

SOUTH LONDON WASTE PARTNERSHIP JOINT COMMITTEE

9 JUNE 2015

FINAL ACCOUNTS 2014/15

Report by the Director of Finance – Royal Borough of Kingston upon Thames

PURPOSE:

The Accounts and Audit Regulations require the South London Waste Partnership Accounts to be signed off for 2014/15 before they are subject to audit. The Joint Committee's functions include the scrutiny and approval of the 2014/15 Accounts and Annual Governance Statement. This report provides information to assist the Committee in this function.

RECOMMENDATION:

1. Scrutinise and approve the draft 2014/15 accounts for audit
2. Scrutinise and approve the draft 2014/15 Annual Governance Statement
3. Note that due to changes enacted by The Account and Audit Regulations 2015, the SLWP will no longer be required to submit an annual return from 2015/16 onwards

BACKGROUND

1. Under Section 3 of the Audit Commission Act 1998, the Audit Commission is required to commission the audit of the accounts of local government bodies, including Joint Committees of two or more local authorities.
2. Up until 2010/11, the Partnership has been considered to be a larger relevant body and audited as such and in the same way as local authorities.
3. From 2011/12, following discussions with the Royal Borough of Kingston, the Auditor Appointments arm of the Audit Commission has agreed that the Partnership should in fact be audited as a smaller relevant body due to the materiality of amounts transacted in its accounts. This position has continued for the 2014/15 accounts.
4. For smaller relevant bodies, the protocols require that the accounts should be:
 - Approved by Committee for audit on or before 30 June
 - Be subject to a limited assurance audit
 - Be amended (if necessary) and published before 30 September

ACCOUNTS FOR 2014/15

5. The change to the limited assurance audit came about in 2011/12 due to further work conducted as to what transactions should and should not be included in the Partnership's accounts. In accounting terms, the Partnership is effectively acting as an agent to its four constituent boroughs. In essence this means that the only figures that should be included in the Partnership's Comprehensive Income & Expenditure Statement should be those costs that the Partnership accrues as an entity rather than those costs of waste treatment and disposal which are incurred on behalf of the four boroughs where the Partnership is acting as an agent.

6. In detail this means that the costs of:

- Contract 1 – Waste Transport and Disposal to Landfill
- Contract 3 – Materials Recycling Services, Composting and Additional Treatment Services
- Costs relating to the management of the Household Reuse and Recycling Centres which were in-sourced during 2013/14

are considered to be costs of the Partnership acting as an agent, whereas the following costs are those considered to be that of the Partnership acting as an entity and are therefore included in the Partnership accounts:

- Procurement costs
- Audit fee costs

7. With this in mind the accounts are presented in Enclosure 1, Section 1, in the format required by the limited assurance audit for smaller relevant bodies:

- Section 1 – the Accounting Statements
- Section 2 – Annual Governance Statement
- Section 3 – External Auditor's Certificate and Opinion
- Section 4 – Annual Internal Audit report

8. The accounts have been prepared in accordance with the *Practitioners Guide for Local Council 2014*.

9. Along with the accounts themselves the accounting return to the auditors also requires an Annual Governance Statement (Enclosure 1, Section 2). This section details nine items that have been completed as agreed as follows:

- 1 – “We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit regulations and proper practices” – evidenced by the agenda items of this meeting.
- 2 – “We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness” – evidenced by Section 4 of the annual return and RBKs annual

governance statement which outlines its approach to prevention and detection of fraud and corruption.

- 3 – “We have taken reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice and could have significant financial effect on the ability of the council to conduct its business or on its finances.” – evidenced by the conduct of the joint committee and its officers.
- 4 – “We provided proper opportunity during the year of the exercise of elector’s rights in accordance with the Accounts and Audit Regulations” – evidenced by the posting of a notice of the right to inspection of the accounts on the Partnership’s website.
- 5 – “We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.” – evidenced by the Partnership’s risk register and minutes of meetings where risks have been discussed.
- 6 – “We maintained throughout the year an adequate and effective system of internal audit of the council accounting records and control systems” – evidenced by RBK’s key internal audits
- 7 – “We took appropriate action on all matters raised in reports from internal and external audit.” – evidenced by minutes of meetings discussing audit findings.
- 8 – “We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after year end, have a financial impact on the body and, where appropriate have included them in the accounting statements” – evidenced by year end accounting procedures in identifying possible provisions or contingent liabilities.

10. The Annual Governance Statement is required to be signed by the Chair of the SLWP Joint Committee and the Chair of the SLWP Management Group.

11. The final section (4) of the return requires a statement from the internal auditors concerning the internal control environment of the Partnership. The items have been addressed in the return as follows:

- A – “Appropriate books of account have been kept properly throughout the year” – covered by the Partnership internal audit report
- B – “The body’s financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for” – covered by the Partnerships internal audit report and RBKs internal key financial audits
- C – “The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these” – covered by the Partnership internal audit report and Partnership risk register
- D – “The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate” – the Partnership does not have a taxation or levy arrangement and does not hold reserves.

- E – “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.” – covered by the Partnership internal audit report
- F – “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for” – Not covered as the Partnership does not hold any petty cash or use petty cash in its transactions.
- G – “Salaries to employees and allowances to members paid in accordance with council approvals, and PAYE and NI requirements were properly applied” – Not covered as the Partnership does not directly employ staff. Host boroughs incur costs and charge the Partnership through a management fee
- H – “Assets and investments registers were complete and accurate and properly maintained” – Not covered as the Partnership does not hold any assets or investments.
- I – “Periodic and year-end bank account reconciliations were properly carried out” – covered by RBKs internal key financial audits.
- J – “Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded” – covered by RBKs internal key financial audits.

12. The internal audit section is signed by a senior internal auditor familiar with the audits carried out on the SLWP’s and RBK’s internal controls.

13. The Accounts and the Annual Governance Statement (Enclosure 1, sections 1 and 3) are required to be approved by the Committee through a formal approval in the meeting minutes.

AUDIT OF THE ACCOUNTS 2014/15

14. The auditors appointed by the Audit Commission to carry out the 2014/15 audit are PKF Littlejohn LLP at a fee of £2,000

15. The accounts will be subject to audit and published with any amendments before 30 September.

FUTURE ANNUAL RETURNS

16. The Audit and Accounting Regulations 2015 which came into force on 1 April 2015 has removed the requirement for Joint Committees to submit an annual return every financial year. This means that from 2015/16 the SLWP will not be required to submit an annual return.

EQUALITY IMPACT ASSESSMENT IMPLICATIONS

17. None

ENVIRONMENTAL IMPLICATIONS

18. None

Background papers held by:

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