

## West London Waste Authority

Hugh Peart  
Clerk  
Civic Centre  
Station Road  
Harrow  
Middlesex HA1 2XY

14 September 2016

*If you require further information about this agenda please contact: Alison Atherton, Tel: 020 8424 1266, E-mail: [alison.atherton@harrow.gov.uk](mailto:alison.atherton@harrow.gov.uk).*

### West London Waste Authority - Audit Committee

A meeting of the West London Waste Authority - Audit Committee will be held in Committee Room 5, Harrow Civic Centre on Friday 23 September 2016 at 10.00 am

#### MEMBERSHIP

Councillor Keith Burrows, London Borough of Hillingdon  
Councillor Amritpal Mann, London Borough of Hounslow (Chair)  
Councillor Eleanor Southwood, London Borough of Brent

Independent Person: Andrea White

### AGENDA

#### PART I - ITEMS FOR CONSIDERATION WHILE THE PRESS AND PUBLIC ARE IN ATTENDANCE

1. Apologies for absence
2. Declarations of interest

Members are reminded that if they have a pecuniary interest in any matter being discussed at the meeting they must declare the interest. They may not take part in any discussion or vote on a matter in which they have a pecuniary interest.

3. Minutes of the meeting held on 29 January 2016 **(Pages 3 - 6)**
4. Matters Arising from the Minutes
5. Annual Internal Audit Report and Opinion Statement 2015/16 **(Pages 7 - 22)**
6. Audit Result Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016 **(Pages 23 - 38)**
7. Risk Register **(Pages 39 - 56)**
8. Assurance Statements **(Pages 57 - 70)**

9. Statement of Accounts for the year ending 31 March 2016

**(Pages 71 - 118)**

10. Urgent Business

## **PART II - ITEMS FOR CONSIDERATION AFTER THE EXCLUSION OF THE PRESS AND PUBLIC**

### **Recording and reporting on public meetings**

Please note that members of public can choose to record or report in other ways, on this public meeting. If you wish to do so then please read the Authority's protocol which can be found [online](#). Copies of the protocol are also available at the meeting.

The Authority asks that you avoid recording members of the audience who are not participants at the meeting. The Authority will seek to facilitate this. However, anyone attending a public meeting does so in the knowledge that recording may take place and that they may be part of that record.

Hugh Peart  
Clerk to the Authority

At a meeting of the West London Waste Authority - Audit Committee held on Friday, 29 January 2016 at 10:00am at the Committee Room 1, Civic Centre, Lampton Road, Hounslow.

**Present:**

Councillor Amritpal Mann (Chair)

Councillors Keith Burrows and Eleanor Southwood

Independent Member - Andrea White

**12. Minutes of the meeting held on 18 September 2015**

The minutes of the meeting held on 18 September 2015 were confirmed.

**13. Matters arising from the minutes - Risk Register (minute 9)**

The contract dispute with SITA had been resolved and the related risk had been removed from the Risk Register.

**14. Declarations of interest**

There were no declarations of interest.

**15. Internal Audit Update**

See report of the Director and Treasurer (agenda item 5).

Jay Patel, Head of Finance and Performance, introduced the report. Andrea white commented that the individual audit reports were very helpful and clear about impacts. In relation to the audit of contracts and procurement she questioned whether the timescales for implementation might mean that major procurements might take place before the recommendations were implemented. Jay Patel indicated that there were some contract extensions but nothing significant.

Andrea White also questioned how low risk recommendations were tracked and monitored. Martyn White stated that implementation of low risk recommendations was delegated to managers who had a greater degree of discretion. They could take the view that some recommendations didn't have sufficient value to merit implementation or in other cases it might take some time to implement. In future reports Martyn White undertook to summarise how low risk recommendations were dealt with - using the "Treat, Tolerate, Transfer or Terminate" template.

**Resolved -**

- a) That the progress with implementing recommendations be noted.
- b) That the areas under consideration for the 2016/17 internal audit plan be noted.

**16. Internal Audit Review - Contracts and Procurement**

See report of the Internal Auditor (agenda item 6).

Martyn White, Internal Auditor, introduced the report. He highlighted the main findings and recommendations. In responding to the questions raised by Members of the Committee the following additional information was provided.

The Contract and Tender Regulations did require updating and this was due to be undertaken by 31 March 2016. However there had been no issues found of non-compliance and therefore this recommendation was regarded as amber as opposed to red. A service level agreement had been set up between the Authority and the London Borough of Harrow procurement team for support on procurement matters. This included advice on electronic tendering and access to the e-tender portal.

It was acknowledged that the example of a Single Tender Action (a contract for the recycling carpets) could potentially exceed the OJEU threshold over the life of the contract. However an assessment had been made of the exposure to risk and the fact that the market was not yet mature enough to merit entering into a long-term contract. The risk of challenge to this approach was low and it would be reviewed.

There had been a delay in implementing the recommendation to provide training on the Public Contract Regulations 2015 because it was necessary to find a suitable external course.

The recommendation concerning a quarterly verification exercise of the contract register had already been implemented.

The report was noted.

#### **17. Internal Audit Review - Trade and Other Income**

See report of the Internal Auditor (agenda item 7).

Martyn White, Internal Auditor, introduced the report. He confirmed that the recommendation to produce invoices within one week of receiving data had been already implemented. It was also confirmed that updated financial regulations had been approved by the Authority at its December meeting. As agreed earlier in the meeting Martyn White undertook to report back on the approach to low risk recommendations after discussion with the relevant manager.

The report was noted.

#### **18. Internal Audit Review - Waste Tonnage**

See the report of the Internal Auditor (agenda item 8).

Martyn White, Internal Auditor, introduced the report. It was stated that the recommendations from the Audit had been implemented and addressed.

The report was noted.

#### **19. Risk Register**

See the report of the Director (agenda item 9).

Jim Brennan, Director, introduced the report.

With reference to risk P3 (c) concerning the construction and commissioning of the new energy from waste facility, he reported that there was a delay in commissioning. However this

was addressed in the report to the Authority meeting which followed this meeting.

With reference to risk E17 concerning an equal pay claim from a former employee, the Authority was assessing whether there may be any wider implications.

**Resolved -**

That the Risk Register be noted.

**20. External Audit - Audit Plan for 2015-2016**

See the report of the External Auditor (agenda item 10).

Helen Thompson, External Auditor, introduced the proposed Audit Plan for the year ending 31 March 2016. She referred to the “financial statement of risks” which was set out at section 2 of the Plan. She also referred to their approach to “value for money risks” which were set out in section 3 of the Plan. She stated that there would be a 25% reduction in the External Audit Fee compared to the previous year. In response to a question she stated that Ernst & Young were also the External Auditors for the Western Riverside Waste Authority.

**Resolved -**

That the External Audit Plan for the year ending 31 March 2016 be noted.

**The meeting finished at 10:40 am.**

The minute taker at this meeting was Mike Smith

This page is intentionally left blank



## **INTERNAL AUDIT**

### ***West London Waste Authority (WLWA)***

### **Annual Internal Audit Report & Opinion Statement 2015/16**

**Draft for Audit Committee as at 31<sup>st</sup> July 2016**



# Contents

The Internal Audit key contacts in connection with this document are:

## **Muir Laurie**

Head of Business Assurance

t: 01895 556132 (Ext: 6132)

e: [mlaurie@hillingdon.gov.uk](mailto:mlaurie@hillingdon.gov.uk)

## **Martyn White**

Senior Internal Audit Manager

t: 01895 250354 (Ext: 0354)

e: [mwhite@hillingdon.gov.uk](mailto:mwhite@hillingdon.gov.uk)

## **Elaine Polton**

Assistant Internal Audit Manager

t: 01895 556128 (Ext: 6128)

e: [epolton@hillingdon.gov.uk](mailto:epolton@hillingdon.gov.uk)

<u>Section</u>	<u>Page</u>
<b>1. Introduction</b>	<b>3</b>
<b>2. Executive Summary</b>	<b>3</b>
<b>3. Head of IA Opinion Statement 2015/16</b>	<b>4</b>
<b>4. Analysis of Internal Audit Activity 2015/16</b>	<b>8</b>
<b>5. Internal Audit Follow-up</b>	<b>9</b>
<b>6. Review of Internal Audit Performance</b>	<b>10</b>
<b>7. Forward Look</b>	<b>12</b>
<b><u>Appendices</u></b>	
<b>Appendix A – Detailed IA Activity 2015/16</b>	<b>13</b>
<b>Appendix B – IA Assurance Levels and Risk Ratings</b>	<b>14</b>
<b>Appendix C – IA Key Performance Indicators</b>	<b>16</b>



## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is essential in helping the Authority achieve its corporate objectives. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account public sector internal auditing standards or guidance.
- 1.1.2 IA give an objective opinion to the Authority on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service provided to the Authority fully embraces the risk based approach which means IA provides greater assurance to the Authority because it is focused on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to mitigate risk and enhance the likelihood of achieving the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

### 1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from the 2015/16 IA assurance work. The report also provides IA key stakeholders, including the Authority's Officers Team and the Audit Committee, with an opportunity to hold the Head of Internal Audit (HIA) to account on delivery of the 2015/16 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Authority in meeting the requirements of the Accounts and Audit (England) Regulations 2015.

## 2. Executive Summary

- 2.1 The HIA is pleased to report that delivery of **the 2015/16 IA plan was 100% complete to final report stage by 31<sup>st</sup> March**. This is an excellent achievement for IA and the Authority.
- 2.2 Delivery of the IA plan for 2015/16 has been achieved in a timely manner by applying a fully risk based approach to help focus IA resources on the key risks facing the Authority. In addition, the HIA believes this relative success is predominantly due to the collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Authority. Further details of IA performance can be found at para 6.1 of this report.
- 2.3 From the 2015/16 IA work undertaken:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at WLWA for the year ended 31<sup>st</sup> March 2016 accords with proper practice.*

2.4 In total, **4** IA assurance reviews have been delivered as part of the revised 2015/16 IA plan. All 4 assurance reviews resulted in a **REASONABLE** assurance IA opinion. No **HIGH** risk recommendations have been raised during 2015/16. All **MEDIUM** risk recommendations raised by IA were accepted by management with positive action proposed. Further analysis of the IA assurance levels issued in 2015/16 along with an analysis of the risk recommendations raised can be found in section 4 of this report.

2.5 The key findings from the **4 IA assurance reviews** were as follows:

(WL1) Waste Tonnage Data - **REASONABLE** Assurance

- As detailed at **Appendix A**, IA raised **9 recommendations** as part of this audit including **4 MEDIUM** risk recommendations and **5 LOW** risk recommendations.
- The **4 MEDIUM** risk recommendations related to the access to key system data, backup of weighbridge systems, the IT Service Level Agreement and weighbridge calibrations. Management's response to the recommendations raised was positive and the action proposed by management appears constructive to enhance the robustness of the control environment and resulting management information.

(WL2) Trade and Other Income - **REASONABLE** Assurance

- As detailed at **Appendix A**, IA raised **7 recommendations** as part of this audit including **2 MEDIUM** risk recommendations and **5 LOW** risk recommendations.
- The **2 MEDIUM** risk recommendations related to the Authority's outdated Financial Regulations and the un-timely raising of trade waste invoices. Proactive and positive management response to both recommendations was proposed.

(WL3) Contracts and Procurement - **REASONABLE** Assurance

- As detailed at **Appendix A**, IA raised **8 recommendations** as part of this audit including **6 MEDIUM** risk recommendations, **2 LOW** risk recommendations and **1 NOTABLE PRACTICE**.
- The **6 MEDIUM** risk recommendations related to the knowledge and awareness of changes in legislation arising from the Public Contract Regulations 2015, review of the Authority's Tender and Contract Regulations, capturing declarations of interest, review of the tender evaluation and opening processes and updates to the Authority's Contract Register. Management's response to the recommendations raised was positive and the action proposed by management appears constructive to address risks identified.

(WL4) Assets and Inventory - **REASONABLE** Assurance

- As detailed at **Appendix A**, IA raised **4 recommendations** as part of this audit including **3 MEDIUM** risk recommendations and **1 LOW** risk recommendations.
- The **3 MEDIUM** risk recommendations related to the asset register guidance, asset identifiers, and recording of asset disposals. Positive management action was proposed to each recommendation raised.

2.6 As at 31<sup>st</sup> July 2016, **100%** (all 15) of the **MEDIUM** risk recommendations raised within the 2015/16 assurance reviews were **verified by IA as operational and fully embedded within the Authority's internal control environment**. Further details of the work done on the follow-up of IA recommendations can be found at section 5 of this report.

### 3. Head of Internal Audit Opinion Statement 2015/16

#### 3.1 Background

3.1.1 The HIA opinion statement is provided to inform the Director and Chair of the Authority and to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2015/16 year.

3.1.2 The AGS provides public assurances about the effectiveness of the Authority's governance arrangements, including the system of internal control. The HIA opinion statement meets the Authority's statutory requirement under Regulation 6 of the Accounts and Audit (Amendments) (England) Regulations 2015 and is in line with the UK PSIAS.

### 3.2 Scope of Responsibility

3.2.1 The Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.2.2 In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Authority has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

### 3.3 The Purpose of the System of Internal Control

3.3.1 The Authority's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.

3.3.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's corporate objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### 3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

3.4.1 The HIA opinion is based primarily on the IA assurance work carried out by IA service during 2015/16, as well as a couple of other assurance providers.

3.4.2 The IA Plan for 2015/16 was developed to primarily provide the WLWA Officers Team and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control.

### 3.5 Basis of Assurance

3.5.1 All 2015/16 IA reviews have been conducted in accordance with the PSIAS. An external assurance review of the Authority's IA service provider confirmed that the IA service has overall met the requirements of the PSIAS in 2015/16.

3.5.2 In line with the PSIAS, the HIA is professionally qualified and suitably experienced. The skills mix of the IA staff who have provided assurance to the Authority are also professionally qualified and suitably experienced. Therefore, the 2015/16 IA resources fulfilled the PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

### 3.6 Qualifications to the Opinion

3.6.1 During 2015/16 the Authority's IA service:

- had **unrestricted access to all areas and systems** across the Authority;

- received **appropriate and full co-operation from officers and members**;
- had **sufficient resources to enable it to provide adequate coverage** of the Authority's control environment to provide the overall opinion (refer to para 3.11.3).

Consequently, **there are no qualifications to the HIA opinion statement for 2015/16.**

### 3.7 Other Assurance Providers

3.7.1 In formulating the HIA overall opinion on the Authority's system of internal control, the HIA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions which included:

- The Audit Committee; and
- Coverage by External Audit.

### 3.8 Significant Internal Control Weaknesses

3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year. **There were NO significant control weaknesses identified by IA during 2015/16.**

### 3.9 Risk Management

3.9.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Authority to achieve its corporate objectives.

3.9.2 IA is unable to provide a formal opinion on the effectiveness of Authority's RM arrangements as we have not undertaken an assurance review specifically relating to RM during the 2015/16 period. However, we are aware that the Authority has components of good practice in place to govern effective RM. This includes the Authority's RM policy and procedures and promotion of these through the Authority, the responsibility of which is clearly stated and defined under Financial Regulation 44.

3.9.3 Furthermore, the Authority maintains a corporate risk register which sets out the risks that the Authority is exposed to. The risk register explains what action management are taking to mitigate risk. Each risk is assessed in terms of impact and probability, given an overall risk rating score and has clear accountability for risk ownership. The risk register is regularly updated, reported and reviewed at all levels within the Authority and considered at the Authority's Audit Committee (who met twice during 2015/16) informing Members of significant changes to prioritised risks (**RED** and **AMBER**).

3.9.4 A full assurance review of the Authority's risk management arrangements will be conducted as part of the 2016/17 IA plan, providing independent assurance to Senior Management and the Audit Committee over the adequacy of the current risk management arrangements.

