



## West London Waste Authority

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

12 January 2022

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### West London Waste Authority - Audit Committee

A meeting of the West London Waste Authority - Audit Committee will be held in Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY on Friday 21 January 2022 at 10.00 am

#### MEMBERSHIP

Councillor Graham Henson, London Borough of Harrow  
Councillor Deirdre Costigan, London Borough of Ealing  
Councillor Guy Lambert, London Borough of Hounslow  
Councillor Eddie Lavery, London Borough of Hillingdon  
Councillor Krupa Sheth, London Borough of Brent (Chair)  
Councillor Julia Neden Watts, London Borough of Richmond

Independent Person: Robin Pritchard

### 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 25 June 2021 **(Pages 5 - 10)**
4. Health and Safety Internal Audit Report 2021/22 **(Pages 11 - 20)**
5. 2020/21 External Audit Report and 2021/22 External Audit Plan **(Pages 21 - 84)**
6. External Audit Service from 2023/24 to 2027/28 **(Pages 85 - 86)**

7. Corporate Governance

*(Pages 87 - 94)*

8. Risk Register

*(Pages 95 - 104)*

## **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

## Useful Information

### Meeting details:

This meeting is open to the press and public:

Directions to the Civic Centre can be found at:

[www.harrow.gov.uk/contact](http://www.harrow.gov.uk/contact)

and can be viewed on [www.harrow.gov.uk/virtualmeeting](http://www.harrow.gov.uk/virtualmeeting)

### Meeting access / special requirements.

The public will be admitted on a first-come-first basis and you will be directed to seats.

If you are a registered speaker please advise Security on your arrival.

If you are attending the meeting please:

- (1) Take a Covid 19 test up to 24 hours before the meeting. Harrow residents can book a test by visiting <https://www.harrow.gov.uk/coronavirus-covid-19/book-covid-test>. If you are not a Harrow resident, please visit your local authority's webpages for your closest test site. Alternatively, you can request a Home Test by visiting <https://www.gov.uk/order-coronavirus-rapid-lateral-flow-tests>. If you do not have access to the internet, please call 119 or speak to your Local Chemist;
- (2) Scan the NHS Test and Trace barcode or provide your contact information;
- (3) Wear a face covering and use the hand sanitiser;
- (4) Stay seated during the meeting;
- (5) Access the meeting agenda online at: <https://moderngov.harrow.gov.uk/ieListMeetings.aspx?CId=288&Year=0>; and
- (6) Follow the social distancing and other instructions of the Security Officers.

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### Filming / recording of meetings

Please note that proceedings at this meeting will be recorded or filmed. If you choose to attend, you will be deemed to have consented to being recorded and/or filmed.

The recording will be made available on the Council website following the meeting.

When present in the meeting room, silent mode should be enabled for all mobile devices.

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At a meeting of the West London Waste Authority held on Friday 25 June 2021 at 10.00 am at the Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Graham Henson (Chair)

Councillor Deirdre Costigan, Councillor Guy Lambert, Councillor Krupa Sheth and Councillor Julia Neden Watts

**Apologies for Absence**

Councillor Eddie Lavery

**102. Apologies for absence**

Apologies for absence had been received from Councillor Eddie Lavery.

**103. Declarations of interest**

**RESOLVED:** To note that there were no declarations of interests made by Members.

**104. Minutes of the Audit Committee meeting held on 22 January 2021 and of the Authority meeting on 26 March 2021**

**RESOLVED:** That the minutes of the Audit Committee meeting held on 22 January 2021 and of the Authority meeting held on 26 March 2021 be taken as read and signed as correct records.

**105. Appointment of the Chair and Vice-Chair of the Authority, Audit Committee and Independent Members**

Members were advised that the Member appointed as Chair of the Audit Committee would take the Chair during the Authority meeting for audit items. All members of the Authority were members of the Audit Committee.

**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 2021/22 municipal year;

(3) Councillor Deirdre Costigan be appointed as Vice-Chair of the Authority for the 2021/22 municipal year;

(4) Councillor Krupa Sheth be appointed as Chair of the Audit Committee for the 2021/22 Municipal Year.

## **106. Meetings for the Municipal Year 2021/22**

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

Friday 24 September 2021 at 10.00am

Friday 3 December 2021 at 10.00am

Friday 21 January 2022 at 11.00am (Audit Committee at 10.00am)

Friday 25 March 2022 at 10.00am

Friday 24 June 2022 at 10.00am (including Audit items)

Friday 23 September 2022 at 10.00am

Friday 2 December 2022 at 10.00am

## **107. Final Internal Audit Report - Treasury Management**

Councillor Krupa Sheth, Chair of the Audit Committee, took the Chair for this item and agenda items 7,8 and 9.

Members received the final Assurance report for 2020/21 from Internal Auditor which advised that, overall, reasonable assurance could be given over the key risks to the achievement of the objectives for Treasury Management.

Sarah Hydrie, Internal Auditor, provided a high-level summary of the information completed on 3 June 2021.

**RESOLVED:** That the report be noted.

## **108. Draft Annual Internal Audit Report 2020/21**

Members received the draft Internal Audit Report and Opinion Statement 2020/21.

Sarah Hydrie, Internal Auditor, outlined the content of the report and advised that in terms of key performance indicators, two had a red status (KPI 4 and KPI 6). Overall, Internal Audit could provide a reasonable assurance on the system of internal control that had been in place for the Authority for the year ended 31 March 2021. She advised Members that it was the final year of the Authority's contract with London Borough of Hillingdon for the provision of Internal Audit and expressed her thanks to both Members and officers for their assistance with audit activities.

In response to a question about notable practice, the Internal Auditor confirmed that was with reference to an area of service that went above and beyond what would normally be expected and advised that authorities shared good practice.

A Member questioned the reason for the extension of notice time for some recommendations to 30 June 2021 and was advised that this was being resolved.

Referring to the client feedback questionnaire a Member asked whether there was any disconnect in that the average score for two questions had gone down whilst the recommendations indicated that the review had been relevant and constructive. The Finance Director responded that the difficulty related to the size of the Authority as it was relatively small.

A Member expressed his thanks to the Internal Auditor for the work done stating that the Authority was now in a different place to when the contract had commenced.

**RESOLVED:** That the report be noted.

#### **109. Draft Statement of Accounts for the Year ending 31 March 2021**

Members received a report which presented the draft 2020/21 Statement of Accounts ending March 2021.

Jay Patel, Finance Director, presented the report to Members and explained that the audit sector had been impacted by the pandemic and that a number of 2019/20 audits had yet to be completed. A letter from Ernst Young had been provided to the Authority but not the external audit report but it was hoped that this would be available for the September meeting.

In terms of reserves, the Finance Director advised that the management view was that these should be retained in order to manage any unexpected risks. Ian O'Donnell, Treasurer, added that the benchmarking work carried out had shown that some authorities were holding reserves in the region of £100m but that the level of competence of the Finance Director and his team enabled WLWA to have a relatively low level of reserves.

**RESOLVED:** That the draft Statement of Accounts for 2020/21 set out in Appendix 2 of the officer report be noted.

#### **110. Risk Register**

Members received a report which provided the Authority's updated Risk Register. Jay Patel, Finance Director, advised that there had been no new risks identified since the Authority meeting in January and that the pandemic risk had been downgraded slightly.

In response to a Member's suggestion that risks in relation to the Environmental Bill be included in the Register, officers indicated that this was a good idea and that the Bill would also provide opportunities. Emma Beal, Managing Director, added that one of the Brexit risks around drivers and haulage previously identified was starting to impact and that now was the time to ensure that there were sufficient driver numbers and contingency.

**RESOLVED:** That the content of the Risk Register set out Appendix 1 to the report be noted.

#### **111. Projects and Circular Economy Update**

Councillor Graham Henson, Chair of the Authority, chaired the meeting for the remaining items of business.

Peter Tilston, Projects Director, outlined the content of the report which provided an update on the Authority's Circular Economy, Carbon and joint working efficiency projects. In response to questions he advised that update meetings on the six key project areas could be provided for both the lead Member and officers, there were discussions with Re London about how the Authority was working with them and also the bin centres, and that the Authority already recycled approximately 130,000 mattresses a year.

