

West London Waste Authority

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14 January 2021

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West London Waste Authority - Audit Committee

A virtual meeting of the West London Waste Authority - Audit Committee will be held on Friday 22 January 2021 at 10.00 am

MEMBERSHIP

Councillor Graham Henson, London Borough of Harrow
Councillor Philip Corthorne, London Borough of Hillingdon
Councillor Guy Lambert, London Borough of Hounslow
Councillor Mik Sabiers, London Borough of Ealing
Councillor Krupa Sheth, London Borough of Brent (Chair)
Councillor Julia Neden Watts, London Borough of Richmond

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 26 June 2020 **(Pages 3 - 8)**
4. Membership
5. Internal Audit Report Creditors **(Pages 9 - 20)**
6. Internal Audit Report - Contracts and Procurement **(Pages 21 - 32)**
7. Risk Register **(Pages 33 - 42)**

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

Nil

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 held on Friday 26 June 2020 at 10.00 am at the Virtual Meeting - Online.

Present:

Councillor Graham Henson (Chair)

Councillor Philip Corthorne, Councillor Guy Lambert, Councillor Mik Sabiers, Councillor Krupa Sheth and Councillor Julia Neden Watts

Andrea White

50. Apologies for absence

There were no apologies for absence.

51. Declarations of interest

RESOLVED: There were no declarations of interest.

52. Minutes of the meetings held on 24 January 2020

RESOLVED: That the minutes of the Audit Committee and Authority meetings held on 24 January 2020 be taken as read and signed as correct records.

53. Appointment of Chair, Vice Chair, Audit Committee, Chair of Audit Committee and Independent Members

Members noted the membership of the Audit Committee comprised all members of the Authority in the 2019/20 municipal year due to the previous difficulties in being quorate. Whilst it was necessary to appoint a Chair of the Audit Committee, who was not also the Chair of the Authority, the Authority itself would discharge the functions of the Audit Committee. The Member appointed as Chair of the Audit Committee would take the Chair during the Authority meeting for audit items.

RESOLVED: That (1) the Authority discharge the functions of the Audit Committee;
(2) Councillor Graham Henson be appointed as Chair of the Authority for the 2020/21 municipal year;
(3) Councillor Mik Sabiers be appointed as Vice-Chair of the Authority for the 2020/21 municipal year;
(4) Councillor Krupa Sheth be appointed as Chair of the Audit Committee for the 2020/21 Municipal Year;
(5) the appointment of Andrea White as the Independent Member of the Audit Committee be re-confirmed to 30 June 2021.

54. Meetings for the Municipal Year 2020/21

RESOLVED: That the following dates of meetings of the Authority and the Audit Committee be confirmed:-

Friday 25 September 2020
Friday 4 December 2020
Friday 22 January 2021 at 11.00am (Audit Committee at 10.00am)
Friday 26 March 2021 at 10.00am
Friday 25 June 2021 at 10.00am (including Audit items)
Friday 24 September 2021 at 10.00am
Friday 3 December 2021 at 10.00am

55. General Ledger Internal Audit

Sarah Hydrie, Internal Auditor, introduced the report which presented the Internal Audit risk based assurance review. The purpose of the review was to provide assurance to the management team of the Authority and the Audit Committee in relation to the key risks around the General Ledger.

The Internal Auditor advised that, overall, she was able to give substantial assurance in relation the key risks to the achievement of objectives of General Ledger.

RESOLVED: That to report be noted.

56. Annual Internal Audit Report 2019/20

Sarah Hydrie, Internal Auditor, introduced the report which presented the Annual Internal Audit Report 2019/20. The report summarised the main findings arising from the Internal Audit work 2019/20.

The Audit Committee welcomed the positive report commenting that control was strengthening and that it was pleasing to see the continuing collaborative approach that Internal Audit were taking in working with management in order to help achieve positive outcomes for the Authority.

RESOLVED: That the report be noted.

57. External Audit Report

Members received the draft Audit results for the year ended 31 March 2020.

Maria Grindley and Larisa Midoni, External Auditors, Ernst and Young LLP, outlined the content of the report. Ms Grindley advised that the audit had been undertaken in the context of the COVID 19 pandemic and had therefore been difficult to complete as it had not been possible to work face-face or alongside officers. The work had been undertaken differently and remotely.

Larisa Midoni outlined the content of the report and advised that the overall recommendation was to focus on scrutiny and control of land and buildings and that a series of adjustments on disclosures in the accounts were proposed. In terms of materiality, these had initially been based on the previous year's statements but had then been reassessed as further information had become available.

Maria Grindley explained that, as a result of COVID 19, organisations that were due to sign their opinion would move into a consultation which may result in a change and "Emphasis of Matter" regarding COVID 19 and going concern due to the impact of the pandemic. A

Member questioned the rationale and requested that the External Auditor provide information regarding any proposed “Emphasis of Matter”.

In response to a question about the audit fee currently appearing to be open-ended, the External Auditor advised that this would be discussed with officers and be submitted to the Audit Committee.

RESOLVED: That the report be noted.

58. Risk Register

Members received the report which provided an update on the Authority’s Risk Register.

Jay Patel, Finance Director, reported that since the last meeting the register had been updated to include COVID 19. In response to a question in relation to the Amber Brexit risk and the comment that this was a short term solution, he advised that this had initially been identified as a financial risk but it was necessary to also consider the wider implications such as employment ie contractors being able to recruit. Emma Beal, Managing Director, reminded Members that she had given a commitment at the previous meeting to update the Risk Register in terms of Brexit. To date this had not been done due to the pandemic and it had been impossible to ascertain what the position would be by the end of the year.

A Member questioned whether the Authority could influence the reduction of air quality issues associated with West London Composting. The Managing Director advised that the Environment Agency had been advised of the concerns and that she would be visiting the site in July.

RESOLVED: That the report be noted.

59. Assurance Statements

Members received a report which provided Assurance Statements from the Authority’s Chief Officers and Senior Managers and formed part of the overall governance framework and supported the approval of the annual Statement of Accounts.

RESOLVED: That the Assurance Statements be noted.

60. Statement of Accounts for year ending 31 March 2020

Members received the report which presented the 2019/20 Statement of Accounts.

Jay Patel, Finance Director, outlined the contents of the report and advised that he recommended that reserves be retained due to the current health emergency and be re-visited next year. He responded to questions as follows:-

- In terms of the budget variance in relation to employees, this was due to the pension valuation adjustments which were outside the Authority’s control;
- He would distribute a breakdown of the period 12 monitoring report which provided a fuller explanation of variances;
- Boroughs would still be able to drawn down from Reserves to deal with food waste.

RESOLVED: That (1) the 2019/20 Statement of Accounts be approved;
(2) the Chair of the Authority be authorised to approve any changes resulting from the LPFAs’ auditors assurance to Ernst and Young expected in August 2020 and finalisation of

their audit.

61. Budget Monitoring Report - Period 2

Members received a report which provided an update on financial and operational matters.

Jay Patel, Finance Director, explained that due to prioritising work on COVID 19, the Key Performance Indicators were not currently available.

A Member commented that residents residual rubbish was an issue given the pandemic and the closure of recycling sites. Officers responded that social distancing placed significant constraints at the HRRC and that it was hoped that, in the long term, residents could be encouraged to reduce their residual waste.

RESOLVED : That (1) the current financial position, forecast for 2020/21 and sensitivity analysis be noted;

(2) it be noted that the Key Performance Indicators would be reported at the next Authority meeting;

(3) the financial decisions taken under the Scheme of Delegation to Officers be noted.

62. Health and Safety: Annual Review of Performance in 2019/20 and plans for 2020/21

Members received the report which reviewed the Authority's Health and Safety arrangements for the year 2019/20 and presented the Authority's Health and Safety Plan for 2020/21.

Sarah Ellis, Operations Manager, introduced the report and advised that COVID 19 had had a significant impact in terms of health and safety. The 2019/20 action plan had one outstanding action as a result of COVID 19.

Kevin Kerin, Health and Safety Adviser, outlined the high level content of the report. He explained that in 2020/21 work on accident and incident statistics would be undertaken with a view to eradicating the section 'other'. Of the 13 accidents/ incidents on site this year none had been RIDDOR.

Members welcomed the report and the focus on health and safety and the clarification that the job descriptions referred to in the report related to Authority staff. A Member commented that climate emergency was missing from the report.

