



## West London Waste Authority

Hugh Peart  
Clerk  
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Middlesex HA1 2XY

18 January 2017

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### West London Waste Authority - Audit Committee

A meeting of the West London Waste Authority - Audit Committee will be held in Gilbert and Sullivan Room, First Floor, Harrow Civic Centre, Station Road, Harrow, HA1 2XY on Friday 27 January 2017 at 10.00 am

#### MEMBERSHIP

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

Independent Person: Andrea White

### AGENDA

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

1. Apologies for absence
2. Declarations of interest

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

3. Minutes of the meeting held on 23 September 2016 **(Pages 3 - 4)**
4. Internal Audit Final Assurance Report( Creditors, Risk Management, Waste Minimisation, Corporate Governance) **(Pages 5 - 68)**
5. Internal Audit Update and 2017/18 Plan **(Pages 69 - 72)**
6. Risk Register **(Pages 73 - 78)**
7. External Audit Plan for 2016/17 Accounts **(Pages 79 - 96)**

8. Urgent Business

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

**Nil**

**Recording and reporting on public meetings**

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

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

Hugh Peart  
Clerk to the Authority

At a meeting of the West London Waste Authority - Audit Committee held on Friday 23 September 2016 at 10.00 am at the Committee Room 5, Harrow Civic Centre.

**Present:**

Councillor Amritpal Mann (Chair)

Councillor Keith Burrows and Councillor Eleanor Southwood

Andrea White (Independent Person)

**21. Declarations of interest**

There were no declarations of interest.

**22. Minutes of the meeting held on 29 January 2016**

The minutes of the meeting held on 29 January 2016 were confirmed.

**23. Matters Arising from the Minutes**

In relation to Minute 15, Internal Audit Update, the thirteen low risk recommendations had been accepted by management and implemented.

**24. Annual Internal Audit Report and Opinion Statement 2015/16**

The Committee received the report which summarised the main findings arising from the 2015/16 Internal Audit Assurance work.

In response to a question, the Internal Auditor advised that the definitions in terms of risk ratings and risk response were set out in Appendix B and that there was strength in the over arching governance arrangements.

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

**25. Audit Result Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016**

The Committee received the report which summarised the findings from the 2015/16 audit which was substantially complete. The Committee welcomed Helen Thompson and David Guest, External Auditors, Ernst & Young, to the meeting.

Helen Thompson outlined the results of the audit and the conclusions and indicated that it was expected that an unqualified financial opinion would be issued on the accounts. She added that there would be a Value for Money conclusion and that no significant risks had been identified.

It was also confirmed that the audit had been smooth.

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

**26. Risk Register**

The Committee received a report which provided the Risk Management Policy and Risk Management Framework and details of the Authority's updated Risk Register.

Jay Patel, Head of Finance, reported that some minor amendments to the existing policy had been made and outlined the theme of the policy. In particular, he flagged up 4 key items; Amber risk - Brexit; Red risk - Commissioning a new facility; Amber Risk – L1, Failure to review and update the Joint Waste Management Strategy; Amber risk – L3, new legislation in relation to new incinerator bottom ash requirements. He added that Amber risk L4 - the Memorandum of Understanding, required deletion as it was now Green and would be included in the work plan. It was not, however, a priority.

In response to a question as to the Authority's compliance with L3, Jay Patel undertook to provide a response. In terms of EN1, Environmental Risks, and the comment that management actions appeared to be reactive, he undertook to provide a response detailing the proactive arrangements in this area.

**RESOLVED:** That (1) the updated Risk Management Policy and Risk Management Framework detailed at Appendix 1 of the report be approved;

(2) the content of the Risk Register as at September 2016 and detailed at Appendix 2 of the report be noted.

## **27. Assurance Statements**

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

**RESOLVED:** That the Assurance Statements attached at Appendix 1 to the report be noted.

## **28. Statement of Accounts for the year ending 31 March 2016**

The Committee received the Statement of Accounts for the year ending 31 March 2016.

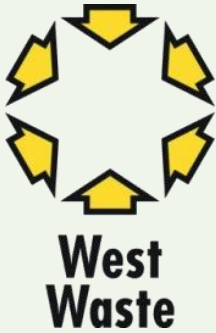
Having noted that some figures were not shown correctly in the Audit Committee agenda papers but that all Members of the Committee had received the same report, with all figures correctly shown, in the Authority Agenda papers it was

**Resolved to RECOMMEND (to the Authority)**

That the Statement of Accounts for 2015/16, as attached at pages 9 -53 to the Authority's agenda papers, be approved.

**The meeting finished at 10.33 am.**

The minute taker at this meeting was Alison Atherton.



# INTERNAL AUDIT

## Final Assurance Report 2016/17

### Creditors

13<sup>th</sup> October 2016

#### Overall IA Assurance Opinion:

**REASONABLE**

#### Recommendation Overview:

High Risk	1
Medium Risk	2
Low Risk	0
Notable Practice	0

#### Review Sponsor:

Jay Patel	Head of Finance and Performance
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#### Report Distribution:

Xenab Khan	Finance Officer
Barry Lister	Senior Assistant Director
Emma Beal	Managing Director

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



## 1. Introduction

- 1.1 This risk based IA assurance review forms part of the 2016/17 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks in relation to Creditors.

## 2. Background

- 2.1 A creditor is a party (e.g. person, organisation, company or government) to whom money is owed. WLWA's creditor function is overseen by the Head of Finance and Performance. Creditor orders and payments are processed on the Authority's ledger system (Agresso) and its Access waste data management system.
- 2.2 The Authority's current Financial Regulations specifically outline the treatment of creditors. The regulations state that new creditor accounts can only be set up with the approval of the Head of Finance and Performance whose responsibility it is to ensure that appropriate checks have been carried out on the companies concerned. The Authority commits to paying all undisputed invoices within 30 days from the date of receipt. Payment terms of less than 28 days can only be agreed with the approval of the Treasurer. The Treasurer is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

## 3. Executive Summary

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

Scope Area	IA Assessment of WLWA
Policies and procedures	<b>SUBSTANTIAL</b> - The Authority's Financial Regulations (FRs) capture the process for setting up new supplier accounts and detail the overarching process for invoice payments. Documented procedures have been established to underpin the FRs, providing guidance to staff on the two types of invoices received; Waste Trade and Disposal (WTD) invoices and Non-WTD invoices.
Roles and responsibilities, including segregation of duties	<b>REASONABLE</b> - The FRs clearly defines the roles and responsibilities, in particular the setting up of new supplier accounts. We also found adequate segregation of duties on the Agresso system, as well as the MS Access database, both of which are used by the finance team when processing invoices. However, our testing of access rights highlighted that a former employee still has Agresso admin rights.
Supplier account set up and amendments	<b>SUBSTANTIAL</b> - The Authority has stringent controls in place when setting up new supplier accounts, supported by a 'New Supplier' checklist which is signed off by the Head of Finance and Performance once completed. This is then sent to Ealing payments team who undertake credit and viability checks on behalf of the Authority.
Payments	<b>LIMITED</b> - We undertook testing on the two types of invoices that the Authority processes; WTD and Non-WTD. Our testing of a sample of invoices confirmed that each had been paid within 30 days, as set out in the Authority's FRs and in line with HMRC guidance. However, the due date for payment

	<p>recorded on the Agresso system did not correlate with our estimated due date based on the date received stamp. FR 79 states that "all undisputed invoices are to be paid within 30 days..." and thus it is important that information is accurate on the Agresso system to ensure compliance with this.</p> <p>Further control weaknesses identified through our testing were in relation to Non-WTD transactions. For example, in 7 of the 10 transactions sampled we established that no request prior to the payment for goods/services could be evidenced, whilst the receipt of goods confirmation process was also absent in these cases.</p>
Reconciliations	<p><b>SUBSTANTIAL</b> - Reconciliations were verified as performed on a monthly basis by the Finance Officer between Accounts Payable Control Account Balance and the Supplier Balance. Following performance of the reconciliation, it is reviewed by the Head of Finance and Performance to confirm its accuracy to supporting documentation, with this process evidenced through sign off.</p>
Management information and reporting	<p><b>SUBSTANTIAL</b> - We confirmed that Management receive sufficient information to aid their decision making requirements. We verified that expenditure is reported quarterly on a budget vs. actual basis, providing opportunity for variance analysis to be undertaken and scrutinised.</p>

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

## 4. Detailed Findings and Conclusions

### 4.1 Policies and procedures

4.1.1 Financial management covers all financial accountabilities in relation to the running of the Authority. The Authority has Financial Regulations (FRs) in place, which were last approved by the Authority in December 2015. The FR is binding on all employees and provides detailed instructions to assist officers with delegated authority to carry out their financial duties in a proper manner. Further, they provide the framework within which the Authority manages its finances, including income and expenditure.

4.1.2 The FRs are communicated to all staff members via the Authority's intranet and we are pleased to report that stringent controls are detailed under sections 77 to 80 of the FR which, if fully adhered to, will help to mitigate key risks. For example, this details the requirement that new creditor accounts can only be set up with the approval of the Head of Finance and Performance whose responsibility it is to ensure that appropriate checks have been carried out on the companies concerned.

4.1.3 WLWA process two types of invoices depending on whether they relate to Waste Transport and Disposal (WTD) or not. The Authority's intranet communicates a purchase to pay in user guide for the Agresso system however this module of Agresso is not currently utilised by the Authority. However, a WLWA specific Accounts Payable procedure has been produced, dated July 2015, which we confirmed to underpin the FRs and provide comprehensive guidance to staff. Through our testing we established that the process for non WTD Invoices differs slightly to WTD but this was found to be appropriately documented within this procedure.

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## 4.2 Roles and responsibilities, including segregation of duties

- 4.2.1 Roles and responsibilities are clearly defined within the Authority's FRs. This includes the requirement that new creditor accounts can only be set up with the approval of the Head of Finance and Performance. Further, only the Treasurer can agree payment terms of less than 28 days after an invoice is received.
- 4.2.2 To ensure there was sufficient segregation of duties within the creditor processes, we requested a report from Agresso detailing all employees with access to the Agresso system, their user profiles and associated permission rights. We analysed users holding the Requisitioner and Approver roles and confirmed that appropriate access was maintained with sufficient segregation of duties built into the creditors system.
- 4.2.3 Our testing did however highlight that the former Director of the Authority still had several user ids within the Agresso system potentially putting the system at risk due to the high level of access and authority of this individual. Subsequently, we have raised a recommendation aimed at addressing this risk (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).
- 4.2.4 For the WTD invoices that the Authority receives, a verification check is undertaken with information on the Access database. Tonnage data from the waste sites are input onto the Access database. If the invoice agrees with the tonnage data on Access then the officer will label the invoice with the supplier ID and the nominal code.
- 4.2.5 We requested a user access report displaying the admin rights to the Access database. The officers who perform the WTD invoice checks against information on the Access database do not have admin rights allowing them to enter tonnage data. Therefore sufficient controls are in place in regards to segregation of duties. This process was analysed as part of the 2015/16 waste tonnage data Internal Audit Assurance review, which provided Reasonable Assurance on the database and associated system of internal control.

## 4.3 Supplier account set up and amendments

- 4.3.1 Due to system limitations and the inability to obtain a report of new suppliers setup, we obtained a report from Agresso displaying all suppliers set up within the Agresso system. We sample tested five suppliers and are pleased to confirm that, in each case sampled, approval of the Head of Finance and Performance was evident in accordance with the FRs.
- 4.3.2 A supplier checklist, accompanied by the suppliers Bank Giro Credit, is required to be completed in order for a new supplier to be setup on Agresso. We are pleased to report that, in all five cases sampled, a supplier checklist was available, completed in full and accompanied by a Bank Giro Credit. Once completed, the supplier's details are sent to the London Borough of Ealing's Payments Team who undertake further suitability and viability checks prior to them being set up on the Agresso system.
- 4.3.3 From the five suppliers randomly selected, we are pleased to report that all five had been signed off by a member of the management team. It was noted that only 4 of the 5 suppliers were signed off by the Head of Finance and Performance (as required by the FRs). However, the one exception case related to a supplier setup prior to the new FRs whereby the previous Director signed off the supplier. This was deemed appropriate.

## 4.4 Payments

- 4.4.1 The Authority currently divides invoices into two batches, WTD and Non-WTD Invoices. WTD invoices relate to all contracted waste streams for which prices have already been agreed. Non WTD invoice relate to goods and services being bought as a one off.



