

West London Waste Authority

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West London Waste Authority - Audit Committee

A meeting of the West London Waste Authority - Audit Committee will be held in Committee Room 5, Harrow Civic Centre on Friday 22 September 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 27 January 2017 **(Pages 3 - 4)**
4. Annual Internal Audit Report and Opinion Statement 2016/17 **(Pages 5 - 20)**
5. West London Waste Authority Audit Results report **(Pages 21 - 62)**
6. Risk Register **(Pages 63 - 70)**
7. Assurance Statements **(Pages 71 - 86)**
8. Statement of Accounts for the year ending 31 March 2017 **(Pages 87 - 136)**

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 27 January 2017 at 10.00 am at the Gilbert Room, First Floor, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

Present:

Councillor Amritpal Mann (Chair)

Councillor Eleanor Southwood

Andrea White (Independent Person)

Apologies for Absence

Councillor Keith Burrows

29. Apologies for absence

Apologies for absence were received from Councillor Keith Burrows.

30. Declarations of interest

There were no declarations of interest.

31. Minutes of the meeting held on 23 September 2016

The minutes of the meeting held on 23 September 2016 were confirmed.

32. Internal Audit Final Assurance Report(Creditors, Risk Management, Waste Minimisation, Corporate Governance)

The Committee received reports which set out the overall Internal Audit Assurance opinion in relation to four areas; creditors, risk management, waste minimisation and corporate governance.

Members considered each report in turn. Martyn White, Internal Auditor, reported that creditors, risk management and governance had all obtained reasonable assurance and waste minimisation had received limited assurance.

In response to a question in relation to the creditors' internal audit and Agresso, Jay Patel, Head of Finance, clarified that there had been a manual issue with dates in that the incorrect column had been used.

In response to a question in relation to waste minimisation, Emma Beal, Managing Director, reported that the Joint Waste Management Strategy needed to be reviewed and that this would be completed by September 2017 and that the waste prevention strategy would be incorporated as part of that review.

RESOLVED: That the report be noted.

33. Internal Audit Update and 2017/18 Plan

The Committee received a report which provided a high level summary of progress in implementing internal audit recommendations and the 2018/19 internal audit plan.

RESOLVED: That (1) the progress with implementing internal audit recommendations be noted;

(2) the areas under consideration for the 2017/18 internal audit plan be noted.

34. Risk Register

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

In response to a question, Emma Beal, Managing Director, confirmed that, in terms of health and safety responsibilities, these were carried out by both direct contracts and contractors but that the Authority retained responsibility.

RESOLVED: That the content of the Risk Register attached at Appendix 1 to the report be noted.

35. External Audit Plan for 2016/17 Accounts

The Committee received the External Audit Plan for 2016/17 Accounts, The Committee welcomed David Guest, External Auditor, Ernst & Young, to the meeting.

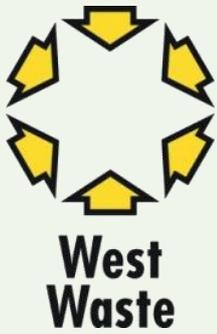
The External Auditor reported that, as detailed in the report, there were three significant financial statement risks in the 2016/17 Audit Plan and that, in terms of materiality, any uncorrected mistakes above the materiality threshold would be reported to the Committee. He advised the Committee that the sign off for the 2017/18 accounts would be in July 2018 rather than September and that officers should consider this when diarising meetings.

In response to a question, Jay Patel, Head of Finance, indicated that accounts were produced by the end of April and that the timing of meetings may require change.

RESOLVED: That the report be noted.

The meeting finished at 10.19 am.

The minute taker at this meeting was Alison Atherton.



INTERNAL AUDIT

West London Waste Authority (WLWA)

Annual Internal Audit Report & Opinion Statement 2016/17

Draft for Audit Committee as at 31st August 2017



Contents

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is essential in helping the Authority achieve its corporate objectives. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account public sector internal auditing standards or guidance.
- 1.1.2 IA give an objective opinion to the Authority on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service provided to the Authority fully embraces the risk based approach which means IA provides greater assurance to the Authority because it is focused on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to mitigate risk and enhance the likelihood of achieving the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from the 2016/17 IA assurance work. The report also provides IA key stakeholders, including the Authority's Officers Team and the Audit Committee, with an opportunity to hold the Head of Internal Audit (HIA) to account on delivery of the 2016/17 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Authority in meeting the requirements of the Accounts and Audit (England) Regulations 2015.

2. Executive Summary

- 2.1 The HIA is pleased to report that delivery of **the 2016/17 IA plan was 100% complete to final report stage by 31st March**. This is an excellent achievement for IA and the Authority and highlights the continued collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Authority.
- 2.2 Delivery of the IA plan for 2016/17 has been achieved in a timely manner by applying a fully risk based approach to help focus IA resources on the key risks facing the Authority. In addition, the HIA believes this relative success is predominantly due to the collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Authority. Further details of IA performance can be found at section 6 of this report.
- 2.3 From the work undertaken and from the other sources of assurance referred to in para 3.7:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at WLWA for the year ended 31st March 2017 accords with proper practice, except for the significant internal control issues referred to in para 3.8 .*

- 2.4 In total **5** pieces of IA work have been delivered as part of the 2016/17 IA plan. This includes 4 assurance reviews and 1 follow-up review. Three of the assurance reviews resulted in a **REASONABLE** assurance opinion being provided with one receiving a **LIMITED** assurance opinion. Whilst this may appear concerning, this provides positive assurance to the Audit Committee that IA resource is risk based and focused on areas of concern. The IA follow-up review does not provide a formal assurance opinion.
- 2.5 All bar one of the 2016/17 **HIGH** and **MEDIUM** risk recommendations raised by IA were accepted by the relevant managers/risk owners, with positive action proposed to TREAT these risks. One risk within the IA review of Risk Management was risk tolerated by management with this previously been reported to the Committee. Further analysis of the IA assurance levels issued in 2016/17 along with a breakdown of the risk recommendations raised can be found at section 4 of this report.
- 2.6 The table below provides an analytical review of assurance opinions issued by IA over the last 3 years which demonstrates a broadly consistent picture over this period:

| Assurance Level | 2014/15 | 2015/16 | 2016/17 |
|--------------------|----------|----------|----------|
| Substantial | 0 | 0 | 0 |
| Reasonable | 5 | 4 | 3 |
| Limited | 0 | 0 | 1 |
| No | 0 | 0 | 0 |
| Totals | 5 | 4 | 4 |

- 2.7 Focussing a dedicated IA review on **following-up recommendations** that are due to have been implemented, has helped to continue to achieve a positive outcome for the Authority during 2016/17. Specifically, as at 31st August 2017, only 1 of the 2 **HIGH** risk recommendations raised in 2016/17 have fallen due which was confirmed by management, and verified by IA, as implemented. The remaining **HIGH** risk recommendation implementation date had not yet passed. IA verification work to confirm **HIGH** and **MEDIUM** risk recommendations are embedded and operating as intended can be found at section 5 of this report.

3. Head of Internal Audit Opinion Statement 2016/17

3.1 Background

- 3.1.1 The HIA opinion statement is provided to inform the Director and Chair of the Authority and to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2016/17 year.
- 3.1.2 The AGS provides public assurances about the effectiveness of the Authority's governance arrangements, including the system of internal control. The HIA opinion statement meets the Authority's statutory requirement under Regulation 6 of the Accounts and Audit (Amendments) (England) Regulations 2015, and is also aligned to the PSIAS, in particular performance standard 2450, where the chief audit executive is required to deliver an annual internal audit opinion.

3.2 Scope of Responsibility

- 3.2.1 The Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.2.2 In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Authority has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

3.3 The Purpose of the System of Internal Control

3.3.1 The Authority's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.

3.3.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's corporate objectives and associated business plan. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

3.4.1 The HIA opinion is based primarily on the IA assurance work carried out by IA service during 2016/17, as well as a couple of other assurance providers which have been considered in forming the HIA opinion.

3.4.2 The IA Plan for 2016/17 was developed primarily to provide WLWA Officers Team and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Authority's corporate governance arrangements and risk management framework.

3.5 Basis of Assurance

3.5.1 All of the IA reviews carried out in 2016/17 have been conducted in accordance with the UK PSIAS. An external quality assurance (EQA) review of the IA service confirmed that Hillingdon's IA service fully conforms to the requirements of the UK PSIAS in 2016/17.

3.5.2 In line with the UK PSIAS, the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has evolved during the year with every single member of the IA team either fully qualified or actively studying for a relevant professional IA qualification. As a result, the 2016/17 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

3.6 Qualifications to the Opinion

3.6.1 During 2016/17 the Authority's IA service:

- had **unrestricted access to all areas and systems** across the Authority;
- received **appropriate and full co-operation from officers and members**;
- had **sufficient resources to enable it to provide adequate coverage** of the Authority's control environment to provide the overall opinion (refer to para 3.11.3).

As a consequence, **there are no qualifications to the 2016/17 HIA opinion statement.**

3.7 Other Assurance Providers

3.7.1 In formulating the HIA overall opinion on the Authority's system of internal control, the HIA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions which included the Audit Committee; and coverage by External Audit.

3.8 Significant Internal Control Weaknesses

- 3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.
- 3.8.2 **There were two significant control weaknesses identified by IA during 2016/17.** Work is ongoing to strengthen the Authorities control environment in relation to the significant control weaknesses identified. These included (but are not limited to):
1. The 2016/17 IA review of Creditors identified that invoices relating to Non-Waste Trade and Disposal services and/or goods, were being processed without confirmation of receipt. Following this IA assurance review, management proposed positive action which was confirmed as implemented within the 2016/17 follow up review.
 2. The 2016/17 IA review of Waste Minimisation identified that the Waste Prevention Strategy was not current, dated 2011 to 2015. In the absence of an up-to-date strategy, an unstructured approach to waste minimisation could therefore be undertaken. Management had proposed positive action to the recommendation raised, although the implementation due date has not past.

3.9 Risk Management

- 3.9.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Authority to achieve its corporate objectives, associated business plan and fulfil its strategic priorities.
- 3.9.2 The 2016/17 IA assurance review of RM provided **REASONABLE** assurance over the management of the key risks to the achievement of the objectives for the Authority's RM process. The Authority's Financial Regulations (FRs) document the responsibilities of Officers and Members, in particular the Audit Committee, in relation to Risk Management. This is underpinned by the Risk Management Framework and Policy.
- 3.9.3 We found sufficient controls were in place allowing the Authority to identify, classify and evaluate risks. 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.
- 3.9.4 Our review did identify control weaknesses in the management of the Authority's identified risks. 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. Whilst we found instances in which the inherent and residual risk scoring did not alter after mitigating actions.
- 3.9.5 We are pleased to report that the risk register is regularly updated, reported and reviewed at all levels within the Authority and considered at the Authority's Audit Committee (who met twice during 2016/17) informing Members of significant changes to prioritised risks (**RED** and **AMBER**). 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.

3.10 Corporate Governance

- 3.10.1 Corporate governance (CG) 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 of the Authority. Good governance is acknowledged to be essential for the success of any organisation and leads to good management, performance, stewardship of public money, and fundamentally good outcomes for stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services, value for money and delivery of stakeholder expectations.

3.10.2 The 2016/17 IA assurance review provided **REASONABLE** assurance in this area, assessing the Authority against the 7 Principles for good governance framework, as published within the 2016 revised addition of CIPFA's *Delivering Good Governance Framework*. Testing verified the Authority's overall compliance against these 7 principles.

Annual Governance Statement

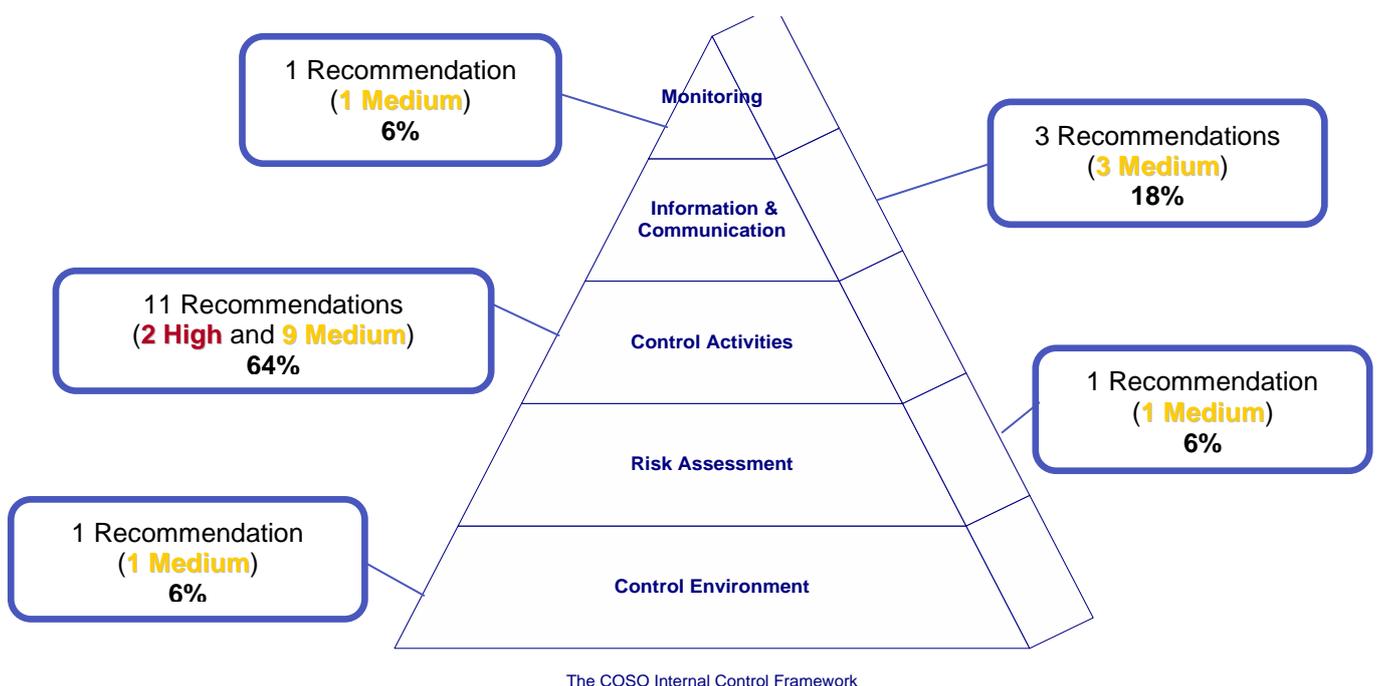
3.10.3 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority has a statutory obligation under the Accounts and Audit (England) Regulations 2015 to prepare an Annual Governance Statement (AGS), a significant component of the Authority's governance framework. The AGS provides the Authority with a mechanism to demonstrate its positive governance culture and also enables stakeholders to understand the governance arrangements the Authority has in place. The AGS supports the Annual Statement of Accounts and identifies any significant governance issues.