RESOLVED: That (1) the report be noted;

(2) the actions taken in the Health and Safety action plan for 2019/20 be noted;

(3) the Authority's Health and Safety Action Plan for 2020 /21 be approved.

63. Coronavirus Update and Contingency Planning

Emma Beal, Managing Director, introduced the report which provided details of the management and contingency planning related to the COVID 19 pandemic.

The Managing Director outlined the content of the report and highlighted the risks associated with the health and safety of staff, increased costs and the Authority's strategy.

In terms of the booking system and expansion of the collection of bulky waste, the Managing Director advised that this was to mitigate queries and the constraints in moving

people through the HRRC.

RESOLVED: That the increased cost and activity due to coronavirus and mitigations to date be noted.

64. Projects and Waste Minimisation Update

Members received a report which provided an update on the Authority's waste minimisation, efficiency and joint working projects.

Peter Tilston, Projects Director, introduced the report and advised that COVID 19 had not had a significant impact on projects but that risks had increased. A number of short term projects had been pushed through quickly. In terms of HRRC sites, Harrow and Abbey Road had introduced a booking system. Queues at sites had been causing issues on the surrounding roads and the booking system would mitigate this.

In response to a Member's question as to how residents could be prevented from visiting the HRRC without booking an online appointment, the Projects Director explained that work had been done with the Brent Communications team and messages sent out via social media, newspapers and leaflets. As a result of early teething issues, a phone line had also been set up. A Member reported that there had been mixed feedback from residents in terms of the need to use a booking system.

The Managing Director reported that 30% of waste authorities had adopted a booking system for HRRCs whilst a further 30 % were considering introducing a system. It should be noted that there was a knock on impact of other waste authority decisions; there had been an increase of Barnet users at Abbey Road when North London Waste Authority introduced a booking system at the start of lockdown.

Members sought clarification on the collection of bulky waste and were advised that currently residents should book a collection and it would be collected as soon as operatives were available.

Mildred Jeakins, Waste Minimisation Manager, advised that

- the team were working on HRC data and that each of the constituent authorities would be able to login to view;
- work was being done to digitalise the administration process across the Authority;
- work on abandoned vehicles was being finalised;
- national data to identify best practice had been analysed;
- areas of improvement were being considered.

RESOLVED: That the report be noted.

65. Contracts and Operations Update

Sarah Ellis, Operations Manager, introduced the report which provided an update on the Authority's various waste treatment arrangements and procurements.

RESOLVED: That the report be noted.

66. Procurement Update

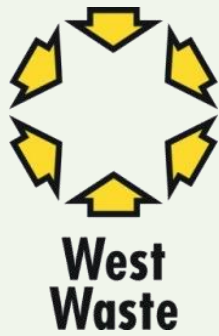
Beth Bayley, Contracts Manager, introduced the report which provided an update on changes to the Authority's procurement rules.

In response to a Member's comment in relation to using the Authority's influence for market development, the Managing Director advised that that some clarification was required in the legislation but that this aligned with lobbying work.

RESOLVED: That the Authorisation Tables for the procurement of Supplies/ services and the procurement of Works, which would form part of the updated WLWA Procurement Rules, be agreed.

The meeting finished at 12.07 pm.

The minute taker at this meeting was Alison Atherton.



INTERNAL AUDIT

Final Assurance Report 2020/21

Creditors

18th December 2020

Overall IA Assurance Opinion:

SUBSTANTIAL

Recommendation Overview:

High Risk	0
Medium Risk	0
Low Risk	4
Notable Practice	0

Review Sponsor:

Emma Beal

Managing Director, West London Waste Authority

Final Report Distribution:

Jay Patel

Finance Director, West London Waste Authority

Ownership of all final Internal Audit assurance reports rests with the relevant Review Sponsor.



1. Introduction

- 1.1 This risk based Internal Audit (IA) assurance review was requested by management to be undertaken as part of the 2020/21 annual IA plan. **The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks surrounding Creditors:**
- If the administration of creditors is not supported by clear and up to date policies and procedures, there is a risk that payments may be processed inaccurately and in an untimely manner, leading to duplication, errors and inconsistent practices and resulting in financial and legal consequences for the Authority;
 - If payments are not made in accordance with authorised purchase orders and goods are not checked upon receipt, there is a risk that the payments could be made that have not been agreed, planned for, or substantiated, leading to potential fraud and unbudgeted expenditure, resulting in financial, operational and reputational consequences for the Authority
 - If there is inadequate segregation of duties within payment processes, there is a risk of fraud and collusion that may be undetected, leading to the loss of funds and resulting in financial and reputational damage to the Authority; and
 - If the performance of the payments function is not regularly monitored and scrutinised by management, there is a risk that the Authority could make uninformed decisions and incur large creditor balances, resulting in financial, operational and reputational consequences for the Authority.

2. Background

- 2.1 The creditor's function is overseen by the Finance Director, who is responsible for ensuring that the Authority's payments are processed in accordance with its Financial Regulations. The Authority uses a system called Agresso in order to record transactions on its purchase ledger.
- 2.2 As specified within its Financial Regulations, the Authority commits to paying all undisputed invoices within 30 days from the day of receipt. Payment terms of less than 28 days can only be agreed with the approval of the Treasurer. It is therefore crucial that this is adhered to, so that the Authority can accurately forecast its cashflow and ensure that there are sufficient funds to meet its current liabilities. Further, the Financial Regulations specify responsibilities for establishing a financial scheme of delegation in respect of payment requests, placing and approving orders, and limits to individual authority.

3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **SUBSTANTIAL** assurance over the key risks to the achievement of objectives for Creditors. Definitions of the IA assurance levels and IA risk ratings are included at **Appendix C**. An assessment for each area of the scope is highlighted below:

Scope Area	IA Assessment of WLWA
Policies and procedures	Reasonable Assurance – The organisation has an overarching Financial Regulations policy in place to specify key procedures and controls within the Authority's financial processes, including the creditors process. A range of supporting procedural guidance was also found to be in place, including for the set up and approval of suppliers, conducting of reconciliations, and preparation, approval and completion of payments.

Scope Area	IA Assessment of WLWA
Policies and procedures (cont'd)	<p>All policies and procedures were found to be readily available to officers involved in the administration and management of the creditors function, where each document could be accessed through the Authority's intranet or via a folder on the shared drive. This therefore promotes good business continuity arrangements and staff awareness of procedures and rules.</p> <p>Although policies and procedures were found to be in place for creditors processes, several documents did not contain adequate version control, or did not contain evidence of regular or recent review. Without sufficient version control, there is a risk of the Authority's policies and procedures failing to reflect current best practice or legislation. As processes and systems update and evolve over time, there is particular need to ensure that procedural guidance remains up to date.</p>
Roles, responsibilities and segregation of duties	<p>Substantial Assurance – The Financial Regulations were found to clearly outline and document the Authority's key financial policies and procedures. Job descriptions (JDs) for the 4 primary financial roles also detailed the control responsibilities of each role.</p> <p>The creditors process was found to be governed by a clear segregation of duties for the preparation and approval of supplier accounts and payments, with each supplier account and payment being approved by the Finance Director, after preparation by the Finance Officer.</p> <p>Testing identified a potential control weakness, where Agresso access permissions have been set to allow reviewers of transactions and reconciliations to post accounting transactions on the system. In sample testing, however, there was no evidence of this practice taking place, demonstrating independence. The setting of Agresso permissions in this way does therefore present a potential control weakness, but also promotes business continuity for officers in a small team or organisation.</p> <p>The Agresso system is accessed through a secure remote server, however access controls to Agresso could be improved. Although the system is password-protected, a password policy is not enforced to define the complexity requirements of passwords, potentially resulting in the use of weak user passwords and compromising the integrity of the system.</p>
Supplier setup and amendment	<p>Substantial Assurance – Clear and concise procedural guidance was found to be in place for the creation of suppliers in the Agresso system and the information requirements in order to complete this process. A clear list of required information was readily available to ensure only genuine suppliers were used, minimising the risk of fraud. All new supplier accounts are also required to be reviewed and approved by the Finance Director, providing a further layer of scrutiny and demonstrating a robust control environment.</p> <p>Additionally, all contracts currently in effect between suppliers and the Authority are published on the WLWA website, demonstrating transparency to members of the public over the purchasing arrangements in place for the organisation.</p>
Payment processes and authorisation	<p>Reasonable Assurance – The Agresso system was found to contain automated controls to prevent officers from entering incorrect or unrecognised account codes or cost centres. Further, data quality and accuracy of transactions records is enhanced by sufficient review and approval of all payments before being finalised within Agresso. This was demonstrated in testing of a sample of transactions, showing each to be uniquely referenced, adequately supported with narrative and supporting evidence, and accurately recorded on Agresso.</p>