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- 4.4.2 We obtained a creditor transaction report for the prior 12 months, selecting a random sample of 17 WTD transactions for testing. Our testing of these 17 transactions confirmed:
- That an invoice was available to support each of the transactions sampled from the creditor transaction report;
  - The amount on the invoice agreed to the system in each case sampled;
  - The payments were made within 30 days of receipt of the invoice and thus in accordance with the FRs; and
  - Evidence was available to confirm that the invoice was checked for accuracy against the information retained on the Access database.
- 4.4.3 Upon receipt of the invoice, the document is marked with a date stamp by a member of the Authority's finance team. FR 79 commits the Authority to pay all undisputed invoices within 30 days of receipt. However, our sample testing highlighted that, in 14 of the 17 cases tested, the payment due date as detailed within the Agresso system did not reconcile to 30 days after the date stamp on the invoice. Although, we confirmed that each of the 17 invoices sampled had been paid within 30 days of receipt of the invoice, it is still imperative that this control is accurate to ensure compliance with the FRs. We have therefore raised a recommendation aimed at strengthening arrangements regarding the data accuracy on Agresso (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).
- 4.4.4 We also selected a sample of ten Non-WTD transactions from the creditor report and are pleased to report that, in all ten cases sampled, the Agresso transaction was supported by a valid invoice which reconciled to financial system data. Further, in each case sampled the invoice was found to have been paid within 30 days of receipt. However, as previously discussed with WTD invoices, we found that the due date detailed within the Agresso system did not correlate to 30 days after the date stamped on the invoice as received in each case sampled.
- 4.4.5 Through discussions with management it became evident that the Authority do not currently utilise the purchase to pay in self service module function of Agresso. This is understood to be due to the fact it does not integrate with the process for WTD invoices, which account for the majority of invoices processed by the Authority. As a result, functionalities of Agresso that help to mitigate key risks remain unused. This includes the ability for the requisitioner to confirm that the goods/services were received prior to any payment being made.
- 4.4.6 We requested evidence that the goods / services for each of the ten Non-WTD transactions sampled were confirmed as received prior to a payment being made. We were only able to locate evidence, via email, that goods / service had been received for one invoice sampled. However in two further cases sampled the invoice was accompanied by a job sheet which had been signed by officers. Therefore, no confirmation of goods /services received could be evidenced in the remaining seven cases sampled.
- 4.4.7 As the Authority does not use the purchase-to-pay-in-self-service function, no requisition or purchase order is raised, and thus pre-approval of the expenditure does not occur. This also inhibits the ability for the authority to undertake commitment accounting and facilitate enhanced budget monitoring.
- 4.4.8 In the absence of the purchase-to-pay-in-self-service function, the Authority has not implemented any compensating controls such as standardised process in place in which goods/services are confirmed as received prior to payment. The risk of payments being made for goods/services that have not been provided is therefore prevalent. Thus, we have raised a recommendation aimed at strengthening the Authority's control environment in relation to payment of Non-WTD invoices (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

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## 4.5 Reconciliations

- 4.5.1 The Authority's Finance Officer undertakes a reconciliation between the Accounts Payable Control Balance and the Supplier Balance on a monthly basis. Upon completion of the reconciliation, the Head of Finance and Performance will review the reconciliation and sign it off confirming its accuracy. The performance of this reconciliation arose from a risk identified in the 2014/15 IA assurance review of the Main Accounting System, highlighting that in the absence of such reconciliations, errors or omissions to the accounts may go unnoticed.
- 4.5.2 We randomly selected two months of the current financial year (June and July) and requested evidence of the performance of this monthly reconciliation process. In each case sampled, we were able to confirm performance of the reconciliation and verify the figures to supporting documents. Further, in both cases sampled the Head of Finance and Performance had signed the reconciliation sheet, confirming that they had been reviewed as well as evidencing segregation of duties.

## 4.6 Management information and reporting

- 4.6.1 The Head of Finance and Performance receives a monthly report, titled the BVPI8 report in which the Authority's actual performance against the creditor payments Key Performance Indicator (KPI) is detailed. The KPI is for 90% of undisputed invoices to be paid within 30 days. We were provided with the previous months report as requested; the Authority had paid 98% of undisputed invoices within 30 days and therefore had exceeded the KPI.
- 4.6.2 We are pleased to report that Creditors are evidenced as reported to the quarterly Authority meetings; we took a sample of the last two Authority meetings (March and July 2016). Expenditure is also reported on a budget verses actual basis, helping to identify any variance however, it is our opinion, that this could be further enhanced through the use of the purchase order process. Further, we were also able to evidence that creditors are detailed within the end of year statement of accounts which currently is at draft stage, but will be presented to the Audit Committee and the Authority.

## 5. Acknowledgement

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

## 6. Internal Audit Contact Details

This audit was led by: Matteo Biondi, CIA  
**Senior Internal Auditor**

This audit was reviewed by: Elaine Polton, CPFA  
**Assistant Internal Audit Manager**

Thank you,



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

**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	<p>In the absence of Agresso's purchase-to-pay-in-self-service functionality, the Authority should consider introducing a process in which Non-WTD goods / services are confirmed as received prior to payment.</p> <p>Management should consider the use of the purchase order function to obtain approval of expenditure before it is committed by the Authority (para ref 4.4.8).</p>	<p><i>Without a receipt of goods confirmation process or purchase order process, there is an increased likelihood that payments are made for goods / services that have not been received or are not in the interests of the Authority. This in turn could lead to a direct financial loss to the Authority.</i></p> <p><i>Where full functionality of the Agresso system isn't utilised there is a risk that the full benefits of the system are not obtained, with loss of resources due to inefficient processes.</i></p>	<p><b>HIGH</b></p> <p>●</p>	<p><b>TREAT</b></p>	<p>The procedure for the Non-WTD invoices will be improved to include receipt of goods confirmation. For context please note that Non-WTD invoices represent less than 25% of all invoices (and less than 10% by value).</p>	<p>Finance Officer (Xenab Khan)</p> <p>31<sup>st</sup> October 2016</p>

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## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
2	<p>Management should review the Agresso user access rights to ensure that access is restricted to appropriate individuals and previous employee's access is appropriately removed. Consideration should be taken to implement a periodic check on Agresso user access rights to ensure they remain appropriate (para. ref 4.2.3).</p>	<p><i>Where the system user access is not reviewed and kept up to date, there is the risk that inappropriate access is granted to systems potentially compromising the integrity of the ledger and increasing exposure to fraudulent activity and risk of incorrect reporting.</i></p>	<p><b>MEDIUM</b></p> <p style="text-align: center;">●</p>	<b>TREAT</b>	<p>Access rights will be reviewed annually and amended appropriately.</p>	<p>Head of Finance (Jay Patel)</p> <p>31<sup>st</sup> December 2016</p>

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## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	Management should investigate the calculation of due date within the Agresso system to ensure its continued accuracy to ensure that it reconciles to 30 days after the date specified in the date received time stamp (para ref 4.4.3).	<i>If information within the Agresso system is not accurate there is a risk that the Authority will be working to incorrect payment dates. This could lead to late creditor payments, which could result in reputational damage to the Authority.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Reports have been identified that provide the correct dates and these will be used to check that payments are made in accordance with timescales.	Finance Officer  (Xenab Khan)  31 <sup>st</sup> December 2016

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

### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

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

**RISK RESPONSE DEFINITIONS**

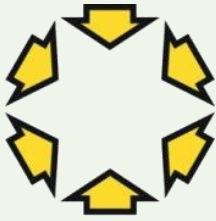
Risk Response	Definition
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility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

**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

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

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**West  
Waste**

# INTERNAL AUDIT

## Final Assurance Report 2016/17

### Risk Management

25<sup>th</sup> November 2016

#### Overall IA Assurance Opinion:

**REASONABLE**

#### Recommendation Overview:

High Risk	0
Medium Risk	5
Low Risk	3
Notable Practice	0

#### Review Sponsor:

Jay Patel

Head of Finance & Performance

#### Report Distribution:

Barry Lister

Senior Assistant Director

Emma Beal

Managing Director

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



## 1. Introduction

- 1.1 This risk based IA assurance review forms part of the 2016/17 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks in relation to Risk Management.

## 2. Background

- 2.1 Risk management is the process by which risks are identified and evaluated so that appropriate measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Authority from achieving its objectives and fulfilling its strategic priorities.
- 2.2 For the Authority, risks are considered as anything that will or has the potential to adversely affect the achievement of service improvement priorities and/or disrupt day to day service delivery. Good risk management aims to achieve compliance with the standards required for good corporate governance.
- 2.3 Risks can never be entirely eliminated, but proportionate and targeted action can be taken to reduce risks to a level which is deemed acceptable by the Authority. The aim of managing risks is not simply to avoid all risk, but rather to understand the nature of risks and determine the extent to which the Authority can accept risk in seeking to achieve its objectives and strategic priorities.
- 2.4 Throughout this report we refer to risk management terminology and for ease of reading we have provided a brief definition of some of these terms below:
- **Control** - any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.
  - **Risk** - the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
  - **Risk Management** - the process whereby organisations methodically address the risk attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.
  - **Risk Appetite** - The level of risk that is acceptable to the board or management. This may be set in relation to the organisation as a whole, for different groups of risks or at an individual risk level. It provides the benchmark against which WLWA's risk profile is reported, monitored and managed within its risk governance structure.
  - **Inherent risk** - the risk that an activity would pose if no controls or other mitigating factors were in place.
  - **Residual risk** - the amount of risk left over after natural or inherent risks have been reduced by controls. The general formula to calculate this is Residual Risk = Inherent Risk - impact of control.

## 3. Executive Summary

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

Scope Area	IA Assessment of WLWA
Policies and procedures	<b>Reasonable Assurance</b> - The Authority's Financial Regulations (FRs) document the responsibilities of Officers and Members, in particular the Audit Committee, in relation to Risk Management.

Scope Area	IA Assessment of WLWA
	<p>This is underpinned by the Risk Management Framework and Policy which was recently approved by the Audit Committee in September 2016. However, we believe that, in order to further embed a culture of risk management within the organisation this document could be communicated to all staff. Furthermore, a documented and defined risk appetite and a risk tolerance statement could be included clearly stating the risk appetite of the authority.</p> <p>We are pleased to report that the role of the Audit Committee in relation to risk management was found to be adequately captured within their documented Terms of Reference.</p>
Roles and responsibilities	<p><b>Substantial Assurance</b> - It was confirmed through review of the Authorities Financial Regulations, that roles and responsibilities in regards to risk management are clearly defined. Further, risk owners are also clearly stated and included within the risk register, providing further accountability in regards to the ownership of the agreed mitigating action.</p>
Risk identification, classification and evaluation	<p><b>Limited Assurance</b> - We found sufficient controls were in place allowing the Authority to identify, classify and evaluate risks, underpinned by the Risk Management Framework and Policy. This includes a risk classification key ensuring that a standardised approach to risk evaluation is undertaken. We are pleased to report the risks are RAG (Red, Amber and Green) rated, which is seen as good practice as well as being aligned to the PESTEL framework. However, the movement of risks could be further enhanced through the utilisation of a direction of travel indicator to focus resource on deteriorating / materialising risks.</p> <p>The Authority's Officer meeting was found to be an effective forum for corporate risk discussions, allowing for the identification of emerging corporate risks as well as the re-assessment of risks previously captured. However, it is our opinion that further improvements to the risk identification process could be obtained through the implementation of risk based discussions at operational management meetings. This, when coupled with individual service risk registers and appropriate escalation procedures, would prove significant to the early identification and management of risks to service objectives.</p>
Management of risks	<p><b>Limited Assurance</b> - We found significant control weaknesses in the management of the Authority's identified risk. Analysis of the Authority's corporate risk register identified one instance where the inherent risk score was amended throughout the year. Furthermore, instances were identified where the inherent risk scoring was equal to their residual risk scoring, potentially highlighting the insufficient mitigating action undertaken by management to address the risk.</p> <p>Our review highlighted that management action recorded within the risk register was not consistently provided with timescales for action, potentially weakening accountability for mitigating action to be taken.</p>

Scope Area	IA Assessment of WLWA
Monitoring and reporting	<p><b>Substantial Assurance</b> - We were pleased to confirm that the risk register is presented bi-annually to the Audit Committee. This allows the Audit Committee to fulfil its duty and review the risk register and the risk management strategy as per the Authority's FRs.</p> <p>Although we found no standardised report for risks with an unacceptable risk rating; risks were found to be discussed in depth at the Officers monthly meetings.</p>

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

## 4. Detailed Findings and Conclusions

### 4.1 Policies and procedures

4.1.1 The Authority has Financial Regulations (FRs) in place, which were last approved by the Authority in December 2015. The FR is binding on all employees and provides detailed instructions to assist officers with delegated authority to carry out their duties in a proper manner. Further, they provide the overarching responsibilities within which the Authority manages its risks. The FRs are communicated to all staff members via the Authority's intranet and we are pleased to report that stringent controls are detailed under sections 42 to 44 which, if fully adhered to, will help to mitigate key risks. For example, this details that it is essential that robust integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Authority.

4.1.2 The Authority has a Risk Management Policy, Strategy and Framework which underpins the requirements within the FRs. The Risk Management Framework supports the Risk Management Policy and helps improve and strengthen governance and front-line service delivery throughout the Authority. The Policy, Strategy and Framework was reported to the Authority's Audit Committee for approval at their meeting on the 23<sup>rd</sup> September 2016.

4.1.3 A key requirement of this document, in line with good corporate governance, a risk register is maintained setting out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. We confirmed that the review process for the risk register and the risk management strategy are detailed, and this process is reliant on bi-annual Audit Committee review.

4.1.4 However, upon examination of the Authority's intranet site we were unable to locate the updated or the previous Risk Management Policy, Strategy and Framework. Discussion with the Head of Finance and Performance established that this was due to the revised Risk Management Framework and Policy being in the process of being presented to Audit Committee for approval. Nevertheless, it is important that this document is appropriately communicated and made available to all staff to ensure a consistent approach to risk is taken across the Authority. Subsequently, we have raised a recommendation aimed at addressing this risk (refer to **Recommendation 6** in the Management Action Plan at **Appendix A**).

4.1.5 From our review of the Authority's draft Risk Management Policy and Framework it is clear that the Authority is fully committed to effective and efficient RM systems; establishing a framework to identify, assess, treat, monitor and report operational, legal and compliance risks, both those inherent to the nature of the business and those specific to their strategic ambitions.

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4.1.6 We undertook an exercise in which we benchmarked the Authority's Risk Management Policy against the International Organisation of Standardisations risk management principles and guidelines, ISO 31000 requirements, as listed in a document published by the Institute of Risk Management (IRM), a structured approach to Enterprise Risk Management (ERM) and the requirements of ISO 31000. We found the Authority to be compliant in 10 out of 13 areas. We found the policy to be partially or non-compliant in three areas. Further detail on these areas of partial or non-compliance can be found in **Appendix C**.

4.1.7 Although the Policy discusses ensuring risks are at an acceptable level, we did not find the Authority's risk appetite to be clearly defined, whilst there is also no risk tolerance statement present. This coupled with the absence of the ISO 31000 requirements (listed above), could in turn diminish the effectiveness of the risk management process due to a lack of a shared understanding of the Authority's view on the level of risk that can and cannot be taken, as well as the mechanisms for assessing risk. Subsequently, we have raised a recommendation (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

## **4.2 Roles and responsibilities**

4.2.1 We found the FRs clearly define the roles and responsibilities of Officers and Members in relation to risk management, stating that the Audit Committee is responsible for reviewing the risk register and reviewing the effectiveness of risk management strategy, with the Treasurer responsible for the preparing the Authority's Risk Management Policy and procedures and for promoting these throughout the Authority.

