



## West London Waste Authority

Hugh Peart  
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15 January 2019

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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, Station Road, Harrow, HA1 2XY on Friday 25 January 2019 at 10.00 am

#### MEMBERSHIP

Councillor Graham Henson, London Borough of Harrow  
Councillor Keith Burrows, London Borough of Hillingdon (Chair)  
Councillor Krupa Sheth, 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 26 January 2018 **(Pages 3 - 4)**
4. Internal Audit Reports (Fraud, Health and Safety) **(Pages 5 - 28)**
5. Risk Register **(Pages 29 - 32)**
6. External Audit Plan for 2018/19 Accounts **(Pages 33 - 74)**

## **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 26 January 2018 at 10.00 am at the Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Amritpal Mann (Chair)

Councillor Keith Burrows and Councillor Eleanor Southwood  
Andrea White (Independent Person)

**44. Apologies for absence**

There were no apologies received.

**45. Declarations of interest**

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

**46. Minutes of the meeting held on 22 September 2017**

**RESOLVED:** That the minutes of the meeting held on 22 September 2017 be taken as read and signed as a correct record.

**47. Matters Arising**

Minute 40 - West London Waste Audit Results report

Jay Patel, Head of Finance, reported that the additional audit fee had been agreed as £10,400 which, in his opinion was a realistic amount for the additional work undertaken by the auditors.

**48. Internal Audit - Final Assurance Report 2017/18**

Martyn White, Internal Auditor, introduced the four assurance reports and outlined the results.

In response to questions, the Members were advised that

- in relation to validity of staff expense claims, the cleared amount was more than the receipt and that there were no significant concerns in relation to fraud;
- there was an annual reconciliation process for petty cash but there was a recommendation to remove this facility;
- in relation to Contract Management, a weakness had been identified but management had taken action which had addressed the concerns;
- in relation to weighbridges, an annual calibration certification was to be requested every January;
- the VNML contract was a legacy contract and management would work with the company to resolve the issues.

**RESOLVED:** That the report be noted and an update on the VNML contract be submitted to the next meeting.

**49. Risk Register**

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

Jay Patel, Head of Finance, outlined the content of the report and explained that even a small risk may impact and result in a change to 'amber' status. Emma Beal, Managing Director, added that there would be a review of the performance of the waste treatment contracts with an update submitted to the next meeting.

**RESOLVED:** That the content of the Risk Register be noted.

**50. External Audit Planning Report - Year ended 31 March 2018**

Members received the Audit Planning report for the year ended 31 March 2018.

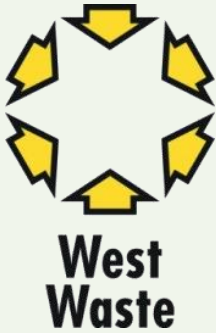
Jay Patel, Head of Finance, highlighted that Ernst and Young, the Authority's auditors, had indicated that there would be a focus on the waste data management system, the valuation of properties and SERC. The auditors had also highlighted risks that they felt were significant.

In response to a question on migration of systems, Members were advised that the auditors would consider two systems, one of which had been completed and the second was due for completion at the end of February. Ernst and Young had requested project plans, held discussions with the project manager for the finance system and met with the Managing Director, Treasurer and Head of Finance in relation to testing dates.

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

**The meeting finished at 10.25 am.**

The minute taker at this meeting was Alison Atherton.



# INTERNAL AUDIT

## Final Assurance Report 2018/19

### Twyford Fraud Incident

6<sup>th</sup> December 2018

#### Overall IA Assurance Opinion:

**LIMITED**

#### Recommendation Overview:

High Risk	0
Medium Risk	3
Low Risk	4
Notable Practice	0

#### Review Sponsor:

Emma Beal

Managing Director, West London Waste Authority

#### Final Report Distribution:

Jay Patel

Head of Finance, West London Waste Authority

Peter Tilston

Project Director, West London Waste Authority

Ken Lawson

Senior Contracts Manager, West London Waste Authority

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



## 1. Introduction

- 1.1 This risk based Internal Audit (IA) assurance review has been added to the 2018/19 IA Plan at management's request. **The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers' Team and the Audit Committee over the key risks surrounding the Twyford Fraud Incident:**
- Without clear guidance on procurement card usage, enforced sanctions and active monitoring, there is a **risk procurement cards are misused**, resulting in fraud incidents, financial loss to the Authority and reputational damage;
  - If authority **assets and equipment are not sufficiently safeguarded**, there is a risk employees may steal and sell items for personal gain, impacting the ethical culture of the organisation and resulting in financial loss to the Authority;
  - If a strict HR vetting processes is not in place, there is a **risk inappropriate personnel gain access to the Authority** by deception, resulting in financial loss through fraud;
  - If performance management processes are absent, there is a **risk of insufficient management oversight**, potentially having an adverse impact upon performance, impacting the achievement of objectives and resulting in financial loss; and
  - If agency recruitment contracts do not contain sufficient clauses regarding vetting procedures and contract defaults, there is a **risk candidates gain employment through deception** and the Authority fails to achieve value for money; resulting in increasing the Authority's fraud exposure and financial loss to the Council.

## 2. Background

- 2.1 In July 2018, it was identified that an employee at the WLWA's Twyford site had committed acts of fraud, with the estimated cost to the Authority being just under £15,000. The Authority investigated the matter internally resulting in the dismissal of the perpetrator and referral to the police for further investigation.
- 2.2 The fraudulent acts by the employee (the Twyford Site Manager) included:
- Misuse of a WLWA procurement card for personal gain - supporting documentation is unavailable for a number of transactions but the total fraudulent spend is estimated at £11,300;
  - Selling company office equipment (Microsoft surface tablet and mobile phone) for personal gain - the estimated value of this kit is approximately £1,200;
  - Misappropriating cash takings from the Twyford site on 25<sup>th</sup> April 2018. These funds, amounting to £2,400 remain unaccounted for; and
  - Used the Authority's supplier account with Acro to order goods for private use (cleaning products) and circumvented procedure to collect the items from the supplier, resulting in the Authority being unable to verify receipt of the goods in the sum of £50.
- 2.3 WLWA Senior Management subsequently requested that the 2018/19 IA Plan be adjusted to include a review of the fraud incident and identify any weaknesses in the control environment/associated systems which may have contributed to the opportunity for fraud to be committed and provide assurance over the fraud response/action taken to date.

## 3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **LIMITED** assurance over the key risks in relation to the Twyford Fraud Incident. An assessment for each area of the scope is highlighted overleaf:

Scope Area	IA Assessment of WLWA
Procurement Cards	<p><b>LIMITED Assurance</b> - Procurement card guidelines are mentioned in the WLWA Financial Regulations and Expenses Policy. However, there is currently no detailed, end-to-end procurement card procedural guidance. In the absence of a cardholder agreement, cardholder roles and responsibilities are currently communicated informally (verbally) upon card allocation and any updates communicated via email.</p> <p>Further, there is currently no management information generated outside of the monthly total spends provided by HSBC. Neither is there any trend analysis of total spend or transaction volume.</p> <p>Whilst it is good to see that receipts and supporting documentation are requested for transactions monthly, practices which initiated the original fraud investigation, there is currently an ad-hoc procedure for approving statements that are missing receipts, whilst stating on the monthly statement transactions will be monitored moving forward, with no indication how monitoring will take place. There is no documentation or procedural guidance to reinforce the monitoring of transactions.</p> <p>Additionally, the limited guidance currently in place has not been reviewed or updated regularly, with the Financial Regulation last reviewed July 2016 and the Expenses Policy last reviewed June 2013.</p> <p>The control weaknesses allowing the fraud to occur were major control weaknesses and posed a significantly high risk to the Authority. However, given the actions undertaken by the Authority in the immediate aftermath of the fraud, the risk management has travelled in a positive direction.</p>
Recruitment Processes	<p><b>LIMITED Assurance</b> - During testing we found there to be detailed procedural guidance in place including the WLWA Recruitment Policy and the WLWA Probation Policy. However, these policies have not been reviewed since March 2014.</p> <p>A review of the Recruitment Policy identified some aspects are vague and enhancements could be made, for example what constitutes a substantial/ acceptable reference for a candidate.</p> <p>Further, we were unable to evidence that probation reviews are being consistently carried out, recorded and agreed by line management in alignment with the WLWA Probation Policy, with all 3 of the new starter samples tested missing key reviews.</p>
Performance Management	<p><b>LIMITED Assurance</b> - There is a clearly documented WLWA Capability Policy which provided an overview of expected behaviours for all staff.</p> <p>In addition, the WLWA Performance Management Scheme provides guidance on the annual appraisal process and standardised templates for the annual appraisal. However, there is currently no guidance in place for monthly or regular 1:1 sessions between line management and staff. During testing we were advised that there is a lack of buy-in from line management into the Performance Management Scheme, forcing senior management to chase individuals to ensure completion of the process, which results in appraisals being completed outside of the expected timeframe.</p> <p>The control weaknesses allowing the fraud to occur were major control weaknesses and posed a significantly high risk to the Authority. However, given the actions undertaken by the Authority in the immediate aftermath of the fraud, the risk management has travelled in a positive direction. As a result, Internal Audit has been able to provide <b>LIMITED</b> assurance, rather than <b>NO</b> assurance.</p>