Scope Area	IA Assessment of WLWA
Payment processes and authorisation (cont'd)	<p>Accounts payable ledger codes are subject to monthly reconciliation by the Finance Officer. However, testing identified an absence of evidence to show review and approval of recent reconciliations by senior management, although each reconciliation was completed at the beginning of each month. This is likely to be a result of operational difficulties brought by the Covid-19 global pandemic, but controls should be strengthened in this area.</p> <p>Further, whilst the weekly payment runs were slightly disrupted as a result of Covid-19, payment runs were found to be regularly completed during the testing period and with appropriate segregation of duties in place for the raising and approval of the payment runs. Whilst payments were completed consistently, payment run deadlines, or a payment run timetable, had not been published and was not readily available to budget managers in the organisation.</p> <p>Additionally, from a sample of 25 transactions, 93% of payments were found to be processed and completed within 30 days, as per the Authority's Key Performance Indicators (KPI). This strong performance was further strengthened by the Authority's consistent performance against this KPI (see Management information and reporting).</p>
Management information and reporting	<p>Substantial Assurance – A suite of KPIs is in place for WLWA to show the organisation's performance against different aspects of service delivery and financial processes. KPI 8 relates directly to financial monitoring, highlighting the average number of days to pay creditors. There was clear and consistent evidence that progress against KPIs is monitored on a regular basis, with updates provided to Members at each Authority meeting.</p> <p>Performance of creditor processes is also highlighted within reports at these quarterly Authority meetings, with narratives to explain any variances to KPIs and whether any remedial action is required. Overall, there is clear oversight of the Authority's expenditure and set thresholds for identifying any lapses in performance of the creditor function.</p>

3.2 The detailed findings and conclusions of our testing which underpin the above IA opinion have been discussed at the exit meeting and are set out in section four of this report. The key IA recommendations raised in respect of the risk and control issues identified are set out in the Management Action Plan included at **Appendix A**. Good practice suggestions and notable practices are set out in **Appendix B** of the report.

4. Detailed Findings and Conclusions

4.1 Policies and procedures

4.1.1 The organisation has an overarching Financial Regulations policy that informs and guides key aspects of the creditors process. Further, the policy was readily available to all WLWA officers through the WLWA intranet. However, the document had not been reviewed or updated since July 2016. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix B**).

4.1.2 Several guidance documents were in place covering Authority's financial processes. These included WLWA-created documents on reconciliations, approval of suppliers and expenses guidance, as well as third party user guides for the Agresso system.

4.1.3 Of the procedural guidance documents reviewed, 2 policies and 3 procedures were found to not be properly version controlled or subject to regular review. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix B**).

4.2 Roles and responsibilities and segregation of duties

4.2.1 Roles and responsibilities covering the Authority's financial processes, including the processing and monitoring of payment processes, were clearly documented within policies and procedures. These responsibilities were also captured in the JDs for each of the 4 key financial positions.

4.2.2 Testing identified that there is a clearly defined financial scheme of delegation in place. The scheme clearly defines the delegated authority of key financial roles, including the Managing Director, Clerk and Treasurer as well as outlining an urgency procedure. Budget delegations were also found to be in place for each officer, clearly documenting financial responsibilities and defining budgets and budget limits for the 2020/21 financial year.

4.2.3 During testing, strong controls were found to be in place in relation to the segregation of duties throughout the payments process, including supplier set up and approval, the preparation and approval of payments, and subsequent reconciliations of creditor account codes. From a sample of 25 payment transactions and 5 supplier set ups, it was found that the officer responsible for preparing payment transactions and setting up suppliers on Agresso was different to the officer which approved the transaction or supplier in all 25 transactions and 5 supplier set ups.

4.2.4 The Agresso system was found to be subject to appropriate segregation of duties and access permissions according to each officer's role. Administrative access to the system was granted only to relevant senior officers, where only 3 of the 11 officers with Agresso access having super user access. With Agresso super user access, each of the 3 officers can create and amend user accounts, amend user passwords, and disable user accounts permanently or temporarily.

4.2.5 A potential control weakness was identified in testing, where the reviewer has Agresso permissions to post accounting transactions. However, we found no instances of the reviewer raising a payment during the sample period, demonstrating their independence.

4.2.6 A walkthrough of the Agresso system identified that access to the system is achieved through 2 layers of authentication: entering user credentials on a secure cloud-based server and then entering separate credentials on the Agresso system which is run on the server. A potential control weakness was identified during the 2019/20 IA assurance review of the General Ledger, where the Agresso password policy, including expiry and complexity requirements, had not been clearly specified and documented.

4.2.7 At the time of testing, a password policy was still not being enforced on the Agresso system and, therefore, this issue continues to represent a minor weakness in the integrity of the system. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix B**).

4.3 Supplier setup and amendment

4.3.1 Clear and concise documented procedure guidance was in place for the creation of suppliers in the Agresso system and the steps required in order to complete this process. A clear list of required information and documentation was readily available to ensure only genuine suppliers were used, minimising the risk of fraud.

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- 4.3.2 All new supplier setups are also required to be reviewed and approved by the Finance Director, providing a further layer of scrutiny and therefore enhancing the control environment.
- 4.3.3 Testing of a sample of 5 new suppliers found each to have been set up in accordance with procedural guidance. For each new supplier, details had been recorded correctly, adequate supporting documentation was provided, the Finance Director had approved the supplier, and the supplier was included on the approved supplier list. Additionally, all contracts currently in effect between suppliers and the Authority are published on the WLWA website and is readily available to both officers and members of the public.

4.4 Payment processes and authorisation

- 4.4.1 The creation, monitoring and approval of creditor transactions was found to be supported by a strong control environment. Testing of payment transactions on the Agresso system identified automated controls to prevent officers from entering incorrect or unrecognised account codes or cost centres, mitigating the need for additional journals to reverse transactional errors. Further, all payments are reviewed, approved and signed-off before being finalised in the system, thus ensuring good data quality and accurate record keeping of all transactions.
- 4.4.2 We tested a sample of 25 creditor transactions from the first 6 months of the 2020/21 financial year and found that all transactions tested were uniquely referenced, adequately supported with narrative, supporting evidence, accurately recorded on the Agresso system and subject to approval by a senior officer.
- 4.4.3 Testing identified that, each month, accounts payable ledger codes are reconciled by the Finance Officer. Discussion with the Finance Officer found that each reconciliation had been completed each month during the test period, although not reviewed by senior management due to the operational difficulties brought by Covid-19. Crucially, each reconciliation was completed in a timely manner and identified no unreconciled transactions. We have therefore raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix B**).
- 4.4.4 Payment runs were found to be regularly completed during the testing period and with appropriate segregation of duties in place for the creation and approval of the payment runs. Whilst payments were completed consistently, payment run deadlines, or a payment run timetable had not been published and was not readily available to the wider Authority. We have raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.4.5 From a sample of 25 transactions, 93% of payments were found to be processed and completed within 30 days, as per the authority's Key Performance Indicators (KPI). This strong performance was further strengthened by the Authority's consistent performance against this KPI (refer to section 4.5 – Management information and reporting).

4.5 Management information and reporting

- 4.5.1 A suite of KPIs are in place which cover all aspects of the Authority's service, from service delivery to environment and education. A specific KPI is in place to monitor the average number of days to pay creditors, with the target being 30 days. At the time of testing, this KPI was performing at a 'green' level, showing an average of 8 days to pay creditors, well within the target and the 'red' threshold of 35 days.
- 4.5.2 Reports were found to be presented at Authority meetings each quarter which highlight their financial position for that period and for the year to date. This includes narrative to explain any variances in the KPI, highlighting any current trends or areas of concern.

5. Acknowledgement

- 5.1 Internal Audit would like to formally thank all of the officers contacted during the course of this review for their co-operation and assistance. In particular, the Finance Officer, whose advice and help were gratefully appreciated.

6. Internal Audit Contact Details

This audit was led by: Sam Horton
Internal Auditor

This audit was reviewed by: Nick Cutbill CIA
Principal Internal Auditor

Thank you,



Sarah Hydrie CMIIA, CIA
Head of Internal Audit & Risk Assurance

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Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
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No High or Medium risk recommendations raised.