4.2.2 The FRs are supported by the Risk Management Framework which reiterates these responsibilities as well as stating that Members and the Senior Management Team own, lead and support risk management. We confirmed that the responsibilities of the Audit Committee in relation to risk management are captured within their Terms of Reference.

4.2.3 We are pleased to state that roles and responsibilities can be seen in key mechanisms of the Authority's Risk Management approach. The risk register details a responsible officer against each risk identified acting as the risk owner. We confirmed that risk owners take responsibility for updating the register and highlighting significant changes and new risks. They provide accountability within the Authority's risk management approach, which help to ensure risks are monitored and action is taken.

## **4.3 Risk identification, classification and evaluation**

4.3.1 The Authority's monthly officer meeting provides a forum to facilitate a risk based discussion amongst officer. This mechanism, under the standing agenda item of 'Corporate Governance', provides an opportunity for emerging risks to be discussed and added to the risk register, as well as enabling for updates to be provided on previously identified risks. We are pleased to report that for the three months sampled (May, June and July) evidence was available to support the monthly discussion and update of the risk register.

4.3.2 It is our opinion that the primary focus of the Authority's risk management activity is based on corporate risks with limited focus on operational risks arising. Therefore, we were unable to confirm that operational risk management is embedded throughout the Authority due to the absence of operational risk registers, with no evidence to support risk management discussions within operational management meetings. It is our opinion that this could prove to be a useful source for the identification of emerging risks as well as enhancing the likelihood of achieving operational service objectives. As a result we have raised a recommendation aimed at mitigating the associated risks (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).



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## Classification and Evaluation

- 4.3.3 We are pleased to report that the Authority utilise a standardised approach to the classification and evaluation of risks providing a score, calculated based on an assessment of the impact and likelihood before (inherent) and after (residual) management action to treat the risk. Both the inherent and residual risk rating are provided and a RAG (Red, amber and green) rating. The inherent risk rating is assessed against the mitigating actions detailed in the 'management actions implemented or planned' column of the risk register. From this the residual risk rating is then provided.
- 4.3.4 The risk ratings are linked to the prioritisation of risks table which is appended to the risk register. Within, the risks with an impact multiplied by likelihood scoring of 20-25 are labelled as red and are seen as requiring immediate management and monitoring. Risks with a score of 9-19 are labelled amber and are seen as requiring management and monitoring, but are less time critical. Finally the risks with a rating of 1-8 are labelled green and are risks requiring ongoing monitoring. It is our opinion that the prioritisation of risk table helps to ensure it is understood across the organisation when mitigating action is required.
- 4.3.5 Analysis of the Authority's risk register identified that the direction of travel of risks is not classified, enabling management to identify risks that have deteriorated / materialised, require further attention and focus resources. This would also enable management to identify and assess those risks which are improving and potentially implement the same risk management techniques to other risks identified, where applicable. Without providing a summary of direction of travel there is a risk that deteriorating risks will materialises as they are not clearly identifiable within the risk register. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 7** in the Management Action Plan at **Appendix A**).

## **4.4 Management of risks**

- 4.4.1 The risk register incorporates a column entitled 'Management Actions implemented or planned' capturing the Authority's approach to managing and mitigating identified risks to the desired level. However, upon review we found that management action taken appeared ambiguous due to a lack of detail as to what action had been taken to date, what further management action required and timelines for this. Without clarity of further management action required, including timeframes, there is an increased likelihood of the risk materialising. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).
- 4.4.2 Upon analysis of the latest risk register, presented to Audit Committee on 23<sup>rd</sup> September 2016, we noted risks that had the same inherent and residual risk score (For example risk L3 and L4). This therefore implies that management action taken to date has been insufficient to mitigate the risk or alternatively management have chosen to tolerate this risk. Therefore there is an increased likelihood that this risk will materialise and therefore we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 4** in the Management Action Plan at **Appendix A**).
- 4.4.3 We selected a sample of two risks (P3c and L3) from the September risk register that had a red or amber RAG rating. In both cases we were able to evidence that management action was updated and mitigating actions had been considered. For example, prior to the addition to the risk register of risk L3 in June 2016, an assessment of the risk had been provided in the general contract update presented at the February 2016 WLWA Officers meeting. However, we found that no standardised risk report is produced when a risk's score and RAG rating reaches Amber or Red. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 8** in the Management Action Plan at **Appendix A**).

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4.4.5 We undertook a further analysis of risk P3c, noting that the inherent score had been altered throughout the year. This implies that the risk had initially been inaccurately assessed; this initial assessment allows the Authority to understand how much resource should be focussed on the identified risk. If the initial assessment is incorrect there is a risk that the controls and mitigating actions put in place will not be appropriate in preventing the risk from materialising. As a result, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 5** in the Management Action Plan at **Appendix A**).

#### 4.5 Monitoring and reporting

4.5.1 We are pleased to report that Audit Committee receives risk register updates at each of their bi-annual meetings, allowing the Audit Committee to fulfil its duty to review the risk register and the Risk Management Strategy and Framework. As the Audit Committee meets every 6 months, we selected the previous 3 meetings (January 2015, September 2015 and January 2016) for testing and are pleased to report that the risk register was an agenda item, with evidence within meeting minutes to support appropriate discussion on this item.

4.5.2 Furthermore, accountability to stakeholders was fully demonstrated through the above periodic progress reports. In addition, this is provided through assurance statements from the Authority's Chief Officers and Senior Managers which forms part of the overall governance framework and support the approval of the annual Statement of Accounts. These statements were confirmed to include a section on risk and were reported to the September Audit Committee alongside the Annual Accounts for 2015/16.

4.5.3 It is our opinion that this six monthly reporting, in addition to the monthly officer meeting discussed under para 4.3.1 provides for sufficient reporting and monitoring of corporate risks within the Authority. However, as stated under 4.3.2, we believe there to be further management action required on embedding risk management into day to day operations.

### 5. Acknowledgement

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

### 6. Internal Audit Contact Details

This audit was led by: Matteo Biondi, CIA  
**Senior Internal Auditor**

This audit was reviewed by: Martyn White, CIA  
**Senior Internal Audit Manager**

Thank you,



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

**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	<p>The Authority should consider reviewing its Risk Management Policy against ISO31000 - Risk Management.</p> <p>This should include the production of a Risk Appetite Statement to capture the amount and type of risk that it is willing to accept in order to achieve its Strategic objectives (para. ref 4.1.7). We have provided detail of our gap analysis between ISO3001 and the Authority's Risk Management Policy at <b>Appendix C</b>.</p>	<p><i>If the Authority's Risk Management Policy is not aligned to good practice, then an ineffective approach to Risk Management could be pursued, this in turn could lead to risks materialising.</i></p> <p><i>If the Authority's risk appetite is not clearly defined, management may have differing interpretations of what is considered an acceptable level in regards to residual risk potentially decreasing the likelihood of achievement of its operational and strategic objectives due to risks materialising or not being managed within acceptable tolerance.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	<p>The risk management policy will be reviewed to define the risk appetite.</p> <p>The policy's next annual review will be at the September Audit Committee.</p>	<p><i>Head of Finance &amp; Performance</i></p> <p><i>(Jay Patel)</i></p> <p><i>30<sup>th</sup> September 2017</i></p>

\*Please refer to **Appendix D** for Risk Response definitions.



**Management Action Plan**

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No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
2	<p>Management should consider splitting out the current risk register to ensure it is focussed on the key risks facing the Authority.</p> <p>Consideration should be taken to embed operational risk management within services with associated escalation processes allowing the Authority to identify emerging risks that may crystallise (para.ref 4.3.2).</p>	<p><i>If operational risk management is not embedded and escalated throughout the Authority there is an increased likelihood that emerging risks may not be identified and therefore mitigating action cannot be taken. This could lead to a direct financial and reputational loss to the Authority if risks materialise.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<p><b>TOLERATE</b></p>	<p>The level of risk management is appropriate to the size and scale of the organisation.</p> <p>Significant risks are reviewed and monitored on a frequent basis by Chief Officers and Senior Management and at every Audit Committee.</p> <p>Operational risks are those which are considered to have very limited impact on the Authority and therefore are managed as part of the operational procedures– e.g. the procurement procedure requires an appropriate evaluation of credit risk, operating vehicles at Twyford requires the daily check for mechanical risks.</p> <p>To collate and maintain registers of all operational risks would be inefficient and in management's judgement add little value to risk management within the Authority.</p>	<p>N/A</p>

\*Please refer to **Appendix D** for Risk Response definitions.

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	The Authority should consider separating out management action taken to date and further management action required to manage the risks within the risk appetite / acceptable tolerance. Any further action required should be time bound to help ensure appropriate traction is gained on implementation and risk management (para.ref 4.4.1)	<i>If mitigating actions are not given an implementation date, there is a risk that the action will be delayed or left incomplete. This then could lead to the risk materialising, leading to a possible financial loss or reputational damage to the Authority.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	The risk register will be updated to include clear actions with clear dates.	<i>Head of Finance &amp; Performance  (Jay Patel)  28<sup>th</sup> February 2017</i>
4	Management should ensure that action taken against identified risk reduces the impact and likelihood of the risk materialising. Therefore, unless management chose to tolerate the risk, the residual risk score should be lower than the inherent risk score detailed (para.ref 4.4.2)	<i>If the residual risk rating is not lower than the inherent risk rating, the mitigating action taken or proposed has failed to reduce the impact and likelihood of the risk materialising. Subsequently, this could lead to a direct financial loss to the Authority or reputational damage.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	The risk register will be reviewed to ensure scoring is appropriate and mitigating actions have an impact on the risk score	<i>Head of Finance  (Jay Patel)  28<sup>th</sup> February 2017</i>

\*Please refer to **Appendix D** for Risk Response definitions.

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
5	Management should ensure during the initial risk assessment, the likelihood and impact of the risk are considered thoroughly and an accurate inherent risk scoring is provided (para. ref 4.4.5).	<i>If the inherent risk scoring is altered this may impact upon the effectiveness of original risk treatment options proposed, thus increasing the likelihood that risks materialise and / or are not managed in accordance with the Authority's risk appetite.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Risks are included in the risk register as soon as they are identified. Almost all risks will retain their original risk score based on the initial evaluation. However, proper evaluation of some risks may require further information / advice (e.g. legal) to properly score, therefore it may be necessary to update the original score. The proper score needs to be reported so will be included in the register. To provide transparency of the improved evaluation, the old score will also be provided and clearly marked.	<i>Head of Finance  (Jay Patel)  28<sup>th</sup> February 2017</i>

\*Please refer to **Appendix D** for Risk Response definitions.

**Good Practice Suggestions & Notable Practices Identified**

No.	Observation/ Suggestion	Rationale	Risk Rating
6	<p>The Authority should ensure that the Risk Management Policy and Framework are available to all staff, communicated via the intranet and other effective means to help raise the profile, embed a risk based culture and ensure a standardised approach to risk management is implemented throughout the organisation (para. ref 4.1.4).</p>	<p><i>If staff do not have access to the Authority's risk management strategy there is an increased likelihood that the Authorities standardised approach to risk management is not adhered to and risk is not captured, managed or escalated in accordance with established processes.</i></p>	<p><b>LOW</b> ●</p>
7	<p>Management should consider implementing a direction of travel indicator within the risk register. This will allow for the easy identification of materialising / deteriorating and improving risks thus showing the effectiveness of risk management.</p> <p>Management should also consider presenting a one page summary of the corporate risk register to Audit Committee showing the risk, its rating and direction of travel to ensure Senior Management discussion is focused (para. ref 4.3.5)</p>	<p><i>Without the direction of travel shown, management cannot identify risks that are deteriorating and require further attention, whilst emerging risks are also not easily identifiable. Therefore, appropriate mitigating action may not be undertaken which in turn could lead to a financial loss or reputational damage to the Authority.</i></p>	<p><b>LOW</b> ●</p>
8	<p>Management should consider introducing a standardised risk report for risks with an Amber or Red residual risk scoring, listing the possible mitigating actions and implementation dates (para. ref 4.4.4).</p>	<p><i>In the absence of a standardised risk report when risks reach an unacceptable level, then an uncoordinated approach to risk may be taken across the organisation and mitigating actions may remain incomplete.</i></p> <p><i>If the process for identifying risks is not performed in a systematic and structured manner, the Authority could fail to identify a risk which could have a very large financial and reputational impact.</i></p>	<p><b>LOW</b> ●</p>

**ISO 31000 Risk Management Policy Requirements**

Absent requirements and rationale	Risk
<p><b>A risk appetite statement</b></p> <p>The Authority should consider producing a Risk Tolerance and Appetite Statement to capture the amount and type of risk that it is willing to accept in order to achieve its Strategic objectives.</p> <p>The Authority should review this Risk Appetite Statement, which it sets in the context of WLWA's strategy and the regulatory framework, annually to provide the benchmark against which WLWA's risk profile is reported, monitored and managed within its risk governance structure.</p>	<p><i>If the Authority's risk appetite is not clearly defined, management may have differing interpretations of what is considered an acceptable level in regards to residual risk potentially decreasing the likelihood of achievement of its operational and strategic objectives due to risks materialising or not being managed within acceptable tolerance.</i></p>
<p><b>A list of documentation for analysing and reporting risk</b></p> <p>This will help to ensure a cohesive approach to risk analysis is undertaken as clear guidance on what documents the Authority requires services to use when analysing risk will be available to all staff members. Whilst, it will also ensure all staff members are aware of the correct reporting lines for emerging and deteriorating risks.</p>	<p><i>Without clear guidance on the documentation required to analyse risk, a differing approach may be undertaken across the organisation, which could result in incorrect risk analysis. Whilst the absence of clear reporting lines may also lead to risks deteriorating and materialising.</i></p>
<p><b>Risk activities and risk priorities for the coming year</b></p> <p>Documenting risk activities and risk priorities within the Risk Management Policy provides staff with further transparency to the potential risks ahead and aligns the Authority's Risk Management approach further with strategic aims.</p> <p>Whilst documenting these activities and priorities adds a level of accountability, ensuring they are undertaken during the year ahead.</p>	<p><i>Without documenting the risk activities and priorities for the year ahead within the Risk Management Policy, there is a risk that an uncoordinated approach is taken and limited attention is focussed on these priorities and activities. This in turn could lead to emerging risks remaining unidentified, with other pre-identified risk deteriorating and materialising.</i></p>

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### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

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

### RISK RESPONSE DEFINITIONS

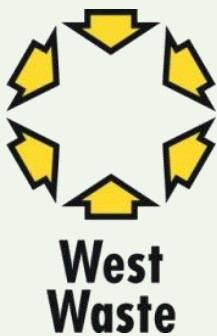
Risk Response	Definition
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility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

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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

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# INTERNAL AUDIT

## Final Assurance Report 2016/17

### Waste Minimisation

17<sup>th</sup> January 2017

#### Overall IA Assurance Opinion:

**LIMITED**

#### Recommendation Overview:

High Risk	1
Medium Risk	2
Low Risk	1
Notable Practice	0

#### Review Sponsor:

Emma Beal

Managing Director

#### Report Distribution:

Jay Patel

Head of Finance & Performance

Sarah Ellis

Waste Minimisation Co-ordinator

Roger St Paul

Waste Minimisation Officer

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



## 1. Introduction

- 1.1 This risk based IA assurance review forms part of the 2016/17 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks in relation to Waste Minimisation.