Scope Area	IA Assessment of WLWA
Recruitment Agency Contract Administration	<b>REASONABLE Assurance</b> - With the vast majority of recruitment carried out internally, contracted recruitment agencies are only used by the Authority on an ad-hoc and rare basis. Our examination of terms with one contracted supplier evidenced an agreement in place covering key roles, responsibilities and relevant processes. However, the agreement was not signed and failed to specify a clear expiry, review or renewal date.
Office Equipment	<b>REASONABLE Assurance</b> - There is an asset register in place listing all key assets, their location and the designated manager responsible for the asset. There is accompanying procedural documentation to support the consistent management and logging of assets to the register and the WLWA Code of Conduct clearly outlines appropriate use of office equipment and the roles and responsibilities of equipment users. However, some of the procedural documentation has not been reviewed for several years.

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

## 4. Detailed Findings and Conclusions

### 4.1 Procurement Cards

4.1.1 The Authority currently documents its financial policies and procedures through the WLWA Financial Regulations and the WLWA Expenses Policy, both documents cover a range of financial issues and processes undertaken by the Authority, including procurement cards. However, the guidance surrounding procurement cards is very brief. The Financial Regulations briefly states what a procurement card can be used for and that the cardholder is responsible for providing supporting evidence. The Expenses Policy states what expenses should be purchased using the procurement card. However, there is currently no detailed, end-to-end procedural guidance available for the procurement card process and roles and responsibilities are not clearly defined. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

4.1.2 We established that management provides informal training on the processes of using procurement cards and reconciliations, verbally advising a card holder of guidance upon allocation. Our testing confirmed that in the event of updates to policy or procedures, emails are sent out to cardholders. However, these informal arrangements meant we were unable to fully evidence training taking place. We have discussed with management the introduction of a cardholder agreement to ensure cardholders fully understand and accept their roles and responsibilities. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

4.1.3 Since commencing fieldwork, additional controls around procurement cards have been introduced. Management have removed all cash facilities, arranged for cardholders to receive electronic monthly card statements, deadlines are now given to cardholders for providing receipts and cardholders have been advised that cards will be disabled if receipts are not provided promptly. Due to their recent introduction, these controls were not formally documented within procedural guidance at the time of testing.



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## 4.2 Recruitment Processes

- 4.2.1 During our detailed testing we were able to identify both a Recruitment Policy and a Probation Policy, providing an overview of the recruitment, induction and probation processes at the Authority. However, we found that both policies had not been evidenced as reviewed since March 2014. As a result, we have raised a recommendation aimed at mitigating this minor risk (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.2.2 The WLWA Recruitment Policy provided a detailed overview of the recruitment process, including obtaining references for candidates. The Policy clearly captured the number of references required, appropriate and inappropriate sources for referees and provided a reference template to ensure a minimum required level of information is obtained.
- 4.2.3 Review of the Policy identified that clarity could be provided on what constituted a suitable reference and an unacceptable reference. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 5** in the Management Action Plan at **Appendix B**).
- 4.2.4 During testing we sought to verify compliance against the Authority's Induction and Probation Policy. We evidenced this by following a candidate's journey after they accepted a position within WLWA. We were provided with a plethora of induction materials, including checklists for new starters and presentations which provided an overview of WLWA's history and objectives, and insights on employee duties in relation to corporate policies such as code of conduct, health and safety, absence management and IT usage.
- 4.2.5 We randomly sampled 3 members of staff who have been recruited after January 2017 to verify adherence to the WLWA Probation Policy. Our testing found:
- 1 sample could not evidence the 10 week probation review;
  - 2 samples could not evidence the 17 week probation review; and
  - 1 sample could not evidence the 26 week probation review.
- 4.2.6 As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

## 4.3 Performance Management

- 4.3.1 Management provided us with a detailed Capability Policy which clearly outlines expected behaviours and competencies for all WLWA staff, along with a comprehensive disciplinary procedure. However, as with several documents considered as part of the review, we found that key documentation had not been reviewed regularly, with document dates ranging from July 2013 to May 2015. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix B**).
- 4.3.2 Through our testing we also located a Performance Management Scheme which provided an overview of the annual appraisal process, setting out expectations of management and staff.
- 4.3.3 We randomly selected 3 appraisals for individuals from different teams across the Authority and sought to verify compliance with the Performance Management Scheme. During testing we found:
- 1 sample did not record new SMART (Specific, Measurable, Achievable, Realistic and Timely) targets for the coming year; and
  - 2 samples did not provide reasoning or rationale for the appraisal scores.

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- 4.3.4 As a result, we have raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).
- 4.3.5 We conducted some additional testing to establish whether regular 1:1 sessions take place to support the annual appraisal process and monitor individual performance. However, we were unable to locate procedural guidance or templates for 1:1 sessions. We have raised a recommendation designed to strengthen controls in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

#### 4.4 Recruitment Agency Contract Administration

- 4.4.1 Management advised that the majority of WLWA's recruitment is completed internally but occasionally an external recruitment agency is used, where vacancies prove difficult to recruit. We sought to establish that an agreement was in place between the Authority and Acre Recruitment, an agency used previously to source candidates. We found an agreement was in place, outlining roles and responsibilities of both parties and the recruitment process. However, the agreement was not signed and failed to specify a clear expiry, review or renewal date. During testing we found that spot purchase agreements were being made with generic terms of service. The use of such agreements with standard terms of service increases the likelihood of paying premium rates and reduces the safeguards in place to protect the Authority should unfortunate events occur. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 6** in the Management Action Plan at **Appendix B**).

#### 4.5 Office Equipment

- 4.5.1 The Authority maintains a detailed asset register that logs and tracks any asset owned by the Authority with a value higher than £250. The register highlights the asset's location and the designated manager responsible. We also established procedural guidance was in place to support the register, highlighting how to log a new item to the register, who has responsibility for maintaining the register and the process for removing assets. However, at the time of testing we found timescales for reviewing the register (to ensure it remains both up to date and accurate) were not documented within the procedural guidance. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 7** in the Management Action Plan at **Appendix B**).
- 4.5.2 The WLWA Code of Conduct and IT procedures provide further guidance for the use and handling of office equipment. Both set out what is appropriate and inappropriate use, along with monitoring procedures. The IT procedure guide must be signed by all WLWA staff to ensure all roles and responsibilities are understood and accepted, in line with best practice.