### 3.10 Corporate Governance

3.10.1 Corporate governance (CG) can be defined as the way in which the Authority is *directed* and *controlled*. It comprises a combination of systems, processes and structures as well as the culture of the Authority. Good governance is acknowledged to be essential for the success of any organisation and leads to good management, performance, stewardship of public money, and fundamentally good outcomes for stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services, value for money and delivery of stakeholder expectations.

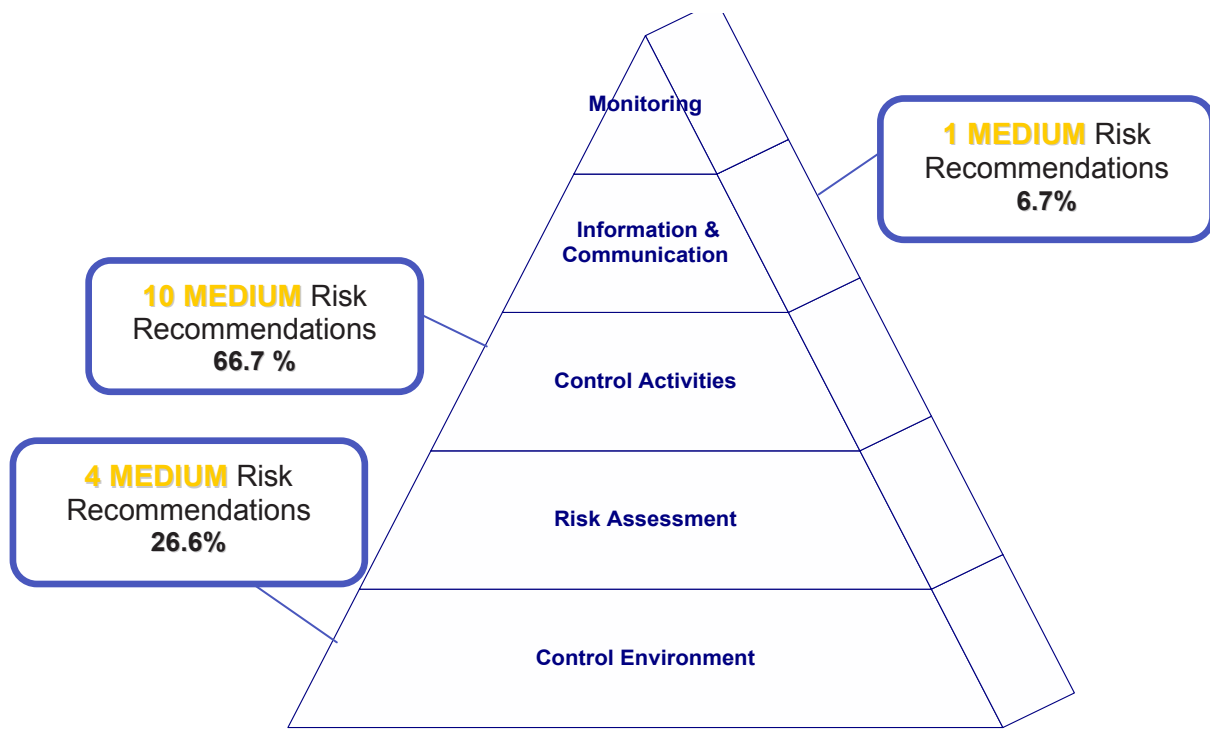
- 3.10.2 IA is unable to provide a formal opinion on the effectiveness of Authority's CG arrangements as we have not undertaken a detailed assurance review in this area during the 2015/16 period. However, we have evidenced that clear arrangements are in place. A Local Code of CG, based on best practice recommendations published by CIPFA, was approved by the Authority in July 2016. As a subset to this Code, a CG plan is in place which includes actions for improving CG arrangements.
- 3.10.3 There are also a number of other documents in place which help to govern the Authority and its activities, these include:
- Business Plan (2016-19);
  - Joint Waste Management Strategy;
  - Statement of Accounts;
  - Key Performance Indicators;
  - Standing Orders;
  - Financial Regulations and related Policies;
  - Officers Code of Conduct;
  - Members Code of Conduct; and
  - Scheme of Delegations for Officers.
- 3.10.4 A full assurance review of the Authority's CG arrangements will be conducted as part of the 2016/17 IA plan, providing independent assurance to Senior Management and the Audit Committee over the adequacy of the current governance arrangements.

#### Annual Governance Statement

- 3.10.5 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority has a statutory obligation under the Accounts and Audit (England) Regulations 2015 to prepare an Annual Governance Statement (AGS), a significant component of the Authority's governance framework. The AGS provides the Authority with a mechanism to demonstrate its positive governance culture and also enables stakeholders to understand the governance arrangements the Authority has in place. The AGS supports the Annual Statement of Accounts and identifies any significant governance issues.
- 3.10.6 IA established that the draft AGS was produced as part of the draft Annual Statement of Accounts for 2015/16, presented to the West London Waste Authority on the 1<sup>st</sup> July 2016. We are aware that assurance statements are completed by the Authority's Chief Officers and Senior Managers to demonstrate the ownership for the quality of governance arrangements around service areas for which they are responsible.
- 3.10.7 **There were NO significant governance weaknesses identified within the 2015/16 Draft AGS reported to the Authority on 1<sup>st</sup> July 2016.** The 2015/16 AGS is in the process of being finalised for the Annual Statement of Accounts for 2015/16 that will be presented to Audit Committee on 23<sup>rd</sup> September 2016, prior to approval by the Authority.

### 3.11 Internal Control

- 3.11.1 The IA opinion on the Authority's internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Committee (COSO)**. These components provide an effective framework for describing and analysing the internal control system implemented in an organisation. The diagram overleaf details the elements of the COSO internal control framework and the number of **MEDIUM** IA risk recommendations pertinent to each component.



The COSO Internal Control Framework

3.11.2 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to raising trade waste invoices in a timely manner, updating the contract register, itemising assets and reviewing the format of tender opening records. The other component of the framework with a notable number of recommendations was the control environment. These relate to things such as the absence of public contract regulations training and a formal I.T support service level agreement.

3.11.3 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too. From the IA work undertaken in 2015/16, and the other sources of assurance referred to at para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Authority for the year ended 31<sup>st</sup> March 2016 accords with proper practice.**

**4. Analysis of Internal Audit Activity 2015/16**

**4.1 Internal Audit Assurance Work 2015/16**

4.1.1 The 2015/16 IA assurance work may be summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

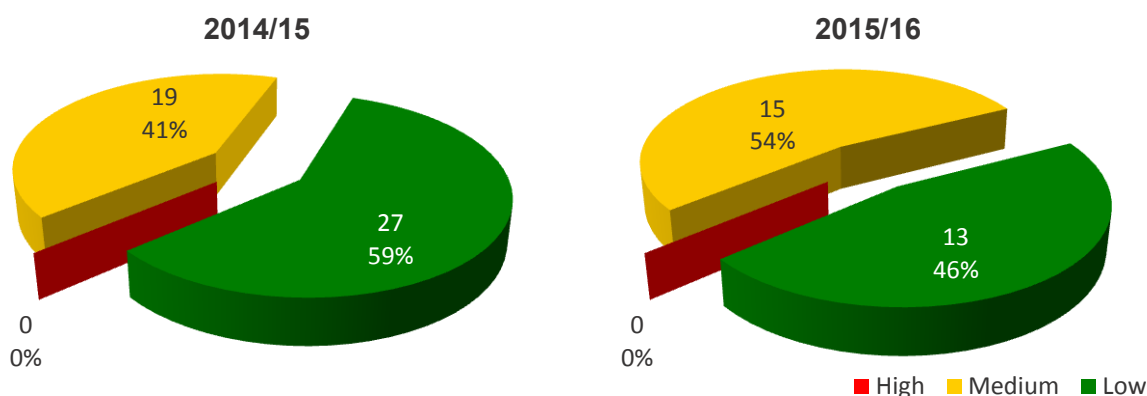
Assurance Level	Number of IA Assurance Reports	Assurance %
<b>REASONABLE</b>	4	100%
<b>TOTAL</b>	<b>4</b>	<b>100%</b>

4.1.2 The table above highlights that of the areas audited in 2015/16, each was assessed by IA as providing a **REASONABLE** level of assurance. This is against a backdrop of IA resources being focused on key risk areas to the Authority and therefore reflects positively on the overall control environment within the Authority. The individual assurance audits carried out during 2015/16 are fully listed at **Appendix A** which indicates the assurance levels achieved (as outlined at **Appendix B**) and provides an analysis of the IA recommendations made (in accordance with the risk ratings as outlined at **Appendix B**).

4.1.3 There were **28** IA risk recommendations raised in total in 2015/16:

Risk Rating	Number of IA Recommendations	%
<b>HIGH</b>	0	0%
<b>MEDIUM</b>	15	54%
<b>LOW</b>	13	46%
<b>TOTAL</b>	<b>28</b>	<b>100%</b>
<b>NOTABLE PRACTICE</b>	1	-

4.1.4 Given that a risk based IA approach has been applied in 2015/16, it is in line with our expectations that over **half of the IA recommendations raised** are rated as **MEDIUM** risk. This distribution does however represent a 24% percentage increase in medium risk recommendations when compared to the prior year. The breakdown of all 2015/16 IA recommendations by risk rating (as outlined at **Appendix B**) is provided in the charts below. We have included the prior year (2014/15) results for illustrative and comparative purposes:



## 5. Internal Audit Follow Up

- 5.1 IA monitor all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. IA does not follow-up **LOW** risk IA recommendations as they tend to be minor risks i.e. compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations, however management have confirmed that all 13 low risk recommendations have been accepted and implemented. The full definitions of the IA recommendation risk ratings are included at **Appendix B**.
- 5.2 The implementation of recommendations raised by IA is monitored solely by one member of the IA team. Having this single point of contact for this area of work allows IA staff to focus on delivery of the IA plan and will further streamline the process of following up IA recommendations in the future. TeamCentral provides the WLWA Officers Team and other senior managers with greater oversight and ownership of IA recommendations and the underlying risks.
- 5.3 The focus of the IA work on follow-up this year has been on **all** outstanding **MEDIUM** risk IA recommendations which have reached their target date for implementation and verifying management actions to mitigate the proposed risks. **We are pleased to report that as at 31<sup>st</sup> July 2016, there were no MEDIUM risk recommendations outstanding from 2015/16 IA assurance reviews.**

- 5.4 IA will support and advise managers in formulating a response to the risks identified. As an organisational improvement function, IA will also offer assistance to management to help devise pragmatic and robust action plans arising from IA recommendations. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways; Treat, Terminate, Tolerate, Transfer - **the 4 T's**. The full definitions of the response to risk are included at **Appendix B**.
- 5.5 The **4** IA assurance reviews have resulted in **28** IA recommendations being raised in 2015/16 as well as **1 NOTABLE PRACTICE**. Given that we are taking a risk based IA approach to IA coverage, it is a positive outcome that **no HIGH risk recommendations were raised in 2015/16**. The table below summarises the **status of IA 2015/16 recommendations** raised as at 31<sup>st</sup> July 2016:

2015/16 IA Recommendation Status as at 31 <sup>st</sup> July 2016	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (per <b>Appendix A</b> )	-	15	13	<b>28</b>	1
No. of Recommendations due for Follow-up Implementation	-	15	-	<b>15</b>	-
No. of Recommendations Implemented	-	15	-	<b>15</b>	-
No. of Recommendations Outstanding	-	-	-	-	-

- 5.6 Positive management action was proposed to address **all 15** 2015/16 **MEDIUM** risk IA recommendations raised with management choosing to treat all 15 medium risk recommendations raised. Further, IA is pleased to report that all 15 recommendations have been confirmed by management as being implemented through TeamCentral.
- 5.7 IA has recently undertaken verification testing on **MEDIUM** risk recommendations to confirm and support management's assertion that recommended actions have been implemented and embedded within the control environment. Of the **15** recommendations for 2015/16, each of which had reached their implementation date, we are pleased to report that no **MEDIUM** risk recommendations remain outstanding as at 31<sup>st</sup> July 2016.
- 5.8 The status of IA recommendations has been communicated with senior officers via the annual follow up review, verifying the implementation of management action. A copy of this report is also presented to the Audit Committee for information.

## 6. Review of Internal Audit Performance

### 6.1 Key Performance Indicators

- 6.1.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service to the Authority. They assist IA and the Authority in helping measure how successful IA has been in achieving its strategic and operational objectives in addition to the overall IA Plan and ensuring that assurance is provided to Senior Management and the Audit Committee in a timely and effective manner. KPIs for 2015/16 are included at **Appendix C** with actual cumulative IA performance for 2015/16 highlighted in the table below and overleaf:

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	<b>98%</b>	<b>N/A</b>	<b>N/A</b>



IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	90%	N/A	N/A
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	75%	80%	GREEN
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	90%	100%	GREEN
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	80%	100%	GREEN
KPI 7	Percentage of draft reports issued as within 10 working days following the exit meeting	90%	100%	GREEN
KPI 8	Percentage of draft reports issued as a final report within 5 working days after receiving management responses to the <b>HIGH</b> and <b>MEDIUM</b> risk IA recommendations proposed	90%	100%	GREEN
KPI 9	Client Satisfaction Rating	85%	97%	GREEN
KPI 10	IA work fully compliant with the <b>PSIAS</b> and <b>IIA Code of Ethics</b>	100%	100%	GREEN

## 6.2 Client Feedback Questionnaires

- 6.2.1 IA send out a client feedback questionnaire (CFQ) at the completion of all assurance reviews to capture and obtain formal management feedback. The **IA CFQ target** previously agreed with the Officers Team and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, **4** means the client *strongly agrees*; **3** is *agree*; **2** is *disagree*; and **1** is *strongly disagree*.
- 6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree or disagree'. This is a deliberate decision by the HIA to enable management to form an overall and definitive opinion on the work that IA does i.e. did the internal audit review add value or not?
- 6.2.3 Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is unhappy i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.
- 6.2.4 However, as can be seen from the table below, IA has exceeded its target on 8 out of 8 CFQ areas in 2015/16. IA is pleased to report that the overall average CFQ score for 2015/16 is **97%**, which is 12% above the target performance for IA. The table overleaf shows a breakdown of the average score from the **4 CFQs completed since 1<sup>st</sup> April 2015** (as per **Appendix A**):

IA CFQ Areas	Average Score 2015/16	Percentage
<b>Q1. Planning:</b> The planning arrangements for the IA review were good	3.75	93.75%
<b>Q2. Scope:</b> The scope of the IA review was relevant	3.75	93.75%
<b>Q3. Conduct:</b> The IA review was conducted in a highly professional manner	4	100%
<b>Q4. Timing:</b> The IA review was carried out in a timely manner	4	100%
<b>Q5. Report:</b> The IA report was presented in a clear, logical and organised way	4	100%
<b>Q6. Recommendations:</b> The IA recommendations were constructive and practical	3.75	93.75%
<b>Q7. Value:</b> The IA review added value to your service area	3.75	93.75%
<b>Q8. Overall:</b> I look forward to working with IA in future	4	100%
<b>Overall Average CFQ Score</b>	<b>3.88</b>	<b>97%</b>

- 6.2.5 IA is extremely grateful to management for the formal feedback in CFQs it has received. A **100% completion rate of CFQs** is excellent and will help IA continue to improve as a service.

