continue to incorporate monitoring of the level of reserves.

The Authority should continue to maintain and review its internal control and risk management arrangements during 2008/09.

There have been no reported incidences of fraud or corruption during the year.

1.4 Auditing the accounts

We issued an unqualified audit report on the 2007/2008 accounts in September 2008, stating that, in our opinion, the accounts present fairly the Authority's financial position and financial performance in the year to 31 March 2008.

We have completed all of the requirements of the International Standards of Auditing (UK and Ireland) satisfactorily, and there are no areas to report to you.

No questions or objections were received from the public during the year.

2. Performance management

We have issued an unqualified audit opinion on the BVPIs.

2.1 BVPI targets

We compared the recycling and composting BVPIs with the standard targets and noted that overall the Authority has exceeded its targets.

In respect of BVPI 82a (total tonnage of household waste arising – percentage recycled), we noted that the Authority recycled 16.99% of its waste, which was below its local target of 19%. Given the target continues to increase, we recommend that priority continues to be given to achieving this target in future.

In respect of BVPI 82b (total tonnage of household waste arising – percentage composted), the Authority composted 7.35% of its waste, which exceeded its local target of 7%. Given that the local target continues to increase, we recommend that the Authority remains focussed on performance to ensure this local target continues to be met.

2.2 Performance information

Performance indicators are one of the key mechanisms for managing the Authority's performance. We have audited the Authority's performance indicators for 2007/2008 and have confirmed that the performance indicators reported by the Authority to the Commission are 'fairly stated'.

2.3 Use of resources studies

We have considered the Audit Commission's letter of guidance as to the applicability of national Value for Money studies to Joint Waste Disposal Authorities. This year there were no such applicable studies and therefore no inspections were carried out.

Our planning noted no areas of risk that indicated the need for specific local studies. This, together with the fact that most of the Authority's functions are tied in to a long-term contract, led us to decide not to prepare any local studies.

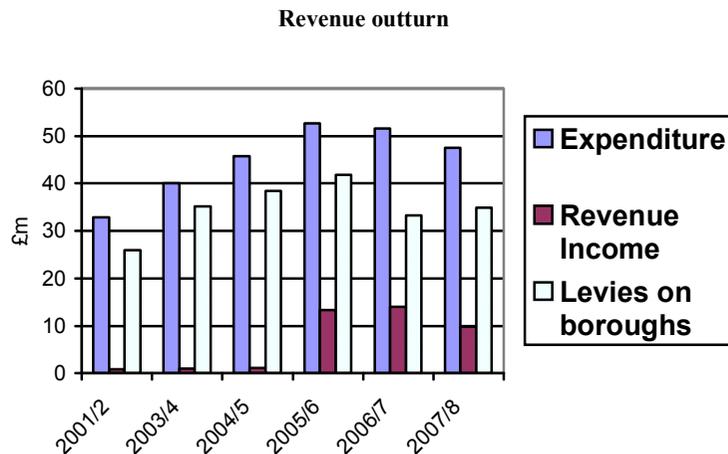
3. Financial aspects of corporate governance

The Authority has continued to demonstrate its ability to manage within budgetary limits. Future budgets will need to continue to monitor the level of reserves.

3.1 Overall financial standing of the Authority

3.1.1. Financial performance in 2007/2008

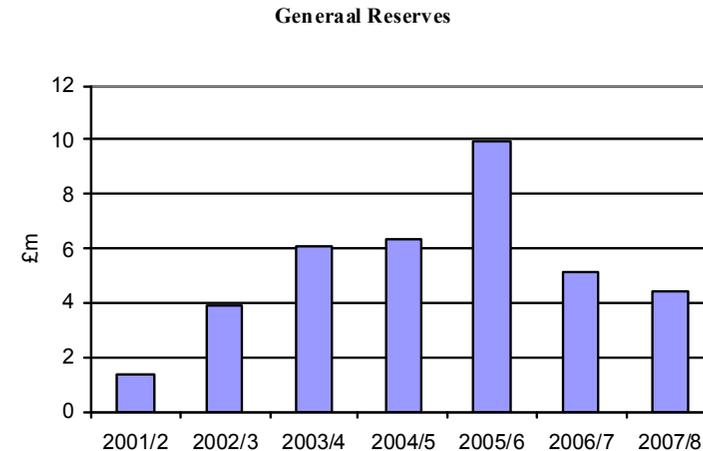
The general fund balance fell by £0.7m in the year, leaving the general fund at £4.4m.