### 5. Acknowledgement

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

### 6. Internal Audit Contact Details

This audit was led by: Sam Horton, **Internal Auditor**

This audit was reviewed by: Chloe Moorcroft, **Senior Internal Auditor**

Thank you, Muir Laurie FCCA, CMIIA, **Head of Internal Audit**



**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	<p>Management should consider creating procurement card procedural guidance, defining the end-to-end process. Clear deadlines and timescales for the completion of monthly reconciliations should be defined, along with a process for the regular review of card limits. Management should also consider implementing a cardholder agreement, obtaining cardholders' signature to confirm they understand their role and responsibilities and the repercussions of misuse. Additional controls implemented by management should also be formally documented within the procedural guidance (para ref 4.1.1, 4.1.2).</p>	<p><i>The absence of clearly documented procedures for procurement cards could leave the Authority vulnerable to fraud and inconsistent practices where statements and transactions are not being accurately and promptly reconciled, increasing the likelihood of fraudulent activity going undetected, incurring financial cost and reputational damage to the Authority.</i></p>	<p><b>MEDIUM</b> ●</p>	<p><b>TREAT</b></p>	<p>Management will create procedural guidance covering the end to end procurement card process. Management will also produce and implement a cardholder agreement which users will sign to confirm they understand their roles and responsibilities as cardholders as well as the repercussions for misuse.</p>	<p><b>Risk Owner:</b> Head of Finance  Jay Patel  <b>Risk Contributor:</b> Finance Officer  Xenab Khan  31<sup>st</sup> March 2019</p>

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

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
2	<p>Management should consider updating the WLWA Performance Management Scheme to include procedural guidance and templates for regular 1:1 meetings, which should be used to track performance and progress against performance targets.</p> <p>Consideration should be given to offering training on the updated scheme and introducing a monitoring system to ensure managers and staff comply.</p> <p>Where there is non-compliance, management should obtain feedback on reasons why the appraisal documents are not completed to identify potential enhancements which could be made (para ref 4.3.4, 4.3.5).</p>	<p><i>If an effective and comprehensive performance management process is not in place, there is a risk management will be unable to maintain oversight of officer performance, potentially leading to a drop in effectiveness and efficiency, resulting in the Authority failing to achieve service and wider strategic objectives.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<p><b>TREAT</b></p>	<p>Management will review and update the Performance Management Scheme to introduce a regular 1:1 policy to supplement and support the existing annual appraisal policy.</p> <p>Management will monitor compliance and report non-compliance to senior management for appropriate action.</p>	<p>Head of Finance</p> <p>Jay Patel</p> <p>31<sup>st</sup> March 2019</p>

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

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	<p>The Authority should consider reviewing its probation procedures and providing training to line managers to ensure the importance of the probation and induction process is understood. This includes formally documenting the completion of induction stages and probation reviews.</p> <p>Further, management should consider including an escalation procedure if line managers are not available to complete scheduled probation reviews to ensure these are completed in a timely manner (para ref 4.2.6).</p>	<p><i>If the probation procedure and the relevant roles and responsibilities are not fully understood by management there is a risk probation reviews are not completed or accurately recorded, potentially leading to insufficient information being collected to make an accurate, informed decision on an individual's performance, leading to unsuitable candidates holding positions within the Authority.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	<p>Management will review the probation procedure and update it to include measures to ensure timely probation review meetings and documentation completion, as well as an escalation policy to ensure meetings are completed in line management absence.</p>	<p>Head of Finance</p> <p>Jay Patel</p> <p>31<sup>st</sup> March 2019</p>

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

## APPENDIX B

### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
4	Management should consider reviewing all key documents, policies and procedures to ensure they are accurate, up to date, relevant, version-controlled and readily available to all staff members (para ref 4.2.1, 4.3.1).	<i>If documents are not properly version controlled or regularly reviewed, there is a risk the procedures and guidance provided will be out of date or no longer relevant, potentially causing incorrect practices to occur, jeopardising WLWA's ability to achieve its objectives.</i>	<b>LOW</b> ●
5	Management should consider reviewing recruitment guidance to include criteria on what constitutes a 'satisfactory' reference and include guidance on accurate recording and storage of references (para ref 4.2.3).	<i>If it is unclear what qualifies a reference as satisfactory, there is a risk that unsatisfactory references will be accepted, leading to unsuitable candidates being recruited to posts within WLWA.</i>	<b>LOW</b> ●
6	Management should consider reviewing all contracts held by WLWA with recruitment agents to ensure they include (as a minimum) signed agreements and clear timescales for agreement length, review date and renewal options.  Management should also consider, where possible, avoiding the use of spot purchase agreements with generic terms of service to ensure the Authority receives value for money and are presented with suitable candidates (para ref 4.4.1).	<i>If contracts do not have clearly documented expiry and review dates, there is a risk contracts will lose their relevance or effectiveness over time, no longer reflecting the needs of both the Authority and the recruitment agent, resulting in unsuitable candidates being sourced for the Authority's vacancies.  Further, if contracts include generic, unrevised terms of service there is a risk the Authority could pay a premium for recruitment services, causing the Authority to not receive value for money.</i>	<b>LOW</b> ●
7	Management should consider enhancements to the asset register and accompanying procedural guidance. This includes guidance for lost equipment, recording the date of equipment assignment and establishing a timescale for regular reviews of the asset register. Updated guidance should be shared on the WLWA intranet (para ref 4.5.1).	<i>If an accurate asset register is not in place, there is a risk assets are lost, misappropriated and/ or stolen without management being made aware, incurring financial and reputational damage to the Authority.</i>	<b>LOW</b> ●

### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

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

## APPENDIX C (cont'd)

### RISK RESPONSE DEFINITIONS

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

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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





# INTERNAL AUDIT

## Final Assurance Report 2018/19

### Health and Safety

14<sup>th</sup> January 2019

Overall IA Assurance Opinion:

**REASONABLE**

Recommendation Overview:

High Risk	0
Medium Risk	3
Low Risk	6
Notable Practice	0

Review Sponsor:

Emma Beal

Managing Director, West London Waste Authority

Final Report Distribution:

Jay Patel

Head of Finance and Performance, West London Waste Authority

Sarah Ellis

Operations Manager, West London Waste Authority

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



## 1. Introduction

- 1.1 This risk based IA assurance review forms part of the 2018/19 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers' Team and the Audit Committee over the key risks in relation to Health and Safety, as identified within section four of this Terms of Reference.

## 2. Background

- 2.1 WLWA is a statutory joint waste disposal authority which undertakes the waste disposal functions set out in the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985, Section 10. It undertakes the waste disposal function for 6 boroughs in West London; the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. These boroughs are responsible for the collection of waste in their areas.
- 2.2 The law on health and safety at work in Great Britain is regulated by the Health and Safety Executive (HSE) and Local Authorities. The HSE conduct inspections to determine whether organisations/ entities are effectively and proportionately managing their health and safety risks to workers and others. If inspections and subsequent investigations require enforcement action, the HSE can require improvements, stop certain activities and/ or pursue prosecution where there has been a serious breach of law.
- 2.3 WLWA has a duty to ensure, as far as practicable, the health, safety and welfare of their employees and other persons who may be affected by their activities and the services they provide and control. The Managing Director of WLWA is responsible for the adequacy of the Authority's Health and Safety policy and for planning arrangements to implement it.
- 2.4 WLWA develop and maintain an Occupational Health and Safety Management System within the framework of HSE's Health and Safety Guidance titled Managing for Health and Safety (referred to as HSG65). A Management Appointee is appointed to ensure that the system is continually developed, implemented and approved. The current Management Appointee is Ken Lawson, Senior Contracts Manager, but we have been advised this is due to change shortly.

## 3. Executive Summary

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

Scope Area	IA Assessment of WLWA
Policies and Procedures	<p><b>Reasonable Assurance</b> - The Authority has a Health and Safety Policy in place that was last updated in June 2017. The Policy clearly specifies the roles and responsibilities of officers at all levels within the Authority and sufficiently details the procedures and practices that will be put in place to enable the Authority to discharge its statutory duties and protect its staff, contractors and members of the public.</p> <p>The Health and Safety Policy includes a Policy Statement, demonstrating the Managing Director's commitment to implementing effective health and safety practices at WLWA. As a result of recent staff changes, the Management Appointee specified in the Statement has changed and we have advised management to consider reviewing this.</p>