In terms of mattress recycling, Tom Beagan, Head of Service Delivery, advised that this was currently undertaken by Matt UK, a company based in Chatham. It was largely a

manual process whereby the components were separated one by one, but many companies were looking to automate the process. Emma Beal, Managing Director, added that officers were considering whether more was achievable from the recycling of mattresses or carbon reduction by the launch of a procurement process and explained that mattresses were a relatively small waste stream for the Authority.

A Member questioned the expansion and capacity of the food waste site in the south and was advised that this was managed via Transport Avenue. Capacity in the south was being duplicated in the north. The Managing Director referred to the Environment Bill and stated that it was becoming clear that the separation of waste by every household was required which had caused some consternation across the country.

**RESOLVED:** That (1) the lease renewal at Victoria Road site, as detailed in section 11 of the report, be approved.  
(2) the report be noted.

## **112. Finance Update May 2021**

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

Jay Patel, Finance Director, introduced the report and advised that the London Borough of Ealing had been awarded the contract / service level agreement for internal audit services. He also updated Members on the current position in terms of the appointment of Independent Member for the Audit Committee.

**RESOLVED:** That (1) the current financial position and forecast for 2021/22 be noted;  
(2) the Key Performance Indicators for 2020/21 be approved and the performance to date noted;  
(3) the financial decisions taken under the scheme of delegation be noted;  
(4) the update for recruiting an Independent Member of the Audit Committee be noted;  
(5) the Annual Treasury Management Plan for 2021/22 be noted.

## **113. Contracts and Operations Update**

Members received a report which provided an update on the Authority's various waste treatment arrangements and procurements.

Tom Beagan, Head of Service Delivery, outlined the content of the report. A Member sought clarification as to the Authority's overall position in relation to the residual waste contract and commented that the Abbey Road improvements should be publicised. The Managing Director confirmed that this would be included in the Annual Report.

Members discussed the labour intensity and space requirements of some processes as well as extended producer responsibility. A Member commented that there was a disconnect in terms of the meadow at the site and therefore looking nice compared to the use of the site increasing emissions. She added that consideration should be given to facilitating easy access by cargo bike or on foot safely. This view was endorsed by another Member who stated that it was fundamental to the Authority's carbon aims to make HRRCs accessible. Officers reassured Members that these issues were being considered, access had already been improved at Abbey Road and that a fundamental principle of the bulky waste service was to reduce the number of trips to HRRCs.



In response to a question on WEEE collection, the Managing Director reported that TRAIID had offered to increase their current operation in relation to textiles to also include electronics. The Authority did not receive revenue from electronics as they were subject to a form of producer responsibility.

**RESOLVED:** That the report be noted.

#### **114. Exclusion of the Press and Public**

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
13.	Contracts and Operation Update	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

#### **115. Contracts and Operations Update**

Members received the confidential appendices to the Contracts and Operations update.

**RESOLVED:** That (1) the negotiating position set out in the report be agreed; (2) the Managing Director, following consultation with the Treasurer, Clerk and Chair, be authorised to approve an outline agreement ahead of the September Authority meeting if necessary.

**The meeting finished at 11.24 am.**

The minute taker at this meeting was Alison Atherton.

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# Internal Audit Report 2021/22

West London  
Waste Authority

Final  
December 2021

## Health and Safety Management Audit

Classification	Trend	By type	Control design	Operating effectiveness	Total
<b>Substantial Assurance</b>  <b>Total findings: 2</b>	<b>N/A</b>  We have not previously reviewed the area	<b>Critical</b>	0	0	<b>0</b>
		<b>High</b>	0	0	<b>0</b>
		<b>Medium</b>	0	0	<b>0</b>
		<b>Low</b>	0	2	<b>2</b>
		<b>Advisory</b>	0	0	<b>0</b>



**West London Waste**

Treating waste as a valuable resource

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## Executive summary (1 of 2)

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### *Summary of findings*

The purpose of this review was to assess how the West London Waste Authority manage health and safety risks in the work environment. The areas of focus were risk assessments, remedial action and awareness and reporting.

We have raised actions to mitigate two low risk findings.

### *Key findings*

We identified no High or Medium risk findings.

We identified three Low risk findings as follows:

- A formal process should be introduced to diarise health checks and the Human Resources policy update process should be completed and testing for any staff working under the influence of drugs or alcohol should be undertaken as the last exercise was over a year ago.
- Records for drivers licensing and insurance checks should be more comprehensive, and a formal process introduced to ensure the checks are not incomplete.

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## Executive summary (2 of 2)

**1** *Health Checks and Policies*

Low

**2** *Drivers Checks*

Low

### By Scope Area

	Critical	High	Medium	Low	Advisory
Risk Assessments	0	0	0	2	0
Remedial Action	0	0	0	0	0
Awareness and Reporting	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>

## Background and scope (1 of 2)

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### Background

West London Waste Authority (WLWA) as an employer, have a duty of care to reasonably ensure the health, safety and welfare of staff and any other individuals who visit their sites.

Legislation and regulations outline a number of responsibilities that the WLWA must fulfil in regard to preventing health and safety incidents. The category of risks include premises related, machinery / equipment safety, staff medical health, household and recycling centre (HHRC), weighbridge and operational risks.

A company called Universal Safety Practitioners (USP) have been working with the WLWA to implement and monitor the Health and Safety protocols and policies primarily at the Abbey Road site where the work is very much manual. USP also work with the WLWA at the West Drayton site where the majority of the work undertaken is administrative.

The WLWA Human Resources team manage the Occupational Health side of Health and Safety and use a company called Staywell to undertake the general health checks every two years for all staff covering blood sugars, cholesterol levels, hearing, vision, blood pressure, body mass index and general health both physical and mental.

Staywell also perform annual tests for specific workers in line with company risk assessments including –

- Audiometry for roles where noise is a factor in the work environment
- • Respiratory surveillance for workers who are, or could be, exposed to airborne contaminants in their working day
- ↳ • Skin surveillance where workers are exposed to used engine oil and degreasing agents
- Drug and Alcohol testing on any staff member held randomly

The Senior Management team receive regular reports and updates on the topic of health and safety and monitor remedial action for any issues highlighted as either a risk, a hazard or an incident. The Board receive summary information within board reports prepared for various projects.

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## Background and scope (2 of 2)

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### Scope

The audit work will focus on the following areas –

#### **Health and Safety Risk Assessments / Surveys, Compliance and Quality Control.**

- Risk assessments / surveys are performed across and within buildings in accordance with policies, procedures and required timescales. This includes operation of machinery and other hazards in the workplace.
- Staff are assessed for health issues which could be brought on or would be aggravated by their work environment.
- Drivers have appropriate full licences and staff are not found to be working after consuming drugs or alcohol.

#### **Health and Safety Risk Remedial Action for all Areas**

- 5
- Remedial actions to address identified health and safety risks / incidents are identified, prioritised and action is taken to resolve issues in a timely manner.

#### **Awareness and Reporting**

- Policies and procedures are in place for all staff to access.
- The SMT receive regular monthly updates on health and safety matters assessments, remedial action and ongoing compliance including staff health checks and any incidents.
- The Board are provided with summary reports to provide assurance that all matters health and safety are in order and compliant.
- The health and safety records capture accurate and complete information in relation to health and safety compliance, which enables compliance to be monitored and timely relevant management information to be generated.
- Full training is provided to staff.

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### *Limitation of scope*

Our work was limited to the sub-processes and control objectives outlined above.

The scope of our work also did not cover IT controls and processes, such as reconciliations and interfaces. The work focused on the management of health and safety and did not include health and safety inspections of premises or practices in the work environment or operating machinery.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.



# Current year findings (1 of 2)

## Formal Arrangements and Policy Updates

### Operational Effectiveness

1

Low

### Finding and root cause

The Human Resources personnel work with the Abbey Road Management and Staywell to ensure relevant staff have applicable health screening and tests. The work required for such tests, does not appear to have a set timetable of when these exercises are performed. The Drug and alcohol random testing has not been undertaken for over a year, but the Abbey Road site has been in operation.

