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## **West London Waste Authority - Audit Committee**

A meeting of the West London Waste Authority - Audit Committee will be held in Meeting Room 3, Fourth Floor - Harrow Council Hub on Friday 20 January 2023 at 10.00 am

### **Membership**

Councillor Deirdre Costigan, London Borough of Ealing  
Councillor Katherine Dunne, London Borough of Hounslow  
Councillor Eddie Lavery, London Borough of Hillingdon  
Councillor Anjana Patel, London Borough of Harrow  
Councillor Krupa Sheth, London Borough of Brent  
Councillor Julia Neden Watts, London Borough of Richmond

## **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 24 June 2022 (Pages 3 - 8)
4. Internal Audit HR and Payroll (Pages 9 - 28)
5. Internal Audit Abbey Road (Pages 29 - 38)
6. External Audit Update (Pages 39 - 44)
7. Risk Register (Pages 45 - 52)

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

Nil

# Useful Information

## Joining the Meeting virtually

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

## Attending the Meeting in person

The venue is accessible to people with special needs. If you have specific requirements, please contact the officer listed on the front page of this agenda.

You can access the agenda online at [Browse meetings - West London Waste Authority](#)

## Recording and reporting on public meetings

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

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

Hugh Peart  
Clerk to the Authority

At a meeting of the West London Waste Authority held on Friday 24 June 2022 at 10.00 am at the Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Deirdre Costigan (Chair)

Councillor Eddie Lavery, Councillor Anjana Patel, Councillor Krupa Sheth and Councillor Julia Neden Watts

**Apologies for Absence**

Councillor Guy Lambert

**1. Apologies for absence**

Apologies for absence were received from Councillor Guy Lambert.

**2. Declarations of interest**

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

**3. Minutes of the Audit Committee meeting held on 21 January 2022 and the Authority meeting held on 25 March 2022**

**RESOLVED:** That the minutes of the Audit Committee meeting held on 21 January 2022 and the Authority meeting held on 25 March 2022 be taken as read and signed as correct records.

**4. Appointment of the Chair and Vice-Chair of the Authority, Audit Committee, Chair of the Audit Committee and Independent Member**

**RESOLVED:** That (1) Councillor Deirdre Costigan be appointed as Chair of the Authority for the 2022/23 municipal year;

(2) Councillor Julia Neden Watts be appointed as Vice-Chair of the Authority for the 2022/23 municipal year;

(3) Councillor Krupa Sheth be appointed as Chair of the Audit Committee for the 2022/2023 Municipal Year;

(4) it be noted that Robin Pritchard would continue as Independent Member of the Audit Committee for the 2022-23 Municipal Year.

**5. Meetings for the Municipal Year 2022/23**

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

Friday 23 September 2022 at 10.00am  
Friday 2 December 2022 at 10.00am  
Friday 20 January 2023 at 11.00am (Audit Committee at 10.00am)  
Friday 24 March 2023 at 10.00am  
Friday 23 June 2023 at 10.00am (including Audit items)  
Friday 22 September 2023 at 10.00am  
Friday 1 December 2022 at 10.00am

## **6. 2021/22 EY External Audit Progress Report**

Councillor Krupa Sheth, Chair of the Audit Committee, took the Chair for this item and agenda items 7 – 12.

Andrew Brittain, Ernst & Young LLP, introduced the June 2022 Audit Progress report which provided an update on progress since the Committee's meeting in January. The report included a summary of revised risk assessment, an audit timeline update and two other areas that had been actioned.

In response to a question in terms of qualifying the extra costs in relation to the risk in revenue recognition in relation to miscellaneous income and the change in value for money risk, Mr Brittain advised that the work was ongoing.

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

## **7. Internal Audit Report 2021/22 - Income**

Mike Pinder, Internal Auditor, outlined the content of the Internal Audit Report 2021/22 in relation to Income which identified one medium risk and three low risk findings.

A Member questioned whether the auditor was confident that locations other than the HRRC were cashless and also commented that, in terms of equalities, some older residents did not have credit cards. Members were advised residents waste was free of charge and that the demand for cash operations was largely from trades' persons whose cards had been declined.

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

## **8. Internal Audit Report 2021/22 - Data**

Members received the Internal Audit Report 2021/22 in relation to data.

**RESOLVED:** That report be noted.

## **9. Annual Internal Audit Opinion 21/22**

Members received a report which outlined the performance of Internal Audit from July 2021, when the internal audit activity started to be delivered under an arrangement with the London Boroughs of Ealing and Hounslow, until March 2022. The report included the Head of Audit's Opinion.

Mike Pinder, Internal Auditor, reported that all audits had been completed with one risk area still in progress. Internal Audit was able report a substantial assurance.

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

## 10. Internal Audit Plan 2022/23

Members received the Draft Internal Audit Plan for 2022/23 which set out the planning process, a one-year operational plan for 2022/23.

In response to a Member's question in relation to the progress on health and safety and the dates within the plan when compared with the dates in the Annual Report, Mike Pinder, Internal Auditor, undertook to report back once he had followed this up. Jay Patel, Finance Director explained that the Senior Leadership Team had already looked at the policy with only some minor changes being recommended by the Health and Safety Adviser which officers were querying.

Referring to the data audit (page 41) the Independent Member questioned the tolerance and whether the implications of any loss of income had been followed through. The Internal Auditor responded that none had been identified there had been a mechanism suggested in order to give some validation.

The Independent Member suggested that consideration be given to the risks from the impact of legislation next year.

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

## 11. Draft Statement of Accounts for the year ending 31 March 2022

Jay Patel, Finance Director, introduced the report which set out the Draft Statement of Accounts for the year ending 31 March 2022.

The Finance Director outlined the content of the report and advised Members that there was an excess of reserves of £3.2 million and that the Authority's reserves were not excessive compared to other Authorities. Reserves were used to manage risk and the Authority would disburse the excess reserves back to the constituent authorities. In terms of the financial statement, this looked different to previous years due to £9m income that the Authority would receive and show in the accounts as a large surplus.

**RESOLVED:** That (1) the Draft Statement of Accounts for 2021/22, as attached at Appendix 1 to the report, be noted;  
(2) the disbursement of reserves planned for October 2022 be noted.

## 12. Risk Register

Members received a report which provided the Authority's updated Risk Register.

Jay Patel, Finance Director, introduced the report and advised that there were four amber risks, not two as stated in the report. These included the new risk in relation to rail strikes which largely lay with the Authority's contractors and the risk around legislative change.