	<p>A suite of health and safety policy documents supplements the Authority's main Health and Safety Policy but these were last updated in 2014. Their review is monitored as an item on the Authority's Health and Safety Action Plan with assigned deadlines and action owners. These policies, and the main Health and Safety Policy, should be communicated to all staff once they have been revised.</p> <p>32 Safe Working Procedure documents have been drafted, all of which are underpinned by a suitable risk assessment. Management advised that plans are being developed to ensure they are communicated to all staff at the Twyford site. We were unable to identify how their completion and review is tracked and monitored.</p>
<p>Training, Roles and Responsibilities</p>	<p><b>Reasonable Assurance</b> - Health and safety roles and responsibilities are clearly defined in the majority of staff job descriptions. The job descriptions for the Head of Finance and Senior Contracts Manager roles did not specifically state their health and safety responsibilities, but were alluded to in their wider duties.</p> <p>We are pleased to report that induction training checklists were found to be in place for both new corporate staff and staff at the Twyford site. We have suggested management review these checklists to ensure they remain relevant, for example the Twyford induction checklist was dated April 2013 and contained references to outdated health and safety documentation.</p> <p>Training needs for each member of staff at Twyford are sufficiently monitored via a training matrix. Our review of this document identified minor discrepancies regarding the dates of fire marshal and first aid training. To enhance monitoring, training applicable/ required for each member of staff could be colour coded or annotated accordingly.</p> <p>An Emergency Plan was found to be in place and clearly displayed at the Twyford site. There is a supporting Fire Evacuation Plan, which is in draft format as the appendices are yet to be completed.</p> <p>Whilst there is an appointed Health and Safety Representative at Twyford, we identified an absence of continuity arrangements in cases of absence.</p>
<p>Incident Reporting and Recording</p>	<p><b>Substantial Assurance</b> - An incident reporting process is clearly defined within the Authority's Health and Safety Policy. Following the implementation of a new spreadsheet and assistance from Suez site management, the process was modified in October 2018 but remains compliant with the Policy. As a result we were only able to review 5 incidents which had been recorded using the new process and we are pleased to report strong controls are in place. These 5 incidents were accurately recorded on the spreadsheet, supported by complete incident forms, and the two incidents requiring investigation and remedial action were followed up and discussed during site meetings.</p> <p>Further, a regular and consistent system of health screening and surveillance for all staff is in place and monitored through the Authority's Health and Safety Action Plan on a quarterly basis.</p> <p>Whilst health and safety incidents are also discussed with staff during monthly team meetings, and also at monthly contract meetings with Suez, it could be beneficial to distribute 'near miss' cards to all site staff to promote the reporting of potential control weaknesses and hazards. Retrospective recording of 'near miss' events on the incident tracking spreadsheet at Twyford could also improve oversight and monitoring of incident statistics.</p>

<p>Risk Assessments and Inspections</p>	<p><b>Reasonable Assurance</b> - 32 risk assessments are in place covering activities at the Twyford site, with each supported by a Safe Working Procedure document. Plans are in place to ensure each risk assessment has been communicated to all site staff. We observed that the site, buildings and equipment are subject to daily, weekly and monthly checks by supervisors and site management to identify and rectify any defects or control weaknesses.</p> <p>A fire risk assessment and Workplace Regulations assessment has been undertaken for Head Office and a management action plan is in the process of being finalised in relation to this. However, it does not appear that these assessments considered risks associated with staff working practices, such as lone working, storage, manual handling and cleaning routines.</p> <p>During our site visit, we were able to verify that there is an abundance of safety kits in all buildings at Twyford, which are regularly checked for expiration. Further, we observed that biohazard waste material is stored securely at the site but should be logged and assessed for its risk to staff, contractors and visitors.</p>
<p>Performance Monitoring and Reporting</p>	<p><b>Reasonable Assurance</b> - The Authority has a good system in place to identify areas of improvement for health and safety. A quarterly and annual review takes place, with actions for development and improvement being time bound, assigned to an action owner, and monitored on an ongoing basis at quarterly Authority meetings.</p> <p>Monitoring of RIDDOR incidents at Twyford and rail transfer stations is included in the Authority's quarterly Key Performance Indicator (KPI) monitoring, but consideration could be given to expanding KPIs to include non-RIDDOR incidents, 'near miss' events, property damage, and the implementation of follow-up actions. The implementation and review of risk assessments and Safe Working Procedures could also be included in KPIs to promote oversight, scrutiny and the opportunity to identify patterns, trends and potential control weaknesses.</p>

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

## 4. Detailed Findings and Conclusions

### 4.1 Policies and Procedures

4.1.1 The Authority documents its health and safety responsibilities, processes and procedures in a Health and Safety Policy. The Policy is supplemented by a range of specific policy documents for areas such as lone working, avoidance of violence, manual handling and driving at work. The Health and Safety Policy was last updated in June 2017, but these supplementary policies were last revised in May 2014 and are not in widespread use. Their update is an action specified in the Authority's Health and Safety Action Plan, although the assigned action owner no longer works for the Authority. The assigned action owner is also the Management Appointee specified in the Health and Safety Policy, so this should also be updated when the role is filled. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).

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4.1.2 Evidence of 32 Safe Working Procedure documents were provided and reviewed at the Twyford site. These are stored in a folder within the site/ manager's office and plans are in place to start communicating these to staff at monthly team meetings. Each procedure document is risk-based and underpinned by an accompanying risk assessment. We were advised that management aims to review both the Safe Working Procedure document and risk assessment regularly, they will be considered together to ensure control weaknesses are accurately identified and rectified. We were unable to identify how their completion and review is tracked and monitored. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

## 4.2 Training, Roles and Responsibilities

4.2.1 The Health and Safety Policy clearly defines the roles and responsibilities of all staff within the Authority. Job descriptions were obtained for senior managers and operational staff to assess whether their health and safety responsibilities were clearly documented. It was found that the Managing Director, Operations Manager and operational staff job descriptions each contained their duties in relation to health and safety. For the Head of Finance and Senior Contracts Manager job descriptions, health and safety responsibilities were not explicitly stated but could be inferred from their other responsibilities and duties. As a result, we have raised a best practice suggestion (refer to **Recommendation 5** in the Management Action Plan at **Appendix B**).

4.2.2 The Authority has a corporate induction checklist in place, as well as a site-specific induction checklist for new staff. Review of the Health and Safety Policy is contained within the corporate induction checklist, which was last updated in February 2014. However, the site-specific induction checklist was last revised in April 2013 and contains reference to outdated health and safety policy documentation, specifically a Health and Safety Booklet which is no longer in use at the Twyford site. As a result, both of these induction checklists could be updated in accordance with **Recommendation 1** in the Management Action Plan at **Appendix A**.

4.2.3 We were able to evidence a system in place for the planning and monitoring of training for Twyford staff. Each member of staff's training needs are captured within a matrix on a spreadsheet, which is broken down by the name of the training course, the date of completion and the date of expiration. Training records for two members of staff were obtained on-site and verified as being complete and corresponding to the details on the spreadsheet. First aid and fire marshal training is included in the training matrix, although we identified that dates of completion and expiration did not match those on the certificate of one first aider or for any of the fire marshals' certificates on the site. The matrix could also be enhanced by colour-coding the training applicable/ required for each member of staff. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 6** in the Management Action Plan at **Appendix B**).

4.2.4 During our site visit to Twyford, we are pleased to report that we did not observe any unsafe working practices. Suitable health and safety posters were noted in all buildings within the site. However, there is currently no elected Health and Safety Representative at the site as they are on long-term absence and thus, we have requested that consideration be given to continuity arrangements. Further, the HSE poster in the site/ manager's office and welfare room did not specify the name of an elected Health and Safety Representative. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

4.2.5 An Emergency Plan was seen whilst visiting the Twyford site and is clearly displayed in the site/ manager's office. We were provided with evidence of a Fire Evacuation Plan which links to the Emergency Plan but this is currently in draft and its appendices are not complete. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 9** in the Management Action Plan at **Appendix A**).

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### 4.3 Incident Reporting and Recording

- 4.3.1 Our review of the Authority's Health and Safety Policy identified an incident reporting process has been defined. A minor change to the reporting process was recently implemented at Twyford in October 2018; however this remains in accordance with the process documented in the Health and Safety Policy. Due to the introduction of a modified process, involving the use of a new spreadsheet to log and track incidents, our review could only consider 5 incidents which had been recorded via the new spreadsheet. Our testing identified a strong system of monitoring incidents reported at the site. The 5 personal injuries reviewed with site management were each found to have been handled in accordance with the Policy.
- 4.3.2 Any remedial actions are discussed with staff at monthly site meetings, although 'near miss' events could be subject to further monitoring and controls through the distribution of 'near miss' cards to all staff. The monitoring spreadsheet could also be updated retrospectively to include previous 'near misses', promoting the identification of potential control weaknesses. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix B**).
- 4.3.3 We found a strong system of occupation health monitoring in place, including regular health screening and surveillance for their staff to identify, monitor and assess any potential health issues. We were able to evidence that implementation of the occupational health system, which is administered by the London Borough of Hounslow, is captured within the Health and Safety Action Plan and monitored on a quarterly basis at Authority meetings.