Policies and procedures produced and managed by Human Resources have not been regularly reviewed. We checked the policies for Lone Working and Drug and Alcohol use and found that one had last been reviewed in 2014 and the other in 2015. When we met with management, we were advised that the documents had been reviewed but the process has not been fully completed with approved sign off due to covid.

### Implications

- Tests are overlooked and not undertaken in the year they are required to be taken causing compliance issues.
- Serious health issues such as respiratory ailments or deafness are not caught early
- Accidents in the work environment due to unchecked vision or hearing issues.
- Heavy penalties and reputation damage in the event of harm to staff or visitors.
- Staff working to out of date policies and procedures causing compliance issues.

### Action plan

- 1) We will implement a formal timetable for health testing including scheduled exercises and monitoring reports for the Senior Management Team.
- 2) Reviewed policies will be immediately scheduled for approval and placed on the shared drive for staff to access. Staff will be advised of the newly updated policies.
- 3) Drug and alcohol testing will be planned and undertaken before the end of the year.

#### Responsible person/title

HR Manager

#### Target date

31 March 2022

## Current year findings (2 of 2)

### Driver Checks

#### Operational Effectiveness

2

Low

### Finding and root cause

Drivers using WLWA vehicles, or their own vehicle should have a full driving license appropriate for the type of vehicle they are operating, fit for purpose vehicle and insurance for privately owned vehicles . We were provided the records for annual checks and found they were not comprehensive enough to confirm compliance. The records did not show the following details -

- Type of licence in place to ensure the type of vehicle used matches vehicles used
- Whether the vehicle used was a WLWA vehicle or own private vehicle
- For private vehicles, a current MOT certificate and up to date vehicle was in place and checked
- Insurance cover included “for business use” for private vehicles

The records provided show the expiry date of the licence and insurance are noted but it is not clear if once expired, follow up work is undertaken or there is just an annual exercise.

### Implications

- Insurance complications and reputational damage will arise if any of the drivers operating vehicles are found to be unlicensed or the vehicles are not fit to drive on public highways.
- Further insurance issues will arise if business use is not added to insurance cover and the vehicle is involved in an accident whilst on a work journey.
- Without comprehensive records, an employee may be placed in charge of a large vehicle they are not appropriately licensed to operate.

### Action plan

- 1) Records for drivers will be improved and contain more details on what documentation was checked, type of licence and insurance etc.
- 2) The frequency of checks will be clear on the records to show if done annually or more frequently.

#### Responsible person/title

HR Manager

#### Target date

31 March 2022

## Appendix A: Basis of our classifications

### Individual finding ratings

**Critical**

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

**High**

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

**Medium**

A finding that could have a:

- **Moderate** impact on operational; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

**Low**

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

## Appendix B: Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below

#### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

**West London Waste Authority**

**Auditor's Annual Report  
Year ended 31 March 2021**

06 January 2021



**EY**

Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of West London Waste Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of West London Waste Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of West London Waste Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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

A close-up portrait of a woman's face, focusing on her eyes and nose. The image is partially obscured by a bright yellow rectangular overlay on the left side. The woman has light brown hair and green eyes.

Section 1

## Executive Summary

## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Authority's:</b>	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 07 October 2021.
Going concern	We have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Report and other information published with the financial statements	Financial information in the Narrative Report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.



# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 09 September 2021 to the Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

## Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures in a number of areas including audit risks in relation to the valuation of property, plant and equipment, additional requirements in relation to ISA 540 on pensions and the new value for money commentary and NAO Code. We will calculate the associated additional fee and discuss this with the Treasurer before sending it to PSAA Ltd for their review. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority staff for their assistance during the course of our work.

Maria Grindley

Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities

# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 09 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Authority**

The Authority is responsible for preparing and publishing its financial statements, narrative report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit



# Financial Statement Audit

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We have issued an unqualified audit opinion on the Authority's 2020/21 financial statements.

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## Key issues

The Annual Report and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 07 October 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 24 September 2021 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<b>Misstatements due to fraud or error - management override of controls</b> An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.
<b>Valuation of land and buildings</b> Land and buildings is the most significant balance in the Trust's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.	Whilst we are broadly satisfied with the accounting policy of revaluing assets every five years in line with the CIPFA Code, we would encourage management to review in detail the highest value assets regularly between the five yearly revaluations and, where management has done this, we will review the assumptions applied to these annual revaluations.

Continued over.

## Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p><b>Pension liability valuation</b></p> <p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We concluded that the pension liability was overstated by £231k. The difference was due to the early issuance of IAS19 report before final audited Pension Fund asset values were available. This difference was not recorded by management in the financial statements and appropriate representations were obtained by us from management regarding its overall immateriality to the financial statements taken as a whole. Other than the above, we concluded that the pension liability was fairly measured.</p>
<p><b>Public-Private Partnership (PPP)</b></p> <p>The Authority has a PPP arrangement with WLER. This is a PPP for the construction and operation of the Severn Energy Recovery Centre (SERC). The total value of the investment was estimated to be £109 million as at 31 March 2021.</p>	<p>We have concluded in our testing that the liability from the PPP has been correctly recorded in the accounts.</p>
<p><b>Going concern disclosures</b></p> <p>The Authority is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Authority's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We have not identified any material uncertainties with regards to going concern and the going concern disclosures in the statement of accounts are deemed reasonable.</p>

## Financial Statement Audit (continued)

### Audit differences

The main audit difference adjusted by management amounted to £3,000k and it related to grossing up of income and expenditure recorded for the food waste project with the constituent boroughs, which had been netted off in the initial version of the accounts.

Management concluded that the overstatement of the Pension Fund liability was not material enough to deem adjustment to the financial statements and the overstatement of £213k remained uncorrected.

We identified a small number of misstatements in disclosures which management corrected.

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £1,310k as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
<b>Reporting threshold</b>	We agreed with the Audit Committee that we would report to the Committee all corrected audit differences in excess of £983k and all uncorrected audit differences in excess of £66k.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ **Cash/bank balance:** We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ **Related party transactions.** We audited all disclosures and undertook procedures to confirm material completeness.

Section 4

## Value for Money



# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our initial VFM risk assessment to the 09 September 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with Officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

## Reporting

We completed our planned VFM arrangements work on 07 October 2021 and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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We had no matters to report by exception in the audit report.

- Financial sustainability  
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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Our VFM commentary highlights relevant issues for the Authority and the wider public.

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Authority has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

For 20/21, West London Waste Authority (the 'Authority' or 'WLWA') has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services. The Authority undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares. The six constituent London boroughs govern the Authority and participate in the Private Finance Initiative arrangement with the Authority (the 'Boroughs').

The 20/21 financial year was dominated by the impact of the coronavirus pandemic. With waste collection and disposal being essential public services, these continued to be delivered and there was little overall impact on the Authority's financial performance and position for 20/21.

Looking forward to 2021/22 and beyond, the Authority's long-term capital investment effectively manages the longer term risks of increasing residual waste costs and tonnages and the Authority is well placed to continue delivering good value for money services to Boroughs for the foreseeable future.

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The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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**Financial sustainability (cont'd):** *How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*

The Authority identifies financial pressures mainly through its annual budgeting process, and annual medium/long term plans. The 20/21 annual budget sets out the key areas of focus in the next 12-60 months to deliver on targets. The Authority works collaboratively with Boroughs to foresee and plan for any eventualities, such as preparing the annual budget in consultation with the Boroughs to ensure all issues are considered.

One of the significant financial pressures identified in the annual budget is the volume of residual waste. The Authority built this risk into their planning through exploiting opportunities/projects with boroughs to remove food waste from residual waste stream and by setting aside sufficient reserves. The Finance Director also confirmed that the Authority will secure funding if and when needed for capital projects.