**RESOLVED:** That the content of the Risk Register, attached at Appendix 2 to the report, be noted.

### 13. Contracts and Operations Update

Councillor Deirdre Costigan, Chair of the Authority, chaired the meeting for the remaining items of business.

Tom Beagan, Head of Service Delivery, outlined the content of the report which provided an update on the Authority's waste treatment arrangements and procurements. He reported on the impact of the rail strikes on deliveries to Severnside Energy Recovery Centre (SERC) and advised that the lobbying for waste to be treated as a priority appeared to have a positive outcome. The Chair added that it been helpful for the boroughs to know the contingency plans in terms of waste transfer in advance but questioned whether there had been any impact on boroughs from having to wait for waste to be collected. The Head of Service Delivery advised that there had been minimal complaints but that he would be catching up with borough colleagues in due course.

A Member asked if the cause of the fire at Transport Avenue was known and was advised that although it was suspected to be a battery this could not be confirmed. Waste had entered the shredder and came out on fire. There needed to be ongoing awareness/ messaging of the risks of batteries in waste and there would be further discussions with operational site staff. Another Member added boroughs should communicate/message in terms of these risks, particularly with the increase in use of devices and e scooters, another potential risk.

In terms of learning points from the fire, the Head of Service Delivery advised these included the quality of the waste entering the facility as the controls on site were good and worked effectively. However, continued vigilance was required and good suppression system.

In response to a question about the unplanned outage at Lakeside Energy Recovery Centre, this had been due to a boiler and the plant had been taken down for four days.

The Head of Service Delivery confirmed that, in terms of the Green Waste Contract, compost was returned and made available but that he would report back on how this was done.

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

### 14. Projects and Circular Economy Update

Members receive a report which provided an update on the Authority's projects.

Peter Tilston, Projects Director, outlined the content of the report. In terms of opportunities for Looked After Children (LAC), there was work being done in this area and also with local schools. Emma Beal, Managing Director asked Members how young people could be more involved in the work of the Authority and create a positive future. Members advised that they were corporate parents and Authorities were challenged about the offer to CLA and were keen to do more.

In response to a question about food waste, as each borough had received £500,000 for these projects, the Authority would be looking at the success of food waste rollout in the different boroughs, who were all at different stages, and an update would be reported to the next meeting.

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

## 15. Draft Finance Strategy

Members received a report which provided a draft of the Authority's Finance Strategy and a request to continue the consultation with borough Directors.

Jay Patel, Finance Director, outlined the content of the report which incorporated the feedback from the Directors into the strategy before Members. The Boroughs recognised the need for the Authority to maintain a suitable level of reserves to address the risks from changes in legislation. Two thirds of the excess reserves would be returned to the boroughs to use as they saw fit and suggested Finance Directors ringfence budgets for waste projects within boroughs. It was intended to submit the final strategy and formal feedback from Finance Directors to September meeting.

In terms of ringfencing to reduce waste to mitigate costs, a Member asked whether the use of solar panels to reduce energy costs. It was confirmed that this had been discussed broadly with Directors and was being progressed by the Climate Emergency Officers Group.

A Member stated that he was not in favour of Authority mandating how boroughs used the returned reserves as what might be right in one borough was not necessarily right in another. Whilst accepting that these were exceptional times, the Authority was in the unusual position of seeing a benefit from higher energy costs. Consideration needed to be given to the level of reserves and the principle that a third would always be retained by the Authority and how this could be justified to residents. Members should be determining the level of reserves required by the Authority for strategic safety. Another Member requested clarity as to when it had been decided that the Authority would retain one third for strategic projects.

The Finance Director advised that these were the questions also being asked by Borough Finance Directors and the strategy had been updated to reflect these points. The strategy provided the opportunity for stakeholders to review both the strategy and reserve levels regularly. The principle was to manage the risk of change in legislation but that if those changes did not materialise in 2-3 years' time the reserves could be returned to the boroughs. Officers did not want boroughs to struggle with big increases or decreases in levies and reserves provided a way of mitigating and smoothing the impact. He added that there were no conditions attached to the reserves returned to boroughs. Ian O'Donnell, Treasurer advised that it was key, as an Authority, to ensure that the challenges ahead could be managed. He added that from the conversations with boroughs it was clear that there were opportunities for both the boroughs and the Authority in relation to collection and disposal of waste and downstream operations. Working together on this was important and encouraging boroughs to invest in their waste operations could see benefits down the line.

In response to a question in relation to Appendix 3 of the report and whether any consideration had been given to sharing risk registers and building joint risk statements, the Finance Director advised that the information in the report provided borough colleagues with a useful tool highlighting potential impacts and options. The Head of Service Delivery added that, following a workshop and away day in March, boroughs were working together to develop a collection and disposal plan for 2030 and that consideration would be given as to how to manage any changes in legislation and the risks moving forward. A Member welcomed the suggestion in terms of combined risk registers.

**RESOLVED:** That (1) the Draft Finance Strategy attached at Appendix 1 to the report, be approved for consultation with borough Directors;  
(2) the aim to bring a final document to the September Authority meeting for approval be noted.

## **16. Finance Update 2022**

Jay Patel, Finance Director, outlined the content of the report which provided an update on financial and operational matters.

Ian O'Donnell, Treasurer, advised level of income from energy could not be forecast at the moment but would be reported to Members. Officers would provide an update in terms of a forecast of level of income to a future meeting.

The Chair reminded the Authority of the policies adopted in March following away days but questioned the position in terms of boroughs formally adopting these policies. Emma Beal, Managing Director, confirmed that no process had been agreed and that it would be a good idea to ask each borough if they would be willing to formally adopt or feedback on these policies to provide information to the Authority's officers.

**RESOLVED:** That (1) the current financial position and forecast for 2022/23 be noted;  
(2) the key performance indicators to date be noted;  
(3) the delegated decisions be noted.

## **17. Councillor Graham Henson**

The Chair requested that the Authority's thanks be conveyed to the previous Chair, Councillor Graham Henson, London Borough of Harrow, for all his work in relation to the Authority.

**The meeting finished at 11.08 am.**

The minute taker at this meeting was Alison Atherton.

# Internal Audit Report 2022/23

West London  
Waste Authority

Final Report  
September 2022

## HR and Payroll

Classification	Trend	By type		Total	
<b>Limited Assurance</b>  <b>Total findings: 5</b>	<b>N/A</b>  We have not previously reviewed the area		Control design	Operating effectiveness	
		<b>Critical</b>	0	0	<b>0</b>
		<b>High</b>	1	2	<b>3</b>
		<b>Medium</b>	1	1	<b>2</b>
		<b>Low</b>	0	0	<b>0</b>
		<b>Advisory</b>	0	0	<b>0</b>



**West London Waste**

Treating waste as a valuable resource

# Executive summary (1 of 2)

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## Summary of findings

This audit has been undertaken as part of the West London Waste Authority (WLWA) 2022/23 Internal Audit Plan.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to Human Resources and Payroll processes with a focus on Payroll, HR Policies and Procedures, Recruitment (including checks), Absence Management Reporting and Wellbeing.