### 4.4 Risk Assessments and Inspections

- 4.4.1 As referred to in para 4.1.2, there are 32 risk assessments in place at the Twyford site, each being linked to a Safe Working Procedure. A fire risk assessment and Workplace (Health, Safety and Welfare) Regulations 1992 assessment has been carried out for the Head Office site and it is understood that a management action plan is being agreed and finalised. Although these assessments are in place, we identified that risks associated with staff working practices had not been considered, such as manual handling, cleaning routines (and chemicals used), lone working and stress. As a result, we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 4** in the Management Action Plan at **Appendix A**).
- 4.4.2 A HSE poster was observed in the Head Office site, but it did not specify the current Health & Safety Representative or the Health & Safety Advisor at Hounslow. It is not a legal requirement, but we have raised a recommendation aimed at mitigating the risk in this area (refer to **Recommendation 2** in the Management Action Plan at **Appendix B**).
- 4.4.3 We were advised that inspections and health and safety checks occur at daily, weekly and monthly intervals at Twyford. We observed that checklists are completed by site management and supervisors to identify, record, report and rectify any issues with the site location, buildings or equipment. Further, we were able to verify that medical kits around the site are included in these checks, for example during our observation of an inspection it was established that the portable cabin next to the waste transfer station had a first aid kit but no burns, biohazard, eye wash, or other medical kits. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 7** in the Management Action Plan at **Appendix B**).
- 4.4.4 Bio-hazardous waste material has been found by site staff at Twyford and we observed that this was securely stored in a segregated part of the workshop building. Site management advised that the waste is not moved and each item's contents are not logged or assessed for their compatibility with other materials. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 8** in the Management Action Plan at **Appendix B**).

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## 4.5 Performance Monitoring and Reporting

- 4.5.1 We were able to evidence a system of reporting and monitoring in place for health and safety statistics, issues and areas for development at both an operational level and corporate level, being subject to both oversight and scrutiny. Areas for development and ongoing initiatives are tracked in the Health and Safety Action Plan, which is subject to regular monitoring by senior management. Further, health and safety is considered in the quarterly monitoring of the Authority's KPIs, showing incidents reportable under RIDDOR at rail transfer stations and the Twyford site.
- 4.5.2 To enable the Authority to proactively manage their health and safety risks, consideration should be given to enhancing KPIs and developing performance data to promote effective trend analysis the possibility of also reporting 'non-RIDDOR' incidents, 'near miss' events and property damage at each site could be considered. Additionally, risk assessments and Safe Working Procedure documents could be mapped to Suez's risk matrix to identify higher risk areas and their review and corrective controls could be monitored through KPIs. As a result, we have raised a recommendation aimed at mitigating the minor risk in this area (refer to **Recommendation 3** in the Management Action Plan at **Appendix B**).

## 5. Acknowledgement

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

## 6. Internal Audit Contact Details

This audit was led by: Nick Cutbill  
**Senior Internal Auditor**

This audit was reviewed by: Chloe Moorcroft  
**Senior Internal Auditor**

Thank you,



Muir Laurie FCCA, CMIIA  
**Head of Internal Audit**

## APPENDIX A

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	Management should consider reviewing and updating all health and safety policy documentation to enable staff to understand the Authority's expectations in relation to different health and safety practices. Updated policy documentation should be formally approved by senior management and communicated to staff (para ref 4.1.1).	<i>If health and safety policy documentation is not up to date, formally approved and communicated to staff, staff may not conduct their work safely, leading to the possibility of injury or health issues, resulting in statutory non-compliance, regulatory inspection, financial penalties and legal action.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Management will review, update and implement health and safety policies and procedures and communicate appropriately, as documented within the Health and Safety Action Plan.	<b>Risk Owner:</b> Managing Director  Emma Beal  <b>Risk Contributor:</b> Head of Finance and Performance  Jay Patel  31 <sup>st</sup> May 2019
2	Management should consider continuity arrangements for the role of Health & Safety Representative and name a new officer for the Twyford site. Any appointed representatives/ appointee should be specified on HSE posters across the site and at Head Office (para ref 4.2.4).	<i>If there is no formally appointed Health and Safety Representative onsite, incidents/ issues with working practices may not be appropriately reported and investigated, leading to staff and visitors suffering injury, resulting in reputational damage, legal action and regulatory scrutiny.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Management will liaise with the Union about continuity arrangements for the trade union appointed health and safety representative. Posters will be updated accordingly.	Head of Finance and Performance  Jay Patel  31 <sup>st</sup> March 2019

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## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
3	<p>Management should consider developing quarterly KPIs to enable effective analysis of trends and performance so that health and safety risks can be proactively managed.</p> <p>Additional enhancements for more strategic oversight include mapping Safe Working Procedures and Risk Assessments (RA) against Suez's risk assessment matrix to identify high-risk areas, reporting non-RIDDOR incidents and including previous incidents on monitoring sheets for reporting purposes (para refs 4.1.2 for SWPs and RAs, 4.5.2 for RIDDOR and 4.3.2 for near misses).</p>	<p><i>If the Authority's exposure to risk is not accurately reported, recorded and monitored, the Authority may fail to detect or identify significant risk exposures, potentially resulting in injury to staff or visitors or loss of life, impacting the Authority's reputation, statutory compliance and potentially incurring financial loss through legal action.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	<p>Management will develop KPIs to incorporate a wider range of targets and measures, including risk assessments and trend analysis.</p>	<p>Operations Manager</p> <p>Sarah Ellis</p> <p>31<sup>st</sup> May 2019</p>

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### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
4	Management should consider conducting a risk assessment for Head Office, specifically taking into account risks relating to staff working practices, such as manual handling, cleaning practices (including chemicals used), storage, lone working, working from home, first aid, stress and expectant mothers (para ref 4.4.1).	<i>If risks to Head Office staff are not accurately assessed, controlled or monitored, the Authority could fail to meet its statutory obligations, resulting in injury to staff, reputational damage and financial loss.</i>	<b>LOW</b> ●
5	Management should consider reviewing and amending the health and safety responsibilities within the Head of Finance and the Senior Contracts Manager job descriptions, in line with those detailed in the Authority's Health and Safety Policy (para ref 4.2.1).	<i>If health and safety responsibilities are not specified in job descriptions, it could result in misunderstanding roles and responsibilities and the Authority failing to discharge its statutory duties.</i>	<b>LOW</b> ●
6	Management should consider reviewing and updating the training matrix in use at the Twyford site to accurately reflect and monitor the dates of training undertaken by staff and their expiration, specifically first aid and fire marshal training. Further enhancements could be implemented to highlight required/ necessary training for each role (para ref 4.2.3).	<i>If staff training is not accurately recorded and monitored, roles may be performed inappropriately, resulting in staff injury, potential legal action, regulatory non-compliance and financial loss.</i>	<b>LOW</b> ●
7	Management should consider procuring eye wash, burns, biohazard and other medical kits for the portable cabin next to the waste transfer station to facilitate easy access for treatment to prevent injury (para ref 4.4.3).	<i>If all buildings at the Twyford site do not contain appropriate medical kits then staff, visitors and contractors may suffer injury due to a lack of swift medical intervention.</i>	<b>LOW</b> ●
8	Management should consider accurately logging the biohazardous waste material stored at the Twyford site and consider conducting a COSHH assessment to identify its compatibility with other chemicals and any risks to staff, etc (para ref 4.4.4).	<i>If biohazard waste material is not accurately logged and risk assessed at the Twyford site, it could pose a health risk to staff, visitors and contractors in the event that it is moved or comes into contact with other chemicals.</i>	<b>LOW</b> ●
9	Management should consider assigning deadlines for completion of the appendices and figures of the Twyford Fire Evacuation Plan. Consideration should also be given to how this will be communicated to all staff on site (para ref 4.2.5).	<i>If staff are not aware of evacuation arrangements, roles and responsibilities in the event of a fire, staff and visitors are at risk of injury and avoidable property damage may occur, resulting in financial loss.</i>	<b>LOW</b> ●

## INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

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

### RISK RESPONSE DEFINITIONS

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

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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

WEST LONDON WASTE AUTHORITY

AUTHORITY

25 January 2019

Report of the Managing Director and Treasurer

**West London Waste Authority Risk Register**

**SUMMARY**

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

**RECOMMENDATION(S)**

The Committee is asked to:-

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

1. **Introduction** – The Authority maintains a risk register which sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.
2. **Detail** – The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item discussed at WLWA Officer meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely.
3. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the document you will find a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.
4. **Appendix 1** provides the latest risk register which was updated at the latest Chief Officers' meeting. In overall terms, the risk register identifies 18 Amber risks facing the Authority and the mitigating actions to reduce the risk. All 18 of the risks have been mitigated to a Green status.
5. The following risks have been removed from the risk register since the last Audit Committee meeting:
  - The effect of Brexit may weaken targets – specific risk removed as the Resources and Waste Strategy has now been published and new broader Brexit risk introduced.
  - Reliance on one member of staff managing a bespoke in house waste data system – risk removed as we now have an off the shelf package with knowledge more widely spread and access to suppliers resource/knowledge base if required.