## 2. Background

- 2.1 In 2010 it was agreed that the Authority should take the lead role to deliver the campaigns agreed by the constituent boroughs in the Waste Prevention Strategy (2011 – 15) and yearly Waste Prevention Action Plans (WPAP). The Waste Minimisation (WM) Team delivers the campaigns which target the five key waste streams of food, textiles, waste electrical and electronic equipment, furniture and nappies. The WM Team is also responsible for the Authority's website, intranet, social media, and media communications.
- 2.2 Each year a new WPAP is developed in consultation with the constituent boroughs. The Waste Prevention Strategy, yearly action plans and the progress against actions in the plan are reported to the constituent boroughs and published on the Authority's website. All actions in the WPAP are focused on giving residents quick and easy options to make changes at home, school or work, showcasing inspirational ideas, and encouraging a person to think more about waste or rather how an item is not waste after all.
- 2.3 The Authority is aware that the constituent boroughs are facing yet more on-going reductions in funding and that they are having to fundamentally review services, which have been the accepted minimum provision for many years. Boroughs are looking at innovative ways of managing the demand for these services and trying to identify opportunities to change behaviours, to remove service pressures in the future. Waste minimisation and increasing reuse and recycling are obvious areas of opportunity with scope to have a significant positive impact. To achieve the best results, this type of initiative requires joint working between the Authority and one or more of the boroughs.
- 2.4 Consultation with the constituent boroughs about the activities in the 2016/17 WPAP began in July 2015. After three phases of discussions, which included meetings, calls and emails, from the end of July until mid-October the proposed 2016/17 WPAP was reported to the Authority for approval in December 2015.

## 3. Executive Summary

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

Scope Area	IA Assessment of WLWA
Policies and procedures	<p><b>Substantial Assurance</b> - The Waste Minimisation team were found to have sufficient procedures in place. Engagement with the community is one of the key functions of the team and we found sufficient event safety checklist and evaluation forms in place.</p> <p>Several of the themed events such as Get Swishing and Love Food Hate Waste were also found to have their own checklists. This ensures a standardised approach is taken by staff when attending events.</p> <p>We also found a robust and consistent process for approving the Waste Prevention Action Plan (WPAP) as part of the September Authority meeting.</p>

Scope Area	IA Assessment of WLWA
Roles and responsibilities	<p><b>Substantial Assurance</b> - Roles and responsibilities within the Waste Minimisation Team are clearly defined, evidenced through detailed job descriptions. Further, job descriptions were found to be accessible to all staff members via the Authority's intranet and included key information, enabling staff to exercise their role.</p>
Waste Prevention Strategy	<p><b>No Assurance</b> - The Authority's Waste Prevention Strategy (WPS) covers a five year period 2011 to 2015 and thus was deemed out of date. We are aware that the WPS will be incorporated as a key part of the revised Joint Waste Management Strategy, replacing the current West London Joint Municipal Waste Management Strategy.</p> <p>Nevertheless, the WPS has not been updated since its approval in 2010 and it is our opinion that the absence of an active WPS has hindered the effectiveness and strategic alignment of the WPAP, decreasing the likelihood in the achievement of the Authority's waste prevention and reuse objectives, detailed within the WLWA Business Plan 2016/17 - 2018/19.</p>
Waste Prevention Plan	<p><b>Limited Assurance</b> - We were pleased to report that the Authority produces an annual Waste Prevention Action Plan (WPAP) in consultation with the constituent boroughs, approved at the December Authority meeting. In the absence of a WPS, the WPAP provides a plan for work for the year, aimed at saving money for both boroughs and residents.</p> <p>Review of the 2016/17 WPAP established that targets derive from planned activities rather than quantitative data or activities constructed as a result of an identified strategic need or target area for waste minimisation. Furthermore, we were unable to evidence clear alignment between performance indicators for waste prevention and reuse detailed within the Business Plan 2016-19 to the WPAP.</p> <p>It is our opinion that the quarterly performance update of the WPAP is effective and well constructed, providing an effective overview of performance in the period. However, our review of the 2016/17 Quarter progress reports identified discrepancies in the data reported. These inaccuracies were found to be in the authority's favour relating to an understatement in the number of people conversed with as well as the amount of promotional materials provided. Nevertheless, it is integral that data reported is accurate and reliable to ensure effective performance management.</p>
Monitoring and reporting	<p><b>Reasonable Assurance</b> - Overall, we found effective controls in the monitoring and reporting of waste minimisation activities. Updates on waste minimisation are provided in several different forms, allowing management to monitor the progress of the WPAP, taking action where necessary. The Authority produces an annual review of the WPAP with this confirmed to be undertaken for both the 14/15 and 15/16 financial years with both documents communicated and available to stakeholders via the Authority's website.</p>

Scope Area	IA Assessment of WLWA
	As aforementioned, quarterly progress reports of the Waste Prevention Action Plan are produced. However, during our testing we noted the absence of the 2015/16 quarter four progress report.

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

## 4. Detailed Findings and Conclusions

### 4.1 Policies and procedures

- 4.1.1 The Waste Minimisation (WM) Team delivers the campaigns which target the five key waste streams of food, textiles, waste electrical and electronic equipment, furniture and nappies. The WM Team is also responsible for the Authority's website, intranet, social media, and media communications. Throughout this review we have undertaken testing in regards to the WM Team's key policies, the WPS and WPAP.
- 4.1.2 We established that a large proportion of the work undertaken by the WM Team involves attending events, such as the Love Food Hate Waste and the Swishing events. It was established that the key concern at such events is safety and we are pleased to confirm that sufficient guidance is in place in the form of an events safety checklist, completed for each event attended. Upon review we confirmed that captures key details such as venue, key contact, emergency procedures as well as an incident reporting mechanism.
- 4.1.3 The WM Team report on events and provide analysis of the amount of people they have spoken to and the amount of promotional materials provided to the public to raise awareness. Uniform and consistent processes were found to be in place in relation to the recording of such data through an event monitoring and evaluation sheet.

### 4.2 Roles and responsibilities

- 4.2.1 The main changes between the 2015/16 and 2016/17 WPAPs relate to an increased budget for staff to attend events, the addition of food waste recycling, direct working with local furniture re-use charities, a new nappy trial pack and educational resources for the new education centre at Victoria Road waste transfer station. In light of this, the 2016/17 WPAP provided for new additions to the team including a 1 year fixed term Senior Waste Minimisation Officer and additional Events Assistants as well as the extension of the fixed term contract for the Waste Minimisation Officer and the existing Events Assistants.
- 4.2.2 The WM Team has been appropriately structured to achieve the 2016/17 WPAP and currently consists of three specified roles of the Waste Minimisation Officer, Waste Minimisation Coordinator and the Events Assistants. We confirmed that each of these roles were mapped to the Authority's organisation chart, supported by individual job descriptions which are made available to all staff members via the authority's intranet.
- 4.2.3 Due to the limited number of positions within the team we analysed each of the three job descriptions confirming that they contained duties, responsibilities, reporting lines, person specification and qualifications required. Our review confirmed that the Waste Minimisation Co-ordinator has been assigned responsibility to write, amend, implement and review the WPS and Action Plan for the WLWA and Constituent Boroughs as well as monitoring the waste minimisation actions of the Constituent Boroughs.

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### 4.3 Waste Prevention Strategy

- 4.3.1 Waste prevention is the most sustainable waste management option, sitting at the top of the waste hierarchy. By not generating waste in the first place, the need to handle, transport, treat and dispose of waste is eliminated, which reduces the associated costs and environmental impacts. At the request of the Constituent Boroughs the Authority took the lead on waste prevention and re-use from 2011 due to the significant opportunities for environmental and cost savings in this area, producing a Waste Prevention Strategy (WPS).
- 4.3.2 The Authority's WPS, approved in 2010, covered a period of five years from 2011 to 2015 and thus was deemed out of date at the time of this review. Whilst we are aware that a WPS will form a key part of the revised Joint Waste Management Strategy, replacing the current West London Joint Municipal Waste Management Strategy, the Authority currently lacks an overarching strategy to drive waste prevention.
- 4.3.3 The Authority has incorporated waste prevention and reuse as part of the WLWA Business Plan 2016-2019 with a clear objective to "deliver a comprehensive waste prevention strategy and waste minimisation campaign to support achievement of 50% recycling by 2020 and the proposed new target of 65% recycling by 2030". This objective is underpinned by five key activities and eight key performance indicators.
- 4.3.4 It is our opinion that the absence of an active WPS has hindered the effectiveness and strategic alignment of business plan to the WPAP, decreasing the likelihood of achievement of the Authority's waste prevention and reuse objectives. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

### 4.4 Waste Prevention Action Plan

- 4.4.1 Each year a new WPAP is developed in consultation with the Constituent Boroughs. All actions in the WPAP are intended to be focused on giving residents quick and easy options to make changes at home, school or work, showcasing inspirational ideas, and encouraging a person to think more about waste or rather how an item is not waste after all. In the absence of the WPS, the WPAP provides an active work programme of waste minimisation activities throughout the year.

#### Target Setting

- 4.4.2 We obtained the 2016/17 WPAP, approved by the Authority in December 2015. Our review established that the WPAP is separated into the following sections of food, textiles, furniture, electrical items, nappies and general. At least one activity is listed under each section with targets derived from these activities. For example, Love Food Hate Waste (Activity Fo1) involves promoting the benefits of planning, storage, understanding dates, perfect portions and leftover recipes with a target set to hold two large scale events.
- 4.4.3 Our review of the 2016/17 WPAP confirmed that the activities listed within will work towards the Authority goal in reducing household waste. However, it is our opinion that the activities should derive from targets such as the five key activities and eight key performance indicators that underpin the WLWA Business Plan's aimed to "deliver a comprehensive waste prevention strategy and waste minimisation campaign to support achievement of 50% recycling by 2020 and the proposed new target of 65% recycling by 2030".
- 4.4.4 It was noted that the objectives within the previous Waste Prevention Strategy detailed the exact tonnage amount of waste that the Authority planned to reduce. It is our opinion that this is currently absent within the WPAP and that there is a lack of quantitative data to clearly evidence that activities undertaken within the WPAP are preventive waste and impacting upon the level of recycling throughout the constituent boroughs.



4.4.5 We believe that the Authority could benefit from SMART quantitative targets based on current tonnage data, aligned to the business plan objective / revised Joint Waste Management Strategy, to provide transparency as to how the WPAP (and each activity within) is helping to achieve corporate objectives, justifying budgeted expenditure. Subsequently, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

Approvals

4.4.6 Consultation with the constituent boroughs regarding the activities in the 2016/17 WPAP began in August 2015. After three phases of discussions, which included meetings, calls and emails, feedback on the WPAP was received from Constituent Boroughs in October 2015 to allow the budget to be calculated ready for the Authority’s budget setting process. The final version of the plan for 2016/17 was presented to the Authority meeting on 11<sup>th</sup> December 2015 for approval by Members.

4.4.7 We are pleased to confirm that sufficient evidence was maintained to support this consultation process. The process undertaken by WLWA in approving the WPAP ensures that the construction of the plan is clear and transparent. The WPAP produced is therefore tailored to the requests of the boroughs with several opportunities for key stakeholders to provide input. We did however note that the WM Team only received comments on the draft 16/17 WPAP from three Boroughs (Harrow, Ealing and Brent). This may highlight a lack of engagement from the Boroughs.

Performance Measurements

4.4.8 We used the 16/17 WPAP for testing in regards to performance measurements. Within the WPAP there are 18 activities, with corresponding targets. We therefore sampled the quarter one progress report, and can confirm that each of the 18 activities were reported on, with the budgets detailed and RAG (Red, Amber and Green) rated.

4.4.9 It is our opinion that the quarterly performance update of the WPAP is effective and well constructed, providing an effective overview of performance in the period. However, our review of the 2016/17 Quarter One progress report identified discrepancies in the data reported. These inaccuracies were found to be in the authority's favour relating to an understatement in the number of people conversed with as well as the amount of promotional materials provided.