*Please select appropriate Risk Response - for Risk Response definitions refer to **Appendix C**.

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Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
1	Management should ensure all financial policies and procedures are up to date, regularly reviewed and version controlled (para ref 4.1.1 and 4.1.3).	<i>If financial policies and procedures are not regularly reviewed and properly version controlled there is a risk that information and guidance provided might become obsolete or no longer applicable leading to inaccurate or incorrect practices being carried out resulting in financial, legal, operational and reputational consequences for the Authority.</i>	LOW ●
2	Management should ensure the Authority's Agresso password policy and procedure are clearly defined and documented, version controlled and widely available to all relevant officers (para ref 4.2.6).	<i>If the Authority's password policy and procedure is not clearly defined and documented there is a risk that weak or inappropriate passwords could be used leaving key systems and data open to fraudulent activity or theft, resulting in financial and reputational consequences for the Authority.</i>	LOW ●
3	Management should formalise and publish payment run deadline to ensure all officers across the authority know timeframes when raising payments for suppliers and clients (para ref 4.4.3).	<i>If payment deadlines are not published and widely accessible to officers there is a risk payments will not be processed in a timely manner, leading to a delay in payments causing the Authority to incur fines and damage relationships with suppliers which has financial and reputational consequences for the Authority.</i>	LOW ●
4	Management should ensure reconciliations are reviewed and approved by a senior officer, either physically or electronically, once completed by the Finance Officer (para ref 4.4.4).	<i>If reconciliations are not reviewed and approved by senior officers there is a risk mistakes or inaccuracies are missed or not challenged, affecting the accuracy of the Authority's financial records and subsequent financial position, which has financial, legal and reputational consequences for the Authority.</i>	LOW ●

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

Assurance Level	Definition
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Authority's objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Authority's 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 some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Authority's 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 significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Authority's 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 high risk 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.

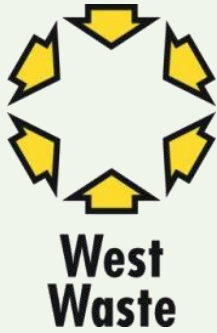
RISK RESPONSE DEFINITIONS

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

INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

Risk	Definition
HIGH ●	The recommendation relates to a significant threat 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. The risk requires senior management attention.
MEDIUM ●	The recommendation relates to a potentially significant threat 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. The risk requires management attention.
LOW ●	The recommendation relates to a minor threat or opportunity 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. The risk may be tolerable in the medium term.
NOTABLE PRACTICE ●	The activity reflects current best management practice or is an innovative response to the management of risk within the Authority. The practice should be shared with others.

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INTERNAL AUDIT

Final Assurance Report 2020/21

Contracts and Procurement

7th January 2021

Overall IA Assurance Opinion:

REASONABLE

Recommendation Overview:

High Risk	0
Medium Risk	3
Low Risk	2
Notable Practice	0

Review Sponsor:

Emma Beal

Managing Director, West London Waste Authority

Final Report Distribution:

Jay Patel

Finance Director, West London Waste Authority

Tom Beagan

Head of Service Delivery, West London Waste Authority

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Contracts Manager, West London Waste Authority

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Ownership of all final Internal Audit assurance reports rests with the relevant Review Sponsor.



1. Introduction

- 1.1 This risk based Internal Audit (IA) assurance review was requested by management to be undertaken as part of the 2020/21 annual IA plan. **The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks surrounding contracts and procurement:**
- If procurement exercises are not conducted in accordance with relevant legislation and the Authority's own objectives, there is a risk that the Authority may face financial penalties or risk not meeting its objectives, resulting in significant financial, legal and reputational damage to the Authority;
 - If the Authority does not have an approved procurement programme in place and this is not monitored by senior management, there is a risk that the Authority may fail to conduct its procurement in transparent way and in accordance with its objectives, resulting in uncompetitive tender processes and gaps in service provision, resulting in operational, legal, financial and reputational damage to the Authority;
 - If there is insufficient expertise in place to perform effective procurement exercises, there is a risk that the Authority could fail to consider and evaluate current market climates or potential suppliers and award processes may fail to comply with legislation or procurement rules, leaving the Authority open to opportunities of fraud and resulting in financial, operational and reputational damage to the Authority; and
 - If there is insufficient assessment of a contractor's viability and suitability for a contract during the procurement phase, there is a risk that the contractor may fail provide the agreed service or lead to a lack of control over contract costs, resulting in financial, operational and reputational damage to the Authority.

2. Background

- 2.1 As the statutory waste disposal authority for west London, a large proportion of annual expenditure comprises the treatment of residual waste for the six constituent boroughs. These are split between two contracts: the West London Residual Waste Services contract with West London Energy Recovery Ltd and the Waste Services Processing contract with Viridor Waste Management Ltd, with annual values of £30m and £10.4m respectively.
- 2.2 The remainder of the Authority's operational contracts are split between different providers for the processing of specific types of waste, such as gypsum, hardcore, organic waste, mattresses, Waste Electrical and Electronic Equipment (WEEE) management and metal, among others. Contracts also cover arrangements for transporting the different waste streams to and from different locations for processing.
- 2.3 Outside of the operational contracts in place, numerous contracts are in place to aid the Authority with different head office functions and professional services, including legal services, IT, health and safety advice and support, and insurance. These underpin the effective management, governance and operations of the organisation and enable it to fulfil its objectives under the Joint Municipal Waste Management Strategy 2005-2020.
- 2.4 The Public Contracts Regulations 2015 govern public sector procurement, although this legislation is subject to amendment as a result of the United Kingdom's exit from the European Union. A Statutory Instrument was enacted in March 2019 to update the Regulations, ensuring that procurement practices are maintained following Brexit.

3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **REASONABLE** assurance over the key risks to the achievement of objectives for Contracts and Procurement. Definitions of the IA assurance levels and IA risk ratings are included at **Appendix C**. An assessment for each area of the scope is highlighted below:

Scope Area	IA Assessment of WLWA
Procurement policy and strategy	<p>Reasonable Assurance – The Authority has an overarching procurement policy in place, the Contract and Procurement Rules 2016, which were formally approved by senior management. The policy details the standards for procurement processes within WLWA and are accessible to all staff via the Authority’s intranet and shared drive, to promote compliance with the Public Contracts Regulations 2015 (PCRs). However, the document is not subject to version control and the content has not been updated since July 2016. Review of the document has commenced, although this currently presents a potential weakness in the control environment. The document contains delegated authority matrices, which outline approval and documentation requirements for each procurement exercise, which have been updated on an annual basis in accordance with EU procurement thresholds.</p> <p>WLWA meetings take place on a quarterly basis, Members are provided with updates on contracts and procurements, highlighting oversight and scrutiny over delivery of the approved annual procurement plan.</p>
Assessment of supplier viability and suitability	<p>Reasonable Assurance – There were found to be strong controls in place surrounding the evaluation of tenders, where each is assessed against clear financial and quality/ technical criteria. Testing found that formulas are built into the spreadsheet template to evaluate the costs quoted by each potential supplier. The Authority sends the spreadsheet to each bidder, who is required to insert figures and costs in highlighted cells; other cells are restricted and cannot be modified to ensure data integrity and fair evaluation. An Invitation to Tender (ITT) document is produced which contains method statement questions for each tenderer to respond to, including the scoring methodology of each question. Bidders provide their answers within their tender submissions, which are then evaluated and reviewed by the Responsible Officer leading the tender exercise.</p> <p>Further, controls over the assessment and supplier viability were found to be in place, although evidence could not be obtained to demonstrate that financial health checks were being conducted and recorded consistently for each potential supplier.</p> <p>Testing found that successful and unsuccessful bids were formally notified of outcomes following each tender exercise, and sent summaries of their performance against the financial and quality/ technical evaluation criteria and the winning bidder’s scores.</p>
Contract implementation	<p>Limited Assurance – There was found to be an absence in key controls over the implementation of contracts, where aspects of the PCRs and Contracts and Procurement Rules 2016 had not been adhered to. During testing, we selected a sample of operational and service contracts, none of which had been previously included within testing for the 2017/18 IA assurance review of Contracts Management. It was identified that several services were operating without a signed contract in place, which could result in ambiguity or dispute over responsibilities and service provision.</p>