## 7. Forward Look

- 7.1 Looking forward to 2016/17, the IA focus will be on delivering consistently high quality value added IA assurance reviews. The IA Plan for 2016/17 has been agreed by the Authority and includes **four** assurance reviews relating to *Creditors, Risk Management, Waste Minimisation and Governance*.
- 7.2 The software in use by IA (TeamMate) will continue to help **improve the monitoring, follow-up and tracking of IA recommendations** by management. The WLWA Officers Team can easily monitor the progress and status of all IA recommendations and the action plans established. This provides for greater responsibility on management, as owners of the risks, to provide progress updates on their recommendations.
- 7.3 IA would like to take this opportunity to formally thank all those staff throughout the Authority with whom IA it had contact with during the year. There has been a collaborative approach in IA's relationship with the WLWA Officers Team who have responded positively, both informally and through the formal CFQ reporting.
- 7.4 There are no other matters that we need to bring to the attention of the WLWA Officers Team or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA  
**Head of Business Assurance**

31<sup>st</sup> July 2016

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16**

Key:	
IA = Internal Audit	NP = Notable Practice
H = High Risk	CFQ = Client Feedback Questionnaire
M = Medium Risk	
L = Low Risk	

**2015/16 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 31 <sup>st</sup> July 2016	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
WL1	Waste Tonnage Data	Final report issued 9 <sup>th</sup> September 2015	REASONABLE	-	4	5	-	✓
WL2	Trade and Other Income	Final report issued 12 <sup>th</sup> November 2015	REASONABLE	-	2	5	-	✓
WL3	Contracts and Procurement	Final report issued 12 <sup>th</sup> January 2016	REASONABLE	-	6	2	1	✓
W4	Asset and Inventory	Final report issued 11 <sup>th</sup> March 2016	REASONABLE	-	3	1	-	✓
Total number of IA Assurance Recommendations raised in 2015/16				-	15	13	1	
Total percentage of IA Assurance Recommendations raised in 2015/16				-	51%	46%	3%	

19

**APPENDIX B****INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

Assurance Level	Definition
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Authority objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Authority objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Authority objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Authority objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

- 1. Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - Establishing and monitoring the achievement of the authority's objectives;
  - The facilitation of policy and decision-making;
  - Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - The financial management of the authority and the reporting of financial management; and
  - The performance management of the authority and the reporting of performance management.
- 2. Risk Appetite:** The amount of risk that the Authority is prepared to accept, tolerate, or be exposed to at any point in time.
- 3. Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**APPENDIX B (cont'd)****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

<b>Risk</b>	<b>Definition</b>
<b>HIGH</b> ●	The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Authority's corporate objectives. The action required is to mitigate a substantial risk to the Authority. In particular it has an impact on the Authority's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b>
<b>MEDIUM</b> ●	The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Authority. In particular an adverse impact on the Department's reputation, adherence to Authority policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b>
<b>LOW</b> ●	The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Authority as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b>
<b>NOTABLE PRACTICE</b> ●	The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Authority. <b>The practice should be shared with others.</b>

**RISK RESPONSE DEFINITIONS**

<b>RISK RESPONSE</b>	<b>DEFINITION</b>
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

**APPENDIX C****INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2015/16**

KPI Ref.	Performance Measure	Target Performance
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	<b>98%</b>
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	<b>95%</b>
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	<b>90%</b>
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	<b>75%</b>
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	<b>90%</b>
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	<b>80%</b>
KPI 7	Percentage of draft reports issued as within 10 working days following the exit meeting	<b>90%</b>
KPI 8	Percentage of draft reports issued as a final report within 5 working days after receiving management responses to the <b>HIGH</b> and <b>MEDIUM</b> risk IA recommendations proposed	<b>90%</b>
KPI 9	Client Satisfaction Rating	<b>85%</b>
KPI 10	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	<b>100%</b>

Key for above:

- **PSIAS** = Public Sector Internal Audit Standards.
- **IIA** = Chartered Institute of Internal Auditors (UK).

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [**>5%**] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [**<5%**] of target performance).
- **GREEN** = currently meeting or exceeding this performance target.

# West London Waste Authority

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



## Contents

<b>1. Executive summary .....</b>	<b>0</b>
<b>2. Responsibilities and purpose of our work.....</b>	<b>2</b>
<b>3. Financial statements audit .....</b>	<b>3</b>
<b>4. Value for money .....</b>	<b>6</b>
<b>Appendix A – Corrected audit differences .....</b>	<b>7</b>
<b>Appendix B – Outstanding matters .....</b>	<b>8</b>
<b>Appendix C – Independence.....</b>	<b>9</b>
<b>Appendix D – Auditor fees .....</b>	<b>10</b>
<b>Appendix E – Required communication with the audit committee .....</b>	<b>11</b>

Ernst & Young LLP



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of Responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of Responsibilities. This report is intended solely for the use of the members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



24 g a better  
working world



## 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work carried out to discharge our statutory audit responsibilities, together with any governance issues identified. This report summarises findings from the 2015/16 audit, which is substantially complete. It includes messages arising from our audit of the financial statements and the results of our work to assess arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources.

We show below the results and our conclusions on the significant areas of the audit.

Status of the audit	<p>We have substantially completed our audit of the financial statements for the year ended 2015/16 subject to satisfactory completion of the following outstanding items included in Appendix B.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements.</p> <p>We expect to conclude that the Authority has put in place proper arrangements to secure value for money in its use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) for the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There are no unadjusted audit differences.</p> <p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. The majority of these are below our reporting threshold and all have been corrected during the audit. There was one audit difference which was above our reporting threshold and further details are provided at Appendix A.</p> <p>These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>As part of our audit planning, when we issued our audit plan, presented at the 29 January 2016 Audit Committee meeting, we set materiality of £1.14 million when deciding on our audit procedures. We reassessed this based on the Authority's actual results and we increased this amount to £1,17 million. The reason for the increase in planning materiality was a higher operating expenditure in 2015/16 compared to the Authority's 2014/15 outturn.</p> <p>The basis of our assessment is 2% of gross operating expenditure.</p> <p>The threshold for reporting audit differences which have an impact on the financial statements is £58,000.</p>

---

Significant audit risks	<p>We identified the following audit risks during our planning, and reported them in our audit plan:</p> <ul style="list-style-type: none"><li>• PPE valuation;</li><li>• construction of energy recovery centre;</li><li>• risk of management override; and</li><li>• risk of fraud in revenue recognition.</li></ul> <p>The section below, addressing audit risks, sets out how we have gained audit assurance over those issues identified during the audit.</p>
Other reporting issues	<p>We have no other matters to report.</p>
Control observations	<p>We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements and which the Authority does not know about.</p>

---

We would like to take this opportunity to thank the Authority's staff for their assistance during the audit.

Helen Thompson

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Authority's responsibilities

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Authority reports publicly on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements, and any planned changes in future.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report by exception on the AGS;
- consider and report any matters that prevent us being satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

This report also contains our findings on any areas of audit emphasis and our views on any significant deficiencies in internal control or the Authority's accounting policies and key judgements.

We also review and report to the National Audit Office on the Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks when we planned our audit, and reported them in our Audit Plan. We set out below how we have gained the necessary audit assurance.

A significant audit risk is an inherent risk which is both more likely to happen and has a greater effect if it does happen; so it requires special audit consideration. For significant risks, we obtain a relevant understanding of the entity's controls and assess their design and implementation.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>PPE Valuation</b></p> <p>The value of the Authority's property, plant and equipment is material.</p> <p>Economic conditions continue to be uncertain, which has a potential impact upon the valuation of the property, plant and equipment. There is a requirement to assess the carrying value of assets for impairment every year and under ISAs (UK&amp;I) 500 and 540 we are required to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>agreed the source data used by the valuer to supporting records;</li> <li>assessed the work of the valuer to ensure that assets have been valued and recorded appropriately;</li> <li>agreed the outputs to the fixed asset register and statement of accounts; and</li> <li>reviewed the Authority's assumptions underlying any impairment review undertaken.</li> </ul>	<p>All PPE assets were valued by an external valuer in 2014/15. The requirement, per the CIPFA Code of Practice on Local Authority Accounting, is for all assets to be valued every five years so there was not a requirement of assets to be externally valued in 2015/16.</p> <p>The Authority is planning to review all assets during 2016/17 following the completion of the Energy Recovery Centre.</p> <p>The Authority undertook an impairment review during the year which identified impairments of £27,000 of fixed plant and vehicles. We have reviewed the Authority's assumptions in reaching this conclusion and we used our own sources of evidence, including the Gerald Eve valuation report for Local Government Bodies, to establish that the risk of material misstatement was sufficiently low to accept the reasonableness of the Authority's assumptions.</p>
<p><b>Construction of Energy Recovery Centre</b></p> <p>Construction of the new energy from waste facility is expected to be completed in 2016/17. During the current financial year we are expecting material expenditure to be incurred.</p> <p>There is a risk around ensuring that the accounting for the capitalisation of the expenditure incurred on this construction is in line with the requirements of IAS 16: Property, Plant and Equipment.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>reviewed controls in place around the capitalisation of expenditure at the Authority;</li> <li>carried out substantive testing of capitalised expenditure ensuring that it meets the requirements of IAS 16; and</li> <li>reviewed the contract in place with SITA to ensure that the amounts contributed by the Authority and the SITA consortium are as agreed.</li> </ul>	<p>The results of the work performed around the arrangements in place between the Authority and SITA for the construction of the Energy Recovery Centre did not identify any issues that need to be reported.</p> <p>Detailed testing of construction costs concluded they were in line with the contract agreement in place.</p>

<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewed accounting estimates for evidence of management bias; and</li> <li>• evaluated the business rationale for any significant unusual transactions.</li> </ul>	<p>Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested had an appropriate business rationale.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We found no indication of management bias in these estimates.</p> <p>We did not identify any evidence of management override or fraudulent activity.</p>
<p><b>Risk of fraud in revenue recognition</b></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Authority, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• reviewed and tested revenue and expenditure recognition policies;</li> <li>• reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;</li> <li>• developed a testing strategy to test material revenue and expenditure streams; and</li> <li>• reviewed and tested revenue cut-off at the period end date.</li> </ul>	<p>Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.</p>

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell the Authority significant findings from the audit and any other matters significant to oversight of the Authority's financial reporting process, including the following:

- qualitative aspects of accounting practices, estimates and disclosures;
- matters specifically required by other auditing standards to be reported to those charged with governance, e.g. issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We have no matters to report.

## Control themes and observations

It is the Authority's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Authority has arrangements to satisfy itself that this is indeed the case.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Authority.

## **Request for written representations**

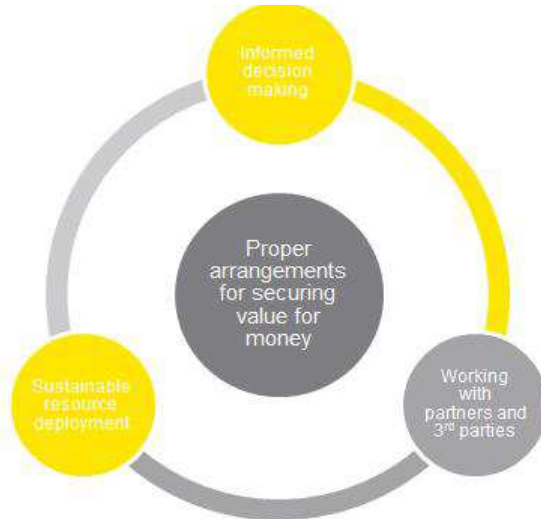
We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in the papers for the Audit Committee on 23 September 2016.

## **Whole of Government Accounts**

We also review and report to the National Audit Office on the Authority's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit Committee.

## 4. Value for money



We must consider whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They consist of the Authority's arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

### Overall conclusion

We did not identify any significant risks for these criteria through our audit planning risk assessment

We therefore expect to conclude that the Authority has proper arrangements to secure value for money in its use of resources.

## Appendix A – Corrected audit differences

We identified the following corrected differences greater than £58,000 during our audit which we believe we should report to the Audit Committee.

These items have been corrected by management in the revised financial statements.

### Disclosures

Disclosure	Description of difference
Exit Packages	As budgeted and approved by the Authority, £164,000 was paid to the LPFA in relation to the redundancy of one person. Management drew attention to this transaction indicating that it did not fall into any of the categories identified by the Code's disclosure requirements. We have considered this transaction and have confirmed that an additional disclosure was required per the Code to provide transparency regarding all costs associated to a person leaving the authority.



## Appendix B – Outstanding matters

The following items are outstanding at the date of this report:

Item	Actions to resolve	Responsibility
Management representation letter	Receive signed letter of representation	Management and Audit Committee
Pension Liability Valuation	Receipt and evaluation of assurance from the Pension fund administrator's auditor.	EY and LPFA Pension Fund auditor.
Subsequent events review	Complete the subsequent events procedures up to the date the audit report is signed.	EY and management
Whole of Government Accounts	Preparation and submission by management and review of the submission by EY.	EY and management
Final completion of audit procedures and review by the Executive Director	Management and EY to work together to complete any outstanding work.	EY and management

## Appendix C – Independence

We confirm that there are no changes in our assessment of independence since our confirmation in the Audit Plan dated 29 January 2016.

We complied with the Auditing Practices Board’s Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)’s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we do not know of any relationships that may affect the independence and objectivity of the firm and which auditing and ethical standards require us to report to you.

We consider that our independence in this context is a matter that should be reviewed both by the Authority and by us. It is therefore important that you consider any facts you know about and come to a view. If you wish to discuss any matters concerning our independence, we will be happy to do so at the Audit Committee on 23 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee as ‘those charged with governance’ under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan for doing this was set out in the Audit Plan of 29 January 2016.

## Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	19,770	19,770	n/a

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside the PSAA's requirements.

## Appendix E – Required communication with the audit committee

We must provide certain communications to the Audit Committees of UK clients, as detailed below:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Any significant difficulties encountered during the audit</li> <li>▶ Any significant matters arising from the audit and discussed with management</li> <li>▶ Written representations requested from management</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Any other matters significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues on the opening balance on initial audits</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about West London Waste Authority's ability to continue as a going concern for the twelve months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements relating to prior periods</li> <li>▶ A request for any uncorrected misstatement to be corrected</li> <li>▶ In writing, any significant corrected misstatements</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud we have identified or information obtained indicating that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ non-disclosure by management</li> <li>▶ inappropriate authorisation and approval of transactions</li> <li>▶ disagreement over disclosures</li> <li>▶ non-compliance with laws and regulations</li> <li>▶ difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management’s refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>We have received all requested confirmations.</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Ask the audit committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and which the audit committee may know about</li> </ul>	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters bearing on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ the principal threats</li> <li>▶ safeguards adopted and their effectiveness</li> <li>▶ an overall assessment of threats and safeguards</li> <li>▶ information about the general policies and processes to maintain objectivity and independence</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Audit Results Report</p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Certification Report</p>

**EY | Assurance | Tax | Transactions | Advisory**

**Ernst & Young LLP**

© Ernst & Young LLP. Published in the UK.  
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

23 September 2016

Report of the Treasurer

### West London Waste Authority Risk Register

#### SUMMARY

This report provides the Committee with the Risk Management Policy and Risk Management Framework and details of the Authority's updated Risk Register.

#### RECOMMENDATION(S)

The Committee is asked to:-

- 1) Approve the updated Risk Management Policy and Risk Management Framework (Appendix 1)
- 2) Note the content of the Risk Register as at September 2016 (Appendix 2)

1. **Introduction** – The Risk Management Policy and Risk Management Framework set out how the Authority manages risks. Last approved in 2013/14 this document has now been reviewed and updated with only minor changes. The updated version can be found in Appendix 1.
2. A key requirement of this document is to maintain a risk register which sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.
3. **Detail** – The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer meetings which are held every 4-6 weeks.
4. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the document you will find a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.
5. **Appendix 2** provides the latest risk register which was updated at the latest Chief Officers' meeting. The notable risks are detailed below:
  - Item P2 (Amber risk) – This reflects the uncertainty following the EU referendum. It may be some time before the impact of Brexit becomes clearer.

- Item P3c (Red risk) – As reported to the July Authority meeting, a delay to the start of commissioning at the SERC is resulting in additional costs.
- Item L1 (Amber risk) – The Joint Waste Management Strategy was approved in 2009 and needs to be reviewed, updated and agreed with boroughs.
- Item L3 (Amber risk) – New legislation for the treatment of incinerator bottom ash may result in additional costs for its treatment.
- Item L4 (Amber risk) – The Memorandum of Understanding in relation to the responsibility for provision of HRRC sites expired in 2015 and require review, update and agreement.