4.4.10 The WM Team maintain a spreadsheet (2016-17 Engagement Spreadsheet) to capture key details from the events held, such as the amount of people they have spoken to and the amount of promotional leaflets they have given out. This data is then fed into the WPAP Q1 progress report. Our testing highlighted several discrepancies when comparing data within the Q1 Progress Report to that recorded on event checklists and the engagement spreadsheet. For example we found:

Target	Quarter 1 WPAP Progress Report	Event Safety Checklists	Engagement Spreadsheet
Events attended	12	12	12
Individuals spoken to	1,696	2,041	2,616
Promotional material	2,394	2,597	2,781

4.4.11 Based on the above data, we can conclude that the WM Team have underreported their achievements, as they have in fact spoken to more people and provided more promotional materials than detailed within the Q1 Progress Report. Nevertheless, it is integral that data reported is accurate and reliable to ensure effective measurement, monitoring and scrutinising performance and a recommendation has therefore been raised to improve the control framework within this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

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## 4.5 Monitoring and reporting

- 4.5.1 Each quarter the progress against actions in the WPAP are reported to the Authority, constituent boroughs and then published on the Authority's website. As part of our testing we reviewed the monitoring and reporting cycle for the 2015/16 WPAP. We are pleased to report that detailed progress against each activity is reported, including a Red, Amber Green (RAG) status. However, we noted that the progress report had only been produced for 3 of the 4 quarters reducing oversight and accountability of deliverables within the WPAP. As this appears to be an isolated issue a low priority recommendation has therefore been raised to address this (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.5.2 Analysis of the 2015/16 three quarterly progress reports available confirmed that each was communicated to stakeholders via the WLWA website, each providing a RAG rating status update against the 18 activities within the original 2015/15 WPAP. The Authority produces an annual review of the WPAP with this confirmed to be undertaken for both the 14/15 and 15/16 financial years with both documents communicated and available to stakeholders via the Authority's website.
- 4.5.3 Overall, we found effective controls in the monitoring and reporting of waste minimisation activities. Updates on waste minimisation are provided in several different forms, allowing management to monitor the progress of the WPAP, taking action where necessary.

## 5. Acknowledgement

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

## 6. Internal Audit Contact Details

This audit was led by: Matteo Biondi, CIA  
**Senior Internal Auditor**

This audit was reviewed by: Martyn White, CMIIA, CIA  
**Senior Internal Audit Manager**

Thank you,



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

**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	The Authority should consider long term strategic objective setting to waste prevention and reuse to provide clear quantifiable objectives to help inform the development of the Waste Prevention Action Plan (WPAP) (para. ref 4.3.4).	<i>In the absence of a Waste Minimisation/Prevention Strategy there is an increased likelihood that an unstructured approach to waste minimisation is undertaken by the Authority and across the constituent boroughs, decreasing the likelihood in the achievement of the Authority's waste prevention and reuse objectives.</i>	<b>HIGH</b> ●	<b>TREAT</b>	The Business Plan (currently being reviewed) and Joint Waste Management Strategy will be reviewed defining appropriate objectives.	<i>Managing Director</i>  <i>(Emma Beal)</i>  <i>30<sup>th</sup> September 2017</i>
2	Management should consider reviewing the WPAP targets to provide transparency as to how the WPAP (and each activity within) is helping to achieve corporate objectives of the business plan / revised Joint Waste Management Strategy.  WPAP activities should then be constructed, devised and cascaded from these targets (para. ref 4.4.5).	<i>Where performance requirements, targets and conditions are not aligned to strategic aims there is an increased likelihood that activities undertaken do not work towards the corporate aim. This could have direct financial implications on the Authority and constituent boroughs through the sustained use of landfill with increased potential for adverse publicity.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Waste prevention work will be aligned to objectives within the updated business plan with appropriate targets.	<i>Waste Minimisation Coordinator</i>  <i>(Sarah Ellis)</i>  <i>31<sup>st</sup> March 2017</i>

\*Please refer to **Appendix C** for Risk Response definitions.



## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	Management should ensure that the data provided in the WPAP Progress report, reconciles to that recorded within the engagement spreadsheets and source documentation maintained by the team (para. ref 4.4.11).	<p><i>The accuracy, reliability and completeness of quarterly updates could be distorted in the event that source data is inaccurately recorded, distorting the validity of management information and impacting upon effective decision making.</i></p> <p><i>This increases the likelihood that performance of the service, including the WPAP, is not sufficiently scrutinised, monitored or held to account.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	Appropriate checks will be implemented to ensure the accuracy of data	<p style="text-align: center;"><i>Waste Minimisation Co-ordinator</i></p> <p style="text-align: center;"><i>(Sarah Ellis)</i></p> <p style="text-align: center;"><i>31<sup>st</sup> March 2017</i></p>

\*Please refer to **Appendix C** for Risk Response definitions.

**Good Practice Suggestions & Notable Practices Identified**

No.	Observation/ Suggestion	Rationale	Risk Rating
4	The Waste Minimisation team should ensure that they produce comprehensive progress reports, for every quarter. This ensures that performance of the service, including the WPAP, will be sufficiently scrutinised, monitored or aligned to key objectives (para. ref 4.5.1).	<i>If effective, specific, timely and relevant management information is not in place or appropriately scrutinised there is an increased likelihood that performance of the service, including the WPAP, will not be sufficiently scrutinised, monitored or aligned to its objectives. This could have a negative effective on the decision making of the Authority.</i>	<p><b>LOW</b></p> <p>●</p>

### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

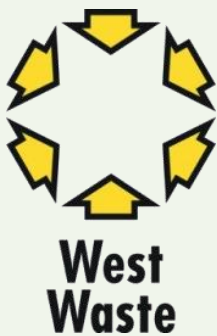
1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - establishing and monitoring the achievement of the Authority's objectives;
  - the facilitation of policy and decision-making;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

### RISK RESPONSE DEFINITIONS

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

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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



# INTERNAL AUDIT

## Final Assurance Report 2016/17

### Corporate Governance

17<sup>th</sup> January 2017

#### Overall IA Assurance Opinion:

**REASONABLE**

#### Recommendation Overview:

High Risk	0
Medium Risk	6
Low Risk	5
Notable Practice	0

#### Review Sponsor:

Emma Beal

Managing Director

#### Report Distribution:

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Head of Finance & Performance

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



## 1. Introduction

1.1 This risk based IA assurance review forms part of the 2016/17 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks in relation to Corporate Governance.

## 2. Background

2.1 Corporate governance can be defined as the way in which the Authority is directed and controlled. It comprises a combination of systems, processes and structures as well as the culture and values of the Authority. Good corporate governance is acknowledged to be essential for the success of any organisation and leads to good management, performance, stewardship of public money, engagement with the public and fundamentally good outcomes for all key stakeholders. It ensures that the Authority is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.

2.2 *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. This framework sets out 7 Principles for good governance.

## 3. Executive Summary

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

Scope Area	IA Assessment of WLWA
<p><b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<p><b>Substantial Assurance</b> - The Authority demonstrated overall compliance with Principle A. The policies that encourage the desired behaviour were all found to be in place and up to date. To further align the Authority with Principle A, consideration should be made on management receiving ethical awareness training, highlighting that ethics is being championed by the management team.</p> <p>In March 2016, Members and Senior Officers submitted declaration of related party transaction forms for the 2015/16 financial year. It was confirmed that all the forms had been received. Our testing identified that no live register is maintained to capture declarations as they arise.</p>
<p><b>Principle B. Ensuring openness and comprehensive stakeholder engagement</b></p>	<p><b>Reasonable Assurance</b> - The Authority's website ensures that openness and comprehensive stakeholder engagement takes place, with goals and values of the Authority found to be effectively communicated via this resource.</p> <p>The Freedom of Information Act requires every public authority to have a publication scheme and we confirmed that the information required under the publication scheme is accessible through the Authority's website. Nevertheless, we found that the Authority does not have a publication scheme readily available on the site.</p> <p>We sampled two key partnerships that the Authority holds to satisfy the requirements of this principle. We are pleased to report that meeting minutes were evident for both partnership meetings sampled; however during our testing it</p>

Scope Area	IA Assessment of WLWA
	<p>was noted that the Borough Partnership Meeting does not currently have a formal Terms of Reference. It is our opinion that this will further strengthen controls in this area, aligning the Authority with Principle B of the good governance framework. Furthermore, the production of a communication strategy, which satisfies several of the other Principles listed, would also enhance compliance in this area.</p> <p>Overall, engagement with stakeholders appears open and comprehensive with the aforementioned Authority website encouraging this. This is further supported by the Authority and Audit Committee meeting minutes and agenda packs being readily accessible to the public, whilst key reporting dates are also captured within the Authority's Forward Plan.</p>
<p><b>Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<p><b>Reasonable Assurance</b> - The Authority's Business Plan 2016 - 2019, approved by the Authority, sets out under four key themes how the Authority will develop its services over the period of the Plan. Whilst the Authority lacks individual service plans; intended outcomes are defined within the business plan, including relevant performance indicators.</p> <p>However, analysis of the business plan identified that the associated Key Performance Indicators (KPIs) whilst documented do not have measurable targets assigned. It is our opinion that in order to ensure outcomes are clearly defined, the Authority should have a document that captures all KPI's centrally; with amendments receiving formal approval at Authority meetings, ensuring appropriate oversight.</p>
<p><b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<p><b>Reasonable Assurance</b> - For necessary interventions (courses of action) to be made it is essential that decision making protocols are present and available to both Officers and Members. We are pleased to report that the Authority's Scheme of Delegation is in place, stipulating the delegated powers in regards to decision making, whilst detailing the associated financial approval limits. Furthermore, the Authority's medium term financial plan, budget guidance and associated protocols ensure that necessary interventions can be identified and taken when necessary.</p> <p>It is our opinion that to further enhance the ability of management to determine necessary interventions, Members could be consulted on an annual basis regarding the information they receive, and if improvements could be made to aid their decision making process.</p>
<p><b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p>	<p><b>Substantial Assurance</b> - It is our opinion that key Human Resource policies, coupled with the corporate induction checklist, encourage the development of new officers and Members to the Authority.</p> <p>We are pleased to report that the appraisal process demonstrates alignment to Principle E, including a dedicated staff training and development plan.</p> <p>We were informed that WLWA place reliance on the Member training and development provided by the appropriate Constituent Borough. Nevertheless, the Authority does not have a record of the skills that Members possess and relevant training completed.</p>



Scope Area	IA Assessment of WLWA
<p><b>Principle F. Managing risks and performance through robust internal control and strong public Financial management</b></p>	<p><b>Reasonable Assurance</b> - The Risk Management assurance review issued on 25<sup>th</sup> November 2016, analysed compliance against the majority of Principle F of the framework. Therefore, within this principle we tested the remaining areas not previously covered such as the Audit Committee.</p> <p>We confirmed that the Audit Committee is supported by a Terms of Reference (ToR) which contained key information such as; membership, reporting, meetings and a work plan. Furthermore it was notable that the ToR requires one independent external Member, thus enhancing scrutiny and governance of the Committee. We are aware that the Audit Committee meeting frequency is not in line with best practice, however the reduction of meetings to twice per year was reported to and approved by the Committee.</p> <p>During our testing in this area it was noted that the authority does not have a Data Protection Policy to fully satisfy the managing data sub-principle.</p>
<p><b>Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	<p><b>Substantial Assurance</b> - The focus of our testing for Principle G was on the annual financial statements and the annual governance statement. The annually reporting of these statements and availability to the public is in line with good practice, showcasing the Authority's commitment to transparency.</p>

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

## 4. Detailed Findings and Conclusions

### 4.1 Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

4.1.1 Policies and procedures provide officers and members with guidance that encourages desired behaviour associated with Principle A to ensure that Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Authority. We were able to evidence that the Authority had several key policies and procedures in place including the whistle blowing policy, procurement policy (Tenders and Contracts), staff appointment policy and the Anti Fraud and Corruption Policy. Each document was found to be up to date and effectively communicated to staff via the Intranet.

4.1.2 Principle A consists of several sub principles, the first of which is 'behaving with integrity'. We verified that the Authority has an up to date Code of Conduct in place, dated October 2015, to support the maintenance of the highest standards of conduct by employees, identify corporate standards and help all employees to act in a way which upholds the Authority's standards and, at the same time, protect them from criticism, misunderstanding or complaint. Within the sub principle, it notes that individual sign off with regard to the code of conduct demonstrate compliance. Testing confirmed that Officers and Members currently do not sign the Code of Conduct. However, a compensating control is in place through the requirement to comply with the code stipulated within employee contracts.



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- 4.1.3 Declaring interests, whether they are pecuniary or non-pecuniary is a demonstration of integrity, as listed within the CIPFA guidance. We found that as part of the annual statement of accounts process, Members and Management were required to sign a declaration of related party transactions form. Testing of this process undertaken in March 2016 for the 2015/16 accounts identified that all the Member's and Senior Officers had submitted their forms. Upon further review it was established that no live register is maintained by the Authority to declare potential conflicts as they arise. Subsequently, we have raised a recommendation to strengthen the control framework with this area (refer to **Recommendation 7** in the Management Action Plan at **Appendix A**).
- 4.1.4 It is also a key requirement of the CIPFA Framework for interests to be sought and declared prior to meetings in which corporate decisions are made. We verified, through analysis of the relevant minutes that declarations of interests were sought within the September 2016 and July 2016 Authority meetings with no declarations made. Declarations were also sought at the January 2016 and September 2016 Audit Committee meetings demonstrating compliance with the requirements of Principle A of the Framework.
- 4.1.5 The second sub-principle within this section relates to 'Demonstrating strong commitment to ethical values'. During our audit testing it was established that ethical awareness training has not been undertaken nor does the Authority have an ethical compliance champion. Whilst the code of conduct states that all employees to act in a way which upholds the Authority's standards, it is our opinion that in order to further align the Authority with Principle A, consideration should be made on management receiving ethical awareness training, highlighting that ethics is being championed by the management team / governing body level and we have therefore raised a low priority recommendation to reflect this (refer to **Recommendation 8** in the Management Action Plan at **Appendix B**).
- 4.1.6 Employees of the Authority are expected to act in an ethical manner, as detailed within the Local Code of Governance. We randomly selected two employees, and obtained their annual appraisals noting that values and ethical behaviour are not taken into account in both cases. We have therefore incorporated this into the recommendation raised above (refer to **Recommendation 8** in the Management Action Plan at **Appendix B**).