Scope Area	IA Assessment of WLWA
Contract implementation (cont'd)	<p>In addition, testing identified instances where contracts were signed over a year after the commencement of services.</p> <p>This is not in line with the Authority's Contracts and Procurement Rules 2016, which states that a contract must be signed by WLWA and the Supplier for contracts valued above £50,000.</p> <p>Further, the PCRs and supplementary Procurement Policy Notes dictates that contracting authorities must publish contract award notices on Contracts Finder and Tenders Electronic Daily (TED) for contracts valued above £25,000, detailing the parties to the contract, services tendered, procurement method, and value of the contract. However, sample testing identified that contract award notices were not published consistently in line with the PCRs, potentially highlighting a lack of transparency and compliance with regulations.</p>
Roles, responsibilities and training	<p>Reasonable Assurance – Roles and responsibilities for procurement processes are clearly documented within the Contract and Procurement Rules 2016. The rules included a clear table and summary of the approval and documentation required throughout the procurement process, in line with OJEU thresholds. From 2015 to 2019, the Authority received external procurement and legal services from the London Borough of Harrow. The roles and responsibilities of the external provider were clearly documented within an agreed SLA. Since then, an in-house Contracts Manager role has been introduced, with clear responsibilities for overseeing procurement processes defined within a job description.</p> <p>However, there was no formal record of training on the Contract and Procurement Rules since they were created and approved in 2016. In line with best practice, training should be provided to relevant staff to ensure transparency, compliance and guidance throughout procurement processes. The Authority has devised a Procurement Operating Procedures (POP) document. Together, the Procurement Rules and the POP are designed to ensure compliance with the Authority's Constitution, Financial Regulations, Policies, and the PCRs.</p>

3.2 The detailed findings and conclusions of our testing which underpin the above IA opinion have been discussed at the exit meeting and are set out in section four of this report. The key IA recommendations raised in respect of the risk and control issues identified are set out in the Management Action Plan included at **Appendix A**. Good practice suggestions and notable practices are set out in **Appendix B** of the report.

4. Detailed Findings and Conclusions

4.1 Procurement policy and strategy

4.1.1 The Authority's Contract and Procurement Rules (2016) sets the standards for procurement processes and has been shared to all staff via the Authority's intranet and shared drive. However, testing identified that the Rules were not version controlled and had not been updated since July 2016. Review of the Rules has, however, commenced and management advised that the document is expected to be updated and approved in December 2020. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).

-
- 4.1.2 The Rules contain 2 matrices to specify levels of delegated authority for procuring works and services. However, these matrices are updated each year separately from the Rules and, although formally approved and in use, they had not been published on the intranet. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.1.3 Although Brexit's effect on procurement processes had yet to be fully realised at the time of testing, it is likely that the Contract and Procurement Rules will require updating to reflect any changes that Brexit may bring, for e.g. the thresholds and processes for publishing different types of tender opportunities and contract awards. It is acknowledged that an update of the Rules has already commenced, however there is a risk that the policy could, again, become outdated. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.1.4 Strong controls were found to be in place in relation to the governance of the Authority's procurement processes. A Procurement Review Board, chaired by the Contracts Manager and made up of senior officers, was introduced during 2020 to meet on a monthly basis to provide strategic direction and monitoring of the implementation of the Annual Procurement Plan. It has overarching responsibility to ensure compliance with the Authority's Contracts and Procurement Rules, Contract and Procurement Authorisation Tables, and the Public Procurement Regulations 2015.

4.2 Assessment of supplier viability and suitability

- 4.2.1 A sample of 6 contracts was selected – 3 operational and 3 service contracts – from the Annual Procurement Plan Contract Register 2020-2021, we identified strong controls in place for assessing the viability and suitability of bidders during each procurement exercise. In all 6 samples, a financial and quality/ technical evaluation was completed for each supplier.
- 4.2.2 In 3/6 cases, an electronic tender exercise was led by the Authority. In each of the 3 cases, a financial evaluation spreadsheet was sent to each bidder for completion, with controls in place to restrict tenderers from modifying cells and formulae for calculation, ensuring data integrity and fair evaluation.
- 4.2.3 Testing identified that the quality and technical aspects of bids received during tender exercises is evaluated by method statements. For electronic tenders, an Invitation to Tender (ITT) document is tailored to the services being procured and contains method statement questions for response, including the scoring methodology of each question. Responses were then evaluated, reviewed, and scored according to the methodology. Further, for unsuccessful bidders, the Authority provided a breakdown of their evaluation and the score achieved compared to the successful bidder within a notification letter.
- 4.2.4 For the remaining 3 cases in our sample, 2 related to procurement exercises for insurance policies, carried out by the Authority's appointed procurement support provider, the London Borough of Harrow, and their appointed insurance broker, Aon. The remaining sample related to a lower value procurement for health and safety support, where 3 quotes were obtained and evaluated. In each of these 3 samples, clear evaluation criteria and evidence of assessment against these was provided by Aon and the Authority's Responsible Officer, as defined in the Contracts and Procurement Rules 2016.
- 4.2.5 During testing, we sought to verify that a financial health assessment had been conducted and recorded for each successful bidder prior to award of the contract. The Authority was found to utilise a credit check system called D&B to assess each company's financial strength. However, evidence of these checks was not provided for 5/6 samples. Of these 5, management advised that 2 suppliers were financially assessed by an externally appointed broker, Aon, as they related to the purchase of insurance policies, although there was no evidence of this. The remaining 3 suppliers had no record of a completed financial check.

4.2.6 Reports for financial checks that are issued via the D&B portal are only relevant at the time of issue. Testing identified that reports cannot be obtained from the portal at a later date. In 1 sample where evidence of a check was provided, a local copy had been saved on the Authority's shared drive, but we were unable to verify that these checks were completed and reviewed for the remaining 5 samples.

4.2.7 As a result of this control weakness, and findings in 4.2.5 and 4.2.6, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

4.3 Contract implementation

4.3.1 Testing of the same sample of contracts specified in para. 4.2.1 found that a signed contract was not on file in 2/6 samples, 1 of which was valued above £50k, although the services tendered for had commenced. Further, in 2/6 samples, contracts were signed over a year after the contractor had started providing services to the Authority. This is not in line with the Authority's Contracts and Procurement Rules 2016, which state "*For values above £50k, a contract must be signed by WLWA and the Supplier*".

4.3.2 As a result of this control weakness, we have raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

4.3.3 It is a requirement under Regulation 50 of The Public Contracts Regulations 2015 (PCRs) and the Authority's Contracts and Procurement Rules 2016 to publish a contract award notice on Contracts Finder for each contract awarded above the value of £25,000. However, for the 5/6 samples where contract award notices should have been published on Contracts Finder, 2/5 had not been. This demonstrates non-compliance with the PCRs and a potential lack of transparency. As a result, we have raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

4.4 Roles, responsibilities and training

4.4.1 From 2015 to 2019, the Authority received external procurement and legal support services from the London Borough of Harrow. An SLA was found to be in place for this, with clearly defined roles and responsibilities. Since expiry of the agreement, an in-house Contracts Manager role has been introduced to manage of the Authority's portfolio of contracts, with responsibilities for this clearly defined within a job description document.

4.4.2 Further, although in need of updating as referenced in para. 4.1.1, the Contract and Procurement Rules 2016 specifies roles and responsibilities for contract and procurement processes. This document includes a summary table for approval and documentation requirements throughout the procurement process, according to the estimated value of the contract and in line with legislation.

4.4.3 The Authority has drafted a Procurement Operating Procedures (POP) document which, together with the Contracts and Procurement Rules, are intended to ensure compliance with the Authority's Constitution, Financial Regulations, policies, the PCRs and English law. However, at the time of testing, the POP were still in draft and yet to be circulated and published on the Authority's intranet. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).

4.4.4 At the time of testing, there was no formal record of staff training in relation to contracts and procurement, specifically the Contracts and Procurement Rules. As referenced in para. 4.1.1, review of the Rules had started, and updates are expected to be formally approved in 2020. Although there is currently no training in place, discussion with management identified that training is planned to be rolled out following the approval and circulation of the new Rules and POP. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 5** in the Management Action Plan at **Appendix B**).

5. Acknowledgement

5.1 Internal Audit would like to formally thank all of the officers contacted during the course of this review for their co-operation and assistance. In particular, the Contracts Manager, whose advice and help were gratefully appreciated.