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The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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**Financial sustainability (cont'd):** *How the body plans to bridge its funding gaps and identifies achievable savings*

The Authority utilises long term planning in order to identify opportunities to bridge its funding gaps. These methods to bridge any funding gaps are mainly via loans from the Public Works Loan Board ('PWLb') and the Boroughs, or through WLWA's own revenue streams. Revenue funding of debt has been discussed in the 20/21 annual budget.

Any potential savings have also been identified in the annual budget. This was done by engaging with budget managers who reported their 20/21 plans and proposed savings to a budget challenge session with at least one Chair (either the Authority Committee Chair or the Audit Committee Chair) and Chief Officers.

**Financial sustainability (cont'd):** *How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities*

The Authority utilises long term planning to support the sustainable delivery of services. The plan is prepared and discussed by Finance Director, Treasurer and the Managing Director. The medium/long term plan indicates there is a base assumption of 0.5% for annual growth of residual tonnages. The base assumption thus allows the Authority to provide their services.

As mentioned above, the annual budget is also prepared in consultation with the Boroughs to identify potential future demand. This consideration of potential demand helps WLWA plan their services accordingly.

**Financial sustainability (cont'd):** *How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system*

The Authority reviews its long-term financial planning annually alongside the business plan, which details the activities, opportunities and risks for the long term. The business plan for the period 2020-2025 outlines the overall strategy for the Authority in addition to its financial performance.

The annual budget also takes into consideration the budget for employees, which shows the movement in Full Time Equivalent (FTE) posts and how this would impact staffing. There is regular communication with each Borough to help the Authority plan their services.

**Financial sustainability (cont'd):** *How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.*

The main method the Authority would manage risk is to set sufficient reserves aside to buffer against this risk. The annual budget has identified known risks facing the Authority in order to determine a suitable level of reserves. The annual budget confirms a target level of reserves for 20/21 and an emphasis on incentivising food waste, financial risks relating to the economic climate (inflation, Brexit) and ensuring business continuity. There is also a challenge session with at least one Chair (either the Authority Committee Chair or Audit Committee Chair) on the annual budget and its underlying assumptions, which is then approved at the Authority meeting.

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The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Governance**

For 20/21, the Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

**Governance (cont'd):** *How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud*

Risk and opportunity management is embedded throughout the Authority to prevent and detect fraud. The Risk Register was developed to identify risks to the Authority at a corporate level and is reviewed regularly by risk owners. The register is a standard agenda item discussed at WLWA Officers' meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely.

The risks assessed are wider than just financial, due to the nature of the Authority's activities. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. The Authority assesses the impact of risks on a matrix of impact and probability, with a combined score produced to assess the importance of the risk. These risks are evaluated, and controls put in place to manage and mitigate the impact on the Authority.

The Authority gains assurance over the effectiveness of internal controls through the policies and procedures it has implemented, which all help prevent and detect fraud. These policies/procedures include segregation of duties, documented procedures, regular checks and reconciliations, management/supervision, and the Authority's whistleblowing policy. The Authority's Finance Regulations are published on its website under the Corporate Governance section, and that states it is the Treasurer's responsibility to develop and maintain the counter-fraud and anti-corruption policy.

Internal audit provides a useful mechanism to ensure procedures are followed and are appropriate to the relevant activity. Internal audit give an objective opinion to the Authority on whether the control environment is operating as expected. The report state whether the controls in place are suitable to mitigate risk and enhance the likelihood of achieving the overall aims of the service. Internal audit also helps identify risks that need attention and work with management to develop action plans to mitigate these risks. The Head of IA's opinion for 20/21 was that overall IA can provide reasonable assurance on internal controls.

**Governance (cont'd):** *How the body approaches and carries out its annual budget setting process*

Management (such as the Finance Director) liaises with the Authority's budget holders and consults with Boroughs' finance directors when setting the Authority's budget.

The draft annual budget is approved by the senior management team (consisting of the Managing Director, Project Director, Head of Service Delivery and Finance Director) and there is a challenge session with Officers and at least one Chair (either the Authority Committee Chair or the Audit Committee Chair) before approval at Authority meeting. These individuals are all professionally qualified and experienced in reviewing financial budgets. This process also shows clear segregation of budget preparation and approval.

**Governance (cont'd):** *How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.*

Budget Monitoring Reports are produced by the Treasurer and Managing Director monthly and reviewed at Authority meetings. The budget monitoring reports communicate management information, such as financial performance, performance against non-financial Key Performance Indicators ('KPIs') and any other relevant information.

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The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). In preparing the Statement of Accounts, the Treasurer has selected suitable accounting policies and then applied them consistently; made judgements and estimates that were reasonable and prudent; and complied with the local authority Code.

The Treasurer has also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities. The processes to support this include: appropriate segregation of duties for journal posting (i.e. journals posted by the preparer are reviewed by a separate individual); ensuring paper copies of all journals with supporting documentation are held on site; and having a detailed closedown timetable showing procedure details and the responsible preparer.

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The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The Annual Governance Statement ('AGS') is prepared under CIPFA - Delivering Good Governance in local government framework. The AGS is prepared by the Finance Director, who receives CIPFA annual updates and professional advice from Clerk and Treasurer. The Finance Director reviews and updates based on previous year's AGS, adjusted for the introduction of any new guidance and legislation. The AGS is then reviewed by Chief Officers, Audit Committee and the Authority Committee.

With regards to corrective actions to improve the processes and procedures in place, internal audit makes recommendations for any risks they have identified in their review. These recommendations involve the relevant managers/risk owners taking positive action to treat the risks, such as having more comprehensive written procedures. Internal Audit monitors all high and medium risk recommendations raised to determine if they have been implemented.

**Governance (cont'd):** *How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.*

There is regular reporting to Chief Officers and Authority on all matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The Audit Committee meets 2 times per year, is comprised of all Authority members plus an independent member, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

The six councillors from each of the Boroughs (the 'Authority') also meet 5 times a year to discuss the annual budget, budget monitoring report and any other issues such as contingency planning for the Covid-19 pandemic.

**Governance (cont'd):** *How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).*

The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. The Monitoring Officer has overall responsibility for ensuring the Authority acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the Authority which are likely to contravene any enactment or rule of law or any maladministration. No reports were made during 19/20 or to date in 20/21.

The Authority also has specific policies for staff and lay members in respect of gifts and hospitality and conflicts of interest. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 20/21. No related party transactions were declared.

### **Improving economy, efficiency and effectiveness**

For 20/21, the Authority has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

**Improving economy, efficiency and effectiveness (cont'd):** *How financial and performance information has been used to assess performance to identify areas for improvement.*

There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The budget monitoring reports communicate management information, such as financial performance, performance against non-financial KPIs and any other relevant information.

**Improving economy, efficiency and effectiveness (cont'd):** *How the body evaluates the services it provides to assess performance and identify areas for improvement.*

Within the monthly budget monitoring reports, there is an appendix that lists out all KPIs relating to the Authority's Service Delivery and Efficiency. The KPIs under the Service Delivery section are 'Residual waste landfill diversion rate' and 'Recycling rate for residual waste'. The appendix sets out the target measure for the financial year and tracks the KPI's monthly performance. Each KPI is then given a rating depending on whether the forecasted performance is on target. The KPI performances are presented to the Authority Committee with explanations for any under-performances and/or plan for improvement. In this way the Authority's service is under review by the Boroughs (as they make up the Authority Committee) and areas of improvement can be identified.

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The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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**Improving economy, efficiency and effectiveness (cont'd):** *How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.*

The Authority holds fortnightly meetings with Borough Environment Directors to take a holistic view of waste services across West London and to build partnership working. Collaboration across all organisations has enabled the regular reporting to Authority committee members to help monitor and improve the service provided by the Authority. An action log of the meetings is kept detailing the agreed follow-up action, the responsible individual, the due date and date completed. In this way the Authority can monitor its performance against expectations with its stakeholders.

The Authority also prepares a weekly waste service status report that is shared with the Boroughs and Authority Committee. The information covered in this report includes waste flow data compared to equivalent data from prior year, any service disruptions to waste sites, staffing availability etc. Much of the reporting has also been developed in a way that means it is accessible at anytime to the Boroughs – Microsoft Power BI self-service has been provided to Borough officers with guidance enabling access to a range of information.