## **4.2 Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 4.2.1 The primary sub principle within Principle B is 'Openness'. The Freedom of Information Act requires every public authority to have a publication scheme, approved by the Information Commissioner's Office (ICO), and to publish information covered by the scheme. The scheme must set out the Authority's commitment to make certain classes of information routinely available, such as policies and procedures, minutes of meetings, annual reports and financial information.
- 4.2.2 We found that the information required under the publication scheme is accessible via the WLWA website. Nevertheless, the Authority does not have a publication scheme readily available on their website and we have raised a recommendation aimed at mitigating the associated risks to this (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).
- 4.2.3 The Authority's website enables open and comprehensive stakeholder engagement to take place, with goals and values of the Authority found to be effectively communicated via this resource. Providing a clear calendar of dates for submitting, publishing and distributing timely reports is a listed demonstration of compliance with Principle B. We are pleased to report that, the Authority has a 'Forward Plan' in place, containing key reporting dates as required. We selected two report deadlines detailed within the Forward Plan, the Waste Minimisation Annual Review and the Corporate Governance review, and are pleased to confirm that these were both adhered to and were presented at the Authority meeting on 23<sup>rd</sup> September 2016.

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4.2.4 The second sub principle in this area relates to 'engaging comprehensively with institutional stakeholders'. As such we sampled two key partnerships that the Authority holds; one of which was with SITA UK and the other with the six west London boroughs. We are pleased to report that meeting minutes were evident for both partnership meetings sampled; however during our testing it was noted that the Borough Partnership Meeting does not currently have a formal Terms of Reference. As a result we have raised a recommendation aimed at mitigating the associated risks (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

4.2.5 To remain open and engage with stakeholders is a key component of this Principle to ensure comprehensive and sufficient communication occurs, at the right levels. We were informed that the authority does not currently have a communication strategy in place. It is our opinion that such a document would satisfy several of the Principles listed within the CIPFA framework, as well as providing clarity on what the Authority wishes to share and with whom, specifying the type of communications that officers or members should engage in. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

### **4.3 Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

4.3.1 The Authority's Business Plan 2016 - 2019, approved by the Authority, sets out under four key themes how the Authority will develop its services over the period of the Plan. Whilst the Authority lack individual service plans; intended outcomes are defined within the Business Plan, including the relevant performance indicators. However, analysis of the Business Plan identified that the associated Key Performance Indicators (KPIs); whilst documented, do not have measurable targets assigned.

4.3.2 It was established that the budget monitoring reports presented at Authority Meetings contain an update of performance against the Authority's KPI's, against their annual target. As aforementioned, these targets are not detailed within the Business Plan and we were informed that this was due to the fact that the KPI's are amended on an annual basis. However, we were unable to evidence the formal approval of these targets and annual revisions by the Authority.

4.3.3 To ensure outcomes are clearly defined, the Authority should have a document that captures all KPI's centrally with appropriate oversight of these maintained by the Management Team as a minimum. Subsequently, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 4** in the Management Action Plan at **Appendix A**).

4.3.4 Principle C requires authorities to have a clear Capital Programme and/or a Capital Investment Strategy in place. Due to the size of the Authority we were informed these were not in place, but formed part of the Treasury Management Plan. We are pleased to report that planned capital expenditure is detailed within the Authority's Treasury Management Plan. Furthermore, regular updates on the Treasury Management Plan were evidenced as provided at Authority meetings.

### **4.4 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

4.4.1 For necessary interventions (courses of action) to be made, it is essential that decision making protocols are present and available to both Officers and Members. We are pleased to report that the Authority's Scheme of Delegation is in place, stipulating the delegated powers in regards to decision making, whilst detailing the associated financial approval limits to Officers.

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- 4.4.2 The information packs that are received by Members prior to meetings aid them in their decision making responsibilities. We tested, under Principle A, that agenda report packs were provided prior to meetings. However, we were unable to confirm whether discussions had been held between Members and Officers on the level and detail of information required by Members to support decision making. As a result, a recommendation has been raised to ensure risk associated with a lack of sufficient management information are mitigated (refer to **Recommendation 9** in the Management Action Plan at **Appendix B**).
- 4.4.3 Sub principle - *optimising achievement of intended outcomes* of the Framework requires the authority to ensure the achievement of social value through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”. However, we were unable to verify that the achievement of 'social value' is monitored and reported upon. As a result, a low priority recommendation, due to the size and nature of the authority, has been raised to ensure risks associated with this issue are mitigated (refer to **Recommendation 10** in the Management Action Plan at **Appendix B**).
- 4.5 Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it**
- 4.5.1 Principle E focuses on the actions taken by an organisation to ensure officers and members are as capable as possible. Officers have to be sufficiently trained and possess relevant skills in order to perform in their roles effectively with performance appraisals one way in which performance can be measured with any associated training and development needs identified.
- 4.5.2 We randomly selected a sample of two officer appraisals to assess if training and development needs were identified. In both cases we were able to confirm that training and development needs were captured as part of the appraisal with the respective staff development plan incorporating these items. However, peer reviews / 360 feedback have historically not been undertaken by the Authority. Such methods would showcase the Authority's consideration of the effectiveness of its own leadership. As a result, a recommendation has been raised to ensure risk associated with a lack of sufficient management information are mitigated (refer to **Recommendation 11** in the Management Action Plan at **Appendix B**).
- 4.5.3 Review of individual Member performance does not take place as we were informed that the Authority place reliance on the training and development provided by the relevant Constituent Borough. Nevertheless, the Authority does not currently obtain any assurance to support this. Subsequently, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 5** in the Management Action Plan at **Appendix A**).
- 4.6 Principle F. Managing risks and performance through robust internal control and strong public Financial management**
- 4.6.1 The majority of testing of compliance against Principle F of the Framework was undertaken within the IA review of Risk Management, issued on 25<sup>th</sup> November 2016. Therefore, within this principle we tested the remaining areas not previously covered such as the Audit Committee.
- 4.6.2 We confirmed that the Audit Committee is supported by a Terms of Reference (ToR) which contained key information such as; membership, reporting, meetings and a work plan. Furthermore it was notable that the ToR requires one independent external Member, thus enhancing scrutiny and governance of the Committee. We are aware that the Audit Committee meeting frequency is not in line with best practice, however the reduction of meetings to twice per year was reported to and approved by the Committee.

4.6.3 Part of the testing within Principle F focussed on the Audit Committee, within Principle A we confirmed that sufficient information is available to the Audit Committee, allowing effective scrutiny to occur. As highlighted under 4.5.3, our testing highlighted that the Authority does not maintain a record of the training that Members (including those on the Audit Committee) have completed and this issue has been incorporated into **Recommendation 5**.

4.6.4 During our testing in this area it was noted that the authority does not have a Data Protection Policy to fully satisfy the managing data sub-principle. Whilst we confirmed that the Authority maintains a document retention policy; there is an increased likelihood that an uncoordinated approach across the Authority may be in place in terms of handling data and reporting possible breaches of the Data Protection Act 1998. As a result, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 6** in the Management Action Plan at **Appendix A**).

#### **4.7 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

4.7.1 The focus of our testing for Principle G was on the annual financial statements and the annual governance statement as the majority of systems, process, documentation and other evidence that demonstrate compliance against Principle G have been previously tested.

4.7.2 Therefore, we tested the 2015/16 and 2014/15 financial years and verified that in both years an annual governance statement and annual financial statement was produced in line with good practice and are readily available on the Authority's website. The annual reporting of these statements and availability to the public showcases the Authority's commitment to transparency.

## **5. Acknowledgement**

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

## **6. Internal Audit Contact Details**

This audit was led by: Matteo Biondi, CIA  
**Senior Internal Auditor**

This audit was reviewed by: Martyn White, CMIIA CIA  
**Senior Internal Audit Manager**

Thank you,



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

**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	<p>The Authority should consider producing a publication scheme in line with the Freedom of Information Act 2000 with this approved by the Information Commissioner's Office (ICO). This should set out the Authority's commitment to make certain classes of information routinely available (para.ref 4.2.2)</p>	<p><i>Whilst the Authority were found to be actively publishing key documentation, without a publication scheme the authority is breaching a key requirement of the Freedom of Information Act. This will result in reputational damage to the Authority.</i></p>	<p><b>MEDIUM</b> ●</p>	<p><b>TREAT</b></p>	<p>A publication scheme will be produced for ICO approval.</p>	<p><i>Head of Finance and Performance</i>  <i>(Jay Patel)</i>  <i>30<sup>th</sup> April 2017</i></p>

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## APPENDIX A (Cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
2	Management should consider developing a Terms of Reference for the Borough Partnership meetings (para.ref 4.2.4).	<i>In the absence of a formal Terms of Reference, the purpose and structure of the partnership meeting may become unaligned to its original objective or purpose. This would have a direct impact upon the successful and sustainable delivery of intended outcomes.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Terms of Reference will be developed for partnership forums.	<i>Managing Director</i>  <i>(Emma Beal)</i>  <i>30<sup>th</sup> April 2017</i>
3	The Authority should consider developing a Communication Strategy, serving as a guide for any media and public relation activities to ensure comprehensive and sufficient communication occurs, at the right levels (para. ref 4.2.5).	<i>If there is no guidance in regards to communications, several representatives of the Authority may adopt an individual approach, unaligned to the Authority's key objectives, leading to poor stakeholder and community engagement resulting in reputational damage.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	A strategy will be developed.	<i>Waste Minimisation Coordinator</i>  <i>(Sarah Ellis)</i>  <i>31<sup>st</sup> March 2017</i>

\*Please refer to **Appendix D** for Risk Response definitions.

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## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
4	WLWA should have a document in which all the Corporate and service KPI's are listed in full; with any amendments to the KPI's approved formally at Authority meetings (para. ref 4.3.3).	<i>If measureable targets are not in place, embedded or monitored throughout the Authority this limits the ability for the Authority and Management to evaluate its success. Whilst failing to obtain formal approval on amendments to KPI's, reduces management oversight including their ability to scrutinise, monitor and evaluate performance. Thus poor performance trends will remain unidentified without mitigating actions. This could have an adverse affect on the delivery of the business plan and corporate objectives, with increased potential for reputational damage and a loss of resources.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Agreed. KPI's will be documented with any amendments requiring approval at an Authority meeting.	<i>Head of Finance and Performance</i>  (Jay Patel)  31 <sup>st</sup> March 2017

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## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
5	<p>Management should consider annually reviewing individual member performance taking account of their attendance.</p> <p>Management should consider obtaining assurance from the relevant Constituent Boroughs to support training undertaken as well identifying whether any WLWA specific training is required (para. refs 4.5.3 and 4.6.3).</p>	<p><i>There is an increased risk that the Authority lack appropriate evidence to support that Members have received sufficient training to effectively carry out their roles and responsibilities. Furthermore, specific and dedicated training and development may not be provided by the Authority leading to reputational damage or a financial loss to the Authority.</i></p>	<p><b>MEDIUM</b></p> <p style="color: yellow; font-size: 20px;">●</p>	<b>TREAT</b>	A register of relevant training will be maintained to help identify training requirements.	<p><i>Head of Finance and Performance</i></p> <p style="text-align: center;">(Jay Patel)</p> <p style="text-align: center;">30<sup>th</sup> April 2017</p>
6	<p>The Authority should consider implementing a Data Protection Policy, setting out their commitment to protecting personal data and how they meet the legal obligations laid down by the Data Protection Act 1998.</p> <p>This should also provide detail of the Authority's nominated officer responsible for data protection (para. ref 4.6.4).</p>	<p><i>Staff may be unaware of their duties and their requirement to comply with Data Protection. The Authority may not achieve their desired Data Protection approach if it is not embedded, thus increasing the likelihood of Data Protection breaches. This could increase the likelihood of the Authority infringing their Data Protection statutory requirements with fines imposed by the ICO.</i></p>	<p><b>MEDIUM</b></p> <p style="color: yellow; font-size: 20px;">●</p>	<b>TREAT</b>	A DP policy will be developed.	<p><i>Head of Finance and Performance</i></p> <p style="text-align: center;">(Jay Patel)</p> <p style="text-align: center;">30<sup>th</sup> April 2017</p>

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**Good Practice Suggestions & Notable Practices Identified**

No.	Observation/ Suggestion	Rationale	Risk Rating
7	<p>The Authority should consider maintaining a live register of Officer and Member pecuniary interests to identify any business / commercial / financial interests held which might give rise to a potential conflict of interest.</p> <p>This register should be in addition to the annual related party declaration completed for the annual statement of accounts (para.ref 4.1.3).</p>	<p><i>Without sufficient awareness and knowledge of interests, there is an increased risk that potential conflicts may arise which will not be appropriately recorded. This coupled with the failure to receive all Member related party transaction declarations may highlight a lack of transparency and in turn could lead to reputational damage to the Authority or the Authority's legal position on for example a contract tender being compromised.</i></p>	<p><b>LOW</b> ●</p>
8	<p>Management should consider implementing ethical awareness training throughout the workforce to further align the Authority to good practice detailed within the CIPFA Framework (para.ref 4.1.5).</p> <p>Management should consider taking into account the behaviour and ethical values of staff during the appraisal process to help encourage behaviour in line with the Authority's ethical values (para. ref 4.1.6)</p>	<p><i>Unethical behaviour may be prevalent or remain unidentified which could lead to reputational damage or a financial loss to the Authority where approaches are taken by staff which are not in line with the Authority's values and beliefs.</i></p>	<p><b>LOW</b> ●</p>
9	<p>The Authority should consider implementing periodic consultation with Members to ensure information needs are met to assist in the effective decision making of the Authority (para. ref 4.4.2).</p>	<p><i>If members do not receive requisite information there is an increased likelihood of ineffective decision making.</i></p>	<p><b>LOW</b> ●</p>
10	<p>Sub principle - <i>optimising achievement of intended outcomes</i> of the Framework requires the authority to ensure the achievement of social value through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”. However, we were unable to verify that the achievement of 'social value' is monitored and reported upon (para. ref 4.4.3).</p>	<p><i>As 'social value' is not monitored or reported upon, achievement of this through service planning and commissioning cannot be sufficiently scrutinised, and therefore is an unlikely obtainable objective.</i></p>	<p><b>LOW</b> ●</p>