We found significant weaknesses in relation to the HR processes and procedures. The payroll process was found to be satisfactory and provided a valuable level of control to ensure that unauthorised payments were not processed. The weaknesses in relation the HR which have been raised in the report.

Management have advised that the last few years has been tough for essential businesses who have kept operating during the COVID global pandemic. Human Resources have been under additional pressure with the need to provide help with working arrangements and well-being support for of all the WLWA staff whether they have been working in Abbey Road or at home.

We have raised actions to mitigate three High Risk findings and two Medium Risk findings.

## Key findings

### High Risks

- **Document compliance** – Employee files do not contain the required documents needed to meet compliance and protect the WLWA if legally challenged, staff are being provided with contracts without two references being received and references are not always chased.
- **Amendments to payroll** – Requests for amendments to the payroll are being submitted when changes are either not authorised, incorrect or very incomplete in the detail. It is, however, noted that these are not processed by finance who undertake checks prior to submission to payroll.
- **DBS checks** – DBS checks are not being performed.

### Medium Risks

- **Policies and procedures** - Reviews on policies and procedures have not been undertaken for over six years
- **Monitoring** – Sickness monitoring triggers needs to be actioned and monitored, training and skills need to be examined and gaps highlighted to plan training and the role responsibilities for wellbeing champions needs to be down scaled if no volunteers are found.

## Executive summary (2 of 2)

- 1
**Amendments to Payroll**
High
- 2
**Missing Documentation / Non - Compliance**
High
- 3
**DBS and Qualification Checks**
High
- 4
**Policies and Procedures**
Medium
- 5
**Monitoring and Support**
Medium

### By Scope Area

	Critical	High	Medium	Low	Advisory
Payroll Processing	0	1	0	0	0
HR System	0	0	0	0	0
HR Services	0	2	2	0	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>

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## ***Background and scope (1 of 2)***

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### ***Background***

West London Waste Authority (WLWA) have a small Human Resources (HR) team to manage and help the employees from when they are recruited, to when they leave their employment. The payroll for the forty employees is undertaken predominately by Ealing Council. Some tasks such as adding or amending information is completed by the Finance team after instructed by the WLWA HR Manager and others. This review will look at the controls in place in some services provided by HR and the payroll process.

The purpose of this audit is to assess the management of HR compliance and Payroll.

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## Background and scope (2 of 2)

### Scope

The audit work focused on the following areas –

- **Payroll processing including –**
  - correct payments to employees
  - self-employment status check
  - starters and leavers and role adjustment
  - payroll processing and adjustments such as honoraria bonus or other payments
  - segregation of duties
  - reconciliation of data.
- **HR System including –**
  - access to HR data is restricted
  - standing data amendments within itrent.
- **HR Services including procedures for HR services such as -**
  - procedures for HR services such as payroll processing guides
  - employee HR policies procedures management
  - recruitment including reference checks and DBS etc
  - contracts
  - training
  - sickness monitoring
  - management reporting
  - wellbeing

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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 interfaces.

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 5)

### Document Compliance

#### Operating Effectiveness

1

High

### Finding and root cause

Each employee will have their own file held with Human Resources. The files should contain all documents pertaining to employment such as contracts and role change letters and recruitment documents. There is regulatory requirement to retain HR documents for recruitment for twelve months and other documents such as contracts and job evaluations for the entire length of service.

It is company policy to accept two references before contracts can be signed.

We requested recruitment documents for six employees and found documents were either not provided or could not be located in the HR files examined. All job specifications were on file but there were issues with the following:

- Application forms – only one out of six application forms were on file. One individual moved from temporary agency to permanent which could explain one of the outstanding five missing forms.
- Test questions – of the six employees, five were required to be tested at the interview. Records of test questions for two employees were provided but three employee files did not hold the records.
- Interview notes – three employee files from the six examined held no interview notes.
- Interview score sheets – three employee files from the six examined held no interview score sheets.
- References – two of the six files held the required two references. One employees file held no references, but they had a signed contract. We were informed that the references for another employee were lost, and he had not been given a contract. The employee started in September 2021. Two employees had one reference on file and they both started working full time for the WLWA in May. We were advised and provided evidence to show that the reference for one of two employees was only requested after Audit were asking to see it. The employee already had a signed contract. One employee gave a company referees contact details, and a reference was obtained but the company was in fact her own company. This was spotted and two further references were obtained from other companies.
- Job evaluations – Only four of the six employees had records of job evaluations on file, but we were informed that they all had been through the process.

- Contracts – There were two signed contracts and two unsigned contracts on file. Two of the employee files did not have a contract on file but these employees did not have references on file which could be the reason.

We requested the signed contracts for a further five employees who had been with the company for more than twelve months and we were advised that the contracts were in the office. We were never provided with these signed copies so cannot give assurance that they exist.

We noted on the 30<sup>th</sup> June 2022, that the main HR email account had just under 400 unopened emails which could be where some of the documents are. It is not clear if the opened emails held in the email account had their attachments filed in employee records.

We were unable to determine if itrent standing data amendments were monitored as itrent do not have this reporting functionality.

### Implications

- Legal challenges for recruitment practices will be indefensible if recruitment documents are not retained.
- Breaching regulatory compliance where regulatory time periods have not been observed leading to reputational damage.
- Employees may breach the terms and conditions of employment as they are unaware of terms documented in contracts.
- Unsuitable candidates are provided with permanent contracts without obtaining references.

### Action plan

- 1) HR will start to use checklists to ensure the recruitment process is followed and documents are not overlooked, and everything is filed in the applicable employee file.
- 2) HR Management should undertake reviews of files to confirm the checklist is completed and spot checks to confirm that the documentation is there to support it.
- 3) Recruiting managers should be provided with recruitment training including the need to ensure that references are received and reviewed.
- 4) Missing documents for all employees will be located and placed on file with new starters and those employed for less than twelve months given priority.
- 5) Contracts will not be signed until two satisfactory references are received.
- 6) Any staff files found to not have a contract filed will be investigated to determine if the employee was issued with one.