**Improving economy, efficiency and effectiveness (cont'd):** *How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.*

The Authority has an overarching procurement policy in place, the Contract and Procurement Rules 2020, which were formally approved by the Authority. The internal audit report covers Contracts and Procurements to determine if procurement exercises are conducted in accordance with relevant legislation. Overall the Internal Audit opinion was that reasonable assurance was given over the key risks to the achievements of objectives for Contracts and Procurement.

The Monitoring Officer also has overall responsibility for ensuring the Authority acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the Authority which are likely to contravene any enactment or rule of law or any maladministration. No reports were made during 19/20 and 20/21.

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The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Governance Statement**

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Authority to complete this work as required.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Other Reporting Issues (cont'd)

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Management has taken an approach to revalue its land and buildings on a five-year basis. Upon our request, a memo was prepared by management to support the assumptions for valuation as of 31 March 2020, which was rolled forward to support the valuations as of 31 March 2021. We collected evidence from the operational department to support the assumptions in this memo as at each reporting date. As per CIPFA Code of practice on local authority accounting, assets are normally revalued once every five years for each class of assets, provided that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. Thus, we would recommend that sufficient due care and level of detail is applied by the Authority in assessing the appropriateness of valuation of its land and buildings at each reporting date. The changes in the operating environment due to Covid-19 reinforce this need.	The balance of land and buildings on the Authority's balance sheet is significant and can easily result in material misstatements if not correctly valued.

Appendix A

## Audit Fees

## Audit Fees

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
<b>Total Audit Fee – Code work</b>	TBC*	15,223*	42,671**

\*For 2020/21 the final fee will be re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Authority and additional work to address increase in Regulatory standards.

\*\*The additional fee of £27,448 included in the final fee for 2019/20 has been discussed with management and it was approved by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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A photograph of a meeting table with documents and hands pointing at them. The background is a bright, clean office environment. Several people's hands and arms are visible, pointing at various documents spread across the table. A smartphone is also visible on the table. The overall scene suggests a collaborative work session.

# West London Waste Authority Draft Audit Planning Report

Year ended 31 March 2022

7 Jan 2022

Audit Committee  
West London Waste Authority  
Unit 6, Britannia Court, The Green  
West Drayton  
UB7 7PN

7 Jan 2022

Dear Audit Committee Members

Draft Audit Planning Report

Our planning is underway for 2021/22 and we are pleased to attach our Draft Audit Planning Report which sets out our initial consideration of how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 21 Jan 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of West London Waste Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of West London Waste Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of West London Waste Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

# Overview of our 2021/22 audit strategy



# Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of Property, Plant and Equipment (PPE)	Significant risk	No change in risk or focus	<p>At 31 March 2021, the asset values of £203 million represented a significant proportion of the Authority's balance sheet, with a risk that even a small fluctuation in value could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.</p> <p>By their nature, PPE assets are more difficult to value because their valuation includes an element of judgement, which increases the risk of misstatement. This continues to more uncertain in the context of Covid-19.</p>
Pension liability valuation	Inherent risk	No change in risk or focus	The Authority's pension fund deficit is a material estimated balance disclosed on the Authority's balance sheet. At 31 March 2021 this totalled £11 million. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. We will liaise with the auditors of the pension fund to gain assurance over the information supporting this balance.
PPP liability	Inherent risk	No change in risk or focus	The Authority's PPP liability is a material liability which is calculated by a modeller into which the Authority inputs assumptions. The assumptions entered into the model are a form of management estimate.
IFRS 16 preparedness assessment and disclosure requirements	Inherent risk	New area of focus	IFRS 16 application date is delayed to 1 <sup>st</sup> April 2022 however preparedness assessment and disclosures are required in 21/22 accounts.

## Overview of our 2021/22 audit strategy

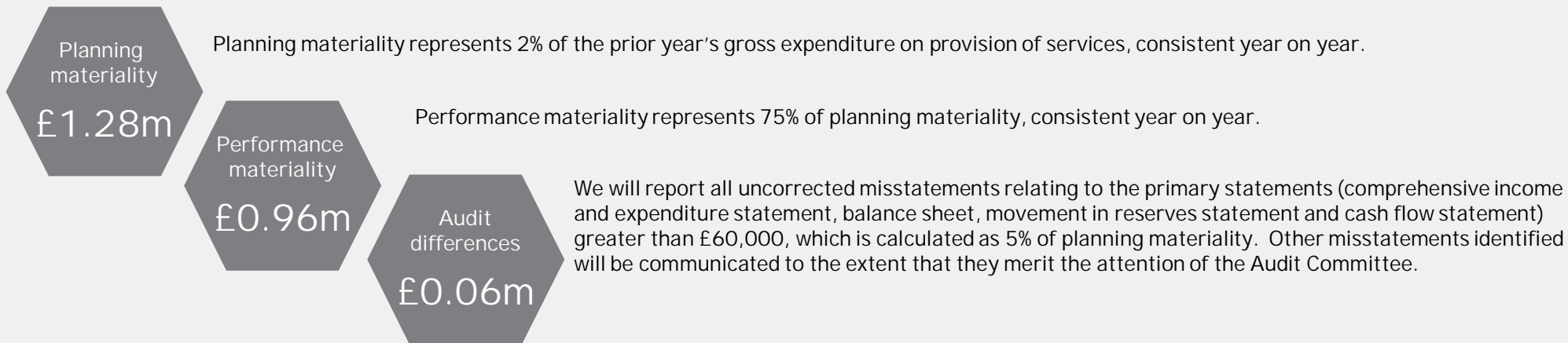
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Disclosures on Going Concern	Inherent risk	No change in risk or focus	The ongoing unpredictability of the current environment gives rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by a management assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance for the going concern period of 12 months after the auditor's report date.

# Overview of our 2021/22 audit strategy

## Materiality



# Overview of our 2021/22 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of West London Waste Authority give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example: the valuations of land and buildings, the valuation of pension obligations especially under the revised ISA 540 requirements, going concern considerations under ISA 570, the introduction of new accounting standards such as IFRS 9,15 and 16 in recent years as well as new Value For Money criteria set out in the 2020 NAO Code for Audit Practice. Therefore to the extent any of these or any other risks are relevant in the context of West London Waste Authority's audit, we will discuss these with management as to the impact on the scale fee.



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# 02 Audit risks



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error\*

### What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As a result, there is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

- Identify fraud risks during the planning stages.
- Inquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including
  - Testing of journal entries and other adjustments in the preparation of the financial statements.
  - Reviewing accounting estimates for evidence of management bias.
  - Evaluating the business rationale for significant unusual transactions.



## Our response to significant risks (continued)

Valuation of Property, Plant and Equipment

### What is the risk?

The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings.

The last full revaluation of assets was undertaken by management's experts as of 31 March 2019. A full revaluation has been scheduled for 31 March 2022. The approach undertaken by management is to revalue all PPE assets at least every five years and to review the residual value, useful life and depreciation method as well as to identify any indicators of impairment at least at each financial year-end.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Asset values are significant and there is a risk that even a small movement in valuation could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- Consider the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Assess the reasonableness of the valuer's valuation approach and assumptions applied including any change to useful economic lives and the completeness and accuracy of the source data used in the valuation models;
- Consider sufficiency of Authority's challenge of valuer's work
- Assess accounting estimates for evidence of management bias;
- Identify whether management has performed an appropriate impairment review and the results have been appropriately considered in the account balances and financial statements disclosures; and
- Consider the potential impact of Covid-19 on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team; and
- Test accounting entries have been correctly processed in the financial statements.
- Ensure that appropriate and sufficient disclosures regarding the assets valuation are included in the financial statements

### Financial statement impact

Misstatements that occur in relation to valuation could affect the year end carrying value of Property, Plant and Equipment (31 March 2021: £204m).

## Other areas of audit focus and inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the area of focus/ inherent risk?

#### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the London Pensions Fund Authority (LPFA) Pension Fund.