In overall terms, the risk register identifies 30 Red and Amber risks facing the Authority and the mitigating actions. 26 of the risks have been mitigated to a Green status and there are 4 risks at Amber or Red status, identified above.

**6. Financial Implications** – The financial element of each risk is considered as part of the impact score. The higher the score the larger the potential impact.

**7. Legal Implications** – There are no legal implications as part of this report.

**8. Impact on Joint Waste Management Strategy** – The risk register crosses all policies within the Joint Waste Management Strategy.

**Policy 7:** The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

**Policy 8:** The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

Contact Officers	Jay Patel, Head of Finance	020 8825 9524
	<a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a>	
	Ian O'Donnell, Treasurer	020 8825 5269
	<a href="mailto:Odonnelli@ealing.gov.uk">Odonnelli@ealing.gov.uk</a>	



# WEST LONDON WASTE AUTHORITY

## Risk Management Policy

One component of the Authority's corporate governance framework is to manage risks effectively in order to make a positive contribution towards the achievement of the Authority's corporate aims and objectives and to maximise the opportunities to achieve its vision, whilst obtaining assurances about the management of those risks.

The Authority is committed to the proactive management of key external and internal risks and actively promotes the principles of effective Risk Management throughout the organisation and its partner organisations. Effective partnership risk management allows the Authority to demonstrate a positive risk culture and improved outcomes, whilst improving its ability to deliver innovative and challenging projects.

Effective risk management is essential for both an organisation and its partners to achieve strategic objectives and improve outcomes for local people and for this to occur there needs to be strong leadership from Senior Officers and Members, clear strategies in place and trained and engaged staff.

The Authority's Risk Management Strategy and framework will apply best practice to the identification, evaluation and control of key risks and ensures that any residual risks are at an acceptable level. This will be achieved through:

- Adopting an effective and transparent corporate approach to proactive Risk Management by the Authority and the work of key external partners
- Integrating Risk Management into the operational and management practices and procedures of the Authority to promote a culture of risk awareness
- Providing information to support the Authority's annual assurance statement, as to the effectiveness of the arrangements for risk management and internal control mechanisms in practice.

## Risk Management Framework

The Risk Management Framework, supports the Risk Management Policy and helps improve and strengthen governance and front-line service delivery throughout the Authority. The framework is described in the following bullet points:

- The Authority undertakes to promote and ensure that the management of risk is linked to the achievement of its priorities and service objectives and supports continuous improvement in service delivery and performance.
- Members and the senior management team own, lead and support risk management.
- Ownership and accountability are clearly assigned for the management of risks at all levels throughout the Authority. There is a commitment to embedding risk management into the Authority's culture and organisational processes at all levels including corporate, project, operational and service.
- All Members and officers acknowledge and embrace the importance of risk management as a process, by which key risks and opportunities are identified, evaluated, managed and contribute towards good governance. This is reinforced through the delivery of on-going training programmes.
- Effective and transparent monitoring and reporting mechanisms are in place to continuously review the Authority's exposure to, and management of, risks and opportunities. The effectiveness of these mechanisms are continually reviewed, updated and improved where opportunities arise.
- Open and inclusive processes are established and maintained by involving all those associated with the planning and delivery of services, including stakeholders and partners.
- Best practice systems for managing risk are used throughout the Authority, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual assurance statement on the effectiveness of the Authority's risk management framework. This includes the Annual Governance Statement.
- The policy statement and framework will be reviewed periodically as required, to ensure their continued relevance to the Authority.

WEST LONDON WASTE AUTHORITY – RISK REGISTER – September 2016

Ref	Risk Area	Analysis of Risk	Assessment of Risk		Rating	Management Actions Implemented or Planned	Assessment of Risk		Rating	Responsible Officer
			Impact	Probability			Impact	Probability		
	<b>Political</b>									
P1	Impact of Regional Spatial Development policies and Mayor's strategy on future services	Failure to comply with requirements of Mayor's Waste Strategy	5	3	15 (AMBER)	Adoption of EPS metric to be progressed April 2016 GLA advise that a revised EPS model will be available next year	5	1	5 (GREEN)	Managing Director
P2	Government targets and legislation	Policy and targets on climate change mitigation and circular economy	5	4	20 (RED)	Monitoring proposals, responding to consultations, reviewing as part of new contracts. EU proposals on circular economy published Dec 15. JWDA research report to be reported to January 16 Authority meeting. Post Brexit uncertainty and policy vacuum. Continue to monitor CIWM commentary	5	2	10 (AMBER)	Managing Director

P3	Waste treatment and disposal contracts	(a) Poor contract management	5	3	15 (AMBER)	Regular meetings with biggest contractors in place with detailed KPI monitoring. Contract manual to be completed by within 3 months of Full Service Commencement	5	1	5 (GREEN)	Senior Assistant Director (Operations)
		(b) Financial failure of contractor(s)	5	3	15 (AMBER)	Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions.	5	1	5 (GREEN)	Head of Finance and Performance
		(c) Risks arising during construction and commissioning of new facility	5	5	25 (RED)	Delays to construction and SERC stoppages leading to alteration of commissioning plan with additional financial costs are being reduced by mitigating actions such as diversion of waste. Worst case scenario identified and can be absorbed within current reserve balance. Regular	5	4	20(RED)	Managing Director

						project meetings and reports to Chief Officers.				
P4	Recruitment and Retention of staff	Service delivery, contract management, and long term planning would be affected	3	3	9 (AMBER)	Recruitment policies and processes in place and change to new operations management structure planned with continuity of service in mind. Transitional arrangements in place to cover delay in recruiting a new Managing Director	3	2	6 (GREEN)	Managing Director
P5	Absence Management	High level of absence could place additional cost burdens on the Authority	3	2	6 (GREEN)	Sickness procedures and management reporting in place and monthly meetings held between Director and Managers to review management of team absences.	3	1	3 (GREEN)	Managing Director
P6	IT Security	Loss of data	5	5	20 (RED)	ICT service is delivered by LB Ealing and subject to a wide range of back-up and security measures including remote storage in place	5	1	5 (GREEN)	Head of Finance.

P7	Authority decisions based on inaccurate or incomplete information	Information not presented in a clear format outlining risks/benefits or omitting key information	5	2	10 (AMBER)	Process in place for report, review and checking of any financial data by Officers. Boroughs are consulted on all draft papers for financial and technical comment. Protocol for handling conflicts of interest involving Members and/or Officers.	5	1	5 (GREEN)	Managing Director
P8	Business Continuity Planning	Loss of one or more transfer station or waste treatment facility	5	2	10 (AMBER)	Contingency arrangements reviewed with SITA on quarterly basis, last checked July 2015	5	1	5 (GREEN)	Senior Assistant Director (Operations)
P9	Reputation	Perception of the performance of the Authority by service users, boroughs, government departments and	5	2	10 (AMBER)	Audit Committee established. Internal and external audit Governance Framework	5	1	5 (GREEN)	Managing Director

		inspectorates				Key performance indicators to be reported to the Authority Regular meetings with boroughs On-going				
	<b>Economic</b>									
E1	Financial processes	(a)Potential internal fraud (employee or contractor)	4	2	8 (AMBER)	Internal audit plan in place. Policies and procedures in place. Segregation of duties. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders.	4	1	4 (GREEN)	Treasurer WLWA

						2015 Internal audit assurance Procurement fraud training to be rolled out in 2016 and declarations of interest to be extended to all staff involved in procurement.				
		(b) Financial market risks  Poor rate of return on borrowing, money deposits or loss of monies	4	5	20 (RED)	WLWA Treasury Management plan approved annually at January Authority meetings with subsequent mid-year and out-turn reports. 2016/17 plan is to improve return but maintain low risk approach.	4	1	4 (GREEN)	Head of Finance
		(c) Unforeseen financial costs not covered by balances	4	3	12 (AMBER)	Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Where appropriate budgets are set with contingencies for identified risks.	4	2	8 (GREEN)	Treasurer
E12	Incorrect payments to contractor and/or	Risk that a payment is made either to the wrong company or for the wrong amount	4	3	12 (AMBER)	Robust arrangements in place for checking contracts and	4	2	8 (GREEN)	Head of Finance



	boroughs					invoices. Segregation of duties between authorisation and checking of payments.				
E3	Financial Management	Budgets are not adequately prepared or costs increase beyond available balances Risk that processes and procedures do not effectively pick up changes in costs	5	3	15 (AMBER)	Budget processes reviewed and monthly reporting demonstrating consistent performance. Budgets built from the bottom up with input and validation of data from boroughs. Robust processes in place. 2016/17 budget includes prudent contingencies for uncertainties around WLRWS contract in particular commissioning waste	5	1	5 (GREEN)	Treasurer
E4	Insurance	Insufficient/inadequate cover to meet the costs of future claims	5	3	15 (AMBER)	Annual review with brokers and insurers to review adequacy of policies, claims history and premiums. Regular updates from	5	1	5 (GREEN)	Head of Finance and Performance

		Increasing difficulty in obtaining competitive quotes for waste industry facilities	3	3	9 (AMBER)	insurer and broker advising of new policies.  To review options with brokers before expiry of contract in March 2018	3	2	6 (GREEN)	Head of Finance and Performance
E5	Cashflow for Capital Contributions for WLRWS contract	3 day turnaround time for calling down funding from boroughs and payment to SITA	4	4	16 (AMBER)	Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions	4	1	4(GREEN)	Treasurer
E6	Financial Management and Control of WLRWS Contract	Failure to properly validate payment requests from WLRWS contractor and ensure they are in line with the complex payment formulae within the contract	4	3	12 (AMBER)	In-house checks of invoices by both operational and financial managers in place. External audit of contractor's payment model.	4	2	8(GREEN)	Head of Finance
E7	Falling value of recycling materials	Predominately a risk for the boroughs, but falling scrap metal prices could leads to more abandoned vehicles for disposal	3	3	9 (AMBER)	Regular monitoring of scrap metal market. Review of arrangements with for disposal of abandoned vehicles in 2016/17	3	2	6 (GREEN)	Senior Assistant Director

	<b>Social</b>									
S1	Changes to Waste flows	Increased or decreased tonnages for treatment or landfill	5	3	15 (AMBER)	Regular monitoring of waste flows. Liaison with boroughs for service changes, particularly during the budget setting process.	5	1	5 (GREEN)	Senior Assistant Director
	<b>Technological</b>									
T1	Access database for wasteflows	Loss of a key member of staff would result in being unable to administer/support our core IT system (developed by that member of staff), the Access waste data management system (used for checking invoices, submitting waste dataflow returns, providing management information).	5	3	15 (AMBER)	Documented procedures will allow continued day to day use until the Opensky waste data management system is implemented in 2016/17.	4	2	8 (GREEN)	Head of Finance
	<b>Legislative</b>									
L1	Failure to review and update the Joint Waste Management Strategy	(a) Relationship with boroughs deteriorates	5	3	15 (AMBER)	Boroughs to be updated via Partnership meetings. The JWMS was approved some time ago in 2009 and needs to be reviewed in 2016/17 to ensure	5	2	10 (AMBER)	Managing Director and Chief Technical Advisor

						it is still relevant and up to date				
		(b)Failure to divert waste from landfill	5	2	10 (AMBER)	Residual Waste Contract now mobilised. Less than 5% waste to landfill from full service commencement	5	1	5 (GREEN)	Managing Director
		(c)Failure to meet recycling/composting targets. New EU targets expected Dec 15	4	3	12 (AMBER)	Waste Minimisation Action Plan Reduced costs to boroughs and trade for recycling Respond to any government consultation on transposition into UK law of EU Circular Economy proposals published in Dec 15.	4	2	8 (GREEN)	Managing Director
L2	Health Safety &	Risk of injury to staff or public visitors to Authority sites	5	2	10 (AMBER)	Specialist Health and Safety Advice from LB Hounslow.  2015 Internal audit provided assurance. 2016/17 Action Plan considered and agreed with GMB Action plan to	5	1	5 (GREEN)	Senior Assistant Director (Operations)

						impliment findings of HSE Twyford inspection				
L3	New legislation	New incinerator bottom ash requirements	4	4	16 (AMBER)	The new requirements place additional burden on disposal providers to test and ensure the quality of materials. This additional legislative cost can be passed on to the Authority through the PPP contract.	4	4	16 (AMBER)	Senior Assistant Director (Operations)
L4	Demonstrating responsibility for HRRC provision	Repeal of Refuse Disposal (Amenity) Act 1978 (RDA)	3	3	9 (AMBER)	This transferred the responsibility to arrange for the provision of these sites to the Authority under the Environment Protection Act 1990. A MoU demonstrates that the Authority has put in place satisfactory arrangements to discharge its "duty to arrange." This expired in 2015 and a new agreement is	1	2	2 (GREEN)	Managing Director

						needed.				
	<b>Environmental</b>									
EN1	Environmental Risks	Environmental damage caused by Authority Activities	5	2	10 (AMBER)	Actions identified by external inspections completed in a timely manner. On-going	5	1	5 (GREEN)	Senior Assistant Director (Operations)

Risk Register Impact and Probability Classification

	<b>Service disruption</b>	<b>Financial Loss</b>	<b>Reputation</b>	<b>Failure to provide statutory service/meet legal obligations</b>	<b>People</b>
<b>Extreme 5</b>	Total failure of service	Over £5m	National publicity > than 3 days. Resignation of leading member of chief officer	Multiple civil or criminal suits. Litigation, claim or fine above £5m	Fatality of one of more clients/staff
<b>Very high 4</b>	Serious disruption to service	£500k-£5m	National public or press interest	Litigation, claim or fine £500k-£5m	Serious injury. Permanent disablement of one of more clients/staff
<b>Medium 3</b>	Disruption to service	£50k-£500k	Local public/press interest	Litigation, claim or fine £50k-£500k	Major injury to individual
<b>Low 2</b>	Some minor impact on service	£5k-£50k	Contained within department	Litigation, claim or fine £5k-£50k	Minor injuries to several people
<b>Negligible 1</b>	Annoyance but does not disrupt service	< £5k	Contained within unit/section	Litigation, within claim or fine less than £5k	Minor injury to an individual

55

Select the highest category to score the risk.

Likelihood Classification for an Event Occurring In a Given Year

5. *Almost Certain* – Expected to occur in most circumstances (>80%)
4. *Likely* – Will probably occur in most circumstances (51%-80%)
3. *Possible* – Fairly likely to occur (21%-50%)
2. *Unlikely* – Could occur at some time (6%-30%)
1. *Rare* – May occur only in exceptional circumstances (0-5%)

**Risk Rating/Scoring = Impact\*Likelihood**

### **Prioritisation of Risks**

20-25 (Red)	Those risks requiring immediate management and monitoring
9-19 (Amber)	Those risks requiring management and monitoring but less time critical
1-8 (Green)	Those risks which require ongoing monitoring



## Assurance Statements

### SUMMARY

The attached Assurance Statements from the Authority's Chief Officers and Senior Managers form part of the overall governance framework and support the approval of the annual Statement of Accounts.

### RECOMMENDATION(S)

The Committee is asked to:-

- 1) Note the Assurance Statements in Appendix 1

## 1. Introduction

Assurance statements are a self-assessment tool for senior managers to annually review and demonstrate ownership for the quality of governance arrangements around service areas for which they are responsible.

They form an integral part of the Authority's Code of Corporate Governance to support the Board's approval of the Annual Governance Statement contained in the Annual Statement of Accounts.

## 2. Assurance Statements

The two Senior Managers responsible for financial management and operations have produced self-assessment statements for their area of activities. These have been subject to peer review and subsequently reported to and considered by Chief Officers.

An overarching Chief Officers Statement affirms the Senior Managers' assessments and highlights any key actions needed to improve the overall control environment. These are included in operational action plans and are listed below:

- Develop contract monitoring and control processes in relation to the PPP contract

**3. Financial Implications** – Provides assurance about the financial position and performance reported in the Statement of Accounts.