3.10.4 IA established that the draft AGS was produced as part of the draft Annual Statement of Accounts for 2016/17, presented to the West London Waste Authority on the 23rd June 2017. We are aware that assurance statements are completed by the Authority's Chief Officers and Senior Managers to demonstrate the ownership for the quality of governance arrangements around service areas for which they are responsible.

3.10.5 **There were NO significant governance weaknesses identified within the 2016/17 Draft AGS reported to the Authority on 23rd June 2017.** The 2016/17 AGS is in the process of being finalised for the Annual Statement of Accounts for 2016/17 that will be presented to Audit Committee on 22nd September 2017, prior to approval by the Authority.

3.11 Internal Control

3.11.1 The IA opinion on the Authority's internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Committee (COSO)**. These components provide an effective framework for describing and analysing the internal control system implemented in an organisation. The diagram overleaf details the elements of the COSO internal control framework and the number of **HIGH** and **MEDIUM** IA risk recommendations pertinent to each component.



3.11.2 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, maintaining operational risk registers and review of access rights. The other components of the framework have a relative proportionate share of recommendations. As noted at para 3.9, there are some weaknesses within the operational risk management processes. As a result, although there were only a few IA recommendations raised in 2016/17 that related to the risk assessment component of the COSO framework, it should not be inferred that risk assessment is completely robust.

3.11.3 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too. From the IA work undertaken in 2016/17, and the other sources of assurance referred to at para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Authority for the year ended 31st March 2017 accords with proper practice.**

4. Analysis of Internal Audit Activity 2016/17

4.1 Internal Audit Assurance Work 2016/17

4.1.1 The 2016/17 IA assurance work may be summarised by the assurance level achieved (definitions of the IA assurance levels are included at [Appendix B](#)) as per the table below:

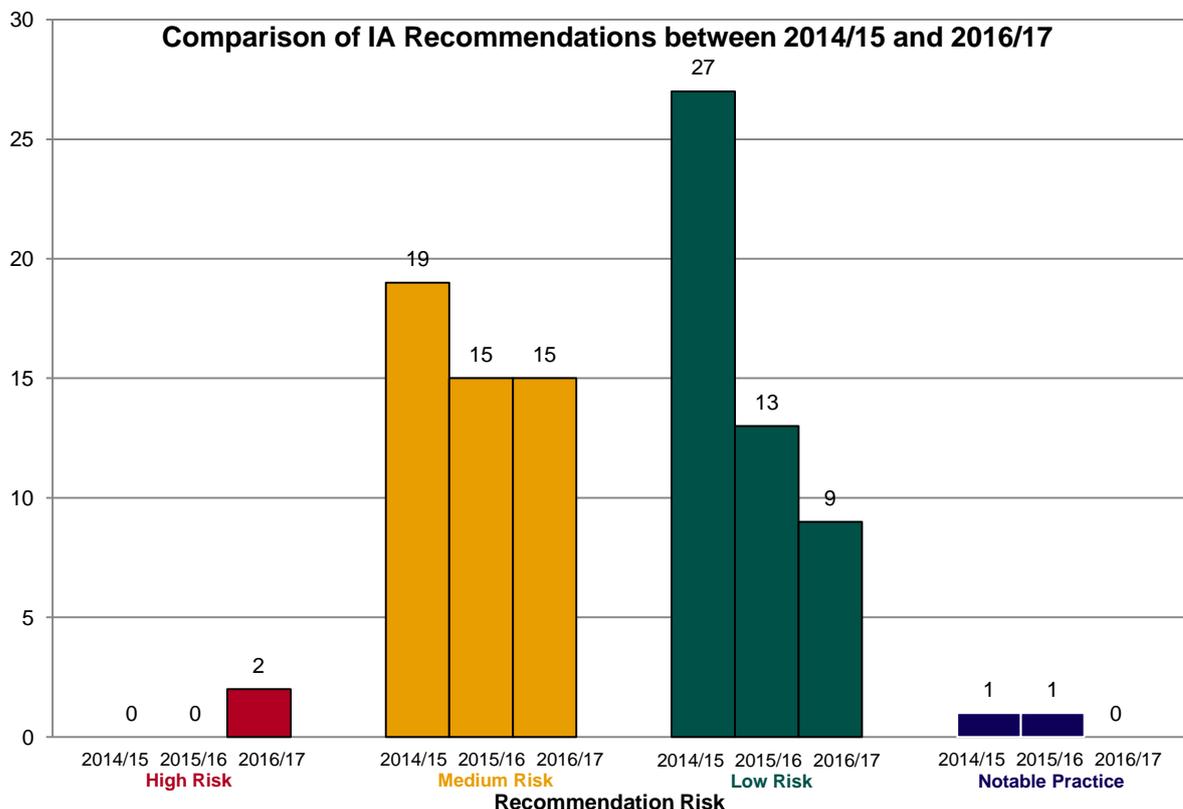
| Assurance Level | Number of IA Assurance Reports | Assurance % |
|-------------------|--------------------------------|-------------|
| REASONABLE | 3 | 75% |
| LIMITED | 1 | 25% |
| TOTAL | 4 | 100% |

4.1.2 The table above highlights that 3 of the 4 areas subject to IA in 2016/17 were assessed by IA as providing a **REASONABLE** assurance opinion, with the remaining area provided with **LIMITED** assurance opinion. This is against a backdrop of IA resources being focused on key risk areas to the Authority and therefore reflects positively on the overall control environment within the Authority. The individual assurance audits carried out during 2016/17 are fully listed at [Appendix A](#) which indicates the assurance levels achieved (as outlined at [Appendix B](#)) and provides an analysis of the IA recommendations made (in accordance with the risk ratings as outlined at [Appendix B](#)).

4.1.3 For the 4 IA assurance reviews, there were **26** IA assurance recommendations raised in total in 2016/17:

| Risk Rating | Number of 2016/17 IA Recommendations | Percentage Split | Comparison | |
|-------------------------|--------------------------------------|------------------|------------------|------------------|
| | | | 2015/16 | 2014/15 |
| HIGH | 2 | 8% | 0% (0) | 0% (0) |
| MEDIUM | 15 | 58% | 54% (15) | 41% (19) |
| LOW | 9 | 34% | 46% (13) | 59% (27) |
| TOTALS | 26 | 100% | 100% (28) | 100% (46) |
| NOTABLE PRACTICE | - | - | 1 | 1 |

4.1.4 Given that an increasingly risk based IA approach has been applied in 2016/17, it is in line with IA's expectations that approximately **two thirds of the IA recommendations raised** are **HIGH** or **MEDIUM** risk. The breakdown of all 2016/17 IA recommendations (plus notable practices) by risk rating, is provided in the bar chart overleaf providing a comparison with prior year data:



4.1.5 The bar chart above highlights an overall reduction in the number of medium and low risk recommendations raised over the past 2 years. However, as per the table within para 4.1.3, this distribution does however represent a 4% increase in medium risk recommendations when compared to the prior year. Further, there was also a 8% increase in **HIGH** risk recommendations when compared to 2014/15 and 2015/16 financial years. This is line with our expectations, given the risk based approach to IA work.

5. Internal Audit Follow Up

- 5.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. IA does not follow-up **LOW** risk recommendations as they tend to be minor risks i.e. compliance with best practice, or issues that have a minimal impact on a Service's reputation such as adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings and risk responses are included at [Appendix B](#).
- 5.2 We are aware that management track **LOW** risk recommendations and management have informed us that 6 out of 9 low risk recommendations raised in 2016/17 have been accepted and implemented.
- 5.3 Following the issue of an IA assurance report, **HIGH** and **MEDIUM** risk recommendations are recorded in TeamCentral, a module of our TeamMate e-audit software, for tracking and monitoring purposes. Recommendation risk owners and key stakeholders have access to and provide status updates (including supporting evidence) via this software.
- 5.4 The **4** IA assurance reviews have resulted in **26** IA recommendations being raised in 2016/17. Given that we are taking a risk based IA approach to IA coverage, it is a positive outcome that only two **HIGH risk recommendations were raised in 2016/17**. The table overleaf summarises the **status of IA 2016/17 recommendations** raised as at 31st August 2017:

| 2016/17 IA Recommendation Status as at 31 st August 2017 | HIGH | MEDIUM | LOW | Total | NOTABLE PRACTICE |
|---|------|--------|-----|-------|------------------|
| Total No. of recommendations raised (per <u>Appendix A</u>) | 2 | 15 | 9 | 26 | - |
| No. of recommendations tolerated | - | 2* | - | 2 | - |
| No. of recommendations due for follow-up Implementation | 1 | 10 | - | 11 | - |
| No. of recommendations implemented | 1 | 9 | - | 10 | - |
| No. of recommendations outstanding | - | - | - | - | - |

* One risk tolerated following issue of final report

- 5.5 Positive management action was proposed to address **16 of the 17** 2016/17 **HIGH** and **MEDIUM** risk IA recommendations raised, with management opting to tolerate one **MEDIUM** risk recommendation, raised in the IA review of risk management. As at the 31st August 2017, 11 of these recommendations had fallen due.
- 5.6 Through testing we were able to verify that 10 out of 11 due recommendations had been implemented. In one case the recommendation was found to be not implemented and management have since chosen to tolerate this **MEDIUM** risk recommendation, this was following agreement to treat the risk within the final IA report. As a result no **HIGH** and **MEDIUM** risk recommendations remain outstanding as at 31st August 2017.
- 5.7 The status of IA recommendations has been communicated with senior officers via the annual follow up review, verifying the implementation of management action.

6. Review of Internal Audit Performance

6.1 Key Performance Indicators

- 6.1.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Authority in helping measure how successful IA has been in achieving its strategic and operational objectives, ensuring that assurance is provided to Senior Management and the Audit Committee in a timely and effective manner.
- 6.1.2 Actual cumulative IA performance for 2016/17 against its KPIs is highlighted in the table below:

| IA KPI | Description | Target Performance | Actual Performance | RAG Status |
|--------|--|--------------------|--------------------|------------|
| KPI 1 | HIGH risk IA recommendations where positive management action is proposed | 98% | 100% | GREEN |
| KPI 2 | MEDIUM risk IA recommendations where positive management action is proposed | 95% | 94% | AMBER |
| KPI 3 | HIGH risk IA recommendations where management action is taken within agreed timescale | 90% | 100% | GREEN |
| KPI 4 | MEDIUM risk IA recommendations where management action is taken within agreed timescale | 75% | 90% | GREEN |
| KPI 5 | Percentage of IA Plan delivered to draft report stage by 31 st March | 90% | 100% | GREEN |

| IA KPI | Description | Target Performance | Actual Performance | RAG Status |
|--------|---|--------------------|--------------------|------------|
| KPI 6 | Percentage of IA Plan delivered to final report stage by 31 st March | 80% | 100% | GREEN |
| KPI 7 | Percentage of draft reports issued as within 10 working days following the exit meeting | 90% | 100% | GREEN |
| KPI 8 | Percentage of draft reports issued as a final report within 5 working days after receiving management responses to the HIGH and MEDIUM risk IA recommendations proposed | 90% | 100% | GREEN |
| KPI 9 | Client Satisfaction Rating | 85% | 86.7% | GREEN |
| KPI 10 | IA work fully compliant with the PSIAS and IIA Code of Ethics | 100% | 100% | GREEN |

6.2 Client Feedback Questionnaires

- 6.2.1 IA send out a client feedback questionnaire (CFQ) at the completion of all assurance reviews to capture and obtain formal management feedback. The **IA CFQ target** previously agreed with the Officers Team and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, **4** means the client *strongly agrees*; **3** is *agree*; **2** is *disagree*; and **1** is *strongly disagree*.
- 6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree or disagree'. This is a deliberate decision by the HIA to enable management to form an overall and definitive opinion on the work that IA does i.e. did the internal audit review add value or not? Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is unhappy i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.
- 6.2.3 IA is pleased to report that the overall average CFQ score for 2016/17 is 87%, which is 2% above the target performance for IA. The table overleaf shows a breakdown of the average score from the **4 CFQs completed since 1st April 2016** (as per **Appendix A**):

| IA CFQ Areas | Average Score | Percentage |
|--|---------------|------------|
| Q1. Planning: The planning arrangements for the IA review were good | 3.25 | 81.25% |
| Q2. Scope: The scope of the IA review was relevant | 3.25 | 81.25% |
| Q3. Conduct: The IA review was conducted in a highly professional manner | 3.75 | 93.75% |
| Q4. Timing: The IA review was carried out in a timely manner | 3.25 | 81.25% |
| Q5. Report: The IA report was presented in a clear, logical and organised way | 4 | 100% |
| Q6. Recommendations: The IA recommendations were constructive and practical | 3.25 | 81.25% |
| Q7. Value: The IA review added value to your service area | 3 | 75% |

| | | |
|--|------|--------|
| Q8. Overall: I look forward to working with IA in future | 4 | 100% |
| Overall Average CFQ Score | 3.47 | 86.72% |

6.2.4 IA is extremely grateful to management for the formal feedback in CFQs it has received. A **100% completion rate of CFQs** is excellent and will help IA continue to improve as a service.