6. Internal Audit Contact Details

This audit was led by: Ryan Galvin IACert
Senior Internal Auditor

This audit was reviewed by: Nick Cutbill CIA
Principal Internal Auditor

Thank you,



Sarah Hydrie CMIIA, CIA
Head of Internal Audit & Risk Assurance

Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	Management should ensure that a credit check/ financial health assessment is conducted and reviewed for all bidders of WLWA services or works, with a copy of the report saved on the Authority's shared drive (para refs. 4.2.5 and 4.2.6).	<i>If a credit check/ financial health assessment is not completed for each bidder in a timely manner and recorded appropriately, there is a risk of uninformed decision making, leading to the potential appointment of a contractor with poor financial stability and higher risk of failure, resulting in financial, reputational and operational consequences for the Authority.</i>	MEDIUM ●	TREAT	A new process will be implemented to ensure financial checks on the status of bidders will be made and records maintained in accordance with the Procurement Rules.	<i>Contracts Manager</i> <i>Beth Baylay</i> <i>31st March 2021</i>
2	Management should ensure that all contracts are completed and signed by relevant parties in a timely manner, prior to commencement of the tendered services/ works (para 4.3.1).	<i>If a contract is not signed by the Authority and contractor prior to the commencement of services/ works, there is a risk that the rights and obligations of each party are unclear, leading to a lack of accountability and ownership, inconsistent practices, and legal dispute, resulting in legal, financial and operational consequences for the Authority.</i>	MEDIUM ●	TREAT	Implement internal process and training to improve timeliness of contract signing – noting that in some occasions for specific commercial or financial reasons T&C's may be confirmed after commencement. Review and update processes to ensure compliance with contract requirements.	<i>Contracts Manager</i> <i>Beth Baylay</i> <i>31st March 2021</i>

*Please select appropriate Risk Response - for Risk Response definitions refer to **Appendix C**.

Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	Management should ensure that contract award notices are clearly published on Contracts Finder for all contracts valued above £25,000, in line with the Public Contracts Regulations 2015 (para ref 4.3.2).	<i>If contract award notices are not published on Contracts Finder and other applicable electronic portals in accordance with the Public Contracts Regulations 2015, there is a risk of non-compliance with statutory obligations and a lack of transparency over the Authority's procurement processes, leading to potential legal or regulatory action and resulting in reputational, legal and financial consequences to the Authority.</i>	MEDIUM ●	TREAT	Contracts Manager to ensure that contract award notices are published on Contracts Finder.	<i>Contracts Manager</i> <i>Beth Baylay</i> <i>31st March 2021</i>

*Please select appropriate Risk Response - for Risk Response definitions refer to **Appendix C**.

APPENDIX B

Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
4	Management should ensure that the Contracts and Procurement Rules, Procurement Operating Procedures, and accompanying matrices are updated, regularly reviewed and version controlled, ensuring that relevant changes brought by Brexit are captured (para refs. 4.1.1, 4.1.2, 4.1.3 and 4.4.3).	<i>If policies and procedures are not regularly reviewed and properly version controlled there is a risk that information and guidance provided might become obsolete, leading to inconsistent practices and non-compliance with legislation, resulting in operational, financial and legal consequences for the Authority.</i>	LOW ●
5	Management should ensure that all staff involved with the contract and procurement processes are appropriately trained to ensure compliance with the Public Contracts Regulations 2015 and internal guidance (para ref 4.4.3).	<i>If training is not appropriately recorded and provided to staff, there is a risk that the Authority's procurement processes will be inconsistent and not in line with the current legislation, resulting in operational consequences for the Authority.</i>	LOW ●

*Please select appropriate Risk Response - for Risk Response definitions refer to [Appendix C](#).

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

Assurance Level	Definition
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Authority's objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Authority's 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 some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Authority's 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 significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Authority's 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 high risk 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 C (cont'd)

RISK RESPONSE DEFINITIONS

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

INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

Risk	Definition
HIGH 	The recommendation relates to a significant threat 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. The risk requires senior management attention.
MEDIUM 	The recommendation relates to a potentially significant threat 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. The risk requires management attention.
LOW 	The recommendation relates to a minor threat or opportunity 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. The risk may be tolerable in the medium term.
NOTABLE PRACTICE 	The activity reflects current best management practice or is an innovative response to the management of risk within the Authority. The practice should be shared with others.

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

22 January 2021

Report of the Managing Director and Treasurer

West London Waste Authority Risk Register

SUMMARY

This report provides the Committee with the Authority's updated Risk Register.

RECOMMENDATION(S)

The Committee is asked to:-

- 1) Note the content of the Risk Register (Appendix 1) and Brexit Risk Register (Appendix 2)

- 1. Introduction** – The Authority maintains 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.
- 2. 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 regularly throughout the year, where risks and actions are considered and updated routinely.
- 3.** 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.
- 4. Appendix 1** provides the latest risk register which was updated at the latest Chief Officers' meeting. In overall terms, the risk register identifies 14 Amber risks facing the Authority and the mitigating actions to reduce the risk. All but 2 of the risks have been mitigated to a Green status. A brief explanation of the familiar Amber risks are provided below:
 - Brexit – The risks have been monitored on an ongoing basis and following the agreement of a trade deal with the EU the Brexit register (**Appendix 2**) was reviewed.
 - Covid-19 pandemic – The impacts of the new more transmissible strain of the virus are now reflected in the risk register together with mitigations in relation to service resilience.

5. **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.

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

7. **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.

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Appendix 1 - Risk Register

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	Type	Assessment of Risk (original score in brackets)			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations (original score in brackets)			Responsible Officer
			Impact	Probability	Rating		Impact	Probability	Rating	
1. Brexit will bring turbulence and unanticipated change to UK waste management.	Increased cost, lack of treatment capacity in UK, waste stockpiling, reduced haulage options. HRRC closure, increased landfill, lack of drivers affecting collections, collected recycling treated as residual waste.	Economic	5	3	15	PPP contract with rail haulage for most of the Authorities waste provides significant protection. Lack of waste processing capacity on shore UK for materials currently shipped abroad will be mitigated UK wide by Govt planning and EA flexibility using protocols developed during the start of the covid 19 pandemic. Reserves of £2.5m are being maintained for increased costs of haulage and treatment of waste streams arising from brexit risks.	3	3	9	Managing Director
2. Authority decisions may be based on inaccurate or incomplete information	Inappropriate actions or decision making, unnecessary costs, challenge from an interested party, failure to meet objectives and impact on reputation	Political	5	2	10	Manage in accordance with policies and procedures, review P&Ps to ensure they are up to date and robust. Scrutiny processes in place for reporting, reviewing and checking of any financial data by Officers. Policy for handling conflicts of interest involving Members and/or Officers. Internal management team meetings, Chief Officer's meetings, Borough Partnership meetings review Authority papers. Audit Committee established with internal and external audit governance framework. Key performance indicators are reported to the Authority.	5	1	5	Managing Director
3. One or more of the waste treatment and disposal contracts will perform poorly or a single event will result in a need for business continuity planning.	Poor service to the Boroughs using the sites or needing material to be removed from site. Complaints about nuisance e.g. odour or pests. Increased cost of handling materials	Political	5	2	10	Ongoing review of contingency arrangements on each contract quarterly / annually as required. An additional transfer station in the PPP contract provides additional contingency arrangements. Ability to direct deliver to Lakeside. Holding regular meetings with contractors and monitor KPIs as appropriate. Regular communication with Boroughs about service issues. Service monitoring and market information, reports on credit changes monitored. Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions.	5	1	5	Head of Service Delivery
4. WLWA financial processes are not robust	Internal fraud by an employee or contractor, bad information resulting in wrong decisions	Economic	5 (4)	2	10 (8)	Internal audit plan in place. Policies and procedures in place including arrangements for checking contracts and invoices. Segregation of duties between authorisation and checking of payments. 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. Procurement scrutinized jointly by senior management team and declarations of interest extended to all staff. Cash facilities removed completely and card procedures reviewed.	4	1	4	Finance Director
5. There will be unforeseen financial costs not covered by balances	An in-year levy to the Boroughs	Economic	4	3	12	Budget processes reviewed and monthly reporting demonstrating performance. Budgets built from the bottom up with input and validation of data from boroughs. Boroughs pay for PAYT collected tonnes essentially bearing the risk for variances. Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Excess reserves are returned to boroughs. Budget plan takes into account quantifiable risks. Where appropriate budgets are set with contingencies for identified risks. This includes any implications resulting from Brexit. In response to Covid-19 wasteflows are being monitored on a weekly basis and a range of reports are provided to stakeholders to help collectively manage the financial risk. Boroughs have received government funding to help with additional costs during the time of the pandemic.	3	1	3	Finance Director
6. WLWA insurance cover will be insufficient	Inadequate cover to meet the costs of future claims, increasing difficulty in obtaining competitive quotes for waste industry facilities	Economic	5	3	15	There is an annual review with brokers and insurers to review adequacy of policies, claims history and premiums and options. Regular updates from insurer and broker advising of new policies. Recent insurance procurement has shown that it is increasingly difficult to attract insurers to bid for the provision of cover. Therefore reserves will be built up to deal with loss of any insurance cover in coming years.	5	1 (2)	5 (10)	Finance Director
7. Funds (cash) are not managed effectively	Insufficient readily accessible cash to meet spending commitments resulting in financial penalties, legal claims and poor reputation. Poor rate of return on investments.	Economic	4	4	16	Cash planning in place. Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions. 3 day turnaround time for calling down funding from investments. Placement facility to deliver better returns. Opportunities to improve returns are reported to Chief Officers/Authority e.g. office procurement, transfer station purchase. In response to Covid-19 and as a precaution cash is held in readily accessible funds and not committed for long-term, should the need for it arise.	3	1	3	Finance Director
8. The contract payment mechanisms are not properly understood or ambiguous	Payment delays, under or overpayments or disputes	Economic	5 (4)	3	15 (12)	In-house checks of invoices by both operational and financial managers in place. Independent audit of contractor's payment model. In depth contract knowledge of Sharpe Pritchard solicitors and PwC financial advisers and key Authority managers. Monthly contract meetings, training and familiarisation with payment mechanisms. Periodic billing file audits	4 (5)	2 (1)	8 (5)	Finance Director
9. IT systems are insecure or suffer a major failure and will face cyberattack	Loss of data which we are obliged to report, or without which we cannot invoice or operate effectively	Economic	4 (5)	4	16 (20)	There are no systems running on local servers/ we do not have any servers. ICT services are out sourced and subject to a wide range of back-up and security measures including remote storage and performance to an agreed service level standards. Service providers deploy a range of security measures to prevent unauthorized access to systems including 2 factor authentication, firewalls, antivirus and antispayware. These are in addition to the fundamental underlying control of restricting access to kit communications and applications to authorised users only which both service providers and we operate. An IT strategy is in place and IT requirements are regularly reviewed.	4	1	4	Finance Director
10. WLWA Borough data is not being viewed holistically	A disjointed approach. Failure to capitalise on opportunity. Additional cost. A continuing disjointed approach. The Boroughs will fail to meet the 65%	Technological	5	3	15	Data is viewed from an Authority perspective and ensures operations are effective for the Authority.. Projects identified in the Business plan aim to provide a fuller picture. The Authority has had a key role in working with boroughs to share data and resources	4	2	8	Finance Director