**4. Legal Implications** – External audit of financial statements is a legal requirement.

**5. Impact on Joint Waste Management Strategy** – Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements

Contact Officers	Jay Patel, Head of Finance	020 8825 9524
	<a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a>	
	Hugh Peart, Clerk	020 8424 1272
	<a href="mailto:Hugh.peart@harrow.gov.uk">Hugh.peart@harrow.gov.uk</a>	

## Appendix 1

### Assurance statement from Chief Officers

The Senior Managers' Assurance Statements for the financial year ending 31 March 2016 accompany this Chief Officer's Statement. Annual Manager's Assurance Statements provide an important element of the corporate governance arrangements and are an integral part of the framework that supports the production of the Annual Governance Statement.

The Assurance Statements take the form of a standard template. The templates identify each Senior Manager's area of responsibility. The Manager's review of their area includes a schedule of the key activities in place which provide assurance about the overall effectiveness of internal controls.

The Senior Managers' assurance statements indicate that a sound system of internal control was and is in place.

The following areas of improvement have been identified by Senior Managers in their assurance statements:

- Develop contract monitoring and control processes in relation to the PPP contract

On the basis of the opinions of the senior managers and our ongoing oversight of action plans and operations, we are satisfied that the Authority's financial, governance, and operational assurance arrangements are adequate and are operating effectively and that the improvements identified will further enhance our assurance arrangements.

Hugh Peart, Clerk and Monitoring Officer

Ian O'Donnell, Treasurer

Keith Townsend, Chief Technical Officer

Chief Officers meeting dated 9/9/2016

## Assurance Statement – Finance and Performance: Jay Patel

The table below identifies the key areas of responsibility within Finance and Performance operations and the main activities to ensure the effectiveness of the internal control environment within these areas.

<b>FINANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Payment of invoices	<ul style="list-style-type: none"> <li>• LB Ealing service provider</li> <li>• Robust supplier set up procedures</li> <li>• Invoice processing and payment procedures</li> <li>• Restricted system access for approval of invoices</li> <li>• Segregation of duties between spending managers and invoice processors</li> <li>• Delegated authorisation limits</li> <li>• Recording and reconciliation of payments</li> <li>• Restricted access to banking facilities</li> <li>• Restricted number of bank account signatories and dual signatory requirements for payments &gt; £50k</li> <li>• Monthly bank reconciliations and accounts payable reconciliation with review and authorisation</li> <li>• Reporting of accounts payable KPIs</li> </ul>
Salary management	<ul style="list-style-type: none"> <li>• LBE payroll service provider</li> <li>• Defined policies and procedures</li> <li>• Restricted system access for viewing, approval etc of payroll information</li> <li>• Monthly salary budget monitoring and reporting</li> <li>• Payroll reports checking and approval before processing</li> <li>• Adhering to Single Status guidelines</li> <li>• Applying NJC and Chief Officer pay scales</li> </ul>
Income collection	<ul style="list-style-type: none"> <li>• Invoicing procedure</li> <li>• Debt monitoring and collection</li> <li>• Debt recovery and chasing processes</li> <li>• Checks trade customers before opening credit accounts</li> <li>• Monthly bank reconciliation and accounts receivable reconciliation with review and authorisation</li> <li>• Reporting accounts receivable KPIs</li> </ul>
Budgets	<ul style="list-style-type: none"> <li>• Budgets built from the bottom up using detailed service data</li> </ul>


	<ul style="list-style-type: none"> <li>• Budget holders detailed involvement preparing annual budgets</li> <li>• Using Boroughs provided data for budget setting and monitoring</li> <li>• Budget Challenge session</li> <li>• Budget approval by Officers and WLWA</li> <li>• Borough consultation on budget</li> <li>• Monthly budget monitoring and reporting to Authority</li> </ul>
Financial planning	<ul style="list-style-type: none"> <li>• Long term financial models with sensitivity analysis approved by Authority</li> <li>• Treasury Strategy and performance reported to Authority</li> <li>• LB Ealing service provider for Treasury activities under an SLA</li> <li>• Standard forms and authorisations</li> <li>• Cashflow management and forecasting</li> <li>• Ready access to funds at short notice</li> <li>• Treasury processes</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Regular review, update and approval of the range of governance policies</li> <li>• Administration of governance arrangements through service level arrangements</li> <li>• Forward planning for the Authority, Chief Officer and Borough Partnership meetings</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Production and external audit of annual financial statements</li> <li>• Routine submission of regulatory returns</li> <li>• Expenditure published on WLWA website</li> <li>• Disclosure and reporting of Authority meetings and completion of statutory returns to government</li> </ul>
Audit	<ul style="list-style-type: none"> <li>• Internal audit provided by external independent organisation (LB Hillingdon)</li> <li>• External auditors appointed by the Audit Commission and currently conducted by Deloitte</li> <li>• Audit Committee meetings</li> </ul>
<b>INFORMATION TECHNOLOGY</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Infrastructure	<ul style="list-style-type: none"> <li>• Supplied and maintained by LB Ealing with their protocols and large scale security</li> </ul>



	<ul style="list-style-type: none"> <li>• Service Level Agreements and support desk service</li> </ul>
Business continuity	<ul style="list-style-type: none"> <li>• Data on managed servers with comprehensive back-up/business continuity processes</li> <li>• Virtualisation – access systems from any location</li> </ul>
Applications	<ul style="list-style-type: none"> <li>• Full range of functionality</li> <li>• Access to IT expertise to develop approach and consider alternatives</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Updated and approved IT strategy with 3 year action plan</li> </ul>
Data protection	<ul style="list-style-type: none"> <li>• Permission based access to systems with secure login cards</li> <li>• Access to files restricted on the basis of business needs</li> <li>• Using encrypted USB drives</li> <li>• Very low volume of personal data</li> </ul>
<b>HUMAN RESOURCES</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Establishment	<ul style="list-style-type: none"> <li>• Establishment agreed during budgeting process each year</li> <li>• Changes to establishment approved by WLWA Officers</li> </ul>
Recruitment	<ul style="list-style-type: none"> <li>• Defined policies and procedures</li> <li>• Induction process</li> <li>• Probationary period</li> </ul>
Appraisal	<ul style="list-style-type: none"> <li>• Defined policies and procedures</li> <li>• Appraisal conducted annually</li> <li>• Organisation wide training plans developed annually</li> </ul>
HR advise and support	<ul style="list-style-type: none"> <li>• Range of policies regularly reviewed</li> <li>• SLA for provision by Hounslow Council for advice on more complex issues</li> </ul>
Staff Liaison	<ul style="list-style-type: none"> <li>• Bimonthly meetings with recognised trade union</li> </ul>
<b>PERFORMANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Key Performance Indicators	<ul style="list-style-type: none"> <li>• Defined manager responsibilities for particular KPIs</li> <li>• Regular reporting of KPIs and analysis/corrective action where appropriate</li> <li>• Range of indicators tailored for individual user/group needs</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Monthly reporting of tonnage information to Boroughs</li> </ul>

	<ul style="list-style-type: none"> <li>• Agreed processes for information flows from Boroughs and service providers</li> <li>• Validation procedures and cross checks linking to spending patterns</li> <li>• Submission of statutory Waste Data Flow returns</li> </ul>
<b>RISK</b>	
Risk	<ul style="list-style-type: none"> <li>• Defined Risk Management Strategy with defined roles, responsibilities and activities</li> <li>• Maintaining Risk Register and reviewing regularly at Chief Officer meetings and Audit Committee meetings</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>• Reviewed and renewed annually for adequacy of cover</li> <li>• Professional advice and procurement support from Harrow Council</li> </ul>
Contracts	<ul style="list-style-type: none"> <li>• Updated and approved procurement and contract regulations</li> </ul>
<b>MANAGEMENT STRUCTURES AND REPORTING ARRANGEMENTS</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Communication processes	<ul style="list-style-type: none"> <li>• Regular team meetings ensuring staff are kept informed of management decisions</li> <li>• 1-2-1s and support on an individual basis</li> <li>• Publication and consultation on changing procedures and policies</li> <li>• Cross functional working groups and inter departmental meetings</li> <li>• Bimonthly meeting with staff representatives</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>• 1-2-1s and appraisals</li> </ul>
Training and development	<ul style="list-style-type: none"> <li>• Needs evaluated as part of appraisal process</li> <li>• Training arranged according to business needs and organisational training plan produced following the annual appraisal process</li> </ul>
<b>STRATEGY AND PLANNING</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Operational business plans	<ul style="list-style-type: none"> <li>• Joint Waste Management Strategy</li> <li>• Approved Medium Term Business Plans and long term financial model</li> <li>• Annual Budgeting process</li> <li>• Annual Procurement Plans</li> </ul>

--	--

<b>Key actions to improve the effectiveness of the internal control environment</b>
Develop contract monitoring and control processes in relation to the PPP contract

<b>Assurance Statement</b>	
As a Senior Manager, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness.	
I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.	
Jay Patel Head of Finance	Sign: 
	Date: 17/8/16

<b>Director's Statement</b>	
I have considered the list of areas of responsibility and activities set out above and from meetings of the Operations Management Team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above.	
Barry Lister Senior Assistant Director	Sign: 
	Date: 17/2/16



## Assurance Statement – Operations: Barry Lister

The table below identifies the key areas of responsibility within Operations and the main activities considered to ensure the effectiveness of the control environment within these areas.

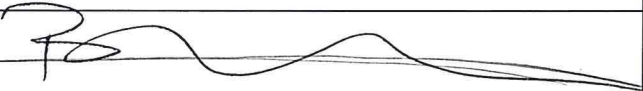
<b>AUTHORITY MANAGEMENT</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Deputise for Director	<ul style="list-style-type: none"> <li>• Act as Interim Head of Paid Service pending appointment and commencement of new MD</li> <li>• Stand-in for Director/MD as needed</li> <li>• Delegations</li> </ul>
General Management	<ul style="list-style-type: none"> <li>• Authority Reports</li> <li>• WLWA Officer Meetings</li> <li>• Operational team meetings</li> <li>• Agresso</li> <li>• iTrent</li> </ul>
<b>WASTE DISPOSAL</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Waste Disposal	<ul style="list-style-type: none"> <li>• Ensure suitable arrangements in place for all waste streams.</li> <li>• Management of operational processes</li> <li>• On-going monitoring</li> <li>• Review performance</li> </ul>
Borough liaison	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Notify service changes</li> <li>• Assist with collection arrangements/contracts</li> <li>• Direct when necessary</li> <li>• Manage and assist with service changes</li> <li>• Liaise and interface with borough contractors</li> <li>• Partner for mutual benefits</li> </ul>
Budgets	<ul style="list-style-type: none"> <li>• Assess financial requirements</li> <li>• Develop projected spending profiles</li> <li>• Ensure budgets approved and in place</li> <li>• Profile ongoing expenditure</li> <li>• Monitor expenditure v budget</li> <li>• Adjust budgets</li> <li>• Provide reports and feedback</li> </ul>
Forward planning	<ul style="list-style-type: none"> <li>• Track future needs and requirements</li> <li>• Development of Waste Management Plans and Policies</li> </ul>


	<ul style="list-style-type: none"> <li>• Business Plan</li> <li>• Review future service requirements</li> <li>• Management of change</li> </ul>
Contingency/Business Continuity Provisions	<ul style="list-style-type: none"> <li>• Determine potential need</li> <li>• Arrangements in place</li> <li>• Keep under review options available</li> <li>• Implement as required</li> </ul>
Tonnage and related data	<ul style="list-style-type: none"> <li>• Review accuracy of data</li> <li>• Review data and data analysis</li> <li>• Disseminate information</li> <li>• Monitor trends</li> <li>• Respond to information</li> </ul>
Outside Agencies	<ul style="list-style-type: none"> <li>• Liaison with outside agencies – i.e. Mayor of London, GLA, EA, WIDP, LWARB, WRAP.</li> <li>• Partner in new initiatives</li> <li>• Co-operate and collaborate.</li> </ul>
<b>CONTRACT MANAGEMENT</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Market testing	<ul style="list-style-type: none"> <li>• Investigating options</li> <li>• Review market</li> <li>• Market Intelligence</li> <li>• Develop contacts</li> <li>• Interviews and meetings</li> <li>• Benchmarking</li> <li>• Focus groups</li> <li>• Networking</li> </ul>
Procurements	<ul style="list-style-type: none"> <li>• Assess requirements</li> <li>• Market Review</li> <li>• Procurement strategy development</li> <li>• Documentation compilation</li> <li>• Initiate, control and manage procurement process</li> <li>• Compliance with Standing Orders, Financial Regulations etc.</li> <li>• Compliance with legislative and regulatory requirements</li> <li>• UK and EU Contract requirements met</li> <li>• Tender enquiries monitored and managed</li> <li>• Safe Tender receipt and opening</li> <li>• Tender Evaluation and assessment</li> <li>• Reporting</li> <li>• Recommendations</li> <li>• Contract preparations</li> </ul>
Contract Implementation	<ul style="list-style-type: none"> <li>• Arrange and authorise</li> </ul>

	<ul style="list-style-type: none"> <li>Orders/contracts</li> <li>• Review Permits, Licences, permissions, etc.</li> <li>• Check Insurances</li> <li>• Pre-contract meetings</li> </ul>
Contract Monitoring & Management	<ul style="list-style-type: none"> <li>• Contractor liaison</li> <li>• Contract Management meetings</li> <li>• KPI review</li> <li>• Regular contract meetings internal and external</li> <li>• Record changes, variations etc.</li> <li>• Verify invoice data v weighbridge records</li> <li>• Authorise verified invoices and payments</li> </ul>
Contract/Procurement Register	<ul style="list-style-type: none"> <li>• Compile</li> <li>• Review and monitor</li> <li>• Amended and update</li> </ul>
<b>SITE &amp; OPERATIONS MANAGEMENT &amp; HR</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Site & Operations Management & staffing	<ul style="list-style-type: none"> <li>• Agree staffing levels</li> <li>• Review staffing needs</li> <li>• Job descriptions and Person Specifications</li> <li>• Recruitment</li> <li>• Performance management</li> <li>• Monitor and authorise annual leave</li> <li>• Monitor and manage sickness absence</li> <li>• Monitor and authorise expense claims</li> <li>• Annual appraisals &amp; performance management</li> <li>• Health &amp; Safety reviews and management</li> <li>• Training needs and plans</li> <li>• Staff development</li> <li>• Staff Briefings</li> <li>• Trade Union liaison</li> <li>• Site security</li> </ul>
Plant & equipment	<ul style="list-style-type: none"> <li>• Agree requirements</li> <li>• Option reviews</li> <li>• Budget provisions</li> <li>• Procurement process</li> <li>• Lease and purchase agreements</li> <li>• Servicing &amp; maintenance provision</li> <li>• Operational performance</li> </ul>

	<ul style="list-style-type: none"> <li>• Weight &amp; Measures compliance</li> </ul>
Repairs & maintenance	<ul style="list-style-type: none"> <li>• Annual &amp; Forward planning</li> <li>• Prioritising</li> <li>• Compile and agree budgets</li> <li>• Responsive maintenance management</li> </ul>
Public Interface	<ul style="list-style-type: none"> <li>• Information dissemination accuracy</li> <li>• Payments</li> <li>• Access (inc. DDI)</li> <li>• Fol responses</li> <li>• Enquiry &amp; complaint management and recording</li> </ul>
<b>INFORMATION TECHNOLOGY</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
Site Infrastructure	<ul style="list-style-type: none"> <li>• Needs analysis</li> <li>• Provision of suitable &amp; operationally competent and compliant equipment</li> <li>• Suitable software systems</li> <li>• Back-up systems</li> <li>• Security</li> <li>• Reliability monitoring</li> <li>• Electronic Payment transactions</li> <li>• Reconciliations</li> </ul>
Applications	<ul style="list-style-type: none"> <li>• Use of outside expertise</li> </ul>
Data protection	<ul style="list-style-type: none"> <li>• Personal discrete log-ins</li> <li>• Access restrictions</li> <li>• Encryption as suitable</li> <li>• Data storage</li> </ul>
Website	<ul style="list-style-type: none"> <li>• Accurate &amp; current information</li> <li>• Regular updates</li> <li>• Fol advice &amp; responses</li> </ul>
<b>PERFORMANCE</b>	
<b>Key areas of responsibility</b>	<b>Activities</b>
KPI's	<ul style="list-style-type: none"> <li>• Established structure of reporting</li> <li>• Regular reporting and review for remedial actions</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Monthly reports to boroughs</li> <li>• On-gong review of data</li> <li>• Regular contract meetings</li> <li>• Remedial actions</li> </ul>
<b>RISK</b>	
Risk	<ul style="list-style-type: none"> <li>• Defined strategy outlining roles and responsibilities</li> <li>• Risk register reviewed regularly</li> </ul>

	<ul style="list-style-type: none"> <li>• Remedial action implementation</li> </ul>
<b>Key actions to improve the effectiveness of the internal control environment</b>	
Develop contract monitoring and control processes in relation to the PPP contract	

<b>Assurance Statement</b>	
<p>As a Senior Manager, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness.</p> <p>I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.</p>	
Barry Lister Senior Assistant Director	Sign: 
	Date: 17/8/16

<b>Head of Finance Statement</b>	
<p>I have considered the list of areas of responsibility and activities set out above and from meetings of the Operations Management Team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above.</p>	
Jay Patel Head of Finance	Sign: 
	Date: 17/8/16

This page is intentionally left blank

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Treasurer

23 September 2016

**Statement of Accounts for the year ending 31 March 2016**

**SUMMARY**

This report presents the Statement of Accounts for the year ending 31 March 2016.