7. Forward Look

- 7.1 Looking forward to 2017/18, the IA focus will be on delivering consistently high quality value added IA assurance reviews. The IA Plan for 2017/18 has been agreed by the Authority and, in addition to an annual follow-up review, includes **four** assurance reviews relating to:
- *Staff Expenses;*
 - *Scheme of Delegations;*
 - *Contract Management; and*
 - *Budgetary Control.*
- 7.2 The software in use by IA (TeamMate) will continue to help **improve the monitoring, follow-up and tracking of IA recommendations** by management. The WLWA Officers Team can easily monitor the progress and status of all IA recommendations and the action plans established. This provides for greater responsibility on management, as owners of the risks, to provide progress updates on their recommendations.
- 7.3 IA would like to take this opportunity to formally thank all those staff throughout the Authority with whom IA it had contact with during the year. There has been a collaborative approach in IA's relationship with the WLWA Officers Team who have responded positively, both informally and through the formal CFQ reporting.
- 7.4 There are no other matters that we need to bring to the attention of the WLWA Officers Team or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA
Head of Business Assurance

31st August 2017

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17**

| Key: | |
|---------------------|-------------------------------------|
| IA = Internal Audit | NP = Notable Practice |
| H = High Risk | CFQ = Client Feedback Questionnaire |
| M = Medium Risk | |
| L = Low Risk | |

2016/17 IA Assurance Reviews:

| IA Ref. | IA Review Area | Status as at 31 st August 2017 | Assurance Level | Risk Rating | | | | CFQ Received |
|---|----------------------|--|-----------------|-------------|------------|------------|----------|--------------|
| | | | | H | M | L | NP | |
| WL1 | Creditors | Final report issued 13 th October 2016 | REASONABLE | 1 | 2 | - | - | ✓ |
| WL2 | Risk Management | Final report issued 25 th November 2016 | REASONABLE | - | 5 | 3 | - | ✓ |
| WL3 | Waste Minimisation | Final report issued 17 th January 2017 | LIMITED | 1 | 2 | 1 | - | ✓ |
| WL4 | Corporate Governance | Final report issued 17 th January 2017 | REASONABLE | - | 6 | 5 | - | ✓ |
| Total number of IA Assurance Recommendations raised in 2016/17 | | | | 2 | 15 | 9 | - | |
| Total percentage of IA Assurance Recommendations raised in 2016/17 | | | | 8% | 58% | 34% | - | |

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APPENDIX B**INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

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

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

INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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

RISK RESPONSE DEFINITIONS

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

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West London Waste Authority
Audit results report

Year ended 31 March 2017

Private and Confidential

August 2017

Dear Audit Committee Members

We have substantially completed our final audit of West London Waste Authority for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 4, before the statutory deadline of 30 September 2017. Subject to concluding those outstanding matters, we also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Helen Thompson

Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

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06 Value for Money

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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

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

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

01

Executive Summary



Executive summary

Overview of the audit

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Scope and materiality

In our Audit Plan dated 27 January 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with our plan, with no changes to the scope of our work.

We planned our procedures using a materiality of £1,174,820. We re-assessed this using the actual year-end figures, which has decreased this amount to £1,136,620. The threshold for reporting audit differences has decreased from £58,741 to £56,831 as a result. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy (with lower testing thresholds) for those areas. They include:

- Remuneration disclosures, including any severance payments, exit packages and termination benefits;
- Related parties transactions; and
- Members' allowances.



Executive Summary

Status of the audit

We have substantially completed our audit of WLWA's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Receipt and review of Head of Internal Audit annual opinion;
- Completion of subsequent events review; and
- Receipt of the signed account (incorporating rounding changes) and the signed management representation letter.

We expect the audit certificate to be issued at the same time as the audit opinion.

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Audit Differences

There were no unadjusted differences identified from our audit work so far.

We identified two adjusted audit differences with gross impacts respectively of £9,601,700 (overstatement to Property, Plant and Equipment) and £114,493 (overstatement to accruals) respectively. Details can be found in Section 5 Audit Differences.



Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of West London Waste Authority's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with our observations; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

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Value for money

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the West London Waste Authority. We have no matters to report as a result of this work.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

N We note that there were some shortcomings in the data and assumptions supporting the first Property, Plant and Equipment valuation report provided to West London
∞ Waste Authority by their valuers Wilks Head and Eve. To correct these, two subsequent valuation reports and, finally, a revised appendix to the third version, needed to be obtained from Wilks Head and Eve. Full valuations are normally obtained only once every five years and this is unlikely to be a recurring issue.

Independence

Please refer to Appendix B for our update on Independence.



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02

Understanding Financial Statements



Understanding Financial Statements

| | 2016-17 £000 | 2015-16 £000 | |
|---|-----------------|-----------------|---|
| Waste transport and disposal costs | 44,601 | 53,378 | Total assets increased significantly during the year. However, long term liabilities have also increased. |
| Levies received from constituent councils | 55,277 | 59,125 | |
| Impairments and revaluation losses | (3,805) | (27) | The cost of transporting and disposing of waste fell (largely with the introduction of a new recycling centre) but so too did levies received from constituent councils. |
| (Deficit)/ Surplus on provision of services | (1,792) | (2,477) | |
| Total Assets | 227,472 | 173,068 | The overall movement from a surplus on the provision of services in 2015-16 of £2,477,000 to a deficit of £1,792,000 on the provision of those services in 2016-17 related in the main to the recognition this year of revaluation and impairment losses on land and buildings of £3,805,000. |
| Long Term Liabilities | 197,609 | 159,837 | |



03 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Key issue: Fraud in Revenue Recognition

Revenue Recognition

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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 manipulating expenditure recognition.

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What did we do?

We reviewed and tested revenue and expenditure recognition policies.

We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias.

We tested all material revenue and expenditure streams to supporting documentation.

We reviewed and tested revenue cut-off at the period end date.



Areas of Audit Focus

Audit issues and approach: Key issue: Management override

Management override

What is the risk?

Risk of management override
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

What did we do?

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.

We reviewed accounting estimates for evidence of management bias.

We evaluated the business rationale for any significant unusual transactions.



Audit issues and approach: New energy recovery centre

New energy recovery centre

What is the risk?

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&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.

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.

What are our conclusions?

From our testing, we were satisfied that finance lease liabilities of £56,626,000 and deferred income of £65,690,000 and unitary charges of £1,091,000 were all correctly stated in the draft accounts.

We considered that the valuation of land and buildings in the draft account presented for audit should be restated from £214,163,000 to £204,561,000. As noted in Section 5, we subsequently received a revised draft account which included this adjustment of £9,601,700.

We are satisfied that the valuation of land and buildings is now correctly stated in the draft accounts.

What did we do?

In relation to valuation of the asset, we conducted detailed testing against valuation reports commissioned by management from Wilks Head and Eve. Whilst the recycling centre was valued in the draft accounts at £193,682,500, from our testing we established that the value should be £194,282,500. This was largely because incorrect acreage and land values had been used by Wilks Head and Eve.

In assessing the work of Wilks Head and Eve, we identified issues and anomalies in the valuation of other items of land and buildings. These included incorrect valuation assumptions about the freehold versus leasehold status of the transfer stations at Victoria Road and Transport Avenue; incomplete information about the legal status of sub-lease arrangements at both sites; and incorrect depreciation assumptions being used in the depreciated replacement cost calculations for both sites.

Wilks Head and Eve subsequently provided two updated valuation reports and, finally, a revised appendix to support the third version of their report. At the conclusion of these procedures, the valuation of the site at Victoria Road was written down in the revised draft account from £8,390,000 to £6,462,000 and the valuation of the site at Transport Avenue was written down from £10,520,000 to £2,246,000.

In relation to the valuation of the associated liabilities and unitary charges:

- We tested models supporting those liabilities in detail and we were satisfied that the liabilities were supported by appropriate calculations, assumptions and methodologies.
- We reviewed the contract in place between the Authority and the Suez Consortium.
- We substantively tested transactions that relate to the contract; performed unrecorded liabilities testing, cut off testing on relevant expenditure; reviewed post year end credit notes; and reviewed disclosures made within the statement of accounts to ensure that these are correct and in line with supporting information.



04 Audit Report



Draft audit report

Our opinion on the financial statements

Independent auditor's report to the members of West London Waste Authority

Opinion on the Authority's financial statements

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Balance Sheet; Movement in Reserves Statement; Cash Flow Statement; and the related notes 1 to 21.

¶ The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/7.

This report is made solely to the members of West London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the West London Waste Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities set out on page 13, the Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/7.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our opinion on the financial statements

Conclusion on West London Waste Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

 We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether West London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, West London Waste Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Audit Report

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of West London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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Helen Thompson (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
September 2017

05

Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £56,831 relating to West London Waste Authority in our summary of misstatements below.

We highlight the following misstatements in the first draft account received for audit. We note that both mis-statements were corrected by management in a revised draft account subsequently provided to us.

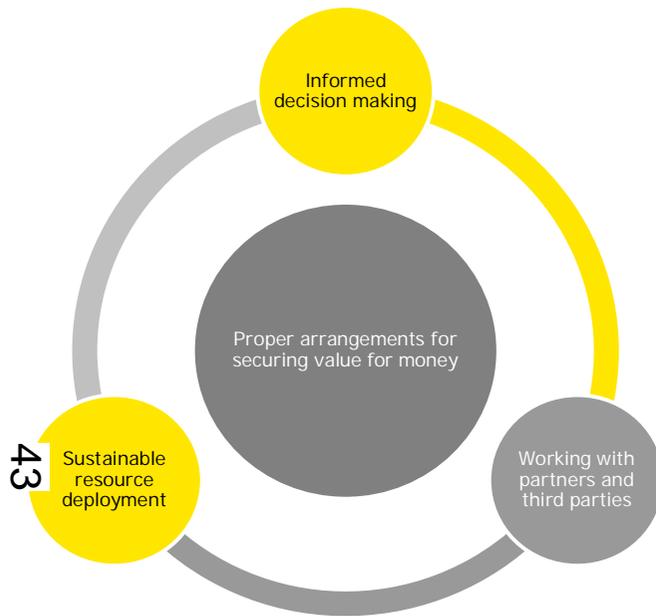
- £9,601,700 over-valuation of Property, Plant and Equipment
- £114,493 over-accrual of rent costs.

There were no uncorrected misstatements identified from our procedures.

In addition, we also suggested a number of changes to disclosure. These surrounded enhanced disclosure of the accounting policy for property, plant and equipment; updated classification of revaluation losses between the net cost of services and total comprehensive income and expenditure; revised classifications between freehold and leasehold assets within property, plant and equipment; and an additional footnote explaining the new energy recycling centre coming into use. We note that all of these changes had been made by management in the revised draft account subsequently presented to us. At the time of writing this report, some minor rounding corrections remained to be made.

06 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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 use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria.

Our value for money testing is now complete and there are no matters that we wish to bring to your attention.



07 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the West London Waste Authority Narrative Statement with the audited financial statements. We concluded that financial information in the Narrative Statement was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, are specified by the National Audit Office.

We have no matters to report in connection with this work.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

Other matters

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As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the WLWA's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no matters to report.

08

Assessment of Control Environment



Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We note that there were some shortcomings in the data and assumptions supporting the first property, plant and equipment valuation report provided to West London Waste Authority by their valuers Wilks Head and Eve. To correct these, two subsequent valuation reports and, finally, a revised appendix to the third version, needed to be obtained from Wilks Head and Eve. Full valuations are normally obtained only one every five years and this is unlikely to be a recurring issue.

We have not identified any other significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

09

Data Analytics



Data analytics



What is the risk?

There is a presumption that management override is identified as a fraud risk. 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.

What judgements are we focused on?

We utilised our data analytics ledger tool to analyse 100% of transactions around key income and expenditure accounts. This analysis not only provides us with audit evidence in respect of the key transactions streams, but also provides insight into the accuracy of your transaction processing, and the effectiveness of controls.

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What did we do?

We obtained general ledger journal data and interrogated the financial systems for unusual journal entries by performing a series of analyses. This included review of manually entered journals made by management, checks on journals with unusual descriptions and posting details (such as unexpected system users we would not anticipate posting journals themselves, such as senior management) and identifying journals that are considered likely to be outside of the normal course of daily operations.

What are our conclusions?

Based on our aforementioned analyses, we then performed tests of details on the non-standard transactions and determined that they were properly recorded.



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10 Appendices





Appendix A - Required communications with the Audit Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

 Our Reporting to you

| Required communications | What is reported? |  When and where |
|-------------------------------------|---|---|
| Terms of engagement | Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | Communication of the planned scope and timing of the audit, including any limitations. | January 2017 Audit Plan |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit) | August 2017 Audit Results Report |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about WLWA's ability to continue for the 12 months from the date of our report] |



Our Reporting to you



When and where

| Required communications | What is reported? | When and where |
|-------------------------|---|--|
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing | August 2017 Audit Results Report |
| 53 Fraud | <ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. | We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit |
| Related parties | Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity | We have no matters to report |
| Subsequent events | <ul style="list-style-type: none"> ▶ Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements. | We have asked management and those charged with governance. We have no matters to report. |
| Other information | <ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. | We have no matters to report. |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. | We have received all requested confirmations. We have no matters to report. |



 Our Reporting to you

| Required communications | What is reported? |   When and where |
|---|--|--|
| Consideration of laws and/or regulations | <ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee. | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations. |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. | August 2017 Audit Results Report |
| 54 Independence | <p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p> | August 2017 Audit Results Report |
| Fee Reporting | <p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p> | <ul style="list-style-type: none"> ▶ August 2017 ▶ Audit Results Report |



Appendix B - Independence

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We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 22 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

| | Final fee 2015/16 | Planned fee 2016/17 | Scale fee 2016/17 | Final fee 2016/17 |
|--------------------|----------------------|------------------------|----------------------|----------------------|
| | £ | £ | £ | £ |
| Total audit fee | 19,770 | 19,770 | 19,770 | 40,000 * |

* the additional fee reflects the costs of additional engagement from EY valuations and financial modelling experts in connection with our audit of the new energy recycling centre asset and liability values and of the land and buildings values ascribed to transfer stations. This has been agreed with management but under the terms of our contract is subject to agreement with PSAA (Public Sector Audit Appointments).



Appendix C - Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of West London Waste Authority ("the Authority") for the year ended 31/03/2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of West London Waste Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.



Management Representation Letter

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There were no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.



Management Representation Letter

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and Audit Committee held through the period to the most recent meeting on the following date: 23 June 2017.



Management Representation Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended 31 March 2017, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.



Management Representation Letter

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the *IAS 19 actuarial valuations of pension fund liabilities* and to evaluate property valuations in accordance with *Red Book UK - Valuation of Local Authority Assets*. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Pensions Liability and PPE Valuations Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.



Management Representation Letter

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Treasurer

Chair of Audit Committee

EY | Assurance | Tax | Transactions | Advisory

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ED None

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WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

22 September 2017

Report of the Treasurer and Managing Director

Risk Register

SUMMARY

This report provides the Committee with an updated Risk Management Policy and details of the Authority's updated Risk Register.

RECOMMENDATION(S)

The Committee is asked to:-

- 1) Approve the updated Risk Management Policy
- 2) Note the content of the Risk Register (Appendix 2)

1. The Risk Management Policy sets out how the Authority manages risks. Last approved in 2015/16 this document has now been reviewed and updated (Appendix 1).
2. Only minor changes have been made to the policy statement and framework sections. A completely new section has also been added which:
 - describes the use of a risk register, a key tool for effective risk management and
 - defines the Authority's risk appetite, low risk. This was a missing ISO3001 best practice policy item identified in an internal audit recommendation.
3. The corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer meetings which are held regularly, where risks and actions are considered and updated routinely.
4. 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.
5. **Appendix 2** 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. 18 of the risks have been mitigated to a Green status and there are 2 risks 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.

| | | |
|------------------|--|---------------|
| Contact Officers | Jay Patel, Head of Finance | 020 8825 9524 |
| | jaypatel@westlondonwaste.gov.uk | |
| | Emma Beal, Managing Director | 020 8825 9488 |
| | emmabeal@westlondonwaste.gov.uk | |
| | Ian O'Donnell, Treasurer | 020 8825 5269 |
| | Odonnelli@ealing.gov.uk | |

Risk Management Policy

Policy Statement

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

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

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

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

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

Framework

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

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

Risk register and risk appetite

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

- Political
- Economic

- Social
- Technological
- Legislative
- Environmental

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

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

Appendix 2

| Risk Area "There is a risk that..." | Analysis of Risk "Which will result in..." | Type | Assessment of Risk original score in brackets | | | Management Actions Implemented or Planned (in bold) | Assessment of Risk after mitigations | | | Responsible Officer |
|---|--|-----------|--|-------------|---------|---|---|-------------|--------|---------------------------------|
| | | | Impact | Probability | Rating | | Impact | Probability | 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 e.g. odour or pests. Increased cost of handling materials | Political | 5 | 2 | 10 | Ongoing review of contingency arrangements on each contract quarterly / annually as required. 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. | 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 Officer's 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. Opportunities to improve returns are reported to Chief Officers/Authority e.g. office procurement | 3 | 1 | 3 | Head of Finance and Performance |
| The contract payment mechanisms are not properly understood or ambiguous | Payment delays, under or overpayments or disputes | Economic | 5 (4) | 3 | 15 (12) | In-house checks of invoices by both operational and financial managers in place. Independent audit of contractor's payment model. In depth contract knowledge of Sharpe Pritchard solicitors and PwC financial advisers. Monthly contract meetings, training and familiarisation with payment mechanisms | 5 (4) | 3 (2) | 15 (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. Action: Review arrangements for disposal of abandoned vehicles in Summer 2017/18. | 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. New management structure largely in place | 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. LBE unable to provide service long term. New arrangements to replace LBE identified in IT report. Project resource and management to mitigate any risks. | 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 planning process | Protracted and expensive planning applications, bad will from the local community and failure to ensure availability of ideal infrastructure | Social | 4 | 4 (5) | 16 (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 | 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. New system processes tested and working. Awaiting reports. | 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. Information needs documented. New project identified in Business plan. | 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 i.e. 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. New project identified in the business plan for HRRCs. | 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 contractor's 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 contractor's 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 |
|-------------------------|--|----------------|--|---|--|
| Extreme 5 | 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 |
| Very high 4 | 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 |
| Medium 3 | Disruption to service | £50k-£500k | Local public/press interest | Litigation, claim or fine £50k-£500k | Major injury to individual |
| Low 2 | Some minor impact on service | £5k-£50k | Contained within department | Litigation, claim or fine £5k-£50k | Minor injuries to several people |
| Negligible 1 | Annoyance but does not disrupt service | < £5k | Contained within unit/section | Litigation, within claim or fine less than £5k | Minor injury to an individual |

70 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 |

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Clerk

22 September 2017

Assurance Statements

SUMMARY

The attached Assurance Statements from the Authority’s Chief Officers and Senior Managers form part of the overall governance framework and support the approval of the annual Statement of Accounts.

RECOMMENDATION(S)

The Committee is asked to:-

- 1) Note the Assurance Statements in Appendix 1

1. Introduction

Assurance statements are a self-assessment tool for senior managers to annually review and demonstrate ownership for the quality of governance arrangements around service areas for which they are responsible.

They form an integral part of the Authority’s Code of Corporate Governance to support the Board’s approval of the Annual Governance Statement contained in the Annual Statement of Accounts.

2. Assurance Statements

The two Senior Managers responsible for financial management and operations have produced self-assessment statements for their area of activities. These have been subject to review by the Managing Director and subsequently reported to and considered by Chief Officers.

An overarching Chief Officers Statement affirms the Senior Managers’ assessments and affirms the effectiveness of the overall control environment.

3. Financial Implications – Provides assurance about the financial position and performance reported in the Statement of Accounts.

4. Legal Implications – External audit of financial statements is a legal requirement.

| | | |
|------------------|--|---------------|
| Contact Officers | Jay Patel, Head of Finance | 020 8825 9524 |
| | jaypatel@westlondonwaste.gov.uk | |
| | Hugh Peart, Clerk | 020 8424 1272 |
| | Hugh.peart@harrow.gov.uk | |

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Appendix 1

Assurance statement from Chief Officers

The Senior Managers' Assurance Statements for the financial year ending 31 March 2017 were reviewed by the Managing Director and accompany this Chief Officer's Statement. Annual Manager's Assurance Statements provide an important element of the corporate governance arrangements and are an integral part of the framework that supports the production of the Annual Governance Statement.

The Assurance Statements take the form of a standard template. The templates identify each Senior Manager's area of responsibility. The Manager's review of their area includes a schedule of the key activities in place which provide assurance about the overall effectiveness of internal controls.

The Senior Managers' assurance statements indicate that a sound system of internal control was and is in place with no significant issues or indeed any requiring disclosure in the Annual Governance Statement.

The following areas of operational improvement have been identified by Senior Managers in their assurance statements:

- Continue developing contract monitoring and control processes in relation to the PPP contract

On the basis of the opinions of the senior managers and our ongoing oversight of action plans and operations, we are satisfied that the Authority's financial, governance, and operational assurance arrangements are adequate and are operating effectively and that the improvements identified will further enhance our assurance arrangements.

Hugh Peart, Clerk and Monitoring Officer

Ian O'Donnell, Treasurer

Keith Townsend, Chief Technical Officer

Emma Beal, Managing Director

Chief Officers meeting dated 7/9/2017

Assurance Statement – Finance: Jay Patel

The table below identifies the key areas of responsibility within Finance and Performance operations and the main activities to ensure the effectiveness of the internal control environment within these areas.

| FINANCE and GOVERNANCE | |
|------------------------------------|--|
| Key areas of responsibility | Activities |
| Payment of invoices | <ul style="list-style-type: none"> • LB Ealing service provider • Robust supplier set up procedures • Invoice processing and payment procedures • Restricted system access for approval of invoices • Segregation of duties between spending managers and invoice processors • Delegated authorisation limits • Recording and reconciliation of payments • Restricted access to banking facilities • Restricted number of bank account signatories and dual signatory requirements for payments > £50k • Monthly bank reconciliations and accounts payable reconciliation with review and authorisation • Reporting of accounts payable KPIs |
| Salary management | <ul style="list-style-type: none"> • LBE payroll service provider • Defined policies and procedures • Restricted system access for viewing, approval etc of payroll information • Monthly salary budget monitoring and reporting • Payroll reports checking and approval before processing • Adhering to Single Status guidelines • Applying NJC and Chief Officer pay scales • Auto enrolment processes in place |
| Income collection | <ul style="list-style-type: none"> • Invoicing procedure • Debt monitoring and collection • Debt recovery and chasing processes • Checks trade customers before opening credit accounts • Checks against weighbridge data • Monthly bank reconciliation and accounts receivable reconciliation with review and authorisation • Reporting accounts receivable KPIs |

| | |
|--------------------|--|
| Budgets | <ul style="list-style-type: none"> • Budgets built from the bottom up using detailed service data • Budget holders detailed involvement preparing annual budgets • Using Boroughs provided data for budget setting and monitoring • Budget Challenge session • Budget approval by Officers and WLWA including levies and charges • Borough consultation on budget • Monthly budget monitoring and reporting to Authority |
| Financial planning | <ul style="list-style-type: none"> • Long term financial models with sensitivity analysis approved by Authority • Operational long term business modelling informing business plan and activities • Treasury Strategy and performance reported to Authority • LB Ealing service provider for Treasury activities under an SLA • Standard forms and authorisations • Cashflow management and forecasting • Ready access to funds at short notice • Treasury processes • Financial guidance document and advice for managers undertaking projects • Use of independent financial advisors to support decision making |
| Governance | <ul style="list-style-type: none"> • Regular review, update and approval of the range of governance policies • Administration of governance arrangements through service level arrangements with the London Borough of Harrow • Forward planning for the Authority, Chief Officer and Borough Partnership meetings |
| Compliance | <ul style="list-style-type: none"> • Production and external audit of annual financial statements • Routine submission of regulatory returns • Expenditure published on WLWA website • Disclosure and reporting of Authority meetings and completion of statutory returns to government |
| Audit | <ul style="list-style-type: none"> • Internal audit provided by external |

| | |
|------------------------------------|---|
| | <p>independent organisation (LB Hillingdon)</p> <ul style="list-style-type: none"> • External auditors appointed by the Audit Commission and currently conducted by Deloitte • Audit Committee meetings |
| INFORMATION TECHNOLOGY | |
| Key areas of responsibility | Activities |
| Infrastructure | <ul style="list-style-type: none"> • Supplied and maintained by LB Ealing with their protocols and large scale security • Service Level Agreements and support desk service • Use of managed services |
| Business continuity | <ul style="list-style-type: none"> • Data on managed servers with comprehensive back-up/business continuity processes • Virtualisation – access systems from any location |
| Applications | <ul style="list-style-type: none"> • Full range of functionality • Access to IT expertise to develop approach and consider alternatives |
| Strategy | <ul style="list-style-type: none"> • Updated and approved IT strategy with 3 year action plan |
| Data protection | <ul style="list-style-type: none"> • Permission based access to systems with secure login cards • Access to files restricted on the basis of business needs • Using encrypted USB drives • Very low volume of personal data |
| HUMAN RESOURCES | |
| Key areas of responsibility | Activities |
| Establishment | <ul style="list-style-type: none"> • Establishment agreed during budgeting process each year • Changes to establishment approved by WLWA Officers |
| Recruitment | <ul style="list-style-type: none"> • Defined policies and procedures • Induction process • Probationary period |
| Appraisal | <ul style="list-style-type: none"> • Defined policies and procedures • Appraisal conducted annually • Organisation wide training plans developed annually |
| HR advice and support | <ul style="list-style-type: none"> • Range of policies regularly reviewed • SLA for provision by Hounslow Council for advice on more complex issues |
| Staff Liaison | <ul style="list-style-type: none"> • Meetings with recognised trade union |

| PERFORMANCE | |
|---|---|
| Key areas of responsibility | Activities |
| Key Performance Indicators | <ul style="list-style-type: none"> • Defined manager responsibilities for particular KPIs • Regular review and reporting of KPIs and analysis/corrective action where appropriate • Range of indicators tailored for individual user/group needs |
| Compliance | <ul style="list-style-type: none"> • Monthly reporting of tonnage information to Boroughs • Agreed processes for information flows from Boroughs and service providers • Validation procedures and cross checks linking to spending patterns • Submission of statutory Waste Data Flow returns |
| RISK | |
| Risk | Activities |
| Risk | <ul style="list-style-type: none"> • Defined Risk Management Strategy with defined roles, responsibilities and activities • Maintaining Risk Register and reviewing regularly at Chief Officer meetings and Audit Committee meetings • Regular review of risk strategy |
| Insurance | <ul style="list-style-type: none"> • Reviewed and renewed annually for adequacy of cover • Professional advice and procurement support from Harrow Council |
| Contracts | <ul style="list-style-type: none"> • Updated and approved procurement and contract regulations |
| MANAGEMENT STRUCTURES AND REPORTING ARRANGEMENTS | |
| Key areas of responsibility | Activities |
| Communication processes | <ul style="list-style-type: none"> • Regular team meetings ensuring staff are kept informed of management decisions • 1-2-1s and support on an individual basis • Publication and consultation on changing procedures and policies • Cross functional working groups and inter departmental meetings • Meetings with staff representatives |
| Performance management | <ul style="list-style-type: none"> • 1-2-1s and appraisals |
| Training and development | <ul style="list-style-type: none"> • Needs evaluated as part of appraisal process |

| | |
|------------------------------------|---|
| | <ul style="list-style-type: none"> • Training arranged according to business needs and organisational training plan produced following the annual appraisal process |
| STRATEGY AND PLANNING | |
| Key areas of responsibility | Activities |
| Operational business plans | <ul style="list-style-type: none"> • Contributing to Joint Waste Management Strategy • Delivering the approved Medium Term Business Plans and long term financial model • Annual Budgeting process • Annual Procurement Plans |
| | |

| |
|---|
| Key actions to improve the effectiveness of the internal control environment |
| Continue developing contract monitoring and control processes in relation to the PPP contract |
| Continue involvement in all major projects |

| | |
|--|--|
| Assurance Statement | |
| As a Senior Manager, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's objectives and for reviewing their effectiveness. | |
| I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing. | |
| Jay Patel Head of Finance | Sign:  |
| | Date: 29/8/17 |

| | |
|---|--|
| Managing Director's Statement | |
| I have considered the list of areas of responsibility and activities set out above and from meetings of the Operations Management Team and Chief Officers together with my knowledge of day to day activities, risk register and reporting during the year am satisfied with the accuracy of the statement above. | |
| Emma Beal Managing Director | Sign:  |
| | Date: 30 August 2017 |

Assurance Statement – Contracts and Operations - Ken Lawson

The table below identifies the key areas of responsibility within Contracts and Operations and the main activities considered to ensure the effectiveness of the control environment within these areas.