#### *Responsible person/title*

HR Manager

#### *Target date*

December 2022

- 7) The opened emails contained in the HR account are thoroughly checked to ensure they have been actioned and if applicable, documents filed.
  - 8) The unopened emails within the HR account are opened and immediately responded / actioned and if applicable, the documents are filed in the correct file.
  - 9) HR Management should review the HR in-box regularly to ensure it is cleared down and there are not a lot of unopened emails.
  - 10) Staff will be reminded to periodically check their personal details on itrent as no reporting to monitor this is possible.
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## Current year findings (2 of 5)

### Amendments to Payroll

#### Control Design

2

High

#### Finding and root cause

The WLWA use Ealing Payroll Services to process the monthly payroll. Each month, Ealing sends a salaries spreadsheet of payments to be made to staff. The WLWA Finance Team would check the spreadsheet to ensure only regular pay is included and any one-off payments from the previous month have not continued into the next month. They would also check to see if leavers highlighted in the previous month are no longer showing in the spreadsheet unless they were due any payments.

Amendments to payroll such as pay increases are communicated to Finance for them to ensure they are included in the final salaries' spreadsheet for payment via Ealing Services.

We selected the payroll information for five months and checked the amendment requests for each of those months and found errors, pending approval requests and an unauthorised payment request had been submitted.

- We looked at five amendment requests in May 2021 and found one new starter was requested on the payroll but was submitted without any paperwork (This employee was eventually paid incorrectly using an old pay rate). Two requests for holiday payments instead of leave were submitted but they had yet to be approved.
- In August 2021, we looked at thirteen amendment requests and found one notification of paternity and annual leave was submitted but had no information regarding dates. A further three amendment requests were missing vital information. Checks were made in the HR files, but the information needed was not there.
- In December 2021, we looked at four amendment requests and found one was for a leaver with a promise of sending through more information on holidays owed etc but did not come back. One other amendment request was for a pay increase which was incorrect as it quoted PO4 when the pay should have been Sc 4.
- Amendment requests in February 2022 were in order.
- In April 2022, there were two amendment requests examined. One of the requests should not have been submitted as it related to an incremental annual pay rise which was added two years previously. The remaining request was from an employee who tried to award themselves a pay rise of £5000 on top of their annual increment which had not been authorised and did not go through their Line Manager. The payment was stopped by Payroll. WLWA advised that they had investigated and reported as a misunderstanding.

We were advised that where Finance are unable to validate requests, these are returned to managers and not passed to Ealing payroll.

## Implications

- Unauthorised amendments are requested and are paid resulting in financial loss to the WLWA.
- Employees are pushed into financial difficulties when payments are not made due to a lack of evidence provided to Finance.

## Action plan

- 1) We will communicate to staff that any requests to amend payroll will not be accepted unless full documents and details are submitted.
- 2) Any requests from staff for actions against their own pay must be via the Director of Finance to show full approval has been given and allow segregation of duties compliance.
- 3) We will enforce an internal service level agreement for deadlines relating to any amendments to payroll.
- 4) The Finance team will continue to check salaries to ensure they are correct when uplifting pay increases, adding new starters and administrating leavers.
- 5) Any incomplete or unauthorised amendment requests repeatedly submitted, will be reported to the Director of Finance.

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### *Responsible person/title*

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HR Manager

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### *Target date*

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December 2022

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## Current year findings (3 of 5)

### DBS & Qualification Checks

#### Operating Effectiveness

3

High

### Finding and root cause

It is a requirement to perform a Disclosure and Barring Service (DBS) check on individuals employed in certain roles. If a company employs someone without doing checks, and later there is an incident involving that employee, the WLWA policies and procedures could be called into question, especially if previous convictions come to light. Employers who find themselves in this type of situation may face legal action.

For DBS checks, you can request:

- a basic check, which shows unspent convictions and conditional cautions
- a standard check, which shows spent and unspent convictions and cautions
- an enhanced check, which shows the same as a standard check plus any information held by local police that is considered relevant to the role
- an enhanced check with barred lists, which shows the same as an enhanced check plus whether the applicant is on the list of people barred from doing the role

Two of the sample of six employees selected were in roles which were subject to DBS clearance. One of the roles was a Data Operative and the other a Senior Accountant.

We were informed that the DBS for the Data Operative was completed but there was no record on file to support this and we were not provided with any tracking information. This role also required a degree but again there was nothing on file to confirm this had been checked.

The second DBS check required was for the Senior Accountant who started on the 29<sup>th</sup> November 2021. We were advised that the DBS check was overlooked due to transitioning to a new tracker. The DBS was requested on the 21<sup>st</sup> June 2022 during the audit after requesting evidence of compliance.

The employee with the outstanding DBS clearance was not subject of any additional supervisory measures as the Manager was unaware that the DBS clearance had not been undertaken.

We were advised that the DBS checks undertaken were enhanced checks, but the accountant role only required a standard check, and the Data Operative only required a basic check.

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### Implications

- Legal action against the WLWA for not complying with the DBS regulations leading to reputational damage and possible financial penalties if theft or fraud occurs by an unchecked employee with a criminal record.
- High risk of unsuitable characters freely working with WLWA data and finances leading to possible fraud, data corruption / loss and financial losses.

### Action plan

- 1) All roles required to pass DBS clearance are checked to ensure they have been processed and found to be satisfactory.
- 2) Qualification certificates are photocopied and placed on file for employees where the role requirement is essential.
- 3) As per finding 1 HR introduce checklists for new employees to ensure tasks do not get overlooked. This checklist should be reviewed by management and spot checks of files to confirm documentation is held.
- 4) Employees with DBS required roles should be closely supervised and subject to restricted access until the DBS is cleared.
- 5) A tracker is introduced to record DBS numbers against employees and if and when they need to be refreshed.
- 6) DBS checks will be made in line with government guidelines which can be found at [WWW.gov.uk](http://WWW.gov.uk).

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**Responsible person/title**

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HR Manager

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**Target date**

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December 2022

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## Current year findings (4 of 5)

### Policies and Procedures

#### Operating Effectiveness

4

Medium

#### Finding and root cause

A list of nineteen HR policies and procedures for staff to follow was provided and six policies were selected to review.

- 1) Absence Management – created in March 2013 and last reviewed in June 2015.
- 2) Special Leave – created in March 2014 and last reviewed in October 2015.
- 3) Recruitment – created in March 2014 but never reviewed.
- 4) Expenses – created in June 2013 and never reviewed.
- 5) Annual Leave – created in October 2013 and reviewed in October 2015.
- 6) Probation – created in March 2014 but never reviewed.