**RECOMMENDATION(S)**

The Committee is asked to:-

- 1) Recommend to the Authority that they approve the Statement of Accounts for 2015/16 (Appendix 1)

**1. Introduction**

It is a statutory requirement to publish the Authority's signed and certified Statement of Accounts by 30 September. Therefore the Authority needs to formally approve its accounts, incorporating any changes required by the external auditors as a result of the audit.

The Statement of Accounts will need to be signed by the Chair, Clerk and Treasurer following approval at the September Authority meeting. Our external auditors will then certify the accounts. The signed and certified Statement of Accounts must be published by 30 September.

**2. Statement of Accounts**

At its meeting on the 1 July 2016 the Authority considered a draft of the statement of the accounts. Since then the statement has been audited by Ernst & Young the Authority's external auditor.

A small number of minor disclosures and presentational changes were identified during the audit process. The changes have been applied and the final out turn figure is as per the draft figure presented to the July Authority meeting.

The Authority's accounts continue to show strong operational performance and a healthy reserve position as reported at the July meeting.

**3. Other supporting information**

The Audit Committee Agenda includes items to support the approval of the Statement of Accounts:

- Ernst & Young's report summarizing the key findings from the external audit of the statement of accounts
- An annual internal audit report and opinion from the London Borough of Hillingdon
- The risk register highlighting the mitigation and controls in relation to key risks
- Annual Assurance Statements from Chief Officer's and Senior Managers

**4. Financial Implications** – The financial position and performance are provided in the Statement of Accounts.

**5. Legal Implications** – It is a statutory requirement for the Authority to produce annual financial statements.

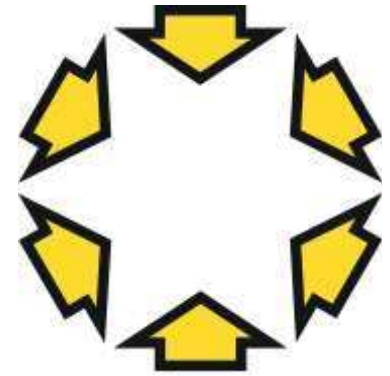
**6. Impact on Joint Waste Management Strategy** – The draft Statement of Accounts set out in this report demonstrates that the Authority is supporting the boroughs to deliver improved value for money to its residents in line with Policy 7 and demonstrates partnership working as set out in Policy 8

Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements

Policy 8: The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

Contact Officers	Jay Patel, Head of Finance	020 8825 9524
	<a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a>	
	Ian O'Donnell, Treasurer	020 8825 5269
	<a href="mailto:Odonnelli@ealing.gov.uk">Odonnelli@ealing.gov.uk</a>	





**West  
Waste**

**West London Waste Authority  
Statement of Accounts  
For the year ended 31 March 2016**

**West London Waste**  
*Let's be resourceful*

## Contents

<b>Section</b>		<b>Page</b>
1	Narrative Statement	2
2	Accounting Policies	7
3	Statement of Responsibilities for the Statement of Accounts	13
4	Comprehensive Income and Expenditure Statement	14
5	Balance Sheet	15
6	Movement in Reserves Statement	17
7	Cash Flow Statement	18
8	Notes to the Core Financial Statements	20
9	Annual Governance Statement	38
10	Independent Auditor's Report to the Members of West London Waste Authority	41

## Narrative Statement

### Introduction

West London Waste Authority (WLWA) is a statutory joint waste disposal authority established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985, Section 10.

WLWA undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares.

The six boroughs are responsible for the collection of waste in their areas and the Authority's statutory responsibility is to arrange for the provision of:

- facilities for the receipt, recycling and disposal of waste which is collected by the six constituent boroughs;
- transport and disposal of waste which the constituent boroughs receive at their household reuse and recycling centres;
- household reuse and recycling centres; and
- the storage and disposal of abandoned vehicles which are removed by the constituent boroughs.

The Authority is governed by six Councillors, one from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The members of the Authority usually meet five times each year. They are supported by an Audit Committee that meets regularly during the year to consider matters of risk, control and governance. Additionally, there are regular Borough Partnership Meetings between officers of the Authority and officers of the constituent boroughs.

The main administrative offices of the WLWA are located in Hounslow Civic Centre. At the end of the year WLWA employed 33 staff (previous year: 32). WLWA is headed by the Director and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Hounslow – legal, human resources, health and safety, occupational health advice and committee administration;
- London Borough of Ealing – procurement, communications, treasury, payroll, ICT, finance systems;
- London Borough of Harrow – insurance;
- London Borough of Hillingdon – internal audit.

These arrangements have not only provided relevant expertise but have also helped deliver value for money in back office functions.

In recent years there has been a major shift of focus on how waste is disposed of – moving from the landfilling of waste towards increased reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed Joint Waste Management Strategy.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that will see most of the constituent boroughs’ waste that cannot be recycled or composted used to produce energy. Work is progressing on the construction of a new energy from waste recovery centre and from 2016 this will provide for 300,000 tonnes of waste per year to be treated, in addition to the 90,000 tonnes already going to energy recovery. The electricity generated will be sufficient to power over 50,000 homes.

Crucially this new approach will mean that a minimum of 96% of waste will not go to landfill so avoiding 83,000 tonnes of carbon dioxide emissions each year.

### Activity

The principal statutory responsibility for the Authority is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the borough’s collected waste for 2015-16 is provided in the table below. This shows a 0.2% fall in volume of borough collected waste being received by the Authority to 559,000 tonnes for 2015-16. During 2015-16, 50.8% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	<b>2015-16</b>	<b>2014-15</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Recycling and reuse	66,000	71,000
Composting	84,000	92,000
Energy recovery	134,000	144,000
Landfill	275,000	266,000
<b>Total waste</b>	<b>559,000</b>	<b>573,000</b>

The Authority arranges for the constituent boroughs to provide the household reuse and recycling centres for residents to deposit their waste. Some of these centres also take in trade waste and other borough collected waste such as street cleansing and fly tipping. The Authority is responsible for arranging the transport and composting or disposal of all the waste received at these sites except for the waste that the boroughs recycle. The above total includes the waste collected and disposed from these sites.

There are seven household reuse and recycling centres. The boroughs operate six of these (either directly themselves or through contractors) for which the Authority arranges transport and disposal through contracts with the private sector. The remaining site is operated by the Authority as agents of one of the boroughs.

In 2015-16 residual waste sent for disposal from these centres totalled 77,000 tonnes. Of this householders deposited 42,000 tonnes; 22,000 tonnes was trade waste and 13,000 tonnes was borough collected waste. A breakdown is provided below.

	<b>2015-16</b>	<b>2014-15</b>
	<b>Tonnes</b>	<b>Tonnes</b>
Household residual waste	42,000	39,000
Household recycle and re-used waste	26,000	25,000
Household composted waste	14,000	15,000
Trade residual waste	22,000	18,000
Borough residual street cleansing waste	13,000	11,000
<b>Total Household Re-use and Recycling Centre waste</b>	<b>117,000</b>	<b>108,000</b>

## Financial Performance

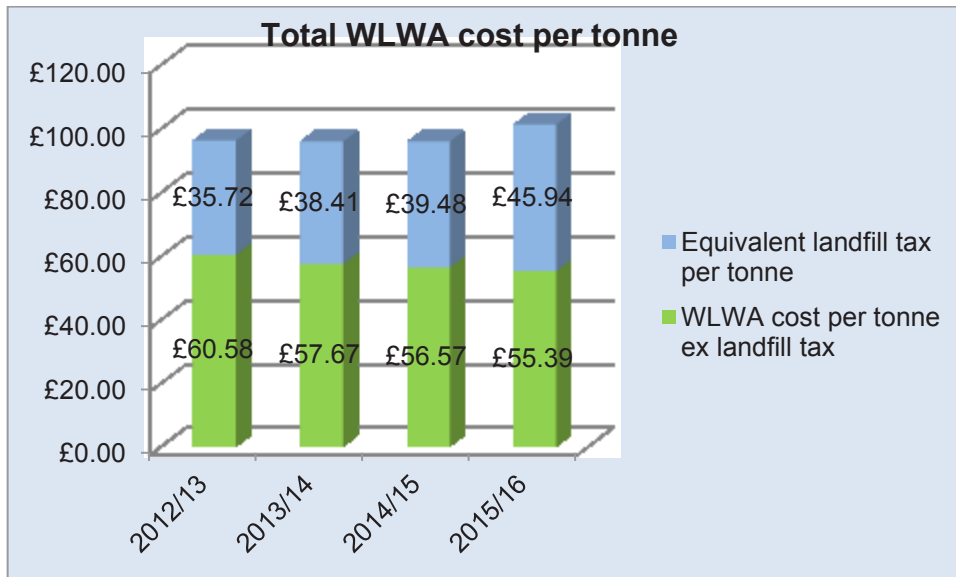
WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by the boroughs and businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment with some fixed costs allocated according to Council Tax Base (i.e. the number of Band D properties). Authority expenditure is primarily related to waste treatment and transport contracts with the private sector and landfill tax.

During the year, the Authority raised an annual levy on the constituent boroughs of £59.1 million, an increase from £56.5 million in 2014-15. The net cost of services for the year was £56.5 million, an increase of £1.6 million from the previous year's £54.9 million, due to the rise in the government's landfill tax rate. The overall result showed that the surplus on provision of services rose to £2.5 million from £1.4 million in the previous year.

An actuarial gain on the pension liability valuation of £1.2 million (compared to an actuarial loss of £2.6 million in 2014-15) has resulted in an overall surplus for the year of £3.7 million (2014-15: deficit of £0.7 million).

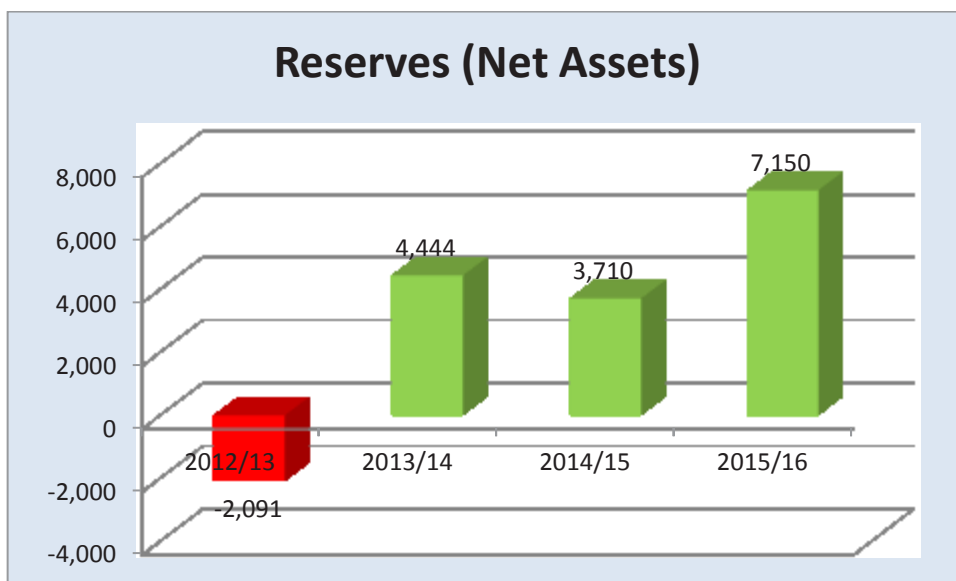
The Authority's aim for 2015-16 was to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has achieved this target.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance, particularly when splitting out landfill tax which is a result of government policy / tax rates. The total cost of delivering services (Net Cost of Services and Financing) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. This has been plotted over a four year period in the chart that follows.



The key feature illustrated by this chart is that the Authority’s cost per tonne excluding landfill tax has reduced over the last four years from £60.58 per tonne to £55.39 per tonne. This reflects the effective control of costs and spending over the period and improving efficiency. This has gone a long way to mitigating the effect of the government’s increase in the landfill tax rate during the same period.

Once again, by considering a longer timeframe, the level of reserves provides better perspective about the Authority’s financial health. So the chart below considers the Authority’s Total Reserves over the same period. It illustrates that in 2012-13 the Authority had more obligations and liabilities than it did assets and therefore held a negative reserve position. From 2013-14 the Authority improved from this position building reserves as a financial buffer and therefore has been in a better position to manage any unexpected risks, particularly important in context of the £180 million project to construct an Energy from Waste plant currently in progress.



## **Energy from Waste Recovery Centre**

As part of the West London Residual Waste Service contract with the Suez consortium, most of the waste is collected at transfer stations they operate on behalf of the Authority. Currently, interim arrangements are in place for the waste to be transported and disposed at landfill sites during the construction period of the new energy recovery centre.

When construction is complete in 2016, waste will be transported to the new energy recovery facility and through modern processes the waste will be used to generate enough electricity to power approximately 50,000 homes. The revenue generated from the sale of the power and recycling produced at the facility will offset some of the cost of the operations.

To continue building the new energy recovery centre, capital contributions in 2015-16 of £15.8m (2014-15: £22.4 million) from the Authority have been funded by loans from 4 of the constituent Boroughs. The Suez consortium has also made capital contributions of £32.9 million (2014-15: £46.8 million). Together with capitalised interest of £3.2 million (2014-15: £1.5 million) the total capital work in progress of £152.1 million (2014-15: £100.2 million) forms part of the Authority's long term assets. The capacity that this new plant provides, in addition to the 90,000 tonnes currently being converted to energy under the Residual Waste Services contract with Viridor, will bring to an end the Authority's reliance on landfilling waste.

Financial performance is reported to the Authority on a regular basis and matters of financial control are considered by the Audit Committee. The financial outturn and performance for the year shows that the Authority has achieved a position of financial stability, with operating performance delivering surpluses and a strong balance sheet reflected in net assets and positive reserves. The Authority's long term capital investment also effectively manages the longer term risks of increasing landfill costs and tonnages and the Authority is now well placed to deliver good value for money services to boroughs for the foreseeable future.

## Accounting Policies

### General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by Statute as representing proper accounting practices. They are also in line with the Accounts and Audit Regulations (2015).

### Borrowing costs

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalised as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by the Authority in connection with borrowing funds.

### Capital Adjustment Account

This account sets out amounts set aside from revenue resources, or capital receipts, to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

### Capital Work in Progress

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

### Cash and Cash Equivalents

The Authority manages its own cash balances and holds balances during the year within its bank account and deposits funds under a service level agreement with the London Borough of Ealing.