- Risks within planning process – as there are currently no significant development or construction plans, this is not currently a risk

6. The other updates were of a minor nature (the purple text on the risk register), providing additional detail about mitigations with no changes to the risk rating.

7. **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.

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

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

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

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

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## Risk Register

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	Type	Assessment of Risk original score in brackets			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations			Responsible Officer
			Impact	Probability	Rating		Impact	Probability	Rating	
1. Brexit will bring turbulence and unanticipated change to UK waste management.	Increased cost, lack of treatment capacity in UK, waste stockpiling, reduced haulage options. HRRC closure, increased landfill.	Economic Political Environmental	5	3	15	PPP contract with rail haulage for most of the Authorities waste provides significant protection. Bidders will consider Brexit during MRF procurement and Authority will take cost and benefit of price fluctuations. Lack of waste processing capacity on shore UK for materials currently shipped abroad can only be mitigated UK wide by Govt planning and EA flexibility. Additional reserves for increased costs of haulage and treatment of smaller waste streams.	4	2	8	Managing Director
2. 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
3. One or more of the waste treatment and disposal contracts will perform poorly or a single event will result in a need for business continuity planning.	Poor service to the Boroughs using the sites or needing material to be removed from site. Complaints about nuisance e.g. odour or pests. Increased cost of handling materials	Political	5	2	10	Ongoing review of contingency arrangements on each contract quarterly / annually as required. 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	Senior Contracts Manager
4. 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
5. WLWA financial processes are not robust	Internal fraud by an employee or contractor, bad information resulting in wrong decisions	Economic	5 (4)	2	10 (8)	Internal audit plan in place. Policies and procedures in place including arrangements for checking contracts and invoices. Segregation of duties between authorisation and checking of payments. Robust arrangements in place to control payments. Register of assets maintained. Processes in place for the monitoring of ad hoc contracts, contract management and negotiations. Whistle blowing policy. Standing Orders. Procurement fraud training rolled out in 2016 and declarations of interest extended to all staff. <b>Cash facilities removed completely and card procedures reviewed.</b>	4	1	4	Head of Finance and Performance
6. 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. <b>This includes any implications resulting from Brexit.</b>	3	1	3	Head of Finance and Performance
7. 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
8. 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, <b>transfer station purchase</b>	3	1	3	Head of Finance and Performance
9. 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. <b>Periodic billing file audits</b>	5 (4)	1 (2)	5 (8)	Head of Finance and Performance
10. There will be fluctuations in material value due to recycling and raw material market forces	Uncontracted material streams may not be budgeted accurately, falling scrap metal prices could lead to more abandoned vehicles for disposal, Boroughs cannot rely on a regular / known income from dry mixed recycling	Economic	3	3	9	Regular monitoring of all material markets and sharing information with Boroughs. <b>Lobby for extended producer responsibility</b>	3	2	6	Senior Contracts Manager
11. The loss of or absence of a key member of the team	Ineffective day to day management of the Authority, poor service delivery, contract management and long term planning	Economic	3	3	9	Recruitment policies, succession planning, cover/interim arrangements and other procedures limit impact on business continuity. <b>Continuously</b> review management structure	2	2	4	Managing Director
12. 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)	<b>ICT service is out sourced and subject to a wide range of back-up and security measures including remote storage and performance to an agreed service level standards.</b> An IT strategy is in place and IT requirements are regularly reviewed.	4	1	4	Head of Finance and Performance
13. 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	Senior Contracts Manager
14. 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 2020	Technological	5	3	15	Data is viewed from an Authority perspective and ensures operations are effective for the Authority. However a more holistic view of data across all boroughs will facilitate better partnership working. <b>Projects identified in the Business plan aim to provide a fuller picture.</b>	4	2	8	Head of Finance and Performance
15. There will be a change in	Unanticipated cost for the Authority	Legislative	4	4	16	Legislative changes are identified i.e. which affect EfW or transfer station operations, an	4	2	8	Senior Contracts

## Risk Register

Risk Area "There is a risk that..."	Analysis of Risk "Which will result in..."	Type	Assessment of Risk original score in brackets			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations			Responsible Officer
			Impact	Probability	Rating		Impact	Probability	Rating	
law relevant to our contracts						incineration tax or change in classification to hazardous waste and are prepared for accordingly. Widp 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.				Manager
16. 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	Project Director
17. 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
18. 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. Periodic internal audit assurance. Annual Action Plans are considered and agreed with GMB. Monitor contractor's health and safety performance and reporting. A range of fire prevention/precaution measures are in place at site including fire risk assessments. Losses are also covered by insurance policies.	5	1	5	Operations Manager

## Risk/ Impact Rating

Rating	Status	Service disruption	Financial Loss	Reputation	Failure to provide statutory service / meet legal obligations	People
5	Extreme	Total failure or service	Over £5m	National publicity > than 3 days Resignation of leading member or chief officer	Multiple civil or criminal suits. Litigation, claim or fine of above £5m	Fatality or one or more clients/staff
4	Very high	Serious disruption to service	£500k-£5m	Nat1011al public or press interest	Litigation claim or fine £500k-£5m	Serious injury. Permanent disablement of one or more clients / staff
3	Medium	Disruption to service	£50k-£500k	Local public /press interest	Litigation claim or fine £50k-£500k	Major injuries to individual
2	Low	Some minor impact on service	£5k-£50k	Contained within department	Litigation claim or fine £5k-£50k	Minor injuries to several people
1	Negligible	Annoyance but does not disrupt service	< £5k	Contained within unit/section	Litigation claim or fine less than £5k	Minor injuries to an individual

## Likelihood Classification

1. Rare - May occur only in exceptional circumstances (0-5%)
2. Unlikely- Could occur at some time (6%-20%)
3. Possible - likely to occur (21%-50%)
4. Likely-Will probably occur in most circumstances (51%-80%)
5. Almost Certain - Expected to occur in most circumstances >80%)