We found the policies were all very old and referred to officer's roles which no longer exist such as the Head of Finance and Resources. The expenses policy was very focused on travel and subsistence but when we examined the expenses over the past twelve months, we found expenses such as subscriptions, eye tests and glasses and equipment claims. The policy should be updated to be clear that a wider spectrum of expenses is acceptable.

A schedule of policy reviews was provided, and seventeen of the nineteen documents were noted as planned to be reviewed this year. Two policies were new so did not need reviewing. As six of them (including the Absence Management Policy) were scheduled to be reviewed in quarter one, we asked to see the documents. The documents were never provided.

#### Implications

Staff are following out of date policies which could lead to inconsistent work practices and possible compliance breaches.

#### Action plan

- 1) A full review is undertaken on policies as they are out of date.
- 2) A proper schedule is implemented showing when policies will be reviewed. This document should link to the Senior

**Responsible person/title**

HR Manager

**Target date**

Leadership Team (SLT) meetings and minutes should note that either XX policies have been reviewed and XX changes made for SLT approval or, XX policies have been reviewed and no major amendments required.

- 3) The expenses policy is updated to cover a broader range of expenses that can be claimed back. SLT must approve this broader range.
  - 4) Checklists are introduced to HR to track the process of reviewing policies and procedures.
-

## Current year findings (5 of 5)

### Monitoring and Support

#### Control Design

5

Medium

### Finding and root cause

The WLWAs sickness reports were examined, and we found that four officers should have triggered the sickness monitoring process due to frequent sickness or the number of days off sick.

We asked for evidence that the triggers had been actioned and managers informed so the monitoring could officially commence but we were not provided with anything. We discussed the matter with one Senior Officer who confirmed that he was monitoring an employee's sickness but for the other three, we were unable to confirm.

A request was made for evidence of training needs and training taken to monitor knowledge gaps for new and existing staff. We were informed that there was a matrix, albeit out of date, covering all staff, but this was not provided during the time of the audit.

The company provides lots of wellbeing information and advice. Four wellbeing champions roles were created for existing staff who assisted with various initiatives during 2021. During the audit, the champions guidelines and roles and responsibilities were issued which caused two champions to resign from the roles as they were unaware the role exceeded past 2021 and the work required in the issued documents was too much on top of their own business as usual duties. One of the four had already left the WLWA employment.

### Implications

- A lack of sickness monitoring may result in an increase of false sickness.
- Injury or harm to employees who work through sickness or injuries when they should be resting or receiving medical or mental health treatment and help.
- Wellbeing champions will not volunteer due to responsibilities being too large resulting in a lack of support for mental health issues
- Inconsistent work practices resulting in unfair treatment

### Action plan

- 1) Monthly reports are provided to managers showing employees who have triggered the sickness policy for monitoring.

**Responsible person/title**

HR Manager

**Target date**

- 2) HR should check with managers that sickness monitoring has started and revisit with the managers to ensure the process has been followed fairly and consistently.
  - 3) HR management should review sickness reports on a monthly basis and confirm actions are in place for all.
  - 4) The training matrix /plan should be updated, and training needs reported to close knowledge gaps for new and existing staff.
  - 5) If there are no more volunteers for being a wellbeing champion, the roles and responsibilities should be reviewed and possibly scaled down to attract volunteers. A meeting held in June to discuss the volunteers was held and two champions are now in place.
-

## 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.

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# Internal Audit Report 2022/23

West London  
Waste Authority

Final  
August 2022

## Abbey Road Processes

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



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## Executive summary (1 of 2)

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### Summary of findings

This audit has been undertaken as part of the West London Waste Authority (WLWA) 2022/23 Internal Audit Plan.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to the Abbey Road processes, with a focus on Administration and Asset Management.

We found a weakness in relation to the Asset Register, the process in which it is updated and the actual asset items. A system issue has also been identified which has resulted in the Weighbridge Operators not being able to view the alert to warn them of blacklisted vehicles.

We have raised actions to mitigate two Medium Risk findings.

### Key findings

#### Medium Risks

- **System Issue for Blacklisted Vehicles** – The input screen in the weighbridge system to note blacklisted vehicles is not pulling the information through to the main screen used by the weighbridge operators.
- **Asset Management Records** – The asset register is incomplete and unreliable.

30

## Executive summary (2 of 2)

**1** *System Issue for Blacklisted Vehicles*

Medium

**2** *Asset Management Records*

Medium

### By Scope Area

	Critical	High	Medium	Low	Advisory
Administration	0	1	0	0	0
Asset Management	0	1	0	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## ***Background and scope (1 of 2)***

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### ***Background***

West London Waste Authority (WLWA) manage the Abbey Road Waste and Recycling Centre for Brent Council. The site handles waste for both trade and residents. Residents are directed to one area on the site after they reach the weighbridge, and the load is checked. Trade vehicles are initially weighed, and specific load is checked before being directed to the correct area. The disposal is observed to ensure the load does not contain any items not declared at the weighbridge. The site also has a transfer station for all of the WLWA boroughs. The site no longer accepts case and trade customers are turned away if they cannot comply with this rule.

There are many processes to follow at the site to maintain health and safety as well as appropriate operational practices. The site is well run and has excellent records and controls. The only exception to this is the asset register.

The purpose of this audit is to assess the processes in place at Abbey Road and ensure compliance with processes is practiced with a focus on the asset register and administration.

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## Background and scope (2 of 2)

### Scope

The audit work focused on the following areas –

- **Administration including –**
  - Income reconciliations with weighbridge and payments by card.
  - Individual trade accounts reconciled to invoices.
  - Preparation for Finance to raise Invoices.
  - Debt records.
  - Accounts on hold process (blacklisted vehicles / accounts).
  - Deleted tickets system records.
  - Policies and procedures are accessible and up to date in binders.
- **Asset Management including –**
  - Records for assets are in place in the form of a register and cover details including when the asset would need replacing.
  - Asset register is regularly tested.

### 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 interfaces.

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)

## System Issue for Blacklisted Vehicles

### Operating Effectiveness

1

Medium

### Finding and root cause

When a customer/vehicle is placed on the blacklist spreadsheet, the information is keyed into the system so that weighbridge operators can see the blacklist status.