### Debtors and Creditors

The accounts are prepared on an accruals basis. Outstanding debtors and creditors are brought into the accounts at year-end. Where exact amounts are unknown at the time of closing the accounts, accruals are supported by activity and pricing data.

### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction, using the straight-line method, over their estimated useful lives, as follows:

Type of Asset	Years
Buildings	21-25
Fixed Plant	8-12
Vehicles and equipment	7-8



## **Financial Instruments**

Financial instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial instruments cover both financial liabilities and assets.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement includes the amount payable for the year according to the loan agreement.

The Authority's financial assets comprise of bank balances and loans and receivables. Loans and receivables are financial assets that have a fixed or determinable payment, but are not quoted on an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.

## **Going Concern**

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's 3 year Business Plan and also its medium to long term Financial Model which covers a period of 25 years from the balance sheet date of these accounts.

## **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

## **Impairments**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

## **Leasing - The Authority as Lessee**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangements is dependent on the use of specific assets.

### **Finance Leases**

Items of property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability of the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Items of property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

### **Minimum Revenue Provision (MRP)**

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision (MRP) as part of the means to finance capital expenditure.

The Authority's policy is to apply, as prescribed, either the asset life or depreciation method and is based on 4% of the capital financing requirement.

## **Pension Scheme**

WLWA does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority (LPFA). This enables all WLWA staff to participate in the LPFA Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the tri-annual valuation date (31 March 2013). The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Employee Benefits (IAS19). Details are provided to the Authority by the LPFA's Actuary (currently Barnett Waddingham). The Notes to the Core Financial Statements provide details of how the Authority has met these requirements.

## **Post Balance Sheet Events**

Events after the balance sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non adjusting event. A reasonable estimate of the financial effect of this event cannot be made. It may be some time before the impact of Brexit becomes clearer. It should be noted that for the Authority and pension fund there are both financial opportunities as well as risks from the low cost borrowing and volatile market conditions. No other events have been identified.

## **Public Private Partnership Contracts**

Public Private Partnership (PPP) and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor.

As the Authority is deemed to control the services that are provided under its PPP schemes, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) is balanced by the recognition of a liability for amounts due to the contractor to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority and measured at current value.

The amounts payable to the PPP contractor each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PPP contractor.

(The profile of write-downs is calculated using the same principles as for a finance lease)

## **Property, Plant and Equipment**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are normally not capitalised (other than major projects spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are re-valued every five years applying Fair Value assumptions using independent professional valuations to reflect the current value to the Authority in their existing use. The last valuation was undertaken by Vail Williams, Consultant Surveyors in March 2015. Non-property assets will be carried at historical cost as a proxy for current value.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably.

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

## **Provisions**

Bad debt provisions are included within the Accounts based on the ageing of debt and management judgement where there is uncertainty regarding bad and doubtful debts.

## **Revenue Recognition**

Levy Income is recognised on an accruals basis. Additionally the Authority operates a Pay as you Throw (PAYT) system with partner boroughs. Under this system boroughs are initially billed on estimated tonnages to be disposed of. On a quarterly basis reconciliation is performed on actual tonnages and boroughs are reimbursed or charged additionally, based on difference between estimated and actual tonnage. The trade, agency and other income recognised for the year is based on revenue generated from actual tonnages.

## **Service Borough Costs**

Administrative costs charged to the Authority by constituent boroughs are based on the time spent in respect of services rendered (e.g. financial, legal and technical). There are service level agreements in place where appropriate.

## **VAT**

All income and expenditure is shown net of VAT.

## Statement of Responsibilities for the Statement of Accounts

### The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For WLWA, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

### The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Treasurer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer is also responsible for the maintenance and integrity of the financial information included on the Authority's website.

### Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2016 and the Authority's financial position as at 31 March 2016.

\_\_\_\_\_  
Ilan O'Donnell  
Treasurer  
23 September 2016

### Audit Committee

I can confirm that these Accounts were considered by the Audit Committee at their meeting on Friday, 23 September 2016 and recommended for Approval by the Authority. The accounts were approved by the Authority on 23 September 2016.

\_\_\_\_\_  
Signed on behalf of West London Waste Authority  
Councillor Bassam Mahfouz (Chair)  
23 September 2016

## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices:

	Note	2015-16 £'000	2014-15 £'000
<b>Gross expenditure</b>			
Employees		(1,852)	(1,690)
Premises		(2,242)	(2,156)
Waste transport and disposal		(53,378)	(50,986)
Other supplies and payments		(1,174)	(1,048)
Impairments	6	(27)	(828)
Depreciation	6	(68)	(334)
<b>Total</b>		<b>(58,741)</b>	<b>(57,042)</b>
<b>Gross income</b>			
Trade waste		1,308	1,134
Agency		431	545
Miscellaneous income		548	459
<b>Total</b>		<b>2,287</b>	<b>2,138</b>
<b>Net cost of services</b>		<b>(56,454)</b>	<b>(54,904)</b>
Financing and investment income and expenditure			
	5	(194)	(133)
Levies on constituent councils	16	59,125	56,457
<b>Total</b>		<b>58,931</b>	<b>56,324</b>
<b>Surplus on provision of services</b>		<b>2,477</b>	<b>1,420</b>
Revaluation gain on properties		0	477
Actuarial gain/(loss) on pension liability	19	1,193	(2,631)
<b>Other comprehensive income and expenditure</b>		<b>1,193</b>	<b>(2,154)</b>
<b>Total comprehensive income and expenditure</b>		<b>3,670</b>	<b>(734)</b>

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The unaudited accounts were issued on 15 July 2016 and the audited accounts were authorised for issue on 23 September 2016.

		<b>2015-16</b>	<b>2014-15</b>
		£'000	£'000
Property, plant and equipment	6	5,166	5,486
Capital work in progress	7	152,149	100,156
<b>Long Term Assets</b>		<b>157,315</b>	<b>105,642</b>
Cash and cash equivalents	9	12,458	8,317
Short term debtors	10	3,295	3,474
<b>Current Assets</b>		<b>15,753</b>	<b>11,791</b>
<b>Total Assets</b>		<b>173,068</b>	<b>117,433</b>
Short term creditors	11	(6,081)	(5,056)
<b>Current Liabilities</b>		<b>(6,081)</b>	<b>(5,056)</b>
Long term borrowing	12	(52,495)	(33,474)
Other long term liabilities	18	(99,619)	(66,683)
Pension fund liability	19	(7,723)	(8,510)
<b>Long Term Liabilities</b>		<b>(159,837)</b>	<b>(108,667)</b>
<b>Net Assets</b>		<b>7,150</b>	<b>3,710</b>



Usable Reserves		12,091	9,500
Unusable reserves	13	(4,941)	(5,790)
<b>Total Reserves</b>		<b>7,150</b>	<b>3,710</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable" reserves (i.e. those that can be applied to fund expenditure) and other reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The net increase/decrease before transfers to earmarked reserves shows the statutory General Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	<b>Total Usable Reserves</b> £'000	<b>Unusable Reserves</b> £'000	<b>Total Authority Reserves</b> £'000
<b>Balance at 1 April 2015</b>	<b>9,500</b>	<b>(5,790)</b>	<b>3,710</b>
Surplus on provision of services (accounting basis)	2,477	0	2,477
Other comprehensive expenditure	0	1,193	1,193
Total comprehensive expenditure	2,477	1,193	3,670
Other adjustment (Note 6)	(232)	2	(230)
Adjustments between accounting basis and funding basis under regulations (Note 4)	346	(346)	0
<b>Increase/(decrease) in year</b>	<b>2,591</b>	<b>849</b>	<b>3,440</b>
<b>Balance at 31 March 2016</b>	<b>12,091</b>	<b>(4,941)</b>	<b>7,150</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority:

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
<b>Net surplus on the provision of services</b>	2,477	1,420
Adjustments to net surplus	1,644	(4,314)
<b>Net cash generated from/(used in) operating activities</b>	<b>4,121</b>	<b>(2,894)</b>
<i>Investment activities</i>		
Payments for capital work in progress	(15,773)	(22,418)
Payments for plant and equipment	(45)	(342)
Proceeds from disposal of plant and equipment	5	75
Interest received	61	0
<b>Net cash used in investment activities</b>	<b>(15,752)</b>	<b>(22,685)</b>
<i>Financing activities</i>		
Interest paid	0	0
Loans raised	15,772	22,418
Loans repaid	0	0
Other	0	(440)
<b>Net cash generated from financing activities</b>	<b>15,772</b>	<b>21,978</b>
<b>Net movement in cash and cash equivalents</b>	<b>4,141</b>	<b>(3,601)</b>
Opening balance	8,317	11,918
<b>Cash and cash equivalents at end of year</b>	<b>12,458</b>	<b>8,317</b>

## Cash Flow Statement

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
<b>Adjustments to net surplus for non-cash movements</b>		
Depreciation and impairments	95	1,162
IAS 19 non-cash pension entries	406	374
Decrease/(increase) in short term debtors	179	(2,581)
Increase/(decrease) in short term creditors	1,025	(3,350)
Other adjustments	0	(52)
Sub Total	1,705	(4,447)
<b>Adjustments for items included in financing/investing activities</b>		
Interest received	(61)	(106)
Interest paid	0	239
Total Adjustments	<b>1,644</b>	<b>(4,314)</b>

## Notes to the Core Financial Statements

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements. The notes expand on some of the information and provide further explanation of a number of matters prescribed by Statement of Recommended Practice (SORP).

### 1. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in the financial statements, the Authority has had to make certain judgements about complex transactions or those involving certainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future funding levels and long term contracts;
- Whether contracts need to be accounted for as service concessions or with embedded leases;
- The calculation of debtor and creditor accruals; and
- The recognition of assets and calculation of depreciation

### 2. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains a number of estimates that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2016 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions Liability</b>	Estimation of net pension liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the London Pensions Fund Authority to provide expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 19.

### 3. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 23 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016 they have been taken into account.

The EU referendum is the only such condition. It may be some time before the impact of Brexit becomes clearer and a reasonable estimate of the financial effect of this event cannot be made.

### 4. Adjustments between Accounting Basis and Funding Basis under Regulations

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
<b>Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:</b>		
Depreciation* (note 6)	68	334
Impairments* (note 6)	27	828
Reversal of items relating to IAS19 Retirement Benefits	407	257
	<b>502</b>	<b>1,419</b>
<b>Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:</b>		
Statutory provision for the Repayment of Debt* (note 13)	(110)	(112)
Revenue financing to Capital (note 13)	(48)	(342)
	<b>(158 )</b>	<b>(454)</b>
<b>Transfer (from)/to general reserves</b>		
Accumulated Absences Account (note 13)	2	(5)
	<b>2</b>	<b>(5)</b>
Net additional amount to be credited to general balances for the year	<b>346</b>	<b>960</b>

\* Adjustments impact capital adjustment account (unusable reserve)

## 5. Financing and Investment Income and Expenditure

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Interest payable and similar charges	0	4
Pensions interest and expected return on pensions assets	255	235
Interest receivable and similar income	(61)	(106)
	<b>194</b>	<b>133</b>

## 6. Property, Plant and Equipment

	<b>Land and Buildings Freehold</b>	<b>Land and Buildings Leasehold</b>	<b>Fixed Plant and Vehicles</b>	<b>TOTAL</b>
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2015	5,080	0	3,508	<b>8,588</b>
Adjustment*			(2,591)	<b>(2,591)</b>
Additions	45			<b>45</b>
Disposals			(157)	<b>(157)</b>
Impairments			(27)	<b>(27)</b>
Gross book value at 1 April 2016	<b>5,125</b>	<b>0</b>	<b>733</b>	<b>5,858</b>
Accumulated depreciation brought forward	(80)	0	(3,022)	<b>(3,102)</b>
Adjustment*			2,359	<b>2,359</b>
Disposals			119	<b>119</b>
Depreciation charge for the year	(20)		(48)	<b>(68)</b>
Accumulated depreciation carried forward	<b>(100)</b>	<b>0</b>	<b>(592)</b>	<b>(692)</b>
Net book Value at 31 March 2016	<b>5,025</b>	<b>0</b>	<b>141</b>	<b>5,166</b>
Net book Value at 31 March 2015	5,000	0	486	5,486

The adjustment\* lines represent a correction to 1) remove the book value of assets transferred to the public private partnership contractor in 2013 which were included in long term assets and 2) include assets under ownership of the Authority but previously not recognised as long term assets. The adjustment has no material impact on the accounts and £232,000 net adjustment has been applied for completeness and accuracy.

## 7. Capital Work in Progress

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Energy from waste facility:		

Opening balance	100,156	29,386
Expenditure in year	48,745	69,230
Interest capitalised in year	3,248	1,540
	<hr/>	
Closing balance	<b>152,149</b>	<b>100,156</b>
	<hr/>	

The Suez consortium commenced (in December 2013) the construction of an Energy from Waste facility in Severnside, South Gloucestershire. Construction is expected to take approximately 3 years with an estimated completion date in October 2016. West London Waste Authority is required to make total capital contributions of £60 million during the construction phase, with the consortium contributing £125 million. Under the PPP agreement, on completion of the construction, the Authority will hold the rights to this asset.

To build the new energy recovery centre, during the year £15.8 million of capital contributions from the Authority have been funded by loans from 4 of the constituent London Boroughs. The consortium has also made capital contributions of £32.9 million.

## 8. Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Authority) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet is made up of the following categories of "financial instruments". There are no significant differences between the carrying value and the fair value of these items.

	Long term		Current	
	2015-16	2014-15	2015-16	2014-15
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Cash and bank balances	0	0	12,458	8,317
Loans and receivables	0	0	0	20
<b>Financial Liabilities</b>				
Long Term Borrowing	(52,495)	(33,474)	0	0
Financial Liabilities at amortised cost	(99,619)	(66,683)	0	0

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An interest rate of 7.604% at 31 March 2016 for loans from Boroughs
- No early repayment or impairment is recognised



- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

	<b>2015-16</b>		<b>2014-15</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	£'000	£'000	£'000	£'000
Borough Loans (note 16)	52,495	55,059	33,474	35,199

The fair value of outstanding borough loans is greater than the carrying amount due to fixed rate loans having interest rates higher than rates available for similar loans in the market at balance sheet date. The valuation of financial instruments is classified into 3 levels according to the quality and reliability of the data used to determine fair values. Loans are valued at Level 2 as the valuation of the underlying debt is derived from observable inputs and not from quoted prices in active markets. The valuation is derived from a predefined and predictable cashflow resulting from loans, using a net present value approach.

#### Nature and Extent of Risks arising from Financial Instruments

##### Overall Procedures for Managing Risk:

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) this is reported at the same time as the levy setting meeting. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to members.

The Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's new service level agreement (effective from April 2014), the London Borough of Ealing provides a low risk option for investing balances.

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

- Refinancing and Maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

*Credit Risk*

Credit risk for the Authority arises from deposits with banks and credit exposures to debtors. Deposits are not made with banks unless they are rated independently and meet the Authority’s credit criteria, which are restricted to the upper end of the independent credit rating criteria. The credit risk around debtors is set out in Note 10.

*Liquidity Risk*

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

*Refinancing and Maturity Risk*

The Authority’s approved Treasury strategy is set to avoid the risk of refinancing on unfavourable terms. The maturity analysis for borrowing is set out in Note 12. All trade and other payables are due to be paid in less than one year.

*Market Risk*

As at the 31 March 2015 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

**9. Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following:

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Bank balance (HSBC)	3,458	3,817
Deposit placed with the London Borough of Ealing	9,000	4,500
<b>Total</b>	<b>12,458</b>	<b>8,317</b>

## 10. Short Term Debtors

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Other Local Authorities	83	193
Central Government Bodies	2,654	2,558
Other Entities and Individuals	117	366
Prepayments and Accrued Income	441	360
	<hr/>	<hr/>
<b>Sub - Total</b>	<b>3,295</b>	<b>3,477</b>
	<hr/>	<hr/>
Less provision for bad debts	0	(3)
	<hr/>	<hr/>
<b>Total</b>	<b>3,295</b>	<b>3,474</b>
	<hr/>	<hr/>

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is considered to be low as the majority of balance relates to the HMRC.