Appendix 1 - Risk Register

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	Type	Assessment of Risk (original score in brackets)			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations (original score in brackets)			Responsible Officer
			Impact	Probability	Rating		Impact	Probability	Rating	
	recycling composting target by 2030					in response to the Covid-19 crises and in understanding the risks. A more collaborative and holistic approach is developing with regular dialogue and engagement across constituent boroughs. A self-service data portal has been rolled-out and borough colleagues given guidance. Further engagement with boroughs will be ongoing with the strength of more analysis and information being routinely developed				
11. There will be a change in law relevant to our contracts	Unanticipated cost for the Authority	Legislative	4	4	16	Legislative changes are identified i.e. which affect EfW or transfer station operations, an incineration tax or change in classification to hazardous waste and are prepared for accordingly. Networking with contractors and public sector bodies on expected changes to follow the Resources and Waste Strategy. Nawdo, Lednet and Widp meetings. Where possible costs will be built into the budgeting process or reported through budget monitoring and dealt with through reserves.	4	2	8	Head of Service Delivery
12. Environmental damage will be caused by Authority or Contractor Activities	Increased cost of repair, potential fines, reputational damage	Environmental	5	2	10	Range of processes including internal daily and weekly monitoring. Review operations risks. Review procurement policy. Monitor contractor's environmental performance and reporting. West London wide and Authority level Carbon projects are underway identifying and commencing actions to reduce the carbon footprint.	5	1	5	Operations Manager
13. There will be a breach in Health & Safety at an Authority or Contractor site	Risk of injury to staff or public visitors to Authority sites	Environmental	5	2	10	Specialist Health and Safety Advice contracted in. Periodic internal audit assurance. Annual Action Plans are considered and agreed with GMB. Monitor contractor's health and safety performance and reporting. A range of fire prevention/precaution measures are in place at site including fire risk assessments. Losses are also covered by insurance policies.	5	1	5	Operations Manager
14. Covid-19 – staff or contractors are infected by Covid-19 or required to self isolate	Death or serious illness of staff or family members. Failure or restricted capacity of sites leading to accumulation of waste within the system. Less waste is recycled leading to higher costs and environmental impacts.	Environmental	4	5	20	<p>Sites and contractors – at all times:</p> <ul style="list-style-type: none"> Introduce safety standards and safe systems of work and keep them under constant review, including site indoor and outdoor layout changes to facilitate safe distancing, temporary role changes, supply of PPE, improved signage for public, training and tool box talks, H&S risk assessments, implementing a Covid testing programme for staff. Establish a forum for communicating with Boroughs and contractors about the impact of the illness on their operations and identifying resource-sharing opportunities. Agree consistent policies with Boroughs and contractors for scaling back services if necessary. A booking system is in place to control throughput at Abbey Rd and 5 Borough sites. If levels of illness/self-isolation are expected to increase rapidly: Reduce waste stocks at transfer stations to maximise site capacity before illness spreads significantly. Negotiate a temporary increase in storage capacity from the Environment Agency. <p>If Boroughs need to increase the length of the working day to complete rounds:</p> <ul style="list-style-type: none"> Extend opening hours at transfer stations to accept additional out of hours waste. <p>In the event of significant staff sickness levels:</p> <ul style="list-style-type: none"> Available office-based staff to cover non-specialist operational roles, e.g. weighbridge and HRRC operative at Abbey Road Use available staff to support Borough or contractor front-line services on a highest-priority-first basis. Work with Borough Env Directors, other Boroughs and contractors to create a shared pool of drivers and make use of existing frameworks. <p>In the case of transfer stations being unable to accept waste:</p> <ul style="list-style-type: none"> Deliver contingency tipping plan Change site operations/layout at Abbey Road to allow it to accept greater quantities of diverted wastes Review contractual positions <p>West Drayton</p> <ul style="list-style-type: none"> The office is closed, all West Drayton based employees now work from home and essential access is by appointment only and strictly controlled by an office manager with appropriate safe distancing, equipment and cleaning arrangements Tool box talks have been provided, home working risk assessments been undertaken, equipment provided and H&S risk assessment. Looking ahead measures will be implemented in line with the government's guidelines "Working Safely During Covid-19 in Offices and Contact Centres" before relaxing the current office arrangements, a number of these procedures are already in place. <p>Waste Minimisation</p> <ul style="list-style-type: none"> Temporary stoppage of face to face community events which includes the running of reusable nappies and the implementation of food waste recycling at schools. Move to on-line and e-commerce activities for reuse Reduce HRRC usage by prioritizing bulky waste collection improvement projects 	4	3	12	Managing Director

Appendix 1 - Risk Register

Risk/ Impact Rating

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

Likelihood Classification

1. Rare - May occur only in exceptional circumstances (0-5%)
2. Unlikely- Could occur at some time (6%-20%)
3. Possible - likely to occur (21%-50%)
4. Likely-Will probably occur in most circumstances (51%-80%)
5. Almost Certain - Expected to occur in most circumstances >80%)

Risk Rating/Scoring = Impact x 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

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Appendix 2 - Brexit risk assessment

5 January 2021

Introduction

In preparation for a likely no-deal Brexit, the WLW Contracts and Operations team created a risk register ahead of the Christmas break to ensure that sufficient mitigations were in place.

Since then, a Brexit deal has been struck between the UK and EU, and the risk assessment has been updated based on what we know at this time.

The detailed risk assessment is shown overleaf. Since a deal was reached, a number of the risk scores have been downgraded, however all risks remain relevant and require monitoring going forwards.