There are eighty customers / vehicles blacklisted or under a warning for the following reasons:

1. Unwanted Behaviour (e.g., rude, abusive or bribe) =21 instances
2. Runaway / Fly Tipper = 30 Instances
3. Customer Failed to Make the Payment = 9 instances
4. Cash Payer = 20 instances

Cash is no longer taken but individuals are stopped at the weighbridge and asked to pay a deposit by card if they are historically persistent cash payers. Individuals are now turned away if they only have cash. If a customer/vehicle falls into one of the categories listed, they are placed on a blacklisted spreadsheet with full details of the reason for being included; CCTV footage is also linked. A warning alert is keyed into the weighbridge system, prompting operators to check the spreadsheet if any blacklisted vehicles try to use the facility. Previous non-payments resulting in outstanding debts will need to be settled as well as upfront payment for the load they wish to dispose of is taken. A random sample of four entries on the blacklist were selected and checked on the weighbridge system to ensure the blacklist warning was clearly displayed for weighbridge operators to be notified. Only one out of the four displayed the warning. The input screens were examined and found to be in order, but the information appears to have stopped pulling the warning through to the main screen.

### Implications

- Staff safety is at risk from rude and abusive customers who may escalate to violence.
- Blacklisted vehicles continue to use the facility without paying causing financial loss.

### Action plan

- 1) The system is fixed to ensure blacklisted vehicles details are pulled through to the main screen to alert operators that preventative action or backup is required.
- 2) The blacklist spreadsheet is checked against the system to determine which alerts have been affected.

#### Responsible person/title

Arron Alison (Site Manager) and Tiago Santos (Operations and Data Officer)

#### Target date

31<sup>st</sup> October 2022

## Current year findings (2 of 2)

### Asset Management Records

#### Control Design

2

Medium

#### Finding and root cause

The WLWA retain an asset register for the Abbey Road site to list all the equipment valued above £500. The register also records desirable items such as mobile phones which may be less than £500 but more likely to go missing.

The Abbey Road asset register is not retained on site. On an annual basis, a member of the finance team would visit the site and test the register against the actual equipment to keep the register up to date.

The register was examined, and a sample selected to test, and the following issues were found:

- The Register did not have any serial numbers or factory codes listed, very few assets model numbers, no purchase dates, disposal dates and any amount of money from disposal were not noted or where they went and there was no fields to record an estimated replacement date.
- The register had twelve new assets listed but none had been assigned an asset sticker for identification. This was updated during the audit with seven assets now without asset stickers.
- Sample of Five Requested –
  - Two out of five assets (WLWA 0007 and WLWA 0020) were bin containers which were recently painted black, and the asset stickers were painted over and had not been replaced.
  - One out of five assets (WLWA 0048) was sold a few years ago, but this is not recorded on the register.
  - Two out of five assets (WLWA 0186 and WLA 0118) were found, asset pictures provided along with pictures of asset stickers.

It was noted that the Operations Manager had a new phone with an asset sticker (WLWA 0185) which was not listed on the register.

#### Implications

- The register becomes completely unreliable and redundant in the event of an insurance claim.
- Theft of items go unnoticed and difficult to recover without any identification numbers listed.
- Funds to replace equipment is not budgeted for as life span of machinery is unknown.
- Unauthorised disposals are undertaken without the knowledge of Senior Management.

### Action plan

- 1) The Abbey Road site will manage their own asset register whilst updating the finance team on any changes that occur so they can update their copy. All fields will be completed so it is clear what the asset is, the sticker number and if it has been disposed of or not. If an asset has been disposed of in the authorised way, the date of disposal and amount of money received should be noted as well as where it went.
- 2) Factory codes or individual serial numbers should be noted so stolen items have a chance at being recovered in the event of a theft. Model numbers should also be included in the description field.
- 3) The estimated date to show life span of asset should be added to alert people when an expensive asset could need replacing.
- 4) Once an item is purchased, it is immediately stickered and noted on the register. The team should be allocated a batch of stickers to use.
- 5) Any items re-painted should be done carefully or have a new sticker applied once dry. The register should be amended to show the new sticker and a cell comment to show what the sticker used to be.
- 6) The site team should check all the assets to ensure they are on the list and stickered. The site team should perform their own spot checks.
- 7) Once per year, an independent audit is held as it is now, but the two registers (site and finance) are matched to ensure accurate records are maintained at the head office and on site.

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#### **Responsible person/title**

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Xenab Khan (Finance Officer) and Arron Alison (Site Manager)

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#### **Target date**

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30<sup>th</sup> November 2022

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## 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

AUDIT COMMITTEE

20 January 2023

Report of the Finance Director

### External Audit Update

#### SUMMARY

This report provides the Committee with an update about the external audit arrangements. The key points are:

- Our external auditor EY, have highlighted a delay in finalising the audit work for the 2021/22 accounts
- The Public Sector Auditor Appointments (PSAA) have reduced the 2020/21 additional fee request from EY from £64,993 to £33,946
- The PSAA will be appointing a new external auditor KPMG, to audit accounts from 2023/24 accounts

#### RECOMMENDATION(S)

The Committee is asked to:-

- 1) Note the update on various external audit matters

#### 2021/22 External Audit

1. Previous reports have highlighted that over the last few years the entire audit sector has been faced with challenges of increasing legislative requirements and shortage of resources (i.e. personnel). Consequently many local authorities have a number of years of accounts yet to be audited. Indeed only 12% (Appendix 2) of local authorities had their 2021/22 accounts signed off by the end of November 2022..
2. For the first time in many years, our auditors EY, are advising that they too will be unable to complete our audit in a timely manner. They are planning to have resources in place during the next 3 months but cannot commit to completing their work in time for the March Authority meeting.
3. The main implications are that:
  - The external audit report and the approval of the audited 2021/22 accounts is delayed and will be reported to the June Audit Committee / Authority meeting at the earliest.
  - The commencement of audit work on the 2022/23 accounts will be delayed. Typically an interim audit would take place in February, however EY have advised that this will not be possible until completion of their 2021/22 work. Officers will explore options with EY to plan how the 2022/23 audit can take place as promptly as possible.
  - Managing multiple years accounts is inefficient and means a lot of double handling / revisiting detail for the Authority's small finance team. There may be some minor resourcing implications. We will seek to manage / minimise the impact through audit planning meetings with EY.

4. From an internal perspective we will aim to produce draft accounts for audit by early May as usual and report the 2022/23 draft accounts to the June Audit Committee meeting.