Provisions for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement. Short Term Debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period.

<b>Age of receivables due</b>	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
< 90 days	200	12
90 – 180 days	0	119
> 180 days	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>200</b>	<b>131</b>
	<hr/>	<hr/>

## 11. Short Term Creditors

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Other Entities and Individuals	(4,871)	(4,168)
Other Local Authorities	(1,210)	(888)
	<hr/>	<hr/>
<b>Total</b>	<b>(6,081)</b>	<b>(5,056)</b>
	<hr/>	<hr/>

## 12. Long Term Borrowing

The Authority's capital expenditure for the project to build a residual waste to energy plant is financed by loan arrangements with four constituent Boroughs (Brent, Ealing, Harrow and Richmond). The interest charged was 7.604% and will be repaid over 25 years with interest being charged on the reducing balance basis. The table below reflects the long term portion of these loans.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Opening balance	(33,474)	(9,602)
Loans in year	(15,773)	(22,418)
Interest accrued	(3,248)	(1,454)
	<b>(52,495)</b>	<b>(33,474)</b>
Analysis by maturity	<b>2015-16</b>	<b>2014-15</b>
		£'000
5 years or less	(4,348)	(2,773)
Between 5 and 10 years	(6,315)	(4,027)
10 years or more	(41,832)	(26,674)
	<b>(52,495)</b>	<b>(33,474)</b>
Long term liability	<b>(52,495)</b>	<b>(33,474)</b>

## 13. Unusable Reserves

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Revaluation reserve	(1,185)	(1,186)
Capital adjustment account	(1,609)	(1,544)
Pensions reserve	7,723	8,510
Accumulated absences account	12	10
	<b>4,941</b>	<b>5,790</b>

### (i) Revaluation Reserve

The Revaluation Reserve contains gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated from 2010-11 (Revaluation Reserve brought forward from earlier years was nil). Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Balance as at 1 April	(1,185)	(707)
Revaluation gains	0	(580)
Revaluation losses set off against previous year's gains	0	102
	<hr/>	<hr/>
Balance at 31 March	<b>(1,185)</b>	<b>(1,185)</b>
	<hr/>	<hr/>

### **(ii) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Balance as at 1 April	(1,544)	(2,252)
Depreciation	68	334
Statutory provision for repayment of debt	(110)	(112)
Impairment	27	828
Net written out amount of the cost of non-current assets consumed in the year	(1,559)	(1,202)
Other adjustments	(2)	0
Revenue financing to capital	(48)	(342)
	<hr/>	<hr/>
Balance at 31 March	<b>(1,609)</b>	<b>(1,544)</b>
	<hr/>	<hr/>

### **(iii) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns

on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources of the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Balance as at 1 April	8,510	5,621
Actuarial gains or losses on pension assets and liabilities	(1,193)	2,631
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	725	610
Employer's pensions contributions and direct payments to pensioners payable in the year	(319)	(352)
Balance at 31 March	<b>7,723</b>	<b>8,510</b>

**(iv) Accumulated Absences Account**

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2015. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Balance as at 1 April	10	15
Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	(5)
Balance at 31 March	<b>12</b>	<b>10</b>

## 14. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	Director (ending 31/3/2016)	89,847	84,829	12,174	15,269	102,021
Clerk (ending 9/4/2015)	276	11,025	50	1,985	326	13,010
Clerk (commencing 10/4/2015)	9,750	0	1,755	0	11,505	0
Technical Advisor	10,000	10,000	1,800	1,800	11,800	11,800
Treasurer	10,000	10,000	1,800	1,800	11,800	11,800

The number of employees excluding Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	2015-16	2014-15
	No of employees	No of employees
£50,000 to £54,999	1	1
£65,000 to £69,999	1	1
£80,000 to £84,999	1	1

During the year following a restructure and compulsory redundancies to deliver long term savings, 2 employees including the Director received redundancy payments. One redundancy payment was below the £20,000, and one within £20,000 to £40,000 band. Both analyses above include these redundancy payments. Not included in the above classifications but a cost under pension scheme regulations, the redundancy of the Director resulted in additional pension costs of £164,000 paid to the LPFA.

## Members Allowances

No member allowances have been paid in year.

## 15. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2015-16	2014-15
	£'000	£'000
Audit of the Authority	20	20
<b>Total Fees</b>	<b>20</b>	<b>20</b>

## 16. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and is financed by an annual levy on the constituent boroughs.

The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2015-16. No related party transactions were declared. During 2015-16 the officer in the post of Clerk to the Authority is also Chief Officer at the Borough of Harrow. The Treasurer and the Technical Advisor are also Chief Officers at the Borough of Ealing. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	Ealing	Harrow	Hillingdon	Hounslow	Richmond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Pay as you Throw	8,624	11,301	6,229	8,077	7,882	5,733	47,846
Fixed Cost Levy	1,787	2,256	1,721	1,967	1,699	1,849	11,279
Total Levies	10,411	13,557	7,950	10,044	9,581	7,582	59,125
Agency and other income	472	0	0	520	230	0	1,222
<b>Total 2015-16</b>	<b>10,883</b>	<b>13,557</b>	<b>7,950</b>	<b>10,564</b>	<b>9,811</b>	<b>7,582</b>	<b>60,347</b>
Total 2014-15	10,493	12,778	7,644	10,031	9,074	6,982	57,002
<b>Expenditure</b>							
Waste Transport and Disposal Costs	44	3	0	72	34	2	155
Rent and Rates	77	0	0	331	38	0	446
Support Services	0	79	10	10	16	0	115
Other	111	144	107	122	106	115	705
<b>Total 2015-16</b>	<b>232</b>	<b>226</b>	<b>117</b>	<b>535</b>	<b>194</b>	<b>117</b>	<b>1,421</b>
Total 2014-15	191	121	18	415	413	3	1,161



	<b>Brent</b>	<b>Ealing</b>	<b>Harrow</b>	<b>Hillingdon</b>	<b>Hounslow</b>	<b>Richmond</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Debtors 2015-16</b>	<b>0</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>
Debtors 2014-15	0	20	0	119	54	0	193
<b>Creditors 2015-16</b>	<b>149</b>	<b>252</b>	<b>329</b>	<b>288</b>	<b>147</b>	<b>45</b>	<b>1,210</b>
Creditors 2014-15	42	142	84	398	130	92	888
<b>Loans 2015-16</b>	<b>13,124</b>	<b>13,124</b>	<b>13,124</b>	<b>0</b>	<b>0</b>	<b>13,124</b>	<b>52,496</b>
Loans 2014-15	8,369	8,369	8,368	0	0	8,368	33,474
<b>Investments 2015-16</b>	<b>0</b>	<b>9,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,000</b>
Investments 2014-15	0	4,500	0	0	0	0	4,500

## 17. Leases

### Finance Leases

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

All finance leases concluded in 2014-15.

### Operating Leases

The Authority uses plant and equipment financed under the terms of operating leases, with typical lives ranging from five to ten years. The Authority's operating leases for plant and machinery, analysed by years are:

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Within 1 year	147	169
Between 2 and 5 years	59	157
<b>Total</b>	<b>206</b>	<b>326</b>

In addition, The Authority has rental leases at the main transfer station sites. Values shown are annual rents for each site.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Victoria Road (until March 2098)	540	540
Transport Avenue (until September 2020, with rights to extend to 2098)	700	700
Total	<b>1,240</b>	<b>1,240</b>

## 18. Other Long Term Liabilities

The project to build an energy from waste plant includes investment by the Suez consortium which the Authority will benefit from over the life of the contract. A liability is recognised as project assets are completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised when the plant becomes operational, over the life of the contract.

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Energy from waste facility:		
Opening balance	66,683	19,871
Developer's contribution	32,936	46,812
Closing balance	<b>99,619</b>	<b>66,683</b>

The twenty seven year, £900 million contract provides for up to 300,000 tonnes of waste that West London's residents haven't recycled to be treated each year. Crucially, the new approach will mean a minimum of 96% of waste will not go to landfill.

## 19. Defined Benefit Pension Scheme

The West London Waste Authority (WLWA) does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority. This enables all WLWA staff to participate in the London Pensions Fund Authority (LPFA) Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997.

The Scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the tri-annual valuation date. The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Retirement Benefits (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of General Fund via the Movement in Reserves Statement.

Changes in the net pension liability arising as a result of past events which are not concurrent with the assumptions made in the course of the last actuarial valuation, or as a result of revised actuarial assumptions are charged to the Pensions Reserve.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Total Reserves via the Movement in Reserves Statement during the year:

**Balance sheet disclosure**

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Present value of funded obligation	(22,445)	(23,474)
Fair value of Scheme Assets (bid value)	14,926	15,185
<b>Net Liability</b>	<b>(7,519)</b>	<b>(8,289)</b>
Present value of unfunded obligations	(204)	(221)
<b>Net Liability in Balance Sheet</b>	<b>(7,723)</b>	<b>(8,510)</b>
<b>Comprehensive Income and Expenditure Statement</b>		

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Service costs	447	352
Net interest on defined liability	255	235
Administrative expenses	23	22
	<b>725</b>	<b>609</b>

<b>Reconciliation of the present value of the scheme liabilities:</b>	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Opening balance as at 1 April	23,694	20,295
Current service cost	447	341
Interest cost	724	871
Change in financial assumptions	(1,778)	2,966
Change in demographic assumptions	0	0
Experience (gain)/loss on liabilities	0	2
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(808)	(1,189)
Past service costs including curtailments	0	11
Contributions by scheme participants and other employers	383	410
Unfunded pension payments	(13)	(13)
	<b>22,649</b>	<b>23,694</b>
Closing balance as at 31 March	<b>22,649</b>	<b>23,694</b>

<b>Reconciliation of fair value of the scheme (plan) assets:</b>	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Opening balance as at 1 April	15,185	14,674
Interest on assets	469	636
Return on assets less interest	(585)	337
Other actuarial gains	0	0
Administration expenses	(23)	(22)
Employer contributions	318	352
Contributions by scheme participants and other employers	383	410
Benefits paid	(821)	(1,202)
Settlement prices received/(paid)	0	0
	<b>14,926</b>	<b>15,185</b>
Closing balance as at 31 March	<b>14,926</b>	<b>15,185</b>

### Assumptions

As at	31 March 2016		31 March 2015		31 March 2014	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.1%	-	3.1%	-	3.5%	-
CPI increases	2.2%	-0.9%	2.3%	-0.8%	2.7%	-0.8%
Salary increases	4.0%	0.9%	4.1%	1.0%	4.5%	1.0%
Pension increases	2.2%	-0.9%	2.3%	-0.8%	2.7%	-0.8%
Discount rate	3.5%	0.4%	3.1%	0.0%	4.4%	0.9%

<b>Life expectancy from age 65 (years)</b>		<b>31 March 2016</b>	<b>31 March 2015</b>
Retiring today	Males	21.8	21.7
	Females	24.4	24.3
Retiring in 20 years	Males	24.2	24.0
	Females	26.7	26.6

<b>Sensitivity analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,296	22,649	23,008
▪ Projected service cost	364	371	378
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,688	22,649	22,610
▪ Projected service cost	371	371	371
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,937	22,649	22,330
▪ Projected service cost	378	371	364
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	23,353	22,649	21,967
▪ Projected service cost	380	371	362

<b>Re-measurements in other comprehensive income</b>	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Return on plan assets in excess of interest	(585)	337
Other actuarial gains/(losses) on assets	0	0
Change in financial assumptions	1,778	(2,966)
Change in demographic assumptions	0	0
Experience gain/(loss) on defined benefit obligation	0	(2)
<b>Total</b>	<b>1,193</b>	<b>(2,631)</b>

<b>Projected pension expense for next year</b>	<b>2016-17</b>
	£'000
Service cost	371
Net interest on the defined liability/(asset)	265
Administration expenses	22
<b>Total</b>	<b>658</b>

**Employer contributions** **321**

<b>Assets by Class</b>	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Equities	6,933	6,589
LDI/Cashflow matching	1,513	1,140
Target Return Portfolio	3,175	4,390
Infrastructure	818	752
Commodities	67	141
Property	533	430
Cash	1,887	1,743
<b>Total</b>	<b>14,926</b>	<b>15,185</b>

<b>Analysis of 2015-16 Assets</b>	<b>% Quoted</b>	<b>% Unquoted</b>
<b>Equities</b>		
Basic Materials	1.2%	0.0%
Communications	3.9%	0.0%
Consumer, Cyclical	3.3%	0.0%
Consumer, Non-Cyclical	14.6%	0.0%
Energy	0.4%	0.0%
Financial	5.7%	0.0%
Industrial	5.9%	0.0%
Technology	2.7%	0.0%
Utilities	0.0%	0.0%
<b>Diversified Fund</b>		
Equities	1.2%	0.0%
Bonds	0.0%	2.5%
Pooled Funds	0.7%	1.7%
Cash	0.7%	0.0%
Alternative Assets	0.0%	0.2%
<b>Private Equity</b>	0.0%	8.7%
<b>LDI</b>	0.0%	10.1%
<b>Alternative Debt</b>	0.0%	3.4%
<b>Total Return</b>	5.6%	0.0%
Fixed Income	0.0%	5.3%
Hedge Funds		
<b>Infrastructure</b>	0.3%	5.1%
<b>Real Estate</b>	0.0%	3.6%
<b>Commodity Funds</b>	0.0%	0.4%
<b>Cash</b>	13.0%	0.5%
<b>Derivatives (Currency Hedge)</b>	0.0%	(0.8%)
<b>Total</b>	<b>59%</b>	<b>41%</b>

## 20. Contingent Liabilities

At 31 March 2016 there were no contingent liabilities (2014-15: £649,158).

## Annual Governance Statement 2015-16

### 1. Scope of Responsibility

The WLWA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code can be obtained from WLWA's website (<http://westlondonwaste.gov.uk>). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an annual governance statement.

### 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with its stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aim and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

### **3. The Governance Framework**

The key elements of the Governance Framework include

- Production of a three year business plan and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Monthly scrutiny of operations at Chief Officer's meetings
- Audit Committee
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Health & Safety Policy and annual action plans
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Joint Waste Management Strategy

### **4. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the internal auditor's annual report, and also by comments made by the external auditors.

The work of the Audit Committee includes monitoring the progress of action plans and ensuring appropriate systems of governance and internal control. The Audit Committee considered reports from the internal auditors on:

- Contracts and Procurement
- Waste Tonnage Data
- Assets and Inventories
- Trade Waste

All reports provided reasonable assurance and there were no high risk recommendations. All recommendations have been implemented.

Risk registers were regularly reviewed at all levels within the Authority and were considered at each Audit Committee meeting. Financial performance was scrutinised and a strong focus on controlling spending delivered efficiency savings.



The Authority has been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Officers and Audit Committee and that it is agreed that the current arrangements can be regarded as fit for purpose in accordance with the Governance Framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

- Develop contract monitoring and control processes in relation to the PPP and other contracts

## 5. Significant Governance Issues

There are no significant governance issues.

---

Councillor Bassam Mahfouz,  
Chair to the Authority  
23 September 2016

---

Hugh Peart,  
Clerk  
23 September 2016

## **Independent Auditor's report to the Members of West London Waste Authority**

### **Opinion on the Authority financial statements**

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow Statement; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of West London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the West London Waste Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities set out on page 13, the Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In

addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2016 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on West London Waste Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Authority's responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### ***Auditor's responsibilities***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, as to whether West London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, West London Waste Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### ***Conclusion***

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of West London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Helen Thompson

for and on behalf of Ernst & Young LLP, Appointed Auditor

23 September 2016

This page is intentionally left blank