



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

North Wales Residual Waste Joint Committee

Audit year: 2008-09, 2009-10, 2010-11 and 2011-12

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Status of report

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The person who delivered the work was John Herniman, Amanda Hughes and Ron Parker.

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The Appointed Auditor intends to issue unqualified audit reports on your financial statements for the years 2008-09 to 2011-12. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the North Wales Residual Waste Joint Committee (the Joint Committee) at 31 March 2009, 2010, 2011 and 2012 respectively and its income and expenditure for the years then ended.
2. We received the draft financial statements for each of the four years ending 31 March 2009-2012 between June and November 2012 and have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the responsible finance officer for the Joint Committee (Kerry Feather).
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

Proposed audit report

4. It is the Appointed Auditor's intention to issue unqualified audit reports on the four sets of financial statements once you have provided us with Letters of Representation based on that set out in [Appendix 1](#).

Significant issues arising from the audit

Uncorrected misstatements

5. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

6. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 2](#).

Other significant issues arising from the audit.

7. In the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. Below I set out the issues arising and the financial year to which they relate:

We have concerns about the qualitative aspects of your accounting practices and financial reporting

8. We have the following concerns about the qualitative aspects of your accounting practices and financial reporting:

The Joint Committee failed to comply with the requirements to produce its financial statements by the statutory deadlines in the four financial years 2008-09 to 2011-12

9. Section 12 of the Public Audit (Wales) Act 2004 states that 'a joint committee of two or more (local) authorities' is a local government body. Section 13 of the act requires local government bodies in Wales to maintain accounts that are subject to annual audit.
10. Local government bodies must prepare financial statements by 30 June following the year end, which must then be audited and approved by 30 September.
11. The Accounts and Audit (Wales) Regulations which are made under sections 39 and 58 of the Public Audit (Wales) Act 2004, set thresholds to determine the form of accounts that local councils must keep. These are based on the council's income and expenditure (whichever is the higher).
12. When the higher of income and expenditure is less than £1 million, the joint committee is classed as a minor joint committee and can prepare an annual return. This was the case for 2008-09 and 2009-10.
13. However, once the higher of income and expenditure exceeds £1 million, there is a requirement to prepare financial statements that are compliant with the Code of Practice on Local Government Accounting. This was the case for 2010-11 and 2011-12.
14. The Joint Committee failed to produce its annual returns for 2008-09 and 2009-10 and full financial statements for 2010-11 and 2011-12 in accordance with the statutory deadlines.
15. In addition, and as a result of this, the constituent authorities were not provided with the necessary information to ensure that they accounted for their respective shares of the Joint Committee correctly. However, this is unlikely to have been material to their accounts.

For 2010-11 and 2011-12 the financial statements did not contain all the relevant statements and disclosure requirements

16. Financial statements must contain a number of primary statements, detailed notes to the accounts and an annual governance statement.
17. In the statements presented to audit, there were some key omissions, most notably the cash flow statement, remuneration disclosures and the annual governance statement. These have now been provided to ensure that the financial statements are compliant with requirements.

In 2010-11 and 2011-12 transactions were accounted for in the wrong financial year which resulted in material corrections to the accounts

18. We identified a number of transactions around the year end which had been accounted for in the period in which they were paid as opposed to the period to which they related. As a result, there were material corrections to the financial statements in 2009-10 and 2010-11.

We encountered significant difficulties during the audit

19. The financial statements presented for audit were not readily supported by working papers and appropriate audit evidence. Furthermore, it was not clear which officers could supply the necessary information to us and obtaining it became protracted as we were passed from officer to officer.
20. It is essential for the future that the financial statements are supported by good quality working papers and we will be working with officers to develop an Audit Deliverables document to ensure that this is put in place. We would also recommend that a single officer takes responsibility for the financial reporting requirements of the Joint Committee.
21. From our discussions with officers we are confident that these issues will be addressed for 2012-13 onwards.

There are no other matters that we need to report to you

22. There are no other matters to report to you. In particular:
 - there were no significant matters discussed and corresponded upon with management that we need to report;
 - there are no other matters significant to the oversight of the financial reporting process that we need to report; and
 - we did not identify any material weaknesses in your internal controls that we have not reported to you already.

Appendix 1

Final Letter of Representation

(Audited body's letterhead)

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

20 February 2013

Representations regarding the financial statements for 2008-09, 2009-10, 2010-11 and 2011-12

This letter is provided in connection with your audit of the financial statements of the North Wales Residual Waste Joint Committee for the four years ended 31 March 2009, 2010, 2011 and 2012.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the North Wales Residual Waste Joint Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Members of the North Wales Residual Waste Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the North Wales Residual Waste Joint Committee on 20 February 2013.

Signed by:

Kerry Feather
Responsible Financial Officer

Date: 20 February 2013

Signed by:

Chair of North Wales Residual Waste
Joint Committee

Date: 20 February 2013

Appendix 2

Summary of corrections made to the draft financial statements which should be drawn to the attention of the North Wales Residual Waste Joint Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

In respect of the 2008-09 financial statements:

Value of correction	Nature of correction	Reason for correction
£288.00	Comply with guidance	To include audit fees

In respect of the 2009-10 financial statements:

Value of correction	Nature of correction	Reason for correction
£1,476.00	Comply with guidance	To include audit fees
£24,027.92	Expenditure included in 2010-11	Expenditure included in wrong year

In respect of the 2010-11 financial statements:

Value of correction	Nature of correction	Reason for correction
£3,882.00	Comply with guidance	To include audit fees
-£24,027.92	Incorrectly included	Expenditure included in wrong year
£81,560.33	Expenditure included in 2011-12	Expenditure included in wrong year
Disclosure	Movement in reserves statement	To comply with guidance
Disclosure	Annual governance statement	To comply with guidance
Disclosure	Notes for debtors, creditors, officers' remuneration, external audit costs & related parties	To comply with guidance

In respect of the 2011-12 financial statements:

Value of correction	Nature of correction	Reason for correction
£3,905.00	Comply with guidance	To include audit fees
-£81,560.33	Incorrectly included	Expenditure included in wrong year
£2,073.60	Expenditure included in 2012-13	Expenditure included in wrong year
Disclosure	Movement in reserves statement	To comply with guidance
Disclosure	Movement in reserves statement	To comply with guidance
Disclosure	Notes for debtors, creditors, officers' remuneration, external audit costs & related parties	To comply with guidance



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