

West London Waste
Authority

Annual Audit Letter to the
Members of the Authority
for the year ended 31
March 2015

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Executive summary

We are required to provide an annual audit letter which reports our conclusions from the audit of West London Waste Authority (“the Authority”) for the year ended 31 March 2015. This executive summary highlights the most significant matters which we would like to bring to your attention; it should therefore be read in conjunction with the following sections of this letter:

Financial statements	We issued an unqualified opinion on the Authority’s accounts for the year ended 31 March 2015.
Value for money conclusion	We did not report any matters regarding the Authority’s arrangements for securing value for money during the year ended 31 March 2015.
Whole of Government Accounts consolidation return	We have completed our work and reporting to the National Audit Office for the year ended 31 March 2015.
Certificate	We have completed our procedures and issued our audit certificate for the financial year ended 31 March 2015.

1. Introduction

The purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Authority as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

This Letter will be published on the Public Sector Audit Appointments Limited’s website at www.psaa.co.uk and should also be posted on the Authority’s website.

Responsibilities of the Appointed Auditor and the Authority and scope of our work

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

We have been appointed as the Authority’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities. As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we review and report on:

- the Authority financial statements; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

We also report to the National Audit Office on the financial information prepared by the Authority for consolidation into the Whole of Government Accounts.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

2. Financial reporting

Opinion on financial statements

We issued an unqualified opinion on the Authority's accounts for the year ended 31 March 2015. We have issued a separate report to the Audit Committee for the year ended 31 March 2015, which includes the detailed findings from our audit of the financial statements and the Authority's value for money arrangements.

Key issues arising from the audit of the accounts

In that report we explained how we focused our work on areas which involved more complex accounting judgements and estimation including:

- Accounting for capital expenditure on the new energy from waste facility;
- Recognition of revenue from fixed and variable levies;
- Valuation of property, plant and equipment;
- Valuation of the provision for doubtful debtors;
- Management override of controls; and
- The accuracy and completeness of opening balances in the new Agresso trial balance.

The construction of the Energy from Waste facility commenced in December 2013. An additional £69.2 million was invested in this project during the 2015 financial year, to bring the year-end capital work in progress to £100.1 million. We performed focused substantive testing on the capital expenditure of £69.2 million. We did not identify any matters to report.

We performed focused testing on fixed and variable levy income for the financial year. We did not identify any matters to report.

Our work on the valuation of property, plant and equipment confirmed that the valuation methods selected and the manner in which they have been applied were reasonable. We note that a full valuation is required to be performed for the 2015-16 financial year. We recommend that detailed terms of engagement are established with the valuer to ensure that the information provided complies with the applicable professional standards.

We also recommend that management complete an internal audit of the fixed asset register followed by a physical inspection of the operating sites, to ensure that all items in existence are duly recorded, and that there are no items listed on the fixed asset register that do not exist.

Our work on the provision for doubtful debtors did not identify any concerns.

In response to the risk of management override of controls we performed testing on journal entries, significant judgements and estimates, and related party transactions. We did not identify any matters to report regarding the validity, accuracy or completeness of such transactions. We recommend that management continue to monitor the volume of manual adjusting entries and that additional checks around the coding and inputting of transactions be implemented if these remain at a similar level to the 2014-15 financial year.

We performed detailed checks on the validity, accuracy and completeness of the opening balances in the Agresso trial balance. We did not identify any matters to report.

We identified one uncorrected, immaterial misstatement of £86k in relation to the prospective application of the change in accounting policy, to capitalise borrowing costs (which were previously expensed). Management have assessed the impact of this change and do not consider this to be material.

2 Financial reporting (continued)

Whole of Government Accounts

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice 2010 to review and report on the WGA return. This is then used by the National Audit Office for the purposes of their audit of the WGA.

We have completed our limited scope review of the WGA and completing our reporting to the National Audit Office.

Certification of financial statements

Our audit certificate confirms that the audit has been completed in accordance with statutory requirements.

3. Value for money conclusion

The scope of our work

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

Approach to our work

We draw sources of assurance relating to our Value for money (VFM) responsibilities from:

- the audited body's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on the our responsibilities; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge our responsibilities.

Overall conclusion

On the basis of the work performed above, we have not identified any matters for reporting.

4. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you previously and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Authority and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Deloitte LLP

Chartered Accountants
Cambridge

30 September 2015

Appendix 1: Analysis of professional fees

The professional fees earned by Deloitte in the period 1 April 2014 to 31 March 2015 are as follows:

	Current year	Prior year
	£	£
Audit of authority		
Current year	*21,430	19,930
Total audit	<u>21,430</u>	<u>19,930</u>
Audit related assurance services		
VFM conclusion	1,338	1,338
Whole of Government Accounts	<u>1,002</u>	<u>1,002</u>
Total assurance services	<u>2,340</u>	<u>2,340</u>
Total fees	<u>23,770</u>	<u>22,270</u>

* The fee for the audit for 2014 -15 has been agreed with management and is subject to approval by the Public Sector Audit Appointments Limited.

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