## **2020/21 Audit Fees**

5. The resolution and agreement of external audit fees is another long running and previously reported, sector wide issue. For 2020/21 the Authority's basic fee (called the Scale Fee) was £15,223, which is widely recognized as unsustainable. EY subsequently requested an additional £64,993. It is important to note that all audit firms have requested additional fees in this way/of this scale. This reflects the unsustainable nature of the basic fee.
6. Like many public bodies, the Authority's Officers challenged the auditor's additional fee. Consequently the PSAA has undertaken work to review EY's request and have determined an additional fee of £33,946 (Appendix 1) is appropriate. A reduction of £31,047 from the sum requested by EY. This brings the total fee for 2020/21 to £49,169 for the audit of the 2020/21 accounts.
7. Officers additionally requested that PSAA share the EY data they reviewed. EY did not agree to PSAA sharing this information with the Authority. However the overall quantum of the fee determined by the PSAA isn't unreasonable on the basis of work observed to have been undertaken by EY for the audit based on
  - Officer's and finance team provision of data/information for audit work and number/depth of questions asked
  - The numbers of weeks audited, the size of teams, the teams make up etc experienced by Officer's and the finance team.
  - Officers knowledge of day rates for various financial services and audit fees
8. On this basis Officers are minded to conclude the fee discussions with the PSAA for 2020/21. It is unclear if the PSAA have any powers or contractual ability to require/enforce the Authority to settle this sum if members were minded otherwise.
9. For 2021/22 fees and onwards Officer's will again ask that PSAA and EY share the information reviewed by PSAA and depending on the level of additional fee, make an appropriate recommendation.

## **Appointment of External Auditors for 5 years from 2023/24 accounts**

10. Following Audit Committee approval in January to join the PSAA scheme for local authority auditor appointments, the PSAA have progressed with their auditor appointment exercise. KPMG have been appointed as the Authority's auditors for the 5 years accounts from 2023/24.
11. The PSAA expectation is that fees will be set at a sustainable, higher level to reduce the likelihood of the current additional fee issues continuing.

## **Financial implications**

12. The annual value of the external audit fee is likely to increase from the 20/21 level of £50k under the current PSAA arrangements to at least £75k per year under the latest PSAA procurement from 2023/24. The sum has yet to be set by the PSAA.

Contact Officers	Jay Patel, Finance Director <a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a> Ian O'Donnell, Treasurer <a href="mailto:lanodonnell@westlondonwaste.gov.uk">lanodonnell@westlondonwaste.gov.uk</a>	01895 54 55 11
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## Appendix 1

Dear Mr Patel,

### Fee variation proposal

We are writing to inform you that we have reviewed the fee variation proposal (£64,993) submitted by your auditor Ernst & Young LLP for West London Waste Authority for audit year 2020/21.

As you know we have a robust procedure to review and approve fee variations in accordance with the Local Audit (Appointing Person) Regulations. The auditor is required to discuss the proposal with the audited body before any matter is referred to PSAA. Auditors then provide us with the detail of the proposal and whether or not the proposal has been agreed (in full or in part) by the audited body. Once received PSAA considers each and every individual claim carefully, irrespective of whether or not there is local agreement. We have set out our process for assessing fee variation proposals on our website [Fee variation process – PSAA](#), which includes considering their value and size relative to others that are similar.

Having carefully reviewed and considered all of the information provided to us so far, we are currently minded to approve a fee variation of £33,946 (i.e. reducing the auditor's proposal by £31,047). A breakdown of the amounts approved is shown below.

Scale Fee	£15,223
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### Fee Variations

Approved on	Category	Value
14/06/2022	Pension valuation	£3,375
14/06/2022	PPE valuation	£4,750
14/06/2022	PFI	£6,693
14/06/2022	Quality or preparation issues	£1,908
14/06/2022	VFM commentary	£5,042
14/06/2022	COVID-19	£2,627
14/06/2022	Increased FRC challenge	£3,875
14/06/2022	Work of internal expert	£3,176
14/06/2022	ISA540	£2,500

Total Fee Variations	£33,946
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<b>2020-2021 total fee including this variation</b>	<b>£49,169</b>
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Unless we hear from you by 29 June 2022 we will work on the basis that the amount above will be the final determination. You can contact us at [feevariations@psaa.co.uk](mailto:feevariations@psaa.co.uk).

Kind regards

PSAA

## Audit Opinions data 2015/16 to 2021/22

<b>Audit year <i>Publishing date</i></b>	<b>Number of opted in bodies</b>	<b>Percentage of audits complete by publishing date</b>	<b>Number of audits by oldest year outstanding</b>	<b>Number of audits outstanding per financial year</b>
2021/22 30 Nov	<b>467</b>	12%	250	411
2020/21 30 Sep	<b>474</b>	9%	116	161
2019/20 30 Nov	<b>478</b>	45%	35	45
2018/19 31 Jul	<b>486</b>	57%	7	10
2017/18 31 Jul	<b>494</b>	87%	2	3
2016/17 30 Sep	<b>497</b>	95%	0	1
2015/16 30 Sep	<b>497</b>	97%	1	1

As at 30 November 2022

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

20 January 2023

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. The key points are:

- The risk register has been reviewed following feedback from Chief Officers
- The risk register has been updated to provide better focus on strategic and significant risks and only shows risks that are not fully mitigated (i.e. green)
- This is consistent with the published borough risk registers

**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 Leadership Team meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely.
3. Acknowledging feedback which highlighted that the Risk Register contained numerous operational and relatively low risk items, a full review has been undertaken. The Risk Register now focusses on significant and strategic risks with the operational risks being managed at an operational level. This is now consistent with the strategic perspective of the 3 publicly available constituent boroughs' Corporate Risk Registers. The boroughs risk registers also focus only on the risks that are not fully mitigated i.e. only amber and red risks. The Authority's risk register has been updated on the same basis.
4. It is worth noting that waste activities do not feature in the published borough risk registers and this is understandable given the much larger and wider scale of risks faced by boroughs. Officers will continue to highlight waste risks to borough Environment Directors and Finance Directors so they can appropriately incorporate into their operational risk management arrangements.

5. 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.
  
6. Appendix 2 provides the latest risk register which was updated as described above and considered at the latest round of management meetings. In overall terms, the risk register identifies no Red and 16 Amber risks facing the Authority and the mitigating actions to reduce the risk. There are no notable (Red) risks.