Key risks

There are two risks that remain amber after mitigations have been applied:

- **Risk 3:** Markets for outputs from the Borough MRF contracts harden or fall away as export becomes more difficult.
- **Risk 9:** There is a shortage of drivers

Risk 3 is unlikely to be long-term because the Brexit deal does not impose tariffs or quotas on goods. However, there will be additional checks at borders, which could slow-down exports, particularly in the initial weeks while the new systems are bedding in. Covid-19 also increases this risk because drivers on RORO routes are now subject to Coronavirus tests, which will further slow-down movements. It is not within our power to reduce the probability of this risk, but the described mitigations can mitigate the impacts to some extent.

Risk 9 is a longer-term risk. Brexit means that free movement of people will cease and therefore the staffing pool for drivers will shrink significantly in an area where driver shortage has been a problem for several years. This risk will most likely grow over time as existing drivers leave and need to be replaced. Again, Covid-19 amplifies this risk because it will lead to higher levels of driver absence. Mitigations include creating a shared pool of drivers between Boroughs, private sector contractors and other authorities. The use of frameworks to obtain back-up drivers (as used in the initial Covid lockdown) could also help mitigate this risk. There is also the option to lobby Government via NAWDO about the need to attract drivers to the country going forwards.

Other risks that are amber before mitigation are related to off-takers for materials that WLW manages, namely HRRC materials, mattresses and outputs from WLW's MRF contract (on behalf of Ealing). These off-take arrangements are managed directly by WLW, so we are better able to apply mitigations, including increased dialogue with off-takers, using our dynamic procurement system to quickly find alternative off-takers and using our contracts to protect us from financial risk being passed down.

Going forwards

This risk assessment will be kept under regular review and revised as the implications of Brexit become clearer.

Brexit Risk Register – Contracts and Operations

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	Type	Assessment of Risk original score in brackets			Management Actions	Assessment of Risk after mitigations			Responsible Officer
			Impact	Probability	Rating		Impact	Probability	Rating	
KEY FACILITIES										
1. Off-takers for WLWA's HRRC recyclables are unable to export materials from the UK.	<ul style="list-style-type: none"> Off-take contractors ending arrangements or refusing to collect materials Build-up of materials at Abbey Road leading to potential health and safety issues and traffic movement problems on-site Loss of income from selling recyclables Some recyclables e.g. paper and card being spoiled by rain and needing to be treated as residual waste at extra financial and environmental cost. Penalties or fines from the Environment Agency for breaching permit requirements on waste storage 	Environmental	3	3	9	<ul style="list-style-type: none"> Identify highest risk materials and a list of potential off-takers Create a procurement plan for quickly securing new off-takers Identify temporary storage space on site for high-risk materials Arrange temporary permit changes with the Environment Agency Develop strong relationships with off-takers for HRRC materials to enable the quick identification and mitigation of issues 	2	3	6	Operations Manager
2. Markets for outputs from the WLWA MRF contract (for Ealing's DMR) harden or fall away as export becomes more difficult.	<ul style="list-style-type: none"> Increase in contract costs, as a result of reduced income or disposal of some outputs, or rejection of more inputs. Costs are pass-through back to Ealing Throughput of MRF is reduced, meaning some material is turned away 	Economic	4	3	12	<ul style="list-style-type: none"> Use contract mechanisms to prevent pass-through of financial risk to WLWA and Ealing Communicate frequently with Ealing officers about the need to keep the material out of the WLWA residual waste system Support Ealing with communications work to encourage residents to minimise DMR contamination Use DPS to source contingency capacity if necessary 	2	4	8	Contracts Manager
3. Markets for outputs from the Borough MRF contracts harden or fall away as export becomes more difficult.	<ul style="list-style-type: none"> Increase in contract costs to Boroughs, as a result of reduced income or disposal of some outputs, or rejection of more inputs. Boroughs sending DMR into the WLW residual waste system, exceeding the system's capacity, and significantly increasing carbon and cost. 	Economic	5	3	15	<ul style="list-style-type: none"> Communicate frequently with Borough Members and officers about the need to keep the material out of the WLWA residual waste system Support Boroughs with communications work to encourage residents to minimise DMR contamination Use DPS to source contingency DMR or residual waste capacity if necessary 	3	3	9	Head of Service Delivery
4. Residual waste off-takers are unable to export refuse derived fuel (RDF) to overseas facilities	<ul style="list-style-type: none"> A need to acquire UK based capacity for residual waste tonnage, leading to hardening of the market, increased cost and possibly a need to landfill. 	Economic	3	2	6	<ul style="list-style-type: none"> Understand the quantities of residual waste affected – currently none – Suez Hayes is the only facility exporting residual waste and this is going to only UK facilities from 19 December 2020. Use contract mechanisms to prevent pass-through of financial risk to WLWA 	2	2	4	Head of Service Delivery
5. Wood waste off-takers are unable to export wood to overseas biomass facilities	<ul style="list-style-type: none"> A need to acquire UK based capacity for wood waste tonnage, leading to hardening of the market, increased cost and possibly a need to send to energy from waste or landfill. 	Economic	3	2	6	<ul style="list-style-type: none"> Understand the quantities of wood waste affected – currently none – Suez sub-contracts to Stobart who uses UK based biomass facilities. Use contract mechanisms to prevent pass-through of financial risk to WLWA 	2	2	4	Head of Service Delivery
6. Mattress off-taker is unable to process as many mattresses due to staff shortages and/or lack of overseas markets for outputs.	<ul style="list-style-type: none"> Accumulation of mattresses at Abbey Road Accumulation of mattresses at major WTSS Accumulation of mattresses at Borough sites Increased financial and environmental costs from sending mattresses to landfill 	Economic	3	3	9	<ul style="list-style-type: none"> Regular dialogue with MattUK to enable the quick identification and mitigation of issues Suez residual waste contract is the contingency. Keep Suez, transport hauliers and Borough sites informed of potential issues Create a contingency plan with Suez, transport hauliers and Boroughs for getting mattresses to the major WTSS Use contract mechanisms to prevent pass-through of financial risk to WLWA 	2	3	6	Head of Service Delivery
7. There is a shortage of diesel	<ul style="list-style-type: none"> Collection crews are unable to run some collection services HRRCs and transfer stations are unable to run mobile plant, requiring significant changes to how the sites are operated. Contractors are unable to collect some wastes from Borough sites resulting in accumulation of waste at the sites A reduction in trains to SERC, leading to accumulation of waste at transfer stations 	Environmental	5	1	5	<ul style="list-style-type: none"> Ensure diesel storage is maximised at Abbey Road Have a plan ready for running Abbey Road with minimal plant and no plant (may involve closing the transfer station) Check contractors have plans in place for accessing diesel in a low supply, high demand situation Lobby Government through all available networks and organisations to prioritise the supply of diesel for waste management services 	4	1	4	Head of Service Delivery
8. Significant diesel costs increase	<ul style="list-style-type: none"> Increased running costs at Abbey Road Increased costs of contracts involving a transport element 	Economic	4	2	8	<ul style="list-style-type: none"> Budget for a high DERV index Bring forward work on optimising whole system bulking and haulage arrangements Bring forward work on decarbonising Abbey Road operations (increase efficiency of operations and shift to low carbon fuels) 	3	2	6	Head of Service Delivery
9. There is a shortage of drivers	<ul style="list-style-type: none"> Reduction in collections of materials from Borough sites leading to accumulations Reduced capacity of Borough collections leading to accumulations of wastes at kerbside 	Environmental	5	3	15	<ul style="list-style-type: none"> Regular dialogue with Boroughs and transport contractors to enable the quick identification and mitigation of issues If probability is high, work with Borough Env Directors, other Boroughs and contractors to create a shared pool of drivers and make use of existing frameworks. Raise the issue to Government via NAWDO. 	3	3	9	Head of Service Delivery
10. Reduced availability of key components for repairing and maintaining treatment facilities	<ul style="list-style-type: none"> Increased periods of outage for key facilities leading to increased reliance on contingency facilities. Could potentially result in more transport, less recycling and more landfill 	Environmental	4	2	8	<ul style="list-style-type: none"> Use contract mechanisms to prevent pass-through of financial risk to WLWA Ensure contractors' contingency plans are up to date Lobby Government through all available networks and organisations to prioritise the supply of parts for waste management services Keep waste flow profiles under review and be ready to adapt 	3	2	6	Operations Manager

Brexit Risk Register – Contracts and Operations

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