| AUTHORITY MANAGEMENT | |
|--|--|
| Key areas of responsibility | Activities |
| General Management | <ul style="list-style-type: none"> • Authority Reports • WLWA Officer Meetings • Operational team meetings • Agresso • iTrent |
| WASTE DISPOSAL | |
| Key areas of responsibility | Activities |
| Waste Disposal | <ul style="list-style-type: none"> • Ensure suitable arrangements in place for all waste streams. • Management of operational processes • On-going monitoring • Review performance |
| Borough liaison | <ul style="list-style-type: none"> • Regular meetings • Notify service changes • Assist with haulage arrangements/contracts • Manage and assist with service changes • Liaise and interface with borough contractors • Partner for mutual benefits |
| Budgets | <ul style="list-style-type: none"> • Assess financial requirements • Develop projected spending profiles • Ensure budgets built for approval • Profile ongoing expenditure • Monitor expenditure v budget • Adjust budgets • Provide reports and feedback |
| Forward planning | <ul style="list-style-type: none"> • Track future needs and requirements • Assist with development of Waste Management Plans and Policies • Business Plan • Review future service requirements • Management of change |
| Contingency/Business Continuity Provisions | <ul style="list-style-type: none"> • Determine potential need • Arrangements in place • Keep under review options available • Implement as required |

| | |
|------------------------------------|--|
| Tonnage and related data | <ul style="list-style-type: none"> • Ensure accuracy of data • Compile data analysis • Review data • Disseminate information • Monitor trends • Respond to information |
| Outside Agencies | <ul style="list-style-type: none"> • Partner in new initiatives • Co-operate and collaborate. |
| CONTRACT MANAGEMENT | |
| Key areas of responsibility | Activities |
| Market testing | <ul style="list-style-type: none"> • Investigating options • Review market • Market Intelligence • Develop contacts • Interviews and meetings • Benchmarking • Focus groups • Networking |
| Procurements | <ul style="list-style-type: none"> • Assess requirements • Market Review • Documentation compilation • Initiate, control and manage procurement process • Compliance with Standing Orders, Financial Regulations etc. • Compliance with legislative and regulatory requirements • UK and EU Contract requirements met • Tender enquiries monitored and managed • Safe Tender receipt and opening • Tender Evaluation and assessment • Reporting • Recommendations • Contract preparations |
| Contract Implementation | <ul style="list-style-type: none"> • Arrange Orders/contracts • Review Permits, Licences, permissions, etc. • Check Insurances • Pre-contract meetings |
| Contract Monitoring & Management | <ul style="list-style-type: none"> • Contractor liaison • Contract Management meetings • KPI compilation and reviews • Regular contract meetings internal and external • Record changes, variations etc. |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Verify invoice data v weighbridge records • Authorise verified invoices and payments • Management of PPP contract |
| Contract/Procurement Register | <ul style="list-style-type: none"> • Compile • Review and monitor • Amended and update |
| SITE & OPERATIONS MANAGEMENT & HR | |
| Key areas of responsibility | Activities |
| Site & Operations Management & staffing | <ul style="list-style-type: none"> • Review staffing needs • Job descriptions and Person Specifications • Recruitment • Performance management • Monitor and authorise annual leave • Monitor and manage sickness absence • Monitor and authorise expense claims • Annual appraisals & performance management • Health & Safety reviews and management • Training needs and plans • Staff development • Staff Briefings • Site security |
| Plant & equipment | <ul style="list-style-type: none"> • Option reviews • Budget provisions • Procurement process • Lease and purchase agreements • Servicing & maintenance provision • Operational performance • Weight & Measures compliance |
| Repairs & maintenance | <ul style="list-style-type: none"> • Annual & Forward planning • Prioritising • Compile and agree budgets • Responsive maintenance management |
| Public Interface | <ul style="list-style-type: none"> • Information dissemination accuracy • Payments • Access (inc. DDI) • FoI responses • Enquiry & complaint management and recording |

| PERFORMANCE | |
|------------------------------------|--|
| Key areas of responsibility | Activities |
| KPI's | <ul style="list-style-type: none"> • Established structure of reporting • Regular reporting and review for remedial actions |
| Compliance | <ul style="list-style-type: none"> • Monthly reports to boroughs • On-gong review of data • Regular contract meetings • Remedial actions |
| RISK | |
| Risk | <ul style="list-style-type: none"> • Risk register reviewed regularly • Remedial action implementation |

Key actions to improve the effectiveness of the internal control environment

- Ensure contract monitoring and control processes are maintained.
- Investigate the use of suitable contract management software
- Develop contract manual

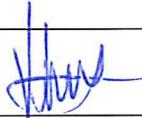
Assurance Statement

As a member of senior management team, I have responsibility for maintaining a system of sound internal controls within my areas of responsibility that support the achievement of WLWA's business plan objectives and service delivery to ensure effectiveness.

I have reviewed the effectiveness of the system of internal control and summarised the key areas of responsibility and activities in the table above. I am satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing.

Senior Contract Manager

Sign:



Ken Lawson

Date

30/08/2017

Director's Statement

Managing Director



Emma Beal

30 August 2017

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE

Report of the Treasurer

22 September 2017

Statement of Accounts for the year ending 31 March 2017

SUMMARY

This report presents the Statement of Accounts for the year ending 31 March 2017.

RECOMMENDATION(S)

The Committee is asked to:-

- 1) Recommend to the Authority that they approve the Statement of Accounts for 2016/17 (Appendix 1)

1. Introduction

It is a statutory requirement to publish the Authority's signed and certified Statement of Accounts by 30 September. Therefore the Authority needs to formally approve its accounts, incorporating any changes required by the external auditors as a result of the audit.

The Statement of Accounts will need to be signed by the Chair, Clerk and Treasurer following approval at the September Authority meeting. Our external auditors will then certify the accounts. The signed and certified Statement of Accounts must be published by 30 September.

2. Statement of Accounts

At its meeting on the 23 June 2017 the Authority considered a draft of the statement of the accounts. Since then the statement has been audited by Ernst & Young the Authority's external auditor and they are satisfied that the accounts and information supplied ensure that the Statement of Accounts provide a true and fair view of the Authority's finances for the year ending 31 March 2017.

There is only one notable change to the accounts first reported and considered in detail at the June Authority meeting and this relates to the valuation of properties. These are artificial gains as highlighted at the June Authority meeting and following audit of the independent valuation, the overall gains were reduced from £21.5 million to £11.9 million. They're still big artificial gains, but not as big as our independent valuer originally thought.

Other than that, a small number of minor disclosures and presentational changes were identified during the audit process. The changes have been applied and the final out turn figures are provided over the page. These show that the Authority's accounts continue to demonstrate strong operational performance and a healthy reserve position as reported at the June meeting.

| Financial Performance 2016/17 | 2016/17 Budget £000s | 2016/17 Actual £000s | Variance £000s |
|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------|
| Expenditure | | | |
| Employees | 1,581 | 1,837 | 256 |
| Premises | 3,890 | 3,258 | -632 |
| Waste, Transport and Disposal | 40,285 | 44,601 | 4,316 |
| Other supplies | 732 | 791 | 59 |
| Depreciation | 5,327 | 2,539 | -2,788 |
| Financing | 5,967 | 2,770 | -3,197 |
| | 61,973 | 55,796 | -1,986 |
| Income | | | |
| Levies | -56,099 | -55,277 | 822 |
| Trade and other | -1,257 | -2,095 | -838 |
| Agency | -426 | -437 | -11 |
| | -57,782 | -57,809 | -27 |
| Surplus | 0 | -2,013 | -2,013 |
| Actuarial loss on pension liability | 0 | 474 | 474 |
| Property valuation gains | 0 | -11,947 | -11,947 |
| Contribution to reserves | 0 | -13,486 | -13,846 |

3. Other supporting information

The Audit Committee Agenda includes items to support the approval of the Statement of Accounts:

- Ernst & Young's report summarizing the key findings from the external audit of the statement of accounts
- An annual internal audit report and opinion from the London Borough of Hillingdon
- The risk register highlighting the mitigation and controls in relation to key risks
- Annual Assurance Statements from Chief Officer's and Senior Managers

4. Financial Implications – The financial position and performance are provided in the Statement of Accounts.

5. Legal Implications – It is a statutory requirement for the Authority to produce annual financial statements.

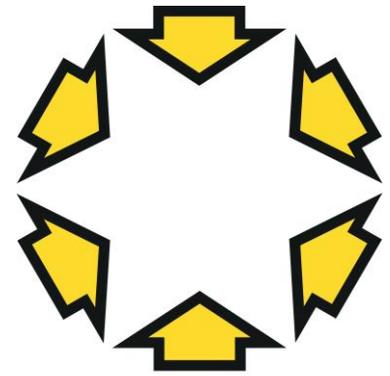
6. Impact on Joint Waste Management Strategy – The draft Statement of Accounts set out in this report demonstrates that the Authority is supporting the boroughs to deliver improved value for money to its residents in line with Policy 7 and demonstrates partnership working as set out in Policy 8

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 | 020 8825 9524 |
| | jaypatel@westlondonwaste.gov.uk | |
| | Ian O'Donnell, Treasurer | 020 8825 5269 |
| | Odonnelli@ealing.gov.uk | |

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**West
Waste**

**West London Waste Authority
Statement of Accounts
For the year ended 31 March 2017**

West London Waste
Let's be resourceful

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Narrative Report

Introduction

West London Waste Authority (WLWA) is a statutory joint waste disposal authority established on 1 January 1986 to undertake the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985, Section 10.

WLWA undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares.

The six boroughs are responsible for the collection of waste in their areas and the Authority's statutory responsibility is to arrange for the provision of:

- facilities for the receipt, recycling and disposal of waste which is collected by the six constituent boroughs;
- transport and disposal of waste which the constituent boroughs receive at their household reuse and recycling centres;
- household reuse and recycling centres; and
- the storage and disposal of abandoned vehicles which are removed by the constituent boroughs.

The Authority is governed by six Councillors, one from each of the six constituent boroughs: the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The members of the Authority usually meet five times each year. They are supported by an Audit Committee that meets regularly during the year to consider matters of risk, control and governance. Additionally, there are regular Borough Partnership Meetings between officers of the Authority and officers of the constituent boroughs.

The main administrative offices of the WLWA are located in Hounslow Civic Centre. At the end of the year WLWA employed 36 staff (previous year: 33). WLWA is headed by the Managing Director (appointed September 2016) and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Hounslow – human resources, health and safety and occupational health advice
- London Borough of Ealing – treasury, payroll, ICT, finance systems;
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hillingdon – internal audit.

These arrangements have not only provided relevant expertise but have also helped deliver value for money in back office functions.

In recent years there has been a major shift of focus on how waste is disposed of – moving from the landfilling of waste towards increased reuse, recycling, composting and recovery of energy

and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed Joint Waste Management Strategy.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that will see most of the constituent boroughs' waste that cannot be recycled or composted used to produce energy. A key part of this was entering into a long term Public Private Partnership arrangement and constructing a new energy from waste recovery centre which commenced full service during the year in December 2016. This will provide for 300,000 tonnes of waste per year to be treated, in addition to the 90,000 tonnes already going to energy recovery. The electricity generated will be sufficient to power over 50,000 homes.

This delivers one of the key objectives of the Joint Waste Management Strategy and crucially this new approach will mean that a minimum of 96% of waste will not go to landfill so avoiding 83,000 tonnes of carbon dioxide emissions each year.

Activity

The principal statutory responsibility for the Authority is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the borough's collected waste is provided in the table below. This shows a 3.0% rise in volume of borough collected waste being received by the Authority to 576,000 tonnes for the year. During the year, 84.7% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

| | 2016-17 | 2015-16 |
|---------------------|----------------|----------------|
| | Tonnes | Tonnes |
| Recycling and reuse | 86,000 | 66,000 |
| Composting | 85,000 | 84,000 |
| Energy recovery | 317,000 | 134,000 |
| Landfill | 88,000 | 275,000 |
| Total waste | 576,000 | 559,000 |

The Authority arranges for the constituent boroughs to provide the household reuse and recycling centres for residents to deposit their waste. Some of these centres also take in trade waste and other borough collected waste such as street cleansing and fly tipping. The Authority is responsible for arranging the transport and composting or disposal of all the waste received at these sites except for the waste that the boroughs recycle. The above total includes the waste collected and disposed from these sites.

There are seven household reuse and recycling centres. The boroughs operate six of these (either directly themselves or through contractors) for which the Authority arranges transport and disposal through contracts with the private sector. The remaining site is operated by the Authority as agents of one of the boroughs.

For the year residual waste sent for disposal from these centres totalled 73,000 tonnes. Of this householders deposited 40,000 tonnes; 21,000 tonnes was trade waste and 12,000 tonnes was borough collected waste. A breakdown is provided below.

| | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | Tonnes | Tonnes |
| Household residual waste | 40,000 | 42,000 |
| Household recycle and re-used waste | 39,000 | 26,000 |
| Household composted waste | 16,000 | 14,000 |
| Trade residual waste | 21,000 | 22,000 |
| Borough residual street cleansing waste | 12,000 | 13,000 |
| Total Household Re-use and Recycling Centre waste | 128,000 | 117,000 |

Financial Performance

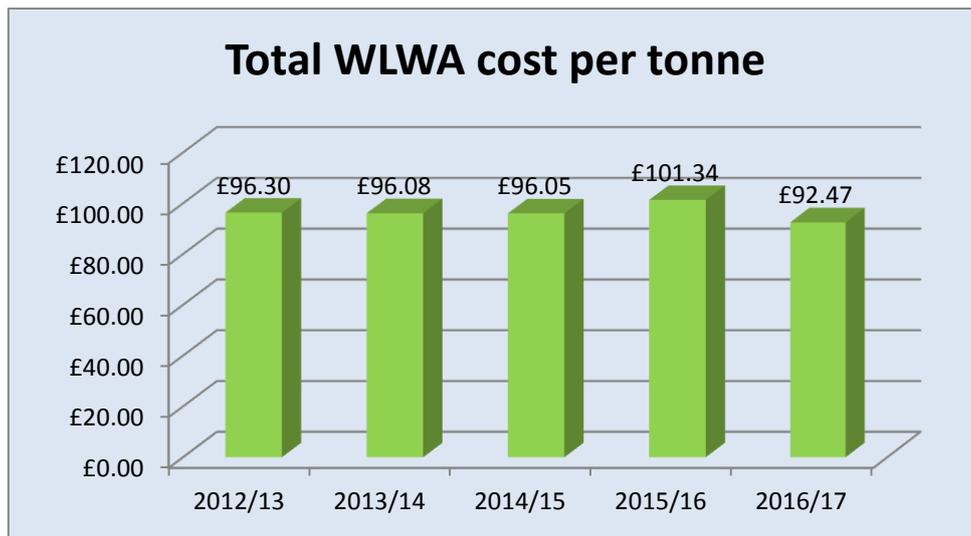
WLWA is primarily financed by an annual levy on the constituent boroughs. Other income is generated from sources such as charges paid by the boroughs and businesses for the disposal of non-household waste. For the levy, boroughs' tonnages are the basis for the majority of the apportionment with some fixed costs allocated according to Council Tax Base (i.e. the number of Band D properties). Authority expenditure is primarily related to waste treatment and transport contracts with the private sector.

During the year, the Authority raised an annual levy on the constituent boroughs of £55.3 million, a reduction from £59.1 million in 2015-16. The net cost of services for the year was £54.3 million, a reduction of £2.2 million from the previous year's £56.5 million, resulting largely from the move away from landfill to converting waste into energy at the new recovery centre. The overall result showed a deficit on provision of services of £1.8 million comparable with £2.5 million in the previous year with the change resulting from revaluation losses.

An actuarial loss on the pension liability valuation of £0.5 million (compared to an actuarial gain of £1.2 million in the previous year) and the property revaluation gains of £15.8 million (nil last year) has resulted in total comprehensive income and expenditure for the year of £13.5 million (2015-16: £3.7 million).

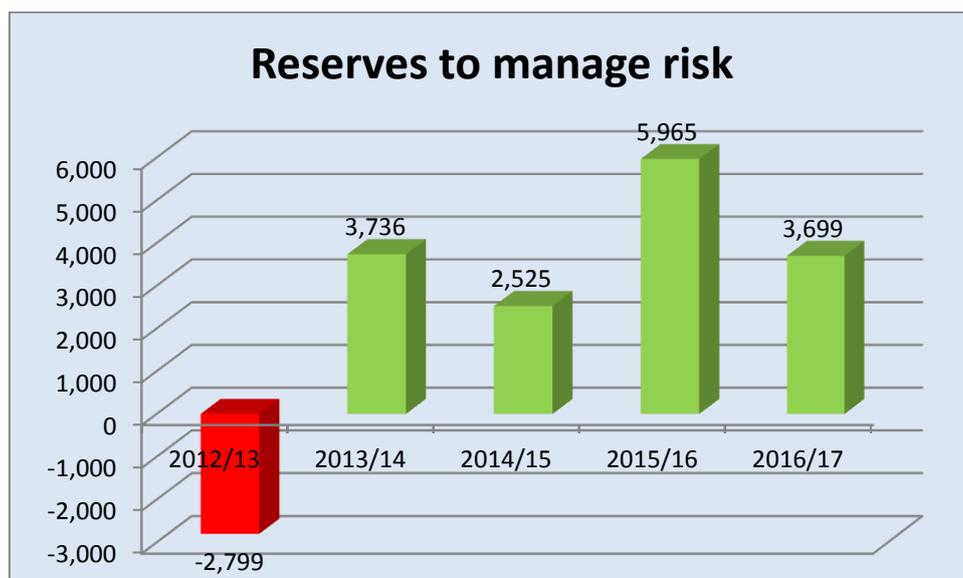
The Authority's aim for 2016-17 was to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has achieved this target.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Losses) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. This has been plotted over a five year period in the chart that follows.



The key feature illustrated by this chart is that the Authority’s cost per tonne has reduced over the last five years. This reflects the effective control of costs and spending over the period and improving efficiency.

Once again, by considering a longer timeframe, the level of reserves available to manage risk provides better perspective about the Authority’s financial health. So the chart below considers the Authority’s reserves excluding the notional property revaluation over the same period. It illustrates that in 2012-13 the Authority had more obligations and liabilities than it did assets and therefore held a negative reserve position. From 2013-14 the Authority has improved this position by building a stable level of reserves as a financial buffer to better manage unexpected risks.



The construction of a new energy recovery centre is a major milestone for the Authority, delivering a key aim of the Joint Waste management Strategy to move waste away from landfill and use waste to generate energy instead.

The construction was completed in 2016, and the Severnside Energy Recovery Centre came into full service in December of that year. Since then waste has been transported to the new energy recovery facility and through modern processes the waste has been used to generate enough electricity to power approximately 50,000 homes. The revenue generated from the sale of the power and recycling produced at the facility offset some of the cost of the operations.

The Authority's capital contribution towards the overall construction project totals £59.1million and was funded by loans from 4 of the constituent Boroughs. The Suez consortium also made capital contributions of £123.4 million. Together with capitalised interest of £7.6 million the costs were recognised at start of full service as part of the Authority's long term assets.

Subsequent independent end of year property valuations assessed the value to be higher resulting in notional gains reflected in the revaluation reserve. Together with notional gains for other properties the revaluation reserve balance at year end stands at £16.9 million.

Financial performance is reported to the Authority on a regular basis and matters of financial control are considered by the Audit Committee. The financial outturn and performance for the year shows that the Authority has achieved a position of financial stability, with operating performance delivering surpluses and a strong balance sheet reflected in net assets and positive reserves. The Authority's long term capital investment also effectively manages the longer term risks of increasing landfill costs and tonnages and the Authority is well placed to continue delivering good value for money services to boroughs for the foreseeable future.

Accounting Policies

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by Statute as representing proper accounting practices. They are also in line with the Accounts and Audit Regulations (2015).

Borrowing costs

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalised as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by the Authority in connection with borrowing funds.

Capital Adjustment Account

This account sets out amounts set aside from revenue resources, or capital receipts, to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Capital Work in Progress

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Cash and Cash Equivalents

The Authority manages its own cash balances and holds balances during the year within its bank account and deposits funds under a service level agreement with the London Borough of Ealing.

Debtors and Creditors

The accounts are prepared on an accruals basis. Outstanding debtors and creditors are brought into the accounts at year-end. Where exact amounts are unknown at the time of closing the accounts, accruals are supported by activity and pricing data.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction, using the straight-line method, over their estimated useful lives, as follows:

| Type of Asset | Years |
|------------------------|-------|
| Buildings | 21-25 |
| Fixed Plant | 8-12 |
| Vehicles and equipment | 7-8 |

Financial Instruments

Financial instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial instruments cover both financial liabilities and assets.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest of the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement includes the amount payable for the year according to the loan agreement.

The Authority's financial assets comprise of bank balances and loans and receivables. Loans and receivables are financial assets that have a fixed or determinable payment, but are not quoted on an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest of the instrument.

Going Concern

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's Business Plan and also its medium to long term Financial Model which covers a period of 25 years from the balance sheet date of these accounts.

Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Impairments

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangements is dependent on the use of specific assets.

Finance Leases

Items of property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability of the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Items of property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

Minimum Revenue Provision (MRP)

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision (MRP) as part of the means to finance capital expenditure.

The Authority's policy is to apply, as prescribed, either the asset life or depreciation method and is based on 4% of the capital financing requirement.

Pension Scheme

WLWA does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority (LPFA). This enables all WLWA staff to participate in the LPFA Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the tri-annual valuation date (31 March 2017). The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Employee Benefits (IAS19). Details are provided to the Authority by the LPFA's Actuary (currently Barnett Waddingham). The Notes to the Core Financial Statements provide details of how the Authority has met these requirements.

Post Balance Sheet Events

Events after the balance sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

No events have been identified to the date of signing these accounts.

Public Private Partnership Contracts

Public Private Partnership (PPP) and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor.

As the Authority is deemed to control the services that are provided under its PPP schemes, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) is balanced by the recognition of a liability for amounts due to the contractor to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority and measured at current value.

The amounts payable to the PPP contractor each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – interest and other financing charges on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability including deferred revenue balance – applied to write down the Balance Sheet liability towards the PPP contractor.

(The profile of write-downs is calculated using the same principles as for a finance lease)

Property, Plant and Equipment

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are normally not capitalised (other than major projects spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are re-valued every five years applying Fair Value assumptions using independent professional valuations to reflect the current value to the Authority in their existing use. The last valuation was undertaken by Wilks Head and Eve Chartered Surveyors in March 2017. The specialist nature of waste disposal properties and consequently absence of

comparative market price requires valuations to be undertaken using depreciated replacement cost with an instant build approach in accordance with CIPFA's Code of Practice. Non-property assets will be carried at historical cost as a proxy for current value.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably.

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the Comprehensive Income and Expenditure Statement in the period which it is incurred.

Provisions

Bad debt provisions are included within the Accounts based on the ageing of debt and management judgement where there is uncertainty regarding bad and doubtful debts.

Revenue Recognition

Levy Income is recognised on an accruals basis. Additionally the Authority operates a Pay as you Throw (PAYT) system with partner boroughs. Under this system boroughs are initially billed on estimated tonnages to be disposed of. On a quarterly basis reconciliation is performed on actual tonnages and boroughs are reimbursed or charged additionally, based on difference between estimated and actual tonnage. The trade, agency and other income recognised for the year is based on revenue generated from actual tonnages.

Service Borough Costs

Administrative costs charged to the Authority by constituent boroughs are based on the time spent in respect of services rendered (e.g. financial, legal and technical). There are service level agreements in place where appropriate.

VAT

All income and expenditure is shown net of VAT.

Statement of Responsibilities for the Statement of Accounts

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For WLWA, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Treasurer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer is also responsible for the maintenance and integrity of the financial information included on the Authority's website.

Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2017 and the Authority's financial position as at 31 March 2017.

Ilan O'Donnell
Treasurer
22 September 2017

Audit Committee

I can confirm that these Accounts were considered by the Audit Committee at their meeting on Friday, 22 September 2017 and recommended for Approval by the Authority. The accounts were approved by the Authority on 22 September 2017.

Signed on behalf of West London Waste Authority
Councillor Bassam Mahfouz (Chair)
22 September 2017

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices:

| | Note | 2016-17 £'000 | 2015-16 £'000 |
|---|------|------------------|------------------|
| Gross expenditure | | | |
| Employees | | (1,837) | (1,852) |
| Premises | | (3,258) | (2,242) |
| Waste transport and disposal | | (44,601) | (53,378) |
| Other supplies and payments | | (791) | (1,174) |
| Impairments and revaluation losses | | (3,805) | (27) |
| Depreciation | 7 | (2,539) | (68) |
| Total | | (56,831) | (58,741) |
| Gross income | | | |
| Trade waste | | 1,330 | 1,308 |
| Agency | | 437 | 431 |
| Miscellaneous income | | 765 | 548 |
| Total | | 2,532 | 2,287 |
| Net cost of services | | (54,299) | (56,454) |
| | | | |
| Financing and investment income and expenditure | 6 | (2,770) | (194) |
| Levies on constituent councils | 17 | 55,277 | 59,125 |
| Total | | 52,507 | 58,931 |
| (Deficit)/Surplus on provision of services | | (1,792) | 2,477 |
| Revaluation gains on properties | | 15,752 | 0 |
| Actuarial (loss)/gain on pension liability | 20 | (474) | 1,193 |
| Other comprehensive income and expenditure | | 15,278 | 1,193 |
| Total comprehensive income and expenditure | | 13,486 | 3,670 |

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations". The unaudited accounts were issued on 5 June 2017 and the audited accounts were authorised for issue on 22 September 2017.

| | | 2016-17 £'000 | 2015-16 £'000 |
|-------------------------------|----|-------------------------|-------------------------|
| Property, plant and equipment | 7 | 204,796 | 5,166 |
| Capital work in progress | 8 | 69 | 152,149 |
| Long Term Assets | | 204,865 | 157,315 |
| Cash and cash equivalents | 10 | 18,798 | 12,458 |
| Short term debtors | 11 | 3,809 | 3,295 |
| Current Assets | | 22,607 | 15,753 |
| Total Assets | | 227,472 | 173,068 |
| Short term creditors | 12 | (9,227) | (6,081) |
| Current Liabilities | | (9,227) | (6,081) |
| Long term borrowing | 13 | (66,650) | (52,495) |
| Other long term liabilities | 19 | (122,316) | (99,619) |
| Pension fund liability | 20 | (8,643) | (7,723) |
| Long Term Liabilities | | (197,609) | (159,837) |
| Net Assets | | 20,636 | 7,150 |
| Usable Reserves | | 16,832 | 12,091 |
| Unusable reserves | 14 | 3,804 | (4,941) |
| Total Reserves | | 20,636 | 7,150 |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable" reserves (i.e. those that can be applied to fund expenditure) and other reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|--------------------------------------|------------------------------|---|
| | £'000 | £'000 | £'000 |
| Balance at 1 April 2016 | 12,091 | (4,941) | 7,150 |
| Deficit on provision of services (accounting basis) | (1,792) | | (1,792) |
| Other comprehensive expenditure | | 15,278 | 15,278 |
| Total comprehensive expenditure | (1,792) | 15,278 | 13,486 |
| Adjustments between accounting basis and funding basis under regulations (Note 5) | 6,533 | (6,533) | 0 |
| Increase/(decrease) in year | 4,741 | 8,745 | 13,486 |
| Balance at 31 March 2017 | 16,832 | 3,804 | 20,636 |

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority:

| | 2016-17 £'000 | 2015-16 £'000 |
|---|-------------------------|-------------------------|
| Net deficit on the provision of services | (1,792) | 2,477 |
| Adjustments to net surplus | 10,403 | 1,644 |
| Net cash generated from/(used in) operating activities | 8,611 | 4,121 |
| <i>Investment activities</i> | | |
| Payments for capital work in progress | (11,427) | (15,773) |
| Payments for plant and equipment | (162) | (45) |
| Proceeds from disposal of plant and equipment | 0 | 5 |
| Interest received | 60 | 61 |
| Net cash used in investment activities | (11,529) | (15,752) |
| <i>Financing activities</i> | | |
| Interest paid | (2,135) | 0 |
| Loans raised | 11,393 | 15,772 |
| Loans repaid | 0 | 0 |
| Other | 0 | 0 |
| Net cash generated from financing activities | 9,258 | 15,772 |
| Net movement in cash and cash equivalents | 6,340 | 4,141 |
| Opening balance | 12,458 | 8,317 |
| Cash and cash equivalents at end of year | 18,798 | 12,458 |

Cash Flow Statement

| | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Adjustments to net surplus for non-cash movements | | |
| Depreciation and impairments | 6,344 | 95 |
| IAS 19 non-cash pension entries | 447 | 406 |
| Decrease/(increase) in short term debtors | 529 | 179 |
| Increase/(decrease) in short term creditors | 3,146 | 1,025 |
| Other adjustments | (1,094) | 0 |
| Sub Total | 9,372 | 1,705 |
| Adjustments for items included in financing/investing activities | | |
| Interest received | (60) | (61) |
| Interest paid | 1,091 | 0 |
| Total Adjustments | 10,403 | 1,644 |

Notes to the Core Financial Statements

The notes to the core financial statements (notes to the accounts) are provided to give additional information about items included in the core statements. The notes expand on some of the information and provide further explanation of a number of matters prescribed by Statement of Recommended Practice (SORP).

