West London Waste
Treating waste as a valuable resource

West London Waste Authority
Clerk
PO 1358
Harrow
HA3 3QN
10 January 2024

If you require further information about this agenda please contact: Alison Atherton, Tel: 07825 726493, E-mail: alison.atherton@harrow.gov.uk.

West London Waste Authority - Audit Committee

A meeting of the West London Waste Authority - Audit Committee will be held in The Auditorium - Harrow Council Hub, Kenmore Avenue, Harrow, HA3 8LU on Friday 19 January 2024 at 10.00 am

Membership

Councillor Deirdre Costigan, London Borough of Ealing
Councillor Stephen Greek, London Borough of Harrow
Councillor Guy Lambert, London Borough of Hounslow
Councillor Eddie Lavery, London Borough of Hillingdon
Councillor Krupa Sheth, London Borough of Brent
Councillor Julia Neden Watts, London Borough of Richmond

Agenda

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

1. Apologies for absence

2. Declarations of interest

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

10. Risk Register (Pages 159 - 164)

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

Nil

Useful Information

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

You can access the agenda online at Browse meetings - West London Waste Authority

Recording and reporting on public meetings

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

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

Hugh Peart
Clerk to the Authority

This page is intentionally left blank

At a meeting of the West London Waste Authority held on Friday 23 June 2023 at 10.00 am at the Meeting Room 4, First Floