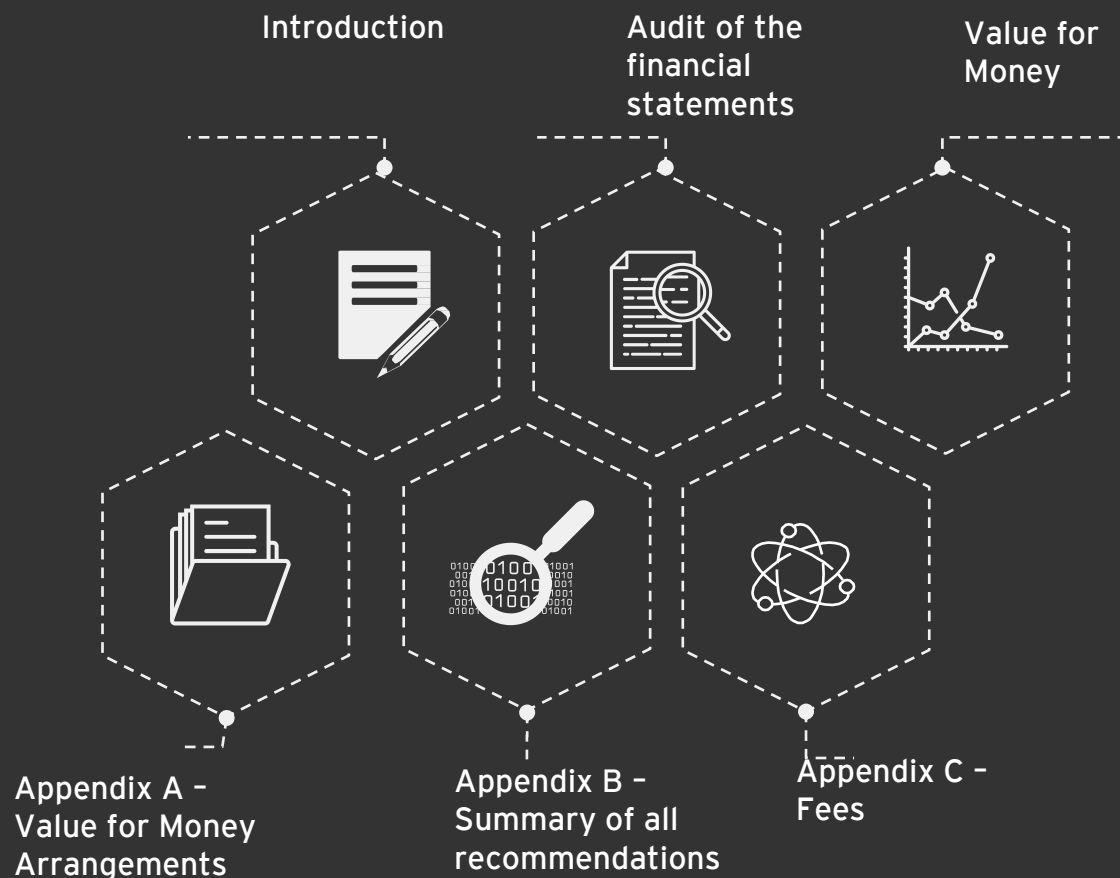


A photograph of a modern office interior with a glass wall. The floor is highly reflective, showing the ceiling lights and the glass structure. The ceiling has recessed lighting. The glass wall reflects the interior and the exterior environment.

West London Waste Authority Auditor's Annual Report

Year ended 31 March 2022

Contents



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.psa.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 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 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 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.



Introduction

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 value for money (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 2021/22 audit work in accordance with the Audit Plan that we issued on 7 January 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

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 statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 31 August 2023.
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 other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 03.
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.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission.



Audit of the financial statements

Key findings

The Narrative Statement 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 27 October 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 23 June 2023 Audit Committee meeting and circulated our final Audit Results Report on 27 October 2023.

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
Risk of fraud in revenue and expenditure recognition -Miscellaneous Income	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Revenue in this context has been modified by Practice Note 10 which states that auditors should also consider the risk that material misstatements due to fraudulent financial reporting may arise for the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets.</p> <p>Included in the accounts of the Authority is Miscellaneous Income which relates to WLWA's share of SERC capacity increase and is recognised as an accrual. We have presumed revenue recognition risk due to error or fraud related to calculating and determining the amount to be accrued. In addition, rising electricity price since Jan 2022 will potentially increase the income sharing slice under PPP contract, this benefit will possibly be shared with its commissioning councils.</p> <p>Based on the procedures we have performed, we identified that at the financial year end, there should be a possible obligation for the excess share which is to be paid to the commissioning council and therefore, a provision should be raised in terms of IAS 37. A finding was raised which was subsequently corrected by management.</p>
Misstatements due to fraud or error - management override of controls	<p>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.</p> <p>Our work did not identify any instances of inappropriate judgements being applied.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the Authority 's normal course of business.</p>



Audit of the financial statements

Significant risk

Valuation of Property, Plant and Equipment

Conclusion

The current value of Property, Plant and Equipment represent a significant balance in the Authority's accounts, totalling approximately £240m and it is subject to valuation changes, impairment reviews and depreciation charges. 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. 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. The Authority undertook a full valuation of assets during the financial year-end 31 March 2022.

Based on the procedures we have performed, we have reached a conclusion that Property, Plant and Equipment is fairly stated at £240m in the year end accounts and that management have fairly reflected the fluctuation in the value of the Severn Energy Recovery Centre that is estimated to have occurred during the year. We have however, identified a material misstatement in the accounting entries processed relating to the revaluation of property, plant and equipment.

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.

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2021/22.

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

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

Scope

We are required to report on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 7 January Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority committee reports, meetings with the Officers and evaluation of associated documentation through our regular engagement with management and the finance team.

Reporting

We completed our risk assessment procedures in June 2022 and we identified a potential significant risk related to how the Authority ensures that it makes informed decisions and properly manages its risks, as part of our risk assessment procedures. We set out our planned response and did not identify any significant weaknesses in the Authority's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 9 to 15. The commentary on these pages summarises our conclusions over the arrangements at the Authority in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	The arrangement with regards to the excess tonnage was still in negotiation and not signed at year end.	No significant weaknesses identified
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	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

For 2021/22, West London Waste Authority (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. 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').

Looking forward to 2022/23 and beyond, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent and its long-term capital investment strategy effectively manages the longer-term risks of increasing landfill costs and tonnages and the Authority is well placed to continue delivering good value for money services to Boroughs for the foreseeable future.

The Authority's reserves position to manage its' risk, which excludes the notional property revaluation over the same period, and the share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous Income totalling £10.7 million, was £15.262 million compared to £7.818 million in the prior year. This also exceeded the target level of reserves as included in the 21/22 budget of £7.4 million.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

For 2021/22, the Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks. However, based on the discussions with management, the arrangement with regards to the excess tonnage was still in negotiation and will likely result in a long-term contract. This matter has been highlighted as a potential risk in the current year. To mitigate this, the following framework for decision making is in place for all arrangements:

- The Authority would always seek legal advice in such arrangements and where necessary, get an independent expert opinion and then table the reports to the board for recommendation.
- With regards to this specific agreement, legal advice was sought to review the formal proposal for increasing the throughput of Severnside Energy Recovery Centre (SERC).
- In addition, the authority undertook its own analysis of the potential benefits by securing the services of an expert to perform an independent review of the Suez capacity report and to evaluate the test results and assess the report conclusions. A report was then tabled at the June 2021 board meeting.

The above arrangement also resulted in an adjustment to the audited accounts in the current year as a contingent asset was raised for the possible income due to the Authority.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Recommendation:

The authority should ensure that all long outstanding agreements are concluded timeously and that all accounting implications of such agreements are considered.



Value for Money (continued)

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

For 2021/22, 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.

We have held regular (at least monthly) meetings with management, reviewed minutes of key meetings and attended every Audit Committee, during the period since our initial assessment of the proper arrangements for informed decision making. There have been no indications of fundamental failures in the proper arrangements considered in our initial risk assessment, other than that which was reported above.

Any issues identified by internal audit are monitored via the Audit Committee and reported regularly through the year. Internal Audit reports are used to inform which services need improvement. Overall the IA opinion weaknesses were identified in relation to contracts in place / signed, setting up of suppliers and amending supplier details along with segregation of duties issues when ordering and authorising payments. Management are still in the process of addressing internal audit recommendations.