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is used as a whole for decision making purposes in a single service authority with no directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2015-16 | | | | | 2016-17 | | |
|--|-------------------|--|---|------------------------------|--|--|---|
| Net Expenditure chargeable to General Fund | Other adjustments | Adjustments between funding and accounting basis | Net Expenditure in Comprehensive Income and Expenditure Statement | | Net Expenditure chargeable to General Fund | Adjustments between funding and accounting basis | Net Expenditure in Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (56,437) | 232 | (249) | (56,454) | Net Cost of Services | (47,777) | (6,522) | (54,299) |
| 59,028 | | (97) | 58,931 | Other income and expenditure | 52,518 | (11) | 52,507 |
| 2,591 | 232 | (346) | 2,477 | Surplus or (deficit) | 4,741 | (6,533) | (1,792) |
| | | | | | | | |
| | | | | 9,500 | Opening General Fund Balance | 12,091 | |
| | | | | 2,591 | Surplus or (deficit) | 4,741 | |
| | | | | 12,091 | Closing General Fund Balance | 16,832 | |

2. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in the financial statements, the Authority has had to make certain judgements about complex transactions or those involving certainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future funding levels and long term contracts;
- Whether contracts need to be accounted for as service concessions or with embedded leases;
- The calculation of debtor and creditor accruals; and
- The recognition of assets and calculation of depreciation

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains a number of estimates that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------------------------|--|---|
| Pensions Liability | Estimation of net pension liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the London Pensions Fund Authority to provide expert advice about the assumptions to be applied. | The actual results will only become apparent on crystallisation of the pension liability. However the effects on the net pension's liability of changes in individual assumptions can be measured and are illustrated in note 20. |
| Property Valuation | Independent professional property valuations take place every 5 years by surveyors appointed by the Authority. The valuations are undertaken in accordance with RICS and CIPFA rules and require the use of a variety of information and the judgement of surveyors in relation to market conditions, components and lifecycles. | The actual results will only become apparent on the disposal of property. However, the balance on the revaluation reserve in note 14 provides an indication of the level of notional gain resulting from valuation. For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement. |

4. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on 22 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017 they have been taken into account.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

| | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded: | | |
| Depreciation* (note 7) | 2,539 | 68 |
| Impairments and revaluation losses* | 3,805 | 27 |
| Reversal of items relating to IAS19 Retirement Benefits | 446 | 407 |
| | 6,790 | 502 |
| Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included: | | |
| Statutory provision for the Repayment of Debt* (note 14) | (95) | (110) |
| Revenue financing to Capital (note 14) | (161) | (48) |
| | (256) | (158) |
| Transfer (from)/to general reserves | | |
| Accumulated Absences Account (note 14) | (1) | 2 |
| | (1) | 2 |
| Net additional amount to be credited to general balances for the year | 6,533 | 346 |

* Adjustments impact capital adjustment account (unusable reserve)

6. Financing and Investment Income and Expenditure

| | 2016-17 | 2015-16 |
|--|--------------|------------|
| | £'000 | £'000 |
| Interest payable and similar charges | 1,471 | 0 |
| Pensions interest and expected return on pensions assets | 268 | 255 |
| PPP financing interest | 1,091 | 0 |
| Interest receivable and similar income | (60) | (61) |
| | 2,770 | 194 |

7. Property, Plant and Equipment

| | Land and Buildings Freehold | Land and Buildings Leasehold | Fixed Plant and Vehicles | TOTAL |
|--|-----------------------------------|------------------------------------|--------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Gross book value at 1 April 2016 | 5,125 | 0 | 733 | 5,858 |
| Additions | 181,769 | 8,302 | 150 | 190,221 |
| Disposals | | | (131) | (131) |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | 11,218 | 1,952 | | 13,170 |
| Revaluation increases (decreases) recognised in income and expenditure | (2,259) | (1,546) | | (3,805) |
| Gross book value at 1 April 2017 | 195,853 | 8,708 | 752 | 205,313 |
| Accumulated depreciation brought forward | (100) | 0 | (592) | (692) |
| Disposals | | | 131 | 131 |
| Depreciation charge for the year | (2,156) | (327) | (56) | (2,539) |
| Depreciation written out to Revaluation Reserve | 2,256 | 327 | | 2,583 |
| Accumulated depreciation carried forward | 0 | 0 | (517) | (517) |
| Net book Value at 31 March 2017 | 195,853 | 8,708 | 235 | 204,796 |
| Net book Value at 31 March 2016 | 5,025 | 0 | 141 | 5,166 |

Leasehold land and buildings represent assets under PPP arrangement (as outlined in the Narrative Report and Accounting Policies). Land and buildings are valued regularly and in March 2017 an independent valuation was undertaken by Wilks Head and Eve Chartered Surveyors in accordance with RICS rules. The results are reflected in the accounts and detailed above.

8. Capital Work in Progress

| | 2016-17 | 2015-16 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Opening balance | 152,149 | 100,156 |
| Expenditure in year | 26,352 | 48,745 |
| Interest capitalised in year | 2,762 | 3,248 |
| Recognised in long term assets | (181,194) | 0 |
| | <hr/> | <hr/> |
| Closing balance | 69 | 152,149 |

The new energy from waste facility constructed under a PPP contract with the Suez consortium commenced full service in December 2016, resulting in major expenditure on capital works being transferred to long term assets (reflected in Note 7).

9. Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Authority) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet is made up of the following categories of "financial instruments". There are no significant differences between the carrying value and the fair value of these items.

| | Long term | | Current | |
|------------------------------|------------------|----------------|----------------|----------------|
| | 2016-17 | 2015-16 | 2016-17 | 2015-16 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets | | | | |
| Cash and bank balances | 0 | 0 | 18,798 | 12,458 |
| Loans and receivables | 0 | 0 | 0 | 0 |
| Financial Liabilities | | | | |
| Long Term Borrowing | (65,708) | (52,495) | (942) | 0 |

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An interest rate of 7.604% at 31 March 2017 for loans from Boroughs
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

- The fair value of trade and other receivables is taken to be the invoiced or billed amount

| | 2016-17 | | 2015-16 | |
|-------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | £'000 | £'000 | £'000 |
| Borough Loans (note 17) | 66,650 | 69,879 | 52,495 | 55,059 |

The fair value of outstanding borough loans is greater than the carrying amount due to fixed rate loans having interest rates higher than rates available for similar loans in the market at balance sheet date. The valuation of financial instruments is classified into 3 levels according to the quality and reliability of the data used to determine fair values. Loans are valued at Level 2 as the valuation of the underlying debt is derived from observable inputs and not from quoted prices in active markets. The valuation is derived from a predefined and predictable cashflow resulting from loans, using a net present value approach.

Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk:

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) this is reported at the same time as the levy setting meeting. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to members.

The Treasurer is responsible for all of the Authority's banking, borrowing and investment activities. Under a service level agreement, the London Borough of Ealing provides a low risk option for investing balances.

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

Credit risk for the Authority arises from deposits with banks and credit exposures to debtors. Deposits are not made with banks unless they are rated independently and meet the Authority's credit criteria, which are restricted to the upper end of the independent credit rating criteria. The credit risk around debtors is set out in Note 11.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

Refinancing and Maturity Risk

The Authority's approved Treasury strategy is set to avoid the risk of refinancing on unfavourable terms. The maturity analysis for borrowing is set out in Note 13. All trade and other payables are due to be paid in less than one year.

Market Risk

As at the 31 March 2017 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

10. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following:

| | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Bank balance (HSBC) | 4,798 | 3,458 |
| Deposit placed with the London Borough of Ealing | 14,000 | 9,000 |
| | <hr/> | <hr/> |
| Total | 18,798 | 12,458 |
| | <hr/> <hr/> | <hr/> <hr/> |

11. Short Term Debtors

| | 2016-17 | 2015-16 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Other Local Authorities | 177 | 83 |
| Central Government Bodies | 1,853 | 2,654 |
| Other Entities and Individuals | 295 | 117 |
| Prepayments and Accrued Income | 1,484 | 441 |
| | <hr/> | <hr/> |
| Total | 3,809 | 3,295 |
| | <hr/> <hr/> | <hr/> <hr/> |

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is considered to be low as the majority of balance relates to the HMRC.

Provisions for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement. Short Term Debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period.

| Age of receivables due | 2016-17 | 2015-16 |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| < 90 days | 103 | 200 |
| 90 – 180 days | 0 | 0 |
| > 180 days | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 103 | 200 |
| | <hr/> <hr/> | <hr/> <hr/> |

12. Short Term Creditors

| | 2016-17 | 2015-16 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Other Entities and Individuals | (6,888) | (4,871) |
| Other Local Authorities | (2,339) | (1,210) |
| | <hr/> | <hr/> |
| Total | (9,227) | (6,081) |
| | <hr/> <hr/> | <hr/> <hr/> |

13. Long Term Borrowing

The Authority's capital expenditure for the project to build a residual waste to energy plant is financed by loan arrangements with four constituent Boroughs (Brent, Ealing, Harrow and Richmond). The interest charged was 7.604% and will be repaid over 25 years with interest being charged on the reducing balance basis. The table below reflects the long term portion of these loans.

| | 2016-17 | 2015-16 |
|------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Opening balance | (52,495) | (33,474) |
| Loans in year | (11,393) | (15,773) |
| Interest accrued | (2,762) | (3,248) |
| | (66,650) | (52,495) |
| Analysis by maturity | 2016-17 | 2015-16 |
| | £'000 | £'000 |
| 5 years or less | (5,516) | (4,348) |
| Between 5 and 10 years | (8,015) | (6,315) |
| 10 years or more | (53,119) | (41,832) |
| Long term liability | (66,650) | (52,495) |

14. Unusable Reserves

| | 2016-17 | 2015-16 |
|------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Revaluation reserve | (16,937) | (1,185) |
| Capital adjustment account | 4,479 | (1,609) |
| Pensions reserve | 8,643 | 7,723 |
| Accumulated absences account | 11 | 12 |
| | (3,804) | 4,941 |

(i) Revaluation Reserve

The Revaluation Reserve contains gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

| | 2016-17 | 2015-16 |
|---|-----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | (1,185) | (1,185) |
| Revaluation gains | (16,937) | 0 |
| Revaluation losses not taken through CIES | 1,185 | 0 |
| | <hr/> | <hr/> |
| Balance at 31 March | (16,937) | (1,185) |

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

| | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | (1,609) | (1,544) |
| Depreciation | 2,539 | 68 |
| Statutory provision for repayment of debt | (95) | (110) |
| Impairment and revaluation | 3,805 | 27 |
| Net written out amount of the cost of non-current assets consumed in the year | 4,640 | (1,559) |
| Other adjustments | 0 | (2) |
| Revenue financing to capital | (161) | (48) |
| | <hr/> | <hr/> |
| Balance at 31 March | 4,479 | (1,609) |

(iii) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the

Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources of the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | 7,723 | 8,510 |
| Actuarial gains or losses on pension assets and liabilities | 474 | (1,193) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 940 | 725 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (494) | (319) |
| | | |
| Balance at 31 March | 8,643 | 7,723 |

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2017. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

| | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | 12 | 10 |
| Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1) | 2 |
| | | |
| Balance at 31 March | 11 | 12 |

15. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

| | Salary and Termination Benefits (£) | | Pension Contributions (£) | | Total (£) | |
|----------------------------------|-------------------------------------|---------|---------------------------|---------|-----------|---------|
| | 2016-17 | 2015-16 | 2016-17 | 2015-16 | 2016-17 | 2015-16 |
| Director (commencing 19/09/2016) | 53,299 | | 9,594 | | 62,893 | |
| Director (ending 31/3/2016) | | 89,847 | | 12,174 | | 102,021 |
| Clerk (commencing 10/4/2015) | 10,000 | 9,750 | 1,800 | 1,755 | 11,800 | 11,505 |
| Clerk (ending 9/4/2015) | | 276 | | 50 | | 326 |
| Technical Advisor | 10,000 | 10,000 | 1,800 | 1,800 | 11,800 | 11,800 |
| Treasurer | 10,000 | 10,000 | 1,800 | 1,800 | 11,800 | 11,800 |

The number of employees excluding Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

| | 2016-17 | 2015-16 |
|---|-----------------|-----------------|
| Remuneration Band including exit packages | No of employees | No of employees |
| £50,000 to £54,999 | | 1 |
| £65,000 to £69,999 | | 1 |
| £75,000 to £79,999 | 1 | |
| £80,000 to £84,999 | | |
| £175,000 to £179,999 | 1 | 1 |

During the year, following a restructure and compulsory redundancies to deliver long term savings one employee received redundancy payments within the £60,000 to £80,000 band.

Members Allowances

No member allowances have been paid in year.

16. External Audit Fees

The audit fees reflected in the accounts are as follows:

| | 2016-17 | 2015-16 |
|------------------------|-----------|-----------|
| | £'000 | £'000 |
| Audit of the Authority | 20 | 20 |
| Other services | 20 | 0 |
| Total Fees | 40 | 20 |

17. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and is financed by an annual levy on the constituent boroughs.