## Risk Rating/Scoring = Impact x likelihood. Prioritisation of Risks

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





West London Waste  
Authority  
Audit planning report  
Year ended 31 March 2019

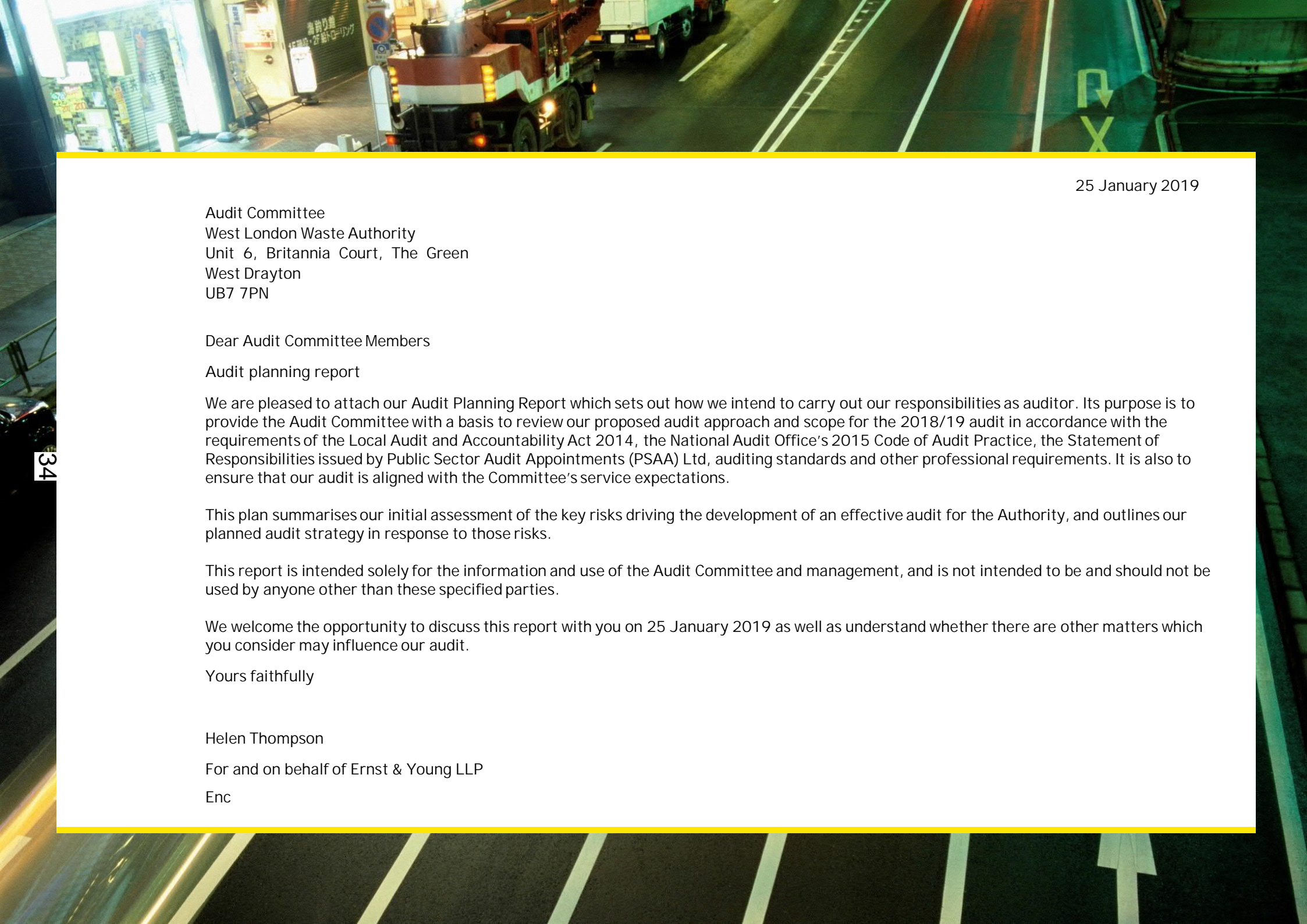
25 January 2019

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Building a better  
working world

Agenda Item 6  
Pages 33 to 74



25 January 2019

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

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Planning Report which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 25 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of West London Waste Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of West London Waste Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of West London Waste Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

# Overview of our 2018/19 audit strategy



## Overview of our 2018/19 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	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 prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
37 Risk of manipulation of levy income through fraud or error.	Fraud risk/ Significant risk	No change in risk or focus	Linking to our fraud risk above, we have considered the potential for error or deliberate manipulation of the waste tonnage data which underpins the income from levies as a separate risk.
Valuation of Property, Plant and Equipment	Significant risk	No change in risk	<p>During 2018/19, the Authority is proposing to undertake a full valuation of its Property, Plant and Equipment and material assets are expected to be brought into use including two lease sites and a new office space.</p> <p>At 31 March 2018, the asset values of £198 million represent a significant proportion of the Authority's balance sheet, with a risk that even a small fluctuation in value could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.</p>

## Overview of our 2018/19 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Agresso upgrade	Area of audit focus	New focus	One significant IT project has been completed in July 2018. Effective project management is important to ensure there is no impact on the year end accounts production process.
Pension liability valuation	Inherent risk	No change in risk	The Authority's pension fund deficit is a material estimated balance disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £7.9 million. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. We will liaise with the auditors of the pension fund to gain assurance over the information supporting this balance.
PPP liability	Inherent risk	No change in risk	The Authority's PPP liability is a material liability which is calculated by a modeller into which the Authority inputs assumptions. The assumptions entered into the model are a form of management estimate.
IFRS 9 and IFRS 15 implementation	Area of audit focus	New focus	IFRS9 (Financial Instruments) and IFRS15 (Revenue from Contracts) come into effect for Local Authority Accounts this year. At the time of our 2017/18 final audit work, the Authority had not conducted any preliminary work to position itself for either standard and the impact was therefore unclear. A detailed impact assessment will therefore need to be carried out for both new standards.

# Overview of our 2018/19 audit strategy

## Materiality

Planning  
materiality

£959K

Materiality has been set at £958,580, which represents 2% of the prior year's gross expenditure on provision of services.

Performance  
materiality

£719K

Performance materiality has been set at £718,935, which represents 75% of materiality.

Audit  
differences

£48K

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £48,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

# Overview of our 2018/19 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of West London Waste Authority give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

## Audit team changes

Key changes to our team



Manager

John is an Assistant Manager and will lead the audit team. He will ensure that we deliver all of your external audit requirements in accordance with agreed schedules and co-ordinate our use of specialists in the audit to support the engagement team.

He is a qualified member of the ICAEW with 2 years post qualification experience in a number of sectors including Local Government, Public and Limited Companies and Group Audits





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# 02 Audit risks



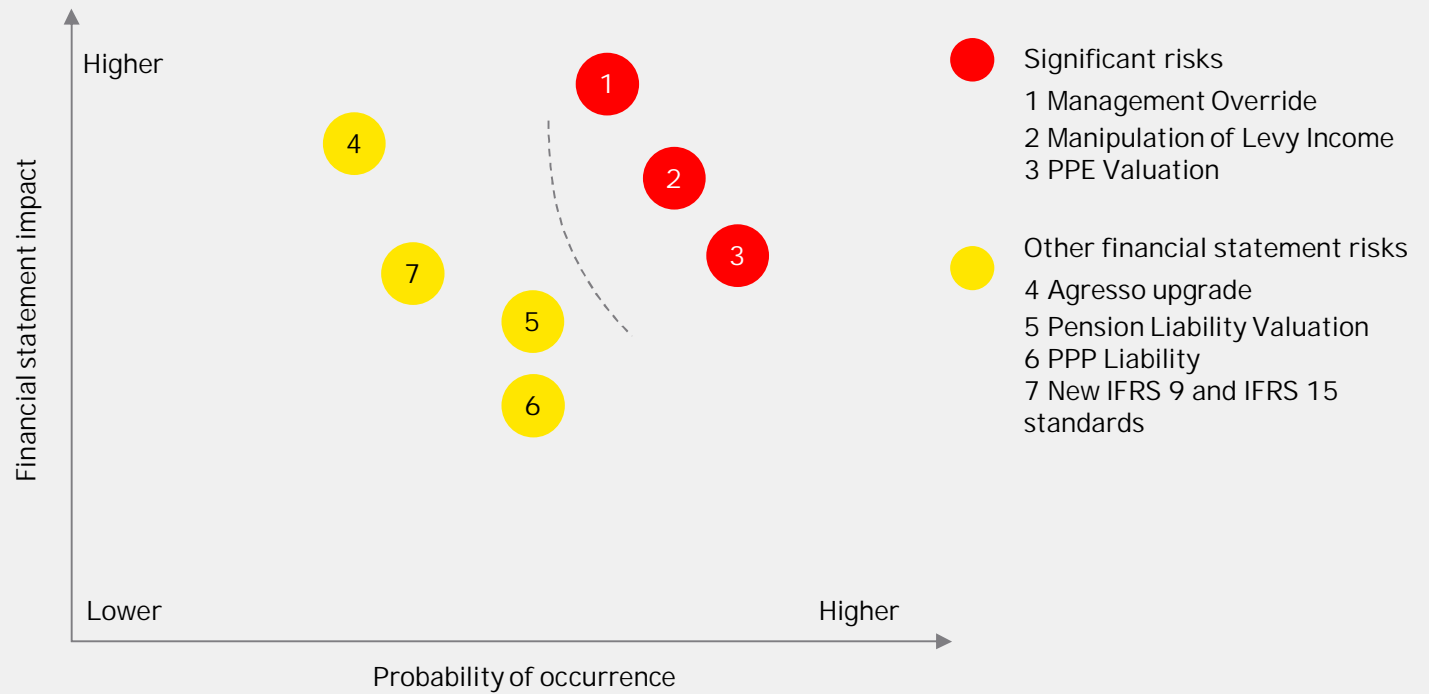
# Risk assessment

## Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017/18 Statement of Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:

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## Our response to significant risks

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

Misstatements due to fraud or error \*

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

### What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

# Audit risks

## Our response to significant risks

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

<p>Risk of Manipulation of Levy Income due to fraud or error *</p>	<p><b>What is the risk?</b></p> <p>Linking to our risk of misstatement due to fraud or error above, we have considered the potential for error or deliberate manipulation of the waste tonnage data which underpins the income from levies as a specific risk.</p>	<p><b>What will we do?</b></p> <ul style="list-style-type: none"> <li>Assess accounting estimates for any evidence of management bias. Estimates we anticipate assessing include the short term creditors balance (£6,626,000 at 31 March 2018) which is expected to include accruals. The short term creditors encompass the estimated levy imposed on constituent Councils. The estimation is based on budgeted administrative costs and estimated costs of disposal.</li> </ul>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. In particular, we will consider:</p> <p>Levies on Constituent Councils (2017/18: £55,863,000)</p> <p>Short term creditors (2017/18: £6,626,000).</p>		

## Our response to significant risks (continued)

Valuation of Property, Plant and Equipment

### What is the risk?

The Authority is planning to purchase the freehold for two sites (Victoria Road and Transport Avenue) that it currently leases. The leases are currently valued on the Authority's balance sheet at £8.7m. The sites are due to be purchased by the Authority before 31 March 2019, and are likely to have complex valuation and accounting impacts.