The Authority's pension fund liability is a material estimated balance and the CIPFA Code requires that this liability be disclosed on Authority's balance sheet. At 31 March 2021 this totalled £11 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the London Pensions Fund Authority. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### Public-Private Partnership (PPP)

The Authority has one PPP arrangement with the Suez consortium. This is a PPP for the construction of the Severn Energy Recovery Centre. A liability is recognised as project assets are completed, equal to the fair value of each asset less capital contributions. The total value of the liability was estimated to be £108.6 million as at 31 March 2021.

### What will we do?

We will:

- Liaise with the auditors of the LPFA Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority;
- Assess the work of the Pension Fund actuaries, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the West London Waste Authority's financial statements in relation to IAS19.

We will:

- include a review of the assumptions used in the PPP accounting model to assess whether there have been any changes since our initial review;
- comment on adjustments, if any, by the Authority; and
- review the planned entries and disclosures for the Authority's 2021/22 accounts and ensure that they reported in line with the standards.

## Other areas of audit focus and inherent risk (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What will we do?
<p><u>Going concern disclosure</u></p> <p>Continued assessment of going concern under newly effective audit standard ISA570 since 20/21 audit. The Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on its waste disposal volumes and on the constituent boroughs' ability to pay the waste disposal levy, there is a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>59 The Authority is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p>	<p>We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> <li>• Challenging management's identification of events or conditions impacting going concern.</li> <li>• Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li> <li>• Reviewing the Authority's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.</li> <li>• Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.</li> <li>• Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.</li> </ul>
<p><u>IFRS 16 preparedness note and disclosure requirement</u></p> <p>IFRS 16 does not come into effect for the majority of LG financial statements until 1 April 2022. However, Local Government finance teams should be acting now to assess authority's leasing positions and secure the required information to ensure compliance with the 2022/23 Code of practice on local authority accounting.</p>	<p>We will review the adequacy of Authority's disclosure in relation to IFRS 16 in the accounts by:</p> <ul style="list-style-type: none"> <li>• Performing disclosure checklist and assess completeness of the Authority's disclosure notes</li> <li>• Review the Authority's assessment of the impact of IFRS 16 on it's financial statements, in particular on its PFI arrangement.</li> </ul>



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## Value for Money Risks





# Value for Money

## The Authority's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal controls that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Auditor's responsibilities under the 2020 Code

Continue with the 2020 NAO Code for Audit Practice which requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

## Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. The NAO requires auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement.



# Value for Money

## Planning and identifying VFM risks (continued)

However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Authority to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.

## Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

## Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code requires that we should refer to this by exception in the audit report on the financial statements.

Under the 2020 Code we will include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2021/22 VFM planning

We have yet to fully finalise our detailed VFM planning. However, one area of focus will be on the arrangements that the Authority has in place in relation to financial sustainability in light of the impact of Covid-19. We will continue to update the Audit Committee meeting on the outcome of our VFM planning, any further changes to our risk assessment and also our planned response to any identified risks of significant weaknesses in arrangements.



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# 04 Audit materiality

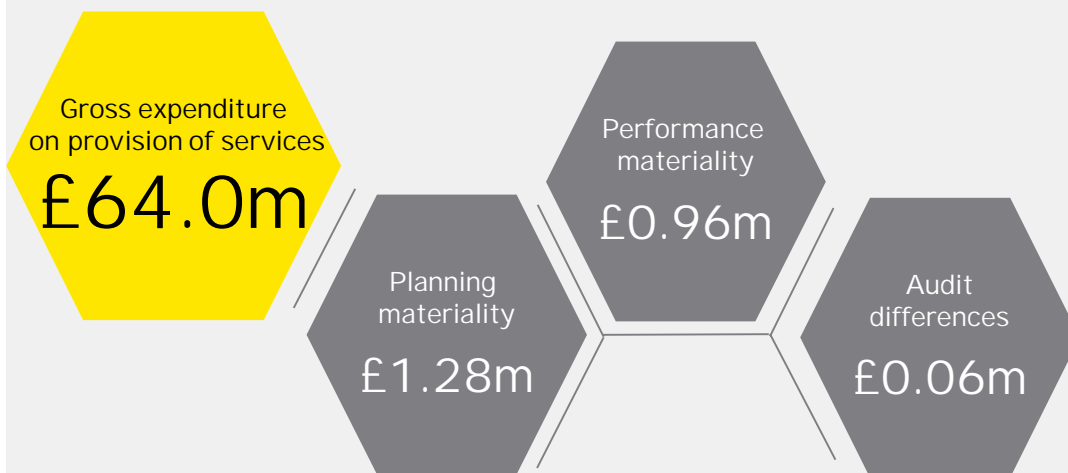


# Materiality

## Materiality

For 2021/22 planning purposes, we are using the prior year's final materiality, which was set at £1.28m. This represents 2% of the Authority's prior year gross operating expenses on provision of services. It will be reassessed throughout the audit process. The rationale for this is that the expectations of the users of the entity are focused on the measurement of expenses. We have provided supplemental information about audit materiality in Appendix C.

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We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.96m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors in routine processing of transactions throughout the year that could result in pervasive errors. This expectation has been built on our experience of the Authority in the prior year.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

**Other uncorrected misstatements**, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.





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# Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.



#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantively testing transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



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Audit team



# Audit team

## Audit team structure:



## Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team – Scope to be determined once planning completed.
Pensions disclosure	EY Actuaries and PWC Actuaries

**70** In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	Jan - Feb 2022		
Walkthrough of key systems and processes	Feb - Mar 2022		
Interim audit testing	Feb - Mar 2022		
Audit Planning Report presented to the Audit Committee	Jan 2022 (TBC)	Audit Committee	Audit Planning Report
Year end audit: Account testing	May - Jul 2022 (TBC)	Audit Committee	Progress report setting out any changes to the audit planning and approach if applicable.
Year end audit: Audit Completion procedures	Jul 2022 (TBC)	Audit Committee and Authority meeting	Audit Results Report Audit opinions and completion certificates
Completion	Jul 2022 (TBC)	Audit Committee	Auditor's Annual Report

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# Independence



# Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner, and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

75 When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2021 and can be found here:

[EY UK 2021 Transparency Report | EY UK](#)



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# Appendices



## Appendix A - Fees

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Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2021/22 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The scale fee for WLWA for 2020/21 and 2021/22 Code work is £15,223. We have previously explained that we believe the underlying scale fee needs to increase due to changes in work required to address broader professional and regulatory requirements and scope associated with risk (Note 1), and we expect those increases in costs to be ongoing. In addition to this, in 2020/21 there were additional specific areas of audit work as a result of factors arising in that year (Note 2). These were:

- Audit procedures to address the significant risk around PPE valuation and additional procedures on IAS19 figures, including the impact of the revised ISA 540 auditing standard
- Specific one-off work required for Covid-19 considerations, including additional work in relation to Going Concern and professional consultations
- Additional work performed due to the new 2020 NAO Code on Value For Money requirement

We would anticipate that these factors would continue to impact the audit work required in 2021/22, but we cannot quantify the impact at this time.

Notes:

1. We remain in discussion with PSAA about the continuing need more to reflect the additional work auditors are required to do to meet regulatory requirements.
2. The 2020/21 additional fees are yet to be finalised and discussed with management. They will then be communicated to PSAA for their approval.

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.




Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B



# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

### Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
79 Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report




## Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit Results Report
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report



## Appendix B




# Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report	
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit Results Report	
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Management letter/Audit Results Report	

## Appendix B

# Required communications with the Audit Committee (continued)

### Our Reporting to you

Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	<ul style="list-style-type: none"> <li>• Key audit matters that we will include in our auditor’s report</li> <li>• Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit plan is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	Audit Planning Report and Audit Results Report

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or activities within the Authority to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Treasurer and Finance Director

21 January 2022

**External Audit service from 2023/24 to 2027/28**

**SUMMARY**

This report recommends the external audit service provision for the five year period of accounts from 2023/24 to 2027/28

**RECOMMENDATION(S)**

The Audit Committee is asked to:-

- 1) Recommend to the Authority that they approve opting into the national scheme for auditor appointments managed by the PSAA

**1. Background**

The current auditor appointment arrangements cover a five year period up to and including the audit of the 2022/23 accounts. The Authority had some years ago opted into the national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA).

PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. Their deadline for authorities to opt in is 11 March 2022.

Therefore the Authority can either:

- arrange its own procurement and make the appointment ourselves or in conjunction with other bodies or
- join and take advantage of the national collective scheme administered by PSAA.

The local audit regulations require this decision to be made by the Authority.

**2. Conclusions**

There are a number of well recognised advantages of collective procurement.

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

Furthermore,

- if the Authority does not use the national appointment arrangements, we will have to establish our own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract in

accordance with the Local Audit (Auditor Panel Independence) Regulations 2014 – for the scale of our external audit this would be a disproportionate exercise;

In contrast the advantages of undertaking our own procurement is rather limited in that the Authority will be able to tailor service quality (i.e. timeliness, support) to meet local needs.

On this basis the recommendation is to opt in to the PSAA national scheme.

### 3. Other points of note

As previously reported, the present external audit fees secured by the PSAA at the last procurement were not sustainable and remain so.

The changes in the economic climate, environment and accounting/audit requirements are further exacerbating sector wide issues in terms of external audit. Therefore the expectation is that fees will rise significantly from the current £25,000-£30,000 range.

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## AUDIT COMMITTEE

Report of the Clerk

21 January 2022

**Corporate Governance****SUMMARY**

This report provides an update about the review of the Authority's Corporate Governance documents and policies.

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the Clerk's approval of minor changes to governance documents, in consultation with the Treasurer where appropriate

**1. Introduction**

The principles of good corporate governance require the Authority to undertake its functions in a way that is completely open and inclusive, demonstrates the utmost integrity in all its dealings and is fully accountable to the public it serves.

A range of policies and documents provide the framework for the application of good governance and are publicly available. These have been reviewed and updated to reflect the current legislative position and organisational structure.

**2. 2021/22 Review**

The latest review was undertaken with support of the legal team from Harrow Council (HB Law) and GDPR advice from specialists (Data Protection Consultancy Ltd). The review gave due consideration to lessons from Nottingham, Croydon and the Redmond review. A brief precis of these can be found in Appendix 1 and this points to cultural, behavioural and wider economic issues rather than structures and documentation.

Given the nature of the Authority, its statutory role and limited change in activity these documents continue to be appropriate and only required minor changes which do not affect their substance e.g. changes to reflect the new post titles, removal of superfluous lines, spelling, cross referencing to other documents, minor clarifications etc.

The Clerk has delegated authority to approve minor changes to these documents and the table lists the policies and minor changes approved by the Clerk. A number of these changes were approved in consultation with the Treasurer.

A summary of their purpose the key changes and last review date can be found in the table in Appendix 2.

The next review will be undertaken at the earlier of 5 years or when circumstances change.

It is worth noting the procurement rules are also part of the governance documents and these were reviewed in 2020 and approved by the Authority in December of that year.

A full set of these documents will be published and a link circulated to Members.

- 3. Financial Implications** – These are no financial implications as a result of this report.
- 4. Legal Implications** – There are no legal implications as a result of this report.
- 5. Impact on Joint Waste Management Strategy** – Good Corporate Governance provides the framework for delivering the objectives of the Joint Waste Management Strategy.

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## **Appendix 1 - Lessons learned – Croydon, Nottingham and the Redmond Review**

### **Croydon**

A deteriorating financial situation over a number of years culminated in the Council's external auditors, Grant Thornton, issuing a report in the public interest under s.24 and schedule 7 of the Local Audit and Accountability Act 2014 in October 2020.

MCHLG rapid review in November 2020 identified a number of issues which had led to its financial situation, in particular:

- Recurrent and substantial overspends, particularly in social care;
- Income generation not delivering as hoped. Some investments were performing well or adequately but not others, and were managed poorly;
- A low level of reserves; and
- Medium term planning set great store in the Croydon growth zone, including a new Westfield shopping centre, which was expected to generate more income in the form of business rates. However, these had not come to fruition.

The underlying issues were to do with poor culture and leadership which resulted in poor management. Also, the checks and balances were there – overview and scrutiny, an Audit Committee and external auditors. However, they did not challenge properly. The s.151 officer was also slow to issue the s.114 notice.

### **Nottingham**

A MCHLG rapid review was carried out in October / November 2020.

The main financial issues were:

- A high level of debt which meant that revenue budget affected due to debt servicing
- Pursuing a policy of commercialisation including seeking opportunities to maximise income streams and holding some assets in a wholly owned or joint venture company structure. The Council had not understood the environment in which it was operating

Issues that had contributed to these failings:

- Inability to recognise, respect and take action on the advice the Section 151 officer (S151 officer) was providing. Over a period of years, the financial position she had correctly identified was delayed in reporting, not supported by other senior officers, and resulted in no effective action being taken.
- Similarly, it was possible for legal advice to be sought and proffered to the Council without the clear oversight of the Monitoring Officer.
- No mechanism for setting targets and goals for its Chief Executive and holding the postholder to account for it and below the Chief Executive the structure is seen to be complicated, diffuse and lacking corporate focus and control.

- Conflicts of interest in that the Audit Committee had members on it who were also Directors of the Council wholly-owned companies.
- the internal audit programme needed to be more focussed on risk
- It did not appear that the Audit Committee operated in a way that secured and monitored action. The review commented that it should be possible for a matter of concern to be referred to a relevant executive body and the Chair should then have the right to attend and speak to that item.
- It should be possible for the Audit Committee to require responsible officers to appear at the committee to deal with matters under their control.

## **The Redmond review**

IN July 2019 Sir Tony Redmond was asked to carry out an independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

His final report, published in September 2020, made 23 recommendations in relation to:

- external audit regulation
- smaller authorities audit regulation
- financial resilience of local authorities
- transparency of financial reporting

In the government's response to the report in December 2020 these recommendations were grouped into 5 themes:

- Action to support immediate market stability
- Consideration of system leadership options
- Enhancing the functioning of local audit, and the governance for responding to its findings
- Improving transparency of local authorities' accounts to the public
- Action to further consider the functioning of local audit for smaller bodies

An update to the response was published by the government in Spring 2021. At that point the deadline for statement of accounts had been amended to 30 September for 2 years. Actions in relation to the other recommendations were, so far as they had been accepted, being progressed but not yet finalised.

## Appendix 2

Document Title	Purpose	Changes from last version	Previous review	Approval
Access to Information Policy and Procedure Rules	Sets out the rules that apply to meetings of the Authority and Audit Committee including timescales for publishing papers minutes etc	Minor changes. Address updated. Some deletions of wording which were unnecessary or did not reflect what happens in practice.	2016	Clerk – January 2022
Anti-bribery and counter fraud policy	Provides the procedures around fraud and anti-bribery	Minor changes to make it clear who it covers, to refer to links to other policies and to correct or clarify some legal references.	2015	Clerk in consultation with Treasurer – January 2022
Audit Committee Terms of Reference	Sets out the role and responsibilities in relation to assurance and the scope of work to be undertaken	Table in appendix consolidated to reflect 2 Audit Committee meetings (previously 4)	2016	Clerk – January 2022
Data protection policy	Sets out the rules, roles and processes in relation to the holding and processing of personal data	Minor changes to explain the limited range of personal data processed by the Authority, manager's responsibilities for procedure and the Finance Directors responsibility for compliance and audit	2017	Clerk – January 2022
Financial Regulations	Provides the framework for managing finances and safeguarding assets. It details the roles, responsibilities and procedures for each area of financial activity and asset management	Minor changes to post titles, reference to the appropriate pieces of legislation, consistency with updated policies.	2016	Clerk in consultation with Treasurer – January 2022
Local Code of Corporate Governance	This document outlines the principles of corporate governance identified within the CIPFA's local government framework document – delivering good governance. The local code also details the	No changes	2016	Clerk – January 2022