The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2016-17. No related party transactions were declared. During 2016-17 the officer in the post of Clerk to the Authority is also Chief Officer at the Borough of Harrow. The Treasurer and the Technical Advisor are also Chief Officers at the Borough of Ealing. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

| | Brent | Ealing | Harrow | Hillingdon | Hounslow | Richmond | Total |
|------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income | | | | | | | |
| Pay as you Throw | 8,342 | 9,868 | 5,693 | 7,947 | 7,545 | 5,501 | 44,896 |
| Fixed Cost Levy | 1,695 | 2,118 | 1,566 | 1,780 | 1,557 | 1,665 | 10,381 |
| Total Levies | 10,037 | 11,986 | 7,259 | 9,727 | 9,102 | 7,166 | 55,277 |
| Agency and other income | 437 | 65 | 0 | 0 | 0 | 0 | 502 |
| Total 2016-17 | 10,474 | 12,051 | 7,259 | 9,727 | 9,102 | 7,166 | 55,779 |
| Total 2015-16 | 10,883 | 13,557 | 7,950 | 10,564 | 9,811 | 7,582 | 60,347 |
| Expenditure | | | | | | | |
| Waste Transport and Disposal Costs | 0 | 0 | 0 | 141 | 30 | 0 | 171 |
| Rent and Rates | 78 | 0 | 0 | 333 | 0 | 0 | 411 |
| Support Services | 0 | 64 | 29 | 12 | 7 | 0 | 112 |
| Other | 111 | 144 | 107 | 122 | 106 | 115 | 705 |
| Total 2016-17 | 189 | 208 | 136 | 608 | 143 | 115 | 1,399 |
| | 232 | 226 | 117 | 535 | 194 | 117 | 1,421 |

| Total 2015-16 | | | | | | | Total |
|----------------------------|---------------|---------------|---------------|------------|------------|---------------|---------------|
| | Brent | Ealing | Harrow | Hillingdon | Hounslow | Richmond | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Debtors 2016-17 | 276 | 321 | 261 | 0 | 112 | 261 | 1,231 |
| Debtors 2015-16 | 0 | 83 | 0 | 0 | 0 | 0 | 83 |
| Creditors 2016-17 | 963 | 275 | 82 | 308 | 28 | 683 | 2,339 |
| Creditors 2015-16 | 149 | 252 | 329 | 288 | 147 | 45 | 1,210 |
| Loans 2016-17 | 16,663 | 16,663 | 16,663 | 0 | 0 | 16,661 | 66,650 |
| Loans 2015-16 | 13,124 | 13,124 | 13,124 | 0 | 0 | 13,123 | 52,495 |
| Investments 2016-17 | 0 | 14,000 | 0 | 0 | 0 | 0 | 14,000 |
| Investments 2015-16 | 0 | 9,000 | 0 | 0 | 0 | 0 | 9,000 |

18. Leases

Finance Leases

All finance leases concluded in 2014-15.

Operating Leases

The Authority uses plant and equipment financed under the terms of operating leases, with typical lives ranging from five to ten years. The Authority's operating leases for plant and machinery, analysed by years are:

| | 2016-17 | 2015-16 |
|-----------------------|-----------|------------|
| | £'000 | £'000 |
| Within 1 year | 63 | 147 |
| Between 2 and 5 years | 0 | 59 |
| Total | 63 | 206 |

In addition, The Authority has rental leases at the main transfer station sites. Values shown are annual rents for each site.

| | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Victoria Road (until March 2098) | 540 | 540 |
| Transport Avenue (until September 2020, with rights to extend to 2098) | 700 | 700 |
| Total | 1,240 | 1,240 |

19. Other Long Term Liabilities

The project to build an energy from waste plant (as outlined in the Narrative Report) includes investment by the Suez consortium which the Authority will benefit from over the life of the contract. A liability is recognised as project assets are completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised when the plant becomes operational, over the life of the contract.

| | 2016-17 | 2015-16 |
|----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Energy from waste facility: | | |
| Opening balance | 99,619 | 66,683 |
| Developer's contribution | 23,791 | 32,936 |
| Reduced through unitary payments | (1,094) | 0 |
| Closing balance | 122,316 | 99,619 |

| PPP liability repayments | Finance liability | Deferred income | Total repayments |
|---------------------------------|-------------------|-----------------|------------------|
| | £'000 | £'000 | £'000 |
| Within one year | 1,017 | 2,699 | 3,716 |
| Two to five years | 4,772 | 10,797 | 15,569 |
| Six to ten years | 7,924 | 13,496 | 21,420 |
| Eleven to fifteen years | 10,847 | 13,496 | 24,343 |
| Sixteen to twenty years | 14,847 | 13,496 | 28,343 |
| Twenty to twenty five years | 17,219 | 11,706 | 28,925 |
| Total repayments | 56,626 | 65,690 | 122,316 |

The twenty seven year, £900 million Public Private Partnership contract provides for up to 300,000 tonnes of waste that West London's residents haven't recycled to be treated each year. Crucially, the new approach will mean a minimum of 96% of waste will not go to landfill.

20. Defined Benefit Pension Scheme

The West London Waste Authority (WLWA) does not manage its own pension scheme but is an admitted body in the London Pensions Fund Authority. This enables all WLWA staff to participate in the London Pensions Fund Authority (LPFA) Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 1997.

The Scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. For a defined benefit scheme changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the tri-annual valuation date. The WLWA is committed to provide for service benefits up to the valuation date.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Retirement Benefits (IAS 19) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of General Fund via the Movement in Reserves Statement.

Changes in the net pension liability arising as a result of past events which are not concurrent with the assumptions made in the course of the last actuarial valuation, or as a result of revised actuarial assumptions are charged to the Pensions Reserve.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Total Reserves via the Movement in Reserves Statement during the year:

| Balance sheet disclosure | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Present value of funded obligation | (26,592) | (22,445) |
| Fair value of Scheme Assets (bid value) | 18,172 | 14,926 |

| | | |
|----------------------|----------------|----------------|
| Net Liability | (8,420) | (7,519) |
|----------------------|----------------|----------------|

| | | |
|---------------------------------------|-------|-------|
| Present value of unfunded obligations | (223) | (204) |
|---------------------------------------|-------|-------|

| | | |
|---------------------------------------|----------------|----------------|
| Net Liability in Balance Sheet | (8,643) | (7,723) |
|---------------------------------------|----------------|----------------|

Comprehensive Income and Expenditure Statement

| | 2016-17 | 2015-16 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Service costs | 653 | 447 |
| Net interest on defined liability | 268 | 255 |
| Administrative expenses | 19 | 23 |
| | 940 | 725 |

| Reconciliation of the present value of the scheme liabilities: | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Opening balance as at 1 April | 22,649 | 23,694 |
| Current service cost | 368 | 447 |
| Interest cost | 789 | 724 |
| Change in financial assumptions | 4,455 | (1,778) |
| Change in demographic assumptions | (271) | 0 |
| Experience (gain)/loss on liabilities | (876) | 0 |
| Liabilities assumed/extinguished on settlements | 0 | 0 |
| Estimated benefits paid net of transfers in | (944) | (808) |
| Past service costs including curtailments | 285 | 0 |
| Contributions by scheme participants and other employers | 373 | 383 |
| Unfunded pension payments | (13) | (13) |
| Closing balance as at 31 March | 26,815 | 22,649 |

| Reconciliation of fair value of the scheme (plan) assets: | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening balance as at 1 April | 14,926 | 15,185 |
| Interest on assets | 521 | 469 |
| Return on assets less interest | 2,537 | (585) |
| Other actuarial gains | 297 | 0 |

| | | |
|--|---------------|---------------|
| Administration expenses | (19) | (23) |
| Employer contributions | 494 | 318 |
| Contributions by scheme participants and other employers | 373 | 383 |
| Benefits paid | (957) | (821) |
| Settlement prices received/(paid) | 0 | 0 |
| | | |
| Closing balance as at 31 March | 18,172 | 14,926 |

Assumptions

| As at | 31 March 2017 | | 31 March 2016 | | 31 March 2015 | |
|-------------------|---------------|------|---------------|-------|---------------|-------|
| | % p.a. | Real | % p.a. | Real | % p.a. | Real |
| RPI increases | 3.5% | - | 3.1% | - | 3.1% | - |
| CPI increases | 2.6% | - | 2.2% | -0.9% | 2.3% | -0.8% |
| Salary increases | 4.1% | - | 4.0% | 0.9% | 4.1% | 1.0% |
| Pension increases | 2.6% | - | 2.2% | -0.9% | 2.3% | -0.8% |
| Discount rate | 2.6% | - | 3.5% | 0.4% | 3.1% | 0.0% |

Life expectancy from age 65 (years)

| | | 31 March 2017 | 31 March 2016 |
|----------------------|---------|---------------|---------------|
| Retiring today | Males | 21.4 | 21.8 |
| | Females | 23.9 | 24.4 |
| Retiring in 20 years | Males | 23.8 | 24.2 |
| | Females | 26.2 | 26.7 |

Sensitivity analysis

| | £'000 | £'000 | £'000 |
|--|---------|--------|---------|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 26,392 | 26,815 | 27,246 |
| ▪ Projected service cost | 743 | 758 | 773 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 26,866 | 26,815 | 26,764 |
| ▪ Projected service cost | 758 | 758 | 758 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| ▪ Present value of total obligation | 27,194 | 26,815 | 26,442 |
| ▪ Projected service cost | 773 | 758 | 743 |
| Adjustment to mortality age rating assumption | +1 Year | None | -1 Year |
| ▪ Present value of total obligation | 27,857 | 26,815 | 25,814 |
| ▪ Projected service cost | 782 | 758 | 734 |

| Re-measurements in other comprehensive income | 2016-17 | 2015-16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Return on plan assets in excess of interest | 2,537 | (585) |
| Other actuarial gains/(losses) on assets | 297 | 0 |
| Change in financial assumptions | (4,455) | 1,778 |
| Change in demographic assumptions | 271 | 0 |
| Experience gain/(loss) on defined benefit obligation | 876 | 0 |
| Total | (474) | 1,193 |

| Projected pension expense for next year | 2017-18 |
|--|----------------|
| | £'000 |
| Service cost | 758 |
| Net interest on the defined liability/(asset) | 221 |
| Administration expenses | 24 |
| Total | 1,003 |

Employer contributions **305**

| Assets by Class | 2016-17 | 2015-16 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| Equities | 10,768 | 6,933 |
| LDI/Cashflow matching | 0 | 1,513 |
| Target Return Portfolio | 3,840 | 3,175 |
| Infrastructure | 957 | 818 |
| Commodities | 0 | 67 |
| Property | 926 | 533 |
| Cash | 1,681 | 1,887 |
| Total | 18,172 | 14,926 |

| Analysis of 2016-17 Assets | % Quoted | % Unquoted |
|-----------------------------------|-----------------|-------------------|
| Equities | | |
| Real Estate | 0.7% | 0.0% |
| Consumer Discretionary | 4.0% | 0.0% |
| Consumer Staples | 7.0% | 0.0% |
| Financials | 4.1% | 0.0% |
| Health Care | 5.1% | 0.0% |
| Industrials | 6.2% | 0.0% |
| Information Technology | 5.5% | 0.0% |
| Materials | 0.7% | 0.0% |
| Telecommunication Services | 0.6% | 0.0% |
| Utilities | 1.0% | 0.0% |
| Investment funds and unit trusts | 6.3% | 0.0% |
| Trade Cash/Pending | 0.6% | 0.0% |
| Synthetic Equity (Futures) | 7.2% | 0.0% |

| | | |
|--|------------|------------|
| BlackRock DDG | | |
| Equities | 0.5% | 0.0% |
| Bonds | 1.1% | 0.0% |
| Cash | 0.3% | 0.0% |
| Investment/Hedge funds and unit trusts | 0.8% | 0.2% |
| Private Equity | 0.0% | 10.4% |
| Total Return | | |
| Investment/Hedge funds and unit trusts | 10.4% | 4.3% |
| Credit | 0.0% | 3.6% |
| Infrastructure | | |
| Commodity funds | 0.2% | 0.4% |
| Infrastructure | 0.3% | 4.3% |
| Real Estate | 0.0% | 5.1% |
| Cash | | |
| Cash | 2.5% | 0.0% |
| LDI | 19.2% | (7.2%) |
| Synthesized cash | 2.3% | 0.0% |
| Synthetic Equity (Futures) | (7.2%) | 0.0% |
| Currency Hedge (Forward Contracts) | 0.0% | (0.4%) |
| Total | 79% | 21% |

21. Contingent Liabilities

At 31 March 2017 there was one contingent liability (2015/16: nil). This related to a disputed contract claim amounting to £600,000 which has been refuted. It is not possible to predict the outcome of the claim or the financial impact. The outcome will be dependent on whether the claim is pursued and the result of subsequent legal processes.

Annual Governance Statement 2016-17

1. Scope of Responsibility

The WLWA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code can be obtained from WLWA's website (<http://westlondonwaste.gov.uk>). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with its stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The key elements of the Governance Framework include

- Production of business plans and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Monthly scrutiny of operations at Chief Officer's meetings
- Audit Committee
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Health & Safety Policy and annual action plans
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Joint Waste Management Strategy

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the internal auditor's annual report, and also by comments made by the external auditors.

The work of the Audit Committee includes monitoring the progress of action plans and ensuring appropriate systems of governance and internal control. The Audit Committee considered reports from the internal auditors on:

- Creditors
- Governance
- Risk
- Waste Minimisation

Risk registers were regularly reviewed at all levels within the Authority and were considered at each Audit Committee meeting. Financial performance was scrutinised and a strong focus on controlling spending delivered efficiency savings. No material risks or issues have been identified and no action plan is necessary.

The Authority has been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Officers and Audit Committee and that it is agreed that the current arrangements can be regarded as fit for purpose in accordance with the Governance Framework.

5. Significant Governance Issues

There are no significant governance issues and no significant issues were identified from internal audit, management reporting or other assurance processes. Therefore no action plan is required.

Councillor Bassam Mahfouz,

Chair to the Authority

22 September 2017

Hugh Peart,

Clerk

22 September 2017

Independent Auditor's report to the Members of West London Waste Authority

Opinion on the Authority financial statements

We have audited the financial statements of West London Waste Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow Statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of West London Waste Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the West London Waste Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities set out on page 14, the Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In

addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on West London Waste Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, as to whether West London Waste Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, West London Waste Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, West London Waste Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of West London Waste Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Helen Thompson

for and on behalf of Ernst & Young LLP, Appointed Auditor

22 September 2017