We reviewed the action log of the fortnightly meetings held with the Borough Environment Directors which management uses to manage its performance against expectations with its stakeholders. As at the end of March, there was only one action which was not completed at its due date but a comment was provided.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
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 21/22 annual budget is dated 22 January 2021 and 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. The two risks classified as High in the annual budget are borough FCL tonnages being higher than budgeted resulting in an under-recovery of HRRC disposal costs through the FCL charge which is fixed and new markets will emerge for recycling of specific waste streams (as opposed to landfill). The Authority built this risk into their planning by setting aside sufficient reserves. The Head of Finance and Performance also confirmed that the Authority will secure funding if and when needed for capital projects.
How the body plans to bridge its funding gaps and identifies achievable savings	<p>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 PWLB and the Boroughs, or through WLWA's own revenue streams. Revenue funding of debt has been discussed in the 21/22 annual budget.</p> <p>Any potential savings have also been identified in the annual budget. This was done by engaging with budget managers who reported their 2021/22 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</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Authority utilises long term planning to support the sustainable delivery of services. The plan is prepared and discussed by Head of Finance, 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 prepare their services.</p> <p>As mentioned above, the annual budget is also prepared in consultation with the Boroughs to identify potential future demand. For example: the Authority's Business Plan identifies action in 3 areas; Climate Emergency, Joint Working and Data. The budget for 2022/23 aims to push on with some of this strategic work.</p>
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	<p>The Authority reviews its long-term financial planning annually alongside the business plan, which details the activities, opportunities and risks for the long term. We have obtained the business plan for the period 2020-2025, which outlines the overall strategy for the Authority in addition to its financial performance.</p> <p>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.</p>

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

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. Pg. 16 of the annual budget confirms a target level of reserves for 2021/2 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.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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 Officer 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 21/22 was that overall IA can provide reasonable assurance on internal controls.

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.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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

Finance Reports (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 KPIs and any other relevant information.

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.

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 off of 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.

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 4 times per year, is comprised of appropriately skilled and experienced lay members, 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 4 times a year to discuss the annual budget, budget monitoring report and any other issues such as updates on current projects.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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)

Findings

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 2021/22.

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 2021-22. No related party transactions were declared

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

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.

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 - Keep waste moving- are 'Diversion from Landfill %' and 'Turnaround times (% above 25 minutes) for borough vehicles'. 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.

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 and 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.

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

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

Findings

The Authority has an overarching procurement policy in place, the Contract and Procurement Rules 206, which were formally approved by senior management. The internal audit report covers Contracts and Procurements to determine if procurement exercises are conducted in accordance with relevant legislation. Overall the IA opinion weaknesses were identified in relation to contracts in place / signed, setting up of suppliers and amending supplier details along with segregation of duties issues when ordering and authorising payments.

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 2021/22.

Appendix B - Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
Financial statements: Accounting implications with regards to the excess tonnage agreement was not taken into account which resulted in an understatement of a Provision of £6.5m and contingent asset £380k	To ensure that all arrangements are reviewed for any possible accounting implications.	The misstatement was due to the incorrect interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and the timing of the payment received. The adjustment was subsequently posted and disclosed appropriately in the final accounts. Management will ensure that clarity is sort where there is an uncertainty with regards to accounting implications of certain financial transactions.

Appendix C - Fees

Fees

We carried out our audit of the Corporation'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 July 2021)". The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling-Up, Housing and Communities.

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.

We were required to carry out additional audit procedures to address audit risks in relation to a number of areas outlined below.

Description	Proposed Fee 2021/22 £	Planned Scale Fee 2021/22 £	Final Fee 2020/21 £
Audit Scale Fee - Code work	£15,223	£15,223	£15,223
Scale fee variation determined by PSAA	-	N/A	£18,723
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	£40,100	£40,100	N/A
Revised Scale Fee	£55,323	£55,323	£33,946
Scale Fee Variation - new VFM arrangements (Note 2)	£10,089	£5,000	N/A
Scale Fee Variation - revised ISA 540 (Note 2)	£4,532	£4,500	N/A
Scale Fee Variation due to one-off issues impacting the 2021/22 audit (see Note 3)	£19,001	N/A	N/A
Total Audit Fee	£88,945	£64,823	£33,946

Appendix C - Fees

Fees

Note 1

We have previously discussed with the management and the Governance and Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2021/22 the scale fee has been re-assessed to take these into account.

Note 2

From 2020/21, the new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

Note 3

For 2021/22 we have quantified the additional work we undertook in the completion of the 2021/22 audit.

- Additional work required as a result of the triennial valuation being available prior to the end of the - £3,935
- Work in relation to the prior year adjustments - £7,785
- Technical accounting issues identified regarding the excess revenue- £2,571
- Re-assessment of miscellaneous income to a presumed risk due to fraud or error in line with the ISA 240 requirements - £4,710

We discuss with management our assessment of the audit fees required to safeguard audit quality and our professional standards. We intend to report to PSAA at this stage our assessment of the changes required to the fee to include the impacts set out in Note 1 to 3. We will notify PSAA that the Corporation strongly disagrees with elements of the variations detailed in note 3 above. PSAA are ultimately responsible for determining the scale fee and any variations.

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

Appendix C - Fees

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. We confirm we have not undertaken any non-audit work and as at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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EY-000070901-01 (UK) 07/18. CSG London.

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