In addition, the Authority has purchased a new office building on a long term lease which will have accounting implications in terms of its valuation.

The Authority is therefore proposing to undertake another full valuation of assets in 2018/19 and are planning to ask Vail Williams to do this exercise.

Asset values are significant and there is a risk that even a small movement in valuation could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.

### What will we do?

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

- agree the source data used by the valuer to supporting records;
- assess the work of the valuer, and challenge the assumptions used, to ensure that assets have been valued and recorded appropriately;
- agree the outputs to the fixed asset register and statement of accounts;
- request accounting papers from management supporting the valuations at 31 March 2019, including the two leasehold sites and the new offices; and
- engage with EY Valuations specialists to compare with industry best practice.

### Financial statement impact

Misstatements that occur in relation to valuation could affect the year end carrying value of Property, Plant and Equipment (31 March 2018: £198,144,000).

## Other areas of audit focus and inherent risk

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

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

### What will we do?

#### Agresso Upgrade

This significant IT project has been completed in July 2018. Agresso (the general ledger) was transferred from London Borough of Ealing servers to the cloud through normal IT change processes. The purchasing and payables process has been brought in-house since implementing Agresso.

We will:

- Conduct walkthrough testing on the replacement system as part of our interim audit.
- Obtain and review project plans for the Agresso upgrade.
- Obtain test results for the Authority's Waste Data Management System testing of transaction and data migration;
- Consider management's (and, if applicable, internal audit's) own assessments of both project's outcomes.
- Identify and review Agresso disaster recovery and IT security arrangements.

#### Pension Liability Valuation

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

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on Authority's balance sheet. At 31 March 2018 this totalled £7.8 million.

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

We will:

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



## Audit risks

### Other areas of audit focus and inherent risk

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

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

#### What will we do?

##### Public-Private Partnership (PPP)

The Authority has one PPP arrangement with the Suez consortium. This is a PPP for the construction of the Severn Energy Recovery Centre. The total value of the investment is estimated to be £185.3 million as at 31 March 2018.

We will:

- include a review of the assumptions used in the PPP accounting model to assess whether there have been any changes since our initial review;
- comment on adjustments, if any, by the Authority;
- review the planned entries and disclosures for the Authority's 18/19 accounts and ensure that they reported in line with the standards.

## Other areas of audit focus

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

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

### What will we do?

#### IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

#### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets;
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.





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# 03 Value for Money Risks





## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

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

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

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

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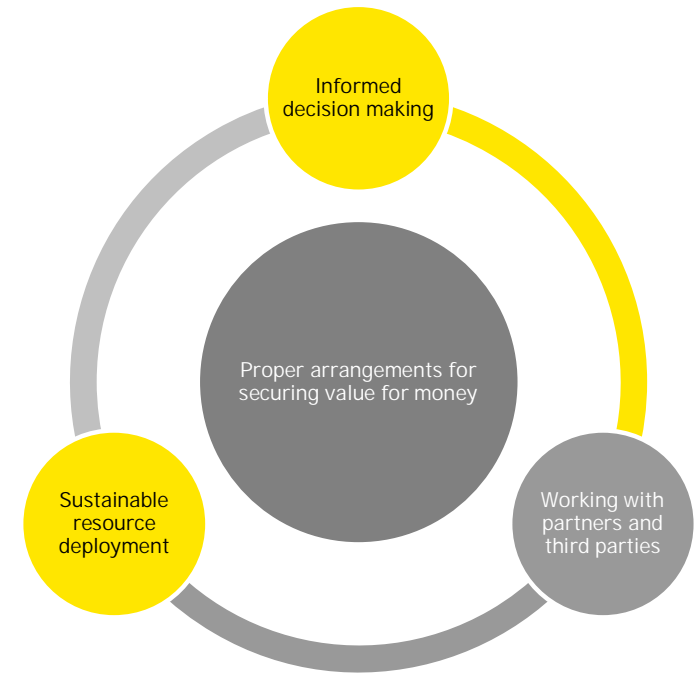
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Authority to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We have not identified any significant risks to our value for money conclusion.





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04

# Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2018/19 has been set at £958,000. This represents 2% of the Authority's prior year gross operating costs on provision of services. It will be reassessed throughout the audit process. The rationale for this is that the expectations of users of the entity are focused on the measurement of costs. We have provided supplemental information about audit materiality in Appendix D.



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

### Key definitions

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

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

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



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# 05 Scope of our audit



# Our Audit Process and Strategy

## Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

### 1. Financial statement audit

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

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

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#### Procedures required by standards

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

#### Procedures required by the Code

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

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

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

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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



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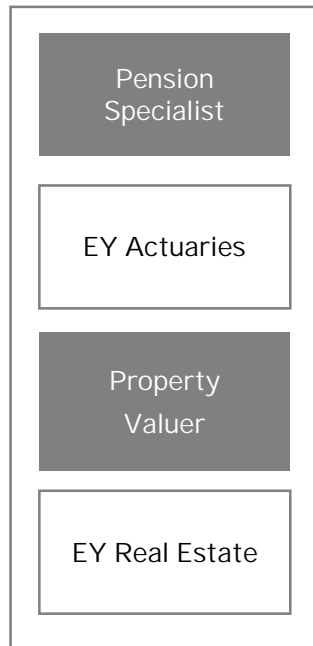
Audit team





# Audit team

## Audit team structure:



### Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

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

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\* Key Audit Partner

## Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries and PWC Actuaries
Data Migrations	EY Risk Advisory

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

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

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



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Audit timeline





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

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

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
Audit Planning Report presented to the Audit Committee	25 January 2018	Audit Committee	Audit Planning Report
Walkthrough of key systems and processes	28 January 2019		
Testing of routine processes and controls and Interim audit testing	4 - 13 February 2019		
Year end audit: Account testing	7 - 17 May 2019	Audit Committee	
Year end audit: Audit Completion procedures	28 June 2019	Audit Committee and Authority meeting	Audit Results Report Audit opinions and completion certificates
Completion	July 2019	Audit Committee	Annual Audit Letter



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Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>62</p> <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

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

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

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

## Relationships, services and related threats and safeguards

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

### Overall Assessment

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

### Self interest threats

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

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

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At the time of writing, we receive no non-audit fees. No additional safeguards are required.

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

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

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.  
There are no management threats at the date of this report.

### 64 Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.  
There are no self review threats at the date of this report.



## Other communications

### EY Transparency Report 2018

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



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# Appendices



## Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work (Note 1)	15,223	15,223	19,770
Additional fee - Code work (Note 2)	TBD	-	1,844
<b>Total audit</b>	<b>15,223</b>	<b>15,223</b>	<b>21,614</b>

All fees exclude VAT

Note 1 - Our 2018/19 fee may well be higher than the planned scale fee, dependent on the level of work required in relation to the significant risk associated with the valuation of PPE. We will assess this as part of our interim audit and discuss the potential impact on the fee with officers.

Note 2 - We undertook additional audit procedures in 2017/18 associated with the work required following the transfer of waste management data from the Access system to the Open Sky system and the work required in relation to the indexation adjustment to the PPE balance. Both amounts have now been agreed by PSAA.

The agreed fee presented is based on the following assumptions:

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

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

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




## Appendix C

# Required communications with the Audit Committee





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



Our Reporting to you





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

## Required communications with the Audit Committee (continued)

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

## Appendix C




# Required communications with the Audit Committee (continued)

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

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## Appendix C

# Required communications with the Audit Committee (continued)

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

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## Additional audit information

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

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

#### Our responsibilities required by auditing standards

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



## Additional audit information (continued)

### Purpose and evaluation of materiality

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

Materiality determines:

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

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

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