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## APPENDIX B (Cont'd)

### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
11	The Authority should consider performing peer reviews and/or 360 feedback on an annual basis, further promoting the effectiveness within the leadership team (para. ref 4.5.2).	<i>If peer reviews are not undertaken at the highest level, then there is an increased likelihood that the effectiveness of leadership may stagnate due to a lack of openness and constructive feedback from peer review and inspections.</i>	<b>LOW</b> 

**Summary analysis of Authority compliance against the CIPFA Delivering Good Governance in Local Government Framework**

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	
<b>Sub Principle: Behaving with integrity</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Codes of conduct	Green
Individual sign off with regard to compliance with code	Red
Induction for new members and staff on standard of behaviour expected	Green
Performance appraisals	Green
Communicating shared values with members, staff, the community and partners	Green
Decision making practices	Green
Declarations of interests made at meetings	Green
Anti-fraud and corruption policies are working effectively	Green
Up-to-date register of interests	Yellow
Up-to-date register of gifts and hospitality	Green
Whistleblowing policies are in place and protect individuals raising concerns	Green
Whistleblowing policy has been made available to members of the public, employees, partners and contractors	Green
Complaints policy and examples of responding to complaints about behaviour	Green
Members and officers code of conduct refers to a requirement to declare interests	Green
Minutes show declarations of interest were sought and appropriate declarations made	Green
Championing ethical compliance at governing body level	Red

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<b>Sub Principle: Demonstrating strong commitment to ethical values</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Provision of ethical awareness training	Red
Appraisal processes take account of values and ethical behaviour	Red
Staff appointments policy	Green
Procurement policy	Green
<b>Sub Principle: Respecting the rule of law</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Constitution	Green
Job description/specifications	Green
Effective anti-fraud and corruption policies and procedures	Green
<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Sub Principle: Openness</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Annual report against KPI's	Green
Freedom of Information Act publication scheme	Red
Authority's goals and values	Green
Authority website	Green
Record of decision making and supporting materials	Green
Decision making protocols	Green
Discussion between members and officers on the information needs of members to support decision making	Red
Agreement on the information that will be provided and timescales	Green
Calendar of dates for submitting, publishing and distributing timely reports is adhered to	Green

<b>Sub Principle: Engaging comprehensively with institutional stakeholders</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Communication strategy	
Partnership protocols/framework	
<b>Sub Principle: Engaging stakeholders effectively, including individual citizens and service users</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Partnership framework	
Communication strategy	

<b>Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	
<b>Sub Principle: Defining outcomes</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Vision used as a basis for corporate and service planning	
Corporate and service plans	
Regular reports on progress	
Performance trends are established and reported upon	
Risk management protocols	
An agreed set of quality standard measures for each service element and included in service plans	
<b>Sub Principle: Sustainable economic, social and environmental benefits</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Capital investment is structured to achieve appropriate life spans and adaptability for future use or that resources (e.g. land) are spent on optimising social, economic and environmental wellbeing: <ul style="list-style-type: none"> <li>• Capital programme / Capital investment strategy</li> </ul>	
Discussion between members and officers on the information needs of members to support decision making	
Record of decision making and supporting materials	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Sub Principle: Determining interventions	
Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Discussion between members and officers on the information needs of members to support decision making	
Decision making protocols	
Agreement of information that will be provided and timescales	
Financial strategy	
Sub Principle: Planning interventions	
Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Calendar of dates for developing and submitting plans and reports that are adhered to	
Communication strategy	
Partnership framework	
Risk management protocol	
KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly	
Reports include detailed performance results and highlight areas where corrective action is necessary	
Evidence that budgets, plans and objectives are aligned	
Budget guidance and protocols	
Medium term financial plan	
Corporate and service plans	

<b>Sub Principle: Optimising achievement of intended outcomes</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Changes as a result	Red
Budgeting guidance and protocols	Green
Financial strategy	Green
Achievement of 'social value' is monitored and reported upon	Red

<b>Principle E: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	
<b>Sub Principle: Developing the entity's capacity</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Regular reviews of activities, outputs and planned outcomes	Green
Effective operation of partnerships which deliver agreed outcomes	Green
Workforce plan	Green
Organisational development plan	Green
<b>Sub Principle: Developing the capability of the entity's leadership and other individuals</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Job descriptions	Green
Scheme of delegation reviewed at least annually in the light of legal and organisational changes	Green
Standing orders and financial regulations which are reviewed on a regular basis	Green
Clear statement of respective roles and responsibilities and how they will be put into practice	Green
Induction programme	Green
Personal development plans for members and officers	Green
Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs	Red
Peer reviews	Red



Training and development plan	
Staff development plans linked to appraisals	
Implementing appropriate human resource policies and ensuring that they are working effectively	
Human resource policies	

**Principle F: Managing risks and performance through robust internal control and strong public Financial Management**

**Sub Principle: Managing risk**

Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Risk management protocol	

**Sub Principle: Managing performance**

Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Agenda and minutes of scrutiny meetings	
Terms of reference	
Training for members	
Membership	

**Sub Principle: Managing performance**

Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Data protection policies and procedures	

**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

**Sub Principle: Implementing good practice in transparency**

Examples of systems, processes, documentation and other evidence demonstrating compliance	RAG rating
Website	

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<b>Sub Principle: Implementing good practices in reporting</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery against KPI's	Red
Annual financial statements	Green
Annual governance statement	Green
Format follows best practice	Green

### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

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

**RISK RESPONSE DEFINITIONS**

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

**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

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

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Treasurer

27 January 2017

**Internal Audit Update and 2017/18 plan**

**SUMMARY**

This report provides a high level summary of progress with implementing internal audit recommendations and initial thoughts for the 2017/18 internal audit plan

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the progress with implementing recommendations
- 2) Note the areas under consideration for the 2017/18 internal audit plan

**1. Introduction**

The following internal audits were undertaken during 2016/17, to date:

- Creditors
- Risk Management
- Waste Minimisation
- Governance

Reports for these follow in the Audit Committee Agenda and will be introduced by our Internal Auditors, the London Borough of Hillingdon.

**2. Summary**

The table below provides a summary of the progress with implementing recommendations.

Internal Audit	Report Date	Assurance Opinion	Tracked Recommendations	Not Accepted	Completed	To complete but still within agreed timescale	Overdue
Creditors	October 2016	Reasonable	3	0	3	0	0
Risk Management	November 2016	Reasonable	4	1	3	1	0
Waste Minimisation	January 2017	Limited	3	0	0	3	0
Governance	January 2017	Awaiting Report	6	0	0	6	0

The Waste Minimisation and Governance audits have very recently been completed and the recommendations are planned for completion over the coming months.

Only 2 high risk recommendations were identified across all internal audits - Creditors, relating to goods receipting and Waste Minimisation, relating to updating strategy documents.

1 recommendation in Risk Management has not been accepted on the basis that it is inappropriate for the small size and structure of operations.

Internal Audit follow up on progress with recommendations will take place towards the end of the year and will be reported to this Committee.

### **3. 2017/18 and 2018/19 Internal Audit Plans**

The internal audit plan for next year currently includes a review of the following activities:

- Contract management
- Budgetary control
- Staff expenses including petty cash
- Compliance with the scheme of delegations

The plan for 2018/19 year covers:

- Performance management
- Business continuity
- Reconciliations
- Twyford H&S

Members are invited to suggest changes and/or further areas to be covered in the 2017/18 internal audit plan.

### **4. Financial Implications**

None as a result of this report

### **5. Legal Implications**

None as a result of this report

### **6. Impact on Joint Waste Management Strategy** – the work of Internal Audit will over a period of time review the Authority's processes and achievements which will in turn demonstrate its ability to deliver the Joint Waste Management Strategy.

**Policy 1:** Current and future policy development will have regard to the National and Mayor of London's Municipal Waste Management Strategies and other relevant national, regional and local guidance.

**Policy 2:** West London Waste Authority and its constituent Boroughs will prioritise waste reduction and waste reuse.

**Policy 3:** Jointly, the Waste London Waste Authority and constituent Boroughs will aim to recycle and compost at least:



- **28% of municipal waste by 2006/7;**
- **40% of municipal waste by 2010; and**
- **50% of municipal waste by 2020.**

These targets will aim to be reached from a base of meeting statutory performance standards for household waste recycling and composting in each authority by April 2006. The Action Plans will set intermediate targets.

**Policy 4:** The collection authorities will serve all households with recycling collections of at least four materials by 2008.

**Policy 5:** West London Waste Authority and its constituent Boroughs will reduce biodegradable municipal waste land filled with regard to the Landfill Allowance Trading Scheme.

**Policy 6:** West London Waste Authority and constituent Boroughs will seek a residual waste management solution in accordance with the waste hierarchy, that presents value for money and that offers reliability in the long term.

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

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

Contact Officers	Jay Patel, Head of Finance <a href="mailto:jaypatel@westlondonwaste.gov.uk">jaypatel@westlondonwaste.gov.uk</a>	020 8825 9468
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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

27 January 2017

Report of the Treasurer and Managing Director

**West London Waste Authority Risk Register**

**SUMMARY**

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

**RECOMMENDATION(S)**

The Committee is asked to:-

- 1) Note the content of the Risk Register (Appendix 1)

- 1. Introduction** – The Authority maintains a risk register which sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.
- 2. Detail** – The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer meetings which are held every 4-6 weeks, where risks and actions are considered and updated routinely.
- 3.** The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the document you will find a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.
- 4.** The risk register has been reworked and updated to:
  - reflect findings of a recent internal audit (e.g. showing change from original score and highlighting planned actions)
  - improve clarity (e.g. providing better descriptions, colour coding)
  - reflect the commencement of full service (e.g. some risks have now passed)
  - provide a better grouping of risks (e.g. previously some risks were spread across a number of lines).The risk register still retains most of its other features.
- 5. Appendix 1** provides the latest risk register which was updated at the latest Chief Officers' meeting. In overall terms, the risk register identifies 20 Red and Amber risks facing the Authority and the mitigating actions. 19 of the risks have been mitigated to a Green status and there is 1 risk at Amber status.

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

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

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

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

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

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	Ian O'Donnell, Treasurer	020 8825 5269
	<a href="mailto:Odonnelli@ealing.gov.uk">Odonnelli@ealing.gov.uk</a>	

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	#REF!	Assessment of Risk original score in brackets			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations			Responsible Officer
			Impact	Probabili ty	Rating		Impact	Probabili ty	Rating	
Recycling targets and environmental legislation will weaken post Brexit	Unwanted facilities, expensive but sustainable methods of managing waste materials	Political	4 (5)	3 (4)	12 (20)	Ongoing monitoring of proposals, respond to consultations and review as part of new contracts. Continue to attend CIWM events and monitor industry commentary and reiterate west London Boroughs intent to hit 50% target.	4	1	4	Managing Director
Authority decisions may be based on inaccurate or incomplete information	Inappropriate actions, unnecessary costs, challenge from an interested party and impact on reputation	Political	5	2	10	Scrutiny processes in place for reporting, reviewing and checking of any financial data by Officers. Borough officers consulted on all draft papers for financial and technical comment. Policy for handling conflicts of interest involving Members and/or Officers.	5	1	5	Managing Director
One or more of the waste treatment and disposal contracts will perform poorly or a single event will result in a need for business continuity planning.	Poor service to the Boroughs using the sites or needing material to be removed from site. Complaints about nuisance eg odour or pests. Increased cost of handling materials	Political	5	2	10	Ongoing review of contingency arrangements on each contract quarterly / annually as required. PPP contract used contingency arrangements during commissioning. Holding regular meetings with contractors and monitor KPIs as appropriate. Regular communication with Boroughs about service issues. Service monitoring and market information, reports on credit changes monitored. Credit checks and a review of accounts are routinely undertaken for new contracts and considered for contract extensions. <b>Action: Review suitability of KPIs by 31 March 2017</b>	5	1	5	Contracts Manager
WLWA is not managed in accordance with policies and procedures or the policies and procedures are not robust.	Inappropriate decision making, failure to meet objectives and impact on reputation	Political	5	2	10	Internal management team meetings, Chief Officers meetings, Borough Partnership meetings and review of Authority papers. Audit Committee established with internal and external audit governance framework. Key performance indicators are reported to the Authority. Borough officers consulted on all draft papers for financial and technical comment.	5	1	5	Managing Director
WLWA financial processes are not robust	Internal fraud by an employee or contractor, bad information resulting in wrong decisions	Economic	5 (4)	2	10 (8)	Internal audit plan in place. Policies and procedures in place including arrangements for checking contracts and invoices. Segregation of duties between authorisation and checking of payments. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders. 2015 Internal audit assurance Procurement fraud training rolled out in 2016 and declarations of interest extended to all staff involved in procurement.	4	1	4	Head of Finance and Performance
There will be unforeseen financial costs not covered by balances	An in-year levy to the Boroughs	Economic	4	3	12	Budget processes reviewed and monthly reporting demonstrating consistent performance. Budgets built from the bottom up with input and validation of data from boroughs. Boroughs nominate number of tonnes for PAYT budget for collected tonnes. Prudent levels of reserves are maintained to act as a buffer against any unforeseen risks and financial costs. Budget plan takes into account quantifiable risks. Where appropriate budgets are set with contingencies for identified risks.	3	1	3	Head of Finance and Performance
WLWA insurance cover will be insufficient	Inadequate cover to meet the costs of future claims, increasing difficulty in obtaining competitive quotes for waste industry facilities	Economic	5	3	15	There is an annual review with brokers and insurers to review adequacy of policies, claims history and premiums and options. Regular updates from insurer and broker advising of new policies.	5	1	5	Head of Finance and Performance
Funds (cash) are not managed effectively	Insufficient readily accessible cash to meet spending commitments resulting in financial penalties, legal claims and poor reputation. Poor rate of return on investments.	Economic	4	4	16	Cash planning in place. Processes in place to make payments swiftly, within minutes if necessary. Cash balances maintained to cover delays in borough transactions. 3 day turnaround time for calling down funding from investments. <b>Action: review treasury management policy and opportunities to utilise funds to deliver better returns by 30 June 2017</b>	3	1	3	Head of Finance and Performance
The contract payment mechanisms are not properly understood	Payment delays, under or overpayments	Economic	4	3	12	In-house checks of invoices by both operational and financial managers in place. Independent audit of contractor's payment model. Monthly contract meetings, training and familiarisation with payment mechanisms	4	2	8	Head of Finance and Performance
There will be fluctuations in material value due to recycling and raw material market forces	Uncontracted material streams may not be budgeted accurately, Falling scrap metal prices could lead to more abandoned vehicles for disposal, Boroughs cannot rely on a regular / known income from dry mixed recycling	Economic	3	3	9	Regular monitoring of all material markets and sharing information with Boroughs. <b>Action: Review arrangements for disposal of abandoned vehicles in 2017/18.</b>	3	2	6	Contracts Manager
The loss of or absence of a key member of the team	Ineffective day to day management of the Authority, poor service delivery, contract management and long term planning	Economic	3	3	9	Recruitment policies, succession planning, cover/interim arrangements and other procedures limit impact on business continuity. <b>Action: Implement change to new management structure and review with future strategy in mind by 1 April 2017.</b>	2	2	4	Managing Director