Contact Officers	Jay Patel, Finance Director <a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a> Emma Beal, Managing Director <a href="mailto:emmabeal@westlondonwaste.gov.uk">emmabeal@westlondonwaste.gov.uk</a> Ian O'Donnell, Treasurer <a href="mailto:lanodonnell@westlondonwaste.gov.uk">lanodonnell@westlondonwaste.gov.uk</a>	01895 54 55 11  01895 54 55 15
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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 leadership 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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## Appendix 2 - 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. One or more operational shock(s) or long term stress will cause contract or operational poor performance eg a second pandemic, industrial action, increased regulator requirements, change management, projects.	Transfer stations bottlenecks impacting collections. Change / perceived loss of service on HRRC sites for residents. Negative indicators on contract performance. Increased cost of service.	Political	4	4	16	Weekly waste reporting, joint monitoring of KPIs and service monitoring with Boroughs and service partners. Regular communications with government and regulators at a senior level and with national associations. Business continuity planning and regular reviews of contingency arrangements on each contract. Continuity planning with Boroughs including reducing frequency of tipping and rescheduling tipping times at the transfer stations. Emergency / fast procurement capability using dynamic procurement system and ensure key potential off takers are registered on the DPS. £6m investments into cranes, weighbridges and compactors at rail linked sites. <b>Infrastructure investment plans linked to projects and change management.</b> Stay aligned / maintain up to date knowledge of the waste market, waste flow planning.	3	3	9	Head of Service Delivery
2. Legislative cost pressure eg Carbon tax / Emission trading scheme will be implemented faster than our change programmes to reduce waste. Boroughs may use money needed to invest in change to plug short term funding gaps.	Failure to invest sufficiently in projects to reduce waste. Levy growth over the medium term.	Economic	5	4	20	<b>WLWA medium term strategy review.</b> Savings strategy to reduce waste resulted in projects team, now growing in maturity. Harness additional savings / income for reinvestment in projects (EPR plan, electricity income, energy savings, recyclate income) Collaborative strategy planning with Boroughs, JMWMS, <b>A plan for 2030.</b> Regular reviews of the finance strategy and project KPIs with Environment Directors and Finance Directors. Food waste project to reduce waste, reduce cost and increase recycling rates. Digital twin project to map current services and waste flows and plan future opportunities of service changes/improvements. Social value and reuse project invests in income generation at HRRCs, supports community good growth and positively informs residents about the value of waste. Communications project tests the knowledge of residents against an ideal. <b>Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste).</b>	4	3	12	Finance Director
3. The economic climate will impact our ability to retain staff. Recruitment will be difficult and / or take a long while due to eg: scarcity or incomplete experience/training..	Additional pressure on HR, Managers and remaining staff. New people need time to be trained in skills for the future. Time lost on projects..	Operational	4	4	16	Monday morning strategic meetings. Monthly team meetings in person to maintain cohesiveness with regular focus on knowledge, purpose, culture and values. Core training on coaching, insights, lean and six sigma and digital skills "the future of work" led and planned by SLT. <b>Leaders and Managers to monitor team turnover, regularly review succession planning, skills gaps analysis, job descriptions and job market.</b> <b>Procure contracts to support the projects and spread the risk.</b> <b>Review the value of operational work in the current market and our ability to attract high quality staff.</b> Offer secondment / staff sharing arrangements to maintain service levels with Boroughs and service partners.	3	3	9	Managing Director
4. The complexity of the PPP contract payment mechanisms results in unintended consequences.	Less income or saving than expected following the capacity increase variation	Economic	4	3	12	SLT to deliver the variation with support from Sharpe Pritchard using in depth contract knowledge and experience. Thorough checks and testing throughout negotiation and prior to finalising the variation. Financial modelling to support the variation and contract management. <b>Independent audit of payment mechanism.</b> Training and familiarisation with payment mechanisms. Periodic billing file audits.	3	3	9	Finance Director
5. IT systems will face cyberattack or suffer a major failure.	Loss of data Failure to make statutory reports. Relying on Boroughs or Contractors for invoicing data. Operational shocks or projects delay.	Economic	4	4	16	<b>All weighbridges except Abbey Road are run by third parties so we should investigate their security and systems.</b> <b>Data strategy needed due to the amount of people's / Boroughs data we are holding and the importance of that data to our savings projects.</b> <b>Data policy needed to eg ensure staff only use the cloud based systems / use of hard drive is limited and backed up regularly.</b> Out-sourced cloud based systems subject to a wide range of back-up and security measures inc remote storage and performance to an agreed service level standards. Contractor deploys a range of security measures to prevent unauthorized access to systems including 2 factor authentication, firewalls, antivirus and antispyware. Restricting access to kit, communications and applications to authorised users only. IT strategy is in place and IT requirements are regularly reviewed.	4	3	12	Finance Director
6. Changes in law or savings projects will affect our operations and contracts (Item 3 above considers)	Unanticipated cost for the Authority Contractor claims for QCiL Unanticipated changes to waste flows Needing change from Borough operations to take whole system approach	Operational	4	5	20	<b>WLWA medium term strategy review.</b> Collaborative strategy planning with Boroughs, JMWMS, <b>A plan for 2030.</b> <b>Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste).</b> Low contamination policies for all material streams	3	4	12	Head of Service Delivery

**Appendix 2 - 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	
legislation designed to have financial implications)						Risks and opportunity costs identified collaboratively at March '22 strategy day. Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Analysis of the implications of the Environment Bill. Build costs into finance strategy and budgeting process. Operational support for projects to reduce waste / whole system costs Food waste project - Press Defra for capital funding for new food waste infrastructure. Digital twin project – Build operational digital skills. Social value and reuse project – Build operational Circular Economy skills. Communications project - test the knowledge of WLWA operatives against an ideal.				
7. Environmental regulator will require more use of buildings and structures to prevent environmental damage.	Increased cost Increased cost of repair Potential fines Reputational damage	Operational	5	4	20	<b>Build costs into the costs of Projects, budgeting process and finance strategy. Press Defra for capital funding for all requirements linked to legislative change.</b> Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Involving operations in the projects, building knowledge and skills. CoTC training, responses to consultations. Range of processes including internal daily and weekly monitoring. Regular review of operational risks and procurement policy. Monitor contractors' environmental performance and reporting.	4	3	12	Operations Manager
8. Pressure of change increases the risk of Health & Safety breaches. Circular Economy partners eg small charities are not as savvy to operational risk as they need to be.	Risk of injury to staff or public visitors to Authority sites. CE Partner organisations have less developed controls and need operational support and careful management.  Early termination of CE small scale or trial services.	Operational	5	4	20	Specialist Health and Safety Advice contracted in. Collaborative H&S group set up with Boroughs. <b>Periodic internal audit of contractors included in H&amp;S Advisor contract.</b> Annual Action Plans to continuously improve. Monitor contractors' health and safety performance and reporting. Regularly test and review fire prevention/precaution measures at site including fire risk assessments. Communications project to address batteries and e-waste. Losses are covered by insurance policies. Organise sites to ensure adequate separation between operational areas and public or volunteers. Stress testing of CE partner business cases (financial and environmental). 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 CE service offering to ensure appropriate controls are implemented to manage the operation and risk it entails. H&S termination clauses.	4	3	12	Operations Manager

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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 of 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