3.1.2. Future funding

Budgetary performance has remained satisfactory in the first six months of the current financial year.

Next year's budgetary process is under way with the final levy for 2009/2010 due to be set shortly.



Future budgets will need to continue to take account of the level of reserves available.

3.2 Systems of internal control

In carrying out our audit of the North London Waste Authority we rely on the work carried out in our audit of the London Borough of Camden, on whose fundamental financial systems the Authority's transactions are recorded.

3.3 Information technology and systems

Again, we carried out a review of the overall general computer controls at the London Borough of Camden, which supported that computer generated information for those systems shared with Camden Council provided reliable information for our audit of the financial statements.

3.4 Internal audit

For those systems which are shared with the London Borough of Camden, we review Internal Audit's findings to assist in our understanding of those systems. No specific Internal Audit reports were issued for the Waste Authority.

3.5 Annual Governance Statement

The Authority included an Annual Governance Statement alongside its 2007/2008 accounts, which reflected compliance with full internal control arrangements had been achieved in the year. The Authority acknowledged the need to keep under review its controls and risk management arrangements and to take action where necessary, such as providing training for members, and the ongoing review of the Risk Register.

3.6 Standards of financial conduct and prevention and detection of fraud and corruption

We have assessed the adequacy of the overall arrangements at the Authority for preventing and detecting fraud and corruption. This has included:

- discussions with key officers at the lead authority over the controls in place in their own systems for the prevention and detection of fraud.

There have been no reported incidences of fraud or corruption during the year.

3.7 Legality

We have reviewed the arrangements at the Authority for securing the legality of its transactions and activities. This has included:

- a review of the Authority's minutes; and
- liaison with the Monitoring Officer regarding the procedures in place to ensure the legality of transactions.

We have no matters to report.

4. Auditing the accounts

We issued an unqualified opinion on the Authority's accounts for the year ended 31 March 2008 in September 2008.

4.1 2007/2008 accounts

We issued an unqualified audit opinion on the accounts in September 2008.

4.2 Accounting developments

There was a new Statement of Recommended Practice (SORP) guiding the preparation of the 2007/08 accounts. We reviewed the accounts in light of the new SORP to verify that the disclosures were appropriate and complete.

The Authority should keep under review the assumptions used by the scheme actuaries for the pensions disclosures in the accounts and confirm their suitability each year as there are changes arising in some of the relevant areas traditionally countered by actuaries.

4.3 Questions and objections from local electors

No objections or questions have been received from local electors this year.

5. Statement of responsibility

We view this report as part of our service to you for use as members for Corporate Governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. In the event that a third party asks to see this report, please ask for our consent before releasing it.

We take responsibility for this report which is prepared on the basis of the limitations set out below.

Deloitte & Touche LLP
November 2008

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Our audit work has been performed in accordance with the Audit Commission's Code of Audit Practice. The limitations of our audit work and the respective responsibilities of auditors and the Audited Body in respect of the audit are set out in the Audit Commission's publication "Statement of Responsibilities of Auditors and of Audited Bodies". This report has been prepared solely for the use of the North London Waste Authority and may not be reproduced in whole or in part or copied to any other party, other than publication of the letter in its entirety to meet the legal requirement to publish our annual audit letter or as part of the committee papers of the Authority. Copies of this annual audit letter have been sent to the Audit Commission. No responsibility to any third party (including without limitation, the Audit Commission) is accepted.

The matters raised in this report are only those that came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Any system of internal control can provide only reasonable, not absolute, assurance against material loss to the Authority or material misstatements in the financial accounts. The Authority should assess recommendations for improvements for their full impact before they are implemented.