IT systems are insecure or suffer a major failure	Loss of data which we are obliged to report, or without which we cannot invoice or operate effectively	Economic	4 (5)	4	16 (20)	ICT service is delivered by LB Ealing and subject to a wide range of back-up and security measures including remote storage and performance to an agreed service level standards. An IT strategy is in place and IT requirements are regularly reviewed.	4	1	4	Head of Finance and Performance
The waste flows are constantly changing	The contracted capacity does not match actual treatment requirement resulting in ineffective waste management arrangements	Social	5	3	15	Regular monitoring of waste flows and data patterns. Contracts with suitable flexibility/capacity. Liaison with boroughs for service changes, highlighting risks during the budget setting and budget monitoring.	4	1	4	Contracts Manager
The need for local facilities will be rejected by the local community	Protracted and expensive planning applications, bad will from the local community and failure to ensure availability of ideal infrastructure	Social	4	5	20	Adopting appropriate project management approach will include early engagement with community liaison groups, robust site analysis and multiple options cost analysis. Careful selection well managed planning authorities. Discussions with neighboring WDAs <b>Action: utilise appropriate project management methodology for each project as it arises</b>	4	3	12	Contracts Manager
We are reliant on one member of staff for the access database	Being unable to administer/support our core IT system (developed by that member of staff), the Access waste data management system (used for checking invoices, submitting waste dataflow returns, providing management information).	Technological	5	3	15	Documented procedures allow continued day to day use of the system and the procurement of Opensky data management system with fully supported maintenance will mitigate this risk further. <b>Action: complete implementation by 28 February 2017.</b>	4	2	8	Head of Finance and Performance
WLWA Borough data is not being viewed holistically	A disjointed approach. Failure to capitalise on opportunity. Additional cost. A continuing disjointed approach. The Boroughs will fail to meet the 50% recycling composting target by 2010	Technological	5	3	15	Data is viewed from an Authority perspective and ensures operations are effective for the Authority. However a more holistic view of data across all boroughs will facilitate better partnership working. <b>Action: identify information needs and commence project to meet information gaps by 1 April 2017.</b>	4	2	8	Head of Finance and Performance
There will be a change in law relevant to our contracts	Unanticipated cost for the Authority	Legislative	4	4	16	Legislative changes are identified ie which affect EfW or transfer station operations, an incineration tax or change in classification to hazardous waste and are prepared for accordingly. Wipd meetings are attended to gather from/share knowledge with other disposal authorities. Where possible costs will be built into the budgeting process or reported through budget monitoring and dealt with through reserves.	4	2	8	Contracts Manager
DCLG will challenge our HRRC provision or charging policy	Reputational damage, court action or a fine	Legislative	3	3	9	A Memorandum of Understanding (MoU) with boroughs and the availability of HRRC sites demonstrates performance of the statutory role. However the MoU expired in 2015 and charging policies across boroughs are disparate. <b>Action: Review MoU by 30 June 2017</b>	1	2	2	Operations Manager
Environmental damage will be caused by Authority or Contractor Activities	Increased cost of repair, potential fines, reputational damage	Environmental	5	2	10	Range of processes including internal daily and weekly monitoring. Review operations risks. Review procurement policy. Monitor contractors environmental performance and reporting.	5	1	5	Operations Manager
There will be a breach in Health & Safety at an Authority or Contractor site	Risk of injury to staff or public visitors to Authority sites	Environmental	5	2	10	Specialist Health and Safety Advice from LB Hounslow. 2015 Internal audit provided assurance. 2016/17 Action Plan considered and agreed with GMB. Monitor contractors health and safety performance and reporting.	5	1	5	Operations Manager

**Risk Rating**

**Impact Classification**

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

**Likelihood Classification**

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

**Risk Rating/Scoring = Impact\*Likelihood. Prioritisation of Risks**

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

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# West London Waste Authority

Year ending 31 March 2017

Audit Plan

27 January 2017

Ernst & Young LLP



Audit Committee  
West London Waste Authority  
Civic Centre  
Lampton Road  
Hounslow  
TW3 4DN

27 January 2017

Dear Committee Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

We welcome the opportunity to discuss this Audit Plan with you on 27 January 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson  
*For and behalf of Ernst & Young LLP*  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

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

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

## 1. Overview

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

- ▶ our audit opinion on whether the financial statements of West London Waste Authority give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

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

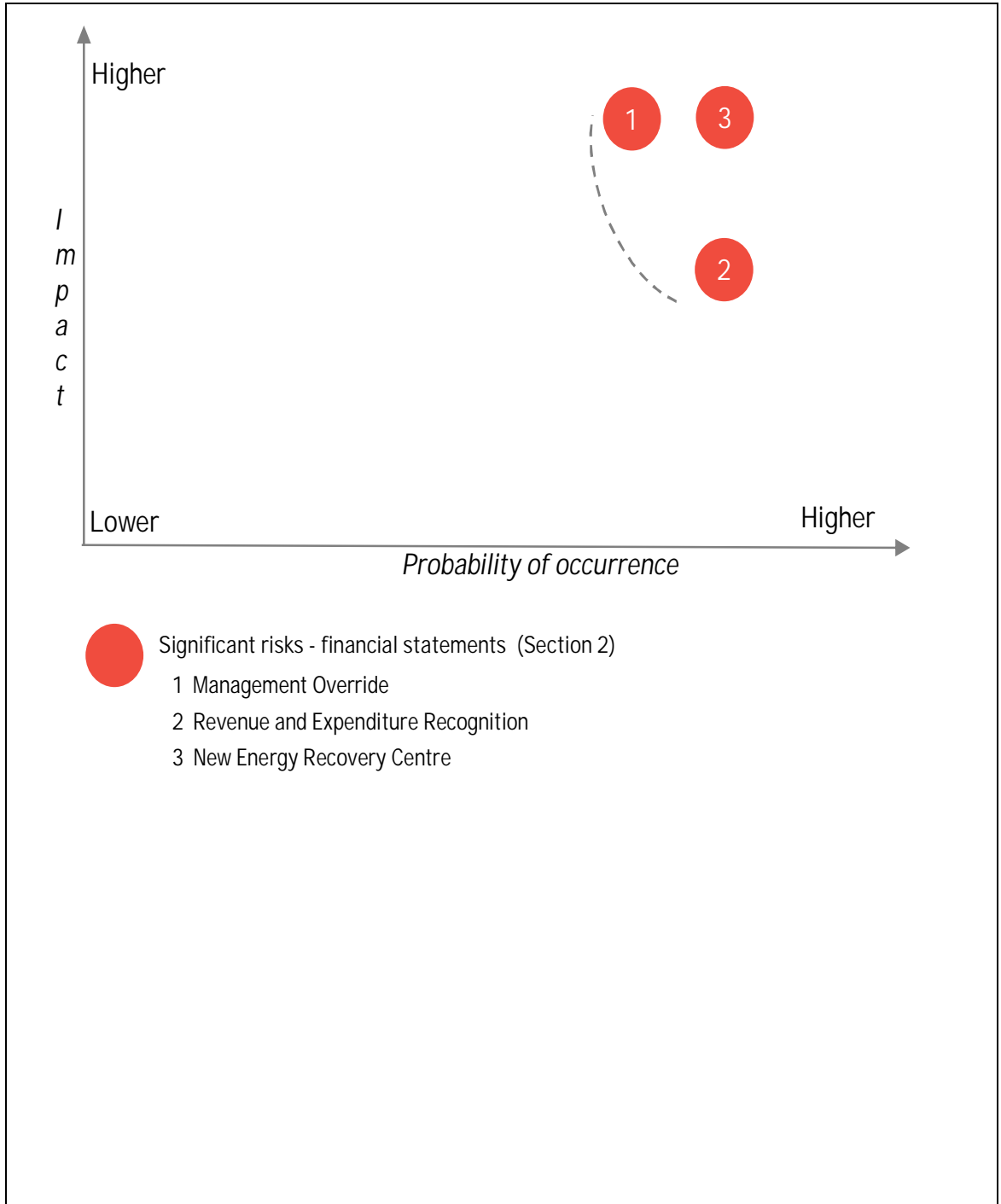
Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

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

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

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

The following 'dashboard' summarises the significant matters that are relevant for planning our audit. More information about each of these risks, and our proposed response, is provided in sections two and three of this report.



## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>New Energy Recovery Centre</b>	
<p>The construction of the Energy Recovery Centre has been completed in 2016/17 and is due to be fully operational in year. The value of the Authority's Energy Recovery Centre is material. There is a requirement to assess the carrying value of assets for impairment every year and under ISAs (UK&amp;I) 500 and 540 we are required to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p>The Authority has a significant contract with the Suez Consortium (which provides the Waste Management Service) as part of a 27 year Residual Waste Services Agreement.</p> <p>The nature of the contract and subsequent accounting impact is complex and there is a risk that the terms of the contract have not been followed.</p>	<p>In relation to valuation, we will:</p> <ul style="list-style-type: none"> <li>▶ agree the source data used by the valuer to supporting records;</li> <li>▶ assess the work of the valuer to ensure that assets have been valued and recorded appropriately;</li> <li>▶ agree the outputs to the fixed asset register and statement of accounts; and</li> <li>▶ review the Authority's assumptions underlying any impairment review undertaken.</li> </ul> <p>In relation to the contract with the Suez Consortium, we will:</p> <ul style="list-style-type: none"> <li>▶ review the contract in place between the authority and the Suez Consortium;</li> <li>▶ substantively test transactions that relate to the contract;</li> <li>▶ perform unrecorded liabilities testing, cut off testing on relevant expenditure and review post year end credit notes; and</li> <li>▶ review disclosures made within the statement of accounts to ensure that these are correct and in line with supporting information.</li> </ul> <p>We will consider, as part of our work in both areas, whether we need to use an internal audit expert to gain appropriate audit assurance.</p>
<b>Risk of fraud in revenue recognition</b>	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ review and test revenue and expenditure recognition policies;</li> <li>▶ review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;</li> <li>▶ develop a testing strategy to test material revenue and expenditure streams; and</li> <li>▶ review and test revenue cut-off at the period end date.</li> </ul>
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions.</li> </ul>

## 2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud, and
- ▶ performing mandatory procedures regardless of specifically identified risks.

### 3. Value for money risks

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

For 2016-17 this is based on the overall evaluation criterion:

*“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

*“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, we have not identified any risks which we view as significant to our value for money conclusion. We will keep our risk assessment under review, and report any changes to officers and the Audit Committee.



## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

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

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

### 4.2 Audit process overview

Our audit will involve:

- ▶ an assessment of the key internal controls in place, and testing the ones relevant to our audit strategy;
- ▶ reviewing the work of internal audit;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

#### **Analytics**

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

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

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

### Internal audit

As in the prior year, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our reporting, where appropriate.

### Use of specialists

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

Area	Specialists
Pensions Valuation	Barnett Waddingham, EY pensions team
PPE Valuation and accounting for the new Energy Recovery Centre	Wilks, Head and Eve, EY Valuations team

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

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

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

## 4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

#### **Procedures required by the Code**

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

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

### **4.4 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Authority is £1,174,000 based on 2% of the total gross expenditure. We will communicate uncorrected audit misstatements greater than £59,000 to you.

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

### **4.5 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of West London Waste Authority is £19,770.

### **4.6 Your audit team**

The engagement team is led by Helen Thompson, who has significant experience on Local Government audits. Helen is supported by David Guest who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance and Performance. The team is unchanged from last year.

### **4.7 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>April 2016</b>		Audit Fee Letter
Risk assessment and setting of scopes	<b>December 2016</b>	<b>January 2017</b>	Audit Plan
Testing routine processes and controls	<b>February 2017</b>		
Year-end audit	<b>June 2017</b>		
Completion of audit	<b>September 2017</b>	<b>September 2017</b>	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October 2017</b>	<b>January 2017</b>	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us.</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review.</li> <li>▶ The overall assessment of threats and safeguards.</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto.</li> <li>▶ Written confirmation that we are independent.</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy.</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

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

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Authority.

At the time of writing, there are no long outstanding fees.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Authority. We

confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

***Self-review threats***

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

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

***Management threats***

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

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

***Other threats***

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

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

***Overall Assessment***

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

### **5.3 Other required communications**

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £
Opinion Audit and VFM Conclusion	19,770	19,770	19,770
<b>Total Audit Fee – Code work</b>	<b>19,770</b>	<b>19,770</b>	<b>19,770</b>
Non-audit work	0	0	0

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion are unqualified;
- ▶ appropriate quality of documentation is provided by the Authority; and
- ▶ the Authority has an effective control environment.

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

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Audit Results Report
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Audit Results Report
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Audit Results Report
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Audit Results Report
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	▶ Audit Results Report



Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>

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