	monitoring and reporting arrangements. The principles contained in this document underpin all other corporate governance documents.			
Member Code of Conduct and Member Complaints Procedure (incorporating terms of reference of Standards Committee).	Identifies the principles/behaviours expected of members in accordance with the Localism Act. It provides the rules around declaring interests and procedure for dealing with standards' allegations and complaints.	Minor changes for grammar.	2016	Clerk – January 2022
Protocol of Relationships between Councillors and Officers	This document identifies the roles and responsibilities of Councillors and Officers and the processes to ensure effective running of the Authority	Minor changes extending who complaints can be raised with	2016	Clerk – January 2022
Publication Scheme	Sets out the information that will be publically available	Minor typos	2016	Clerk – January 2022
Scheme of Delegation to Officers	For the proper running of a business, powers are delegated from a governing body to management. This document identifies the powers the Authority has delegated to the Managing Director, Clerk and Treasurer and includes Urgency procedures.	No changes	2016	Clerk – January 2022
Standing Orders.	Essentially provides the rules that define the constitution of the Authority. This includes the composition of its	Minor changes to reflect correct legal references, that personal delivery of papers does not now take place and that members are not necessarily	2016	Clerk – January 2022

	governing body (the constituent boroughs), the manner of conducting business proceedings (meetings and decision making) and standards (personal interest).	required to sign an attendance record (this is not a legal requirement).		
Whistleblowing	Provides staff a clear and safe way of raising concerns	Minor changes made to clarify the position on confidentiality and other minor items.	2015	Clerk in consultation with Treasurer – January 2022

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

21 January 2022

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 2)

1. The Authority's Risk Management Policy (Appendix 1) identifies the risk register as a key tool for managing risk. This 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. The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item for both WLWA Officer and Senior Management Team 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 risk register there is a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.
4. Appendix 2 provides the latest risk register which was updated at the latest round of management meetings. In overall terms, the risk register identifies 1 Red and 15 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 remaining Amber risks are provided below and also of risk 16 a new item for the risk register:
  - Driver shortages – this risk is largely outsourced to the haulage contractors we work with.
  - Covid-19 pandemic – The mitigations in place are largely the same as at the height of the pandemic. With the roll out of the vaccine the risk is significantly less now even with the emergence of new omicron variant. So the Authority and boroughs are well placed to manage any issues. However given the uncertainty

around variants and the worldwide picture, this is a risk that will require ongoing monitoring.

- New Partners on Circular Economy work - the register now includes a new item 16 to reflect the risk of working and collaborating with some of the smaller or voluntary sector organisations as part of the Authority's circular economy objectives, for example charities supporting young offenders.

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# Risk Management Policy

## Policy Statement

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

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

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

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

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

## Framework

The Risk Management Framework provides the basis used to improve and strengthen governance and front-line service delivery throughout the Authority. The framework is described in the following bullet points:

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

### **Risk register and risk appetite**

A key tool in the management of risk is the risk register. This identifies the key risks faced by the Authority and classifies them into the following categories:

- Political

- Economic
- Social
- Technological
- Legislative
- Environmental

The register is reviewed at all levels of management and makes an overall assessment (priority) of those risks based on scoring of the impact, likelihood and effect of mitigating actions. The assessment (priority) can be red, amber or green where green represents risks that have been largely mitigated and red risks are those which haven't.

The Authority's aim is to contain all risks within the green category (i.e. are largely mitigated). Essentially this demonstrates the Authority's low risk appetite. However it should be noted that this may not be possible for all risks and where new risks emerge and mitigations are being put in place.

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## 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. Driver shortages and workforce supply challenges in the 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 market risks. No significant impacts have been observed to date but the situation will require ongoing monitoring. Re-procurement of haulage contracts will ensure that new contractors have strong contingency plans. Weekly service status report at Environment Director level will identify where driver levels are low and identify options to share staff if/where necessary to maintain service levels.	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.. 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. However there is no such commitment going forwards and boroughs are facing ongoing cost pressures as a result 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 and advice will be sought regarding self insurance options.	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 is 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 antispysware. These are in addition to the fundamental underlying control of restricting access to kit	4	1	4	Finance Director

## 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	
						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.				
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% recycling composting target by 2030	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 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	4	2	8	Finance Director
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"> <li>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&amp;S risk assessments, implementing a Covid testing programme for staff.</li> <li>Establish a forum for communicating with Boroughs and contractors about the impact of the illness on their operations and identifying resource-sharing opportunities.</li> <li>Agree consistent policies with Boroughs and contractors for scaling back services if necessary.</li> <li>A booking system is in place to control throughput at Abbey Rd and 5 Borough sites</li> </ul> <p>If levels of illness/self-isolation are expected to increase rapidly:</p> <ul style="list-style-type: none"> <li>Reduce waste stocks at transfer stations to maximise site capacity before illness spreads significantly.</li> <li>Negotiate a temporary increase in storage capacity from the Environment Agency.</li> </ul> <p>If Boroughs need to increase the length of the working day to complete rounds:</p> <ul style="list-style-type: none"> <li>Extend opening hours at transfer stations to accept additional out of hours waste.</li> </ul> <p>In the event of significant staff sickness levels:</p> <ul style="list-style-type: none"> <li>Available office-based staff to cover non-specialist operational roles, e.g. weighbridge and HRRC operative at Abbey Road</li> <li>Use available staff to support Borough or contractor front-line services on a highest-priority-first basis.</li> <li>Work with Borough Env Directors, other Boroughs and contractors to create a shared pool of drivers and make use of existing frameworks.</li> <li>Status check-ins from Boroughs, WLWA, and key contractors via the 'West London Strategic Waste Group' Whatsapp group daily (or other specified frequency)</li> <li>Completion of the 'Service Status Tracker' spreadsheet by Boroughs and WLWA weekly (or other specified frequency).</li> <li>WLWA to summarise the service status from the above sources and circulate an updated 'Waste Service Status report' to Heads of Service, Environment Directors and WLWA Councillors weekly (or other specified frequency).</li> </ul> <p>In the case of transfer stations being unable to accept waste:</p> <ul style="list-style-type: none"> <li>Deliver contingency tipping plan</li> <li>Change site operations/layout at Abbey Road to allow it to accept greater quantities of diverted wastes</li> <li>Review contractual positions</li> </ul> <p>West Drayton</p> <ul style="list-style-type: none"> <li>The office is closed for non-essential use, all West Drayton based employees now work from home and essential access is by appointment only and strictly controlled by</li> </ul>	4	3	9 (12)	Managing Director

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					12	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. • Follow government guidance, and update risk assessments as the threat level and guidance changes. Waste Minimisation • 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			12	
15. The Environment Bill will lead to increased costs and significant change to the way the Authority operates	Legislation principally in relation to waste will result in significant change within the waste sector and operations.  The impact of legislation in other areas covered by the Environment Bill not expected to have a significant impact for the Authority (i.e. clean air, water, landscapes and wildlife legislation)	Political	3	4	12	• Leading borough wide consideration of Resource and Waste Strategy and consultation responses • MD role in national forums to provide early indication of direction of travel • Ongoing analysis of data, requirements, opportunities and impacts • Preparation, wider engagement and planning for change • Input and engagement with borough EDs and FDs to keep abreast of west London picture • Ongoing monitoring of detail and opportunities for funding of services (e.g. EPR)	1	4	4	Managing Director
16. New partners in Circular Economy work may create new risks	Partner organisations may be small or new and have less developed controls resulting in risks of failure resulting in principally reputational or to a lesser extent financial implications for the Authority.  In developing the market for circular economy small scale or trial services may not be sustainable longer term or cease at short notice.	Political	3	3	9	• Undertaking appropriate research and vetting of the business and key individuals to properly understand the partner organisation / partnering risks • Leading on the development of processes and controls (including risk assessments) for the service offering to ensure appropriate controls are implemented to manage the operation and risk it entails, • Maintaining a stakeholder map for alternative providers • Benchmarking potential partners to assess benefit vs sustainability • Stress testing of partner business cases (financial and environmental) • Dynamic comms for the provision of services ensuring service information is near live where possible.	2	2	4	Project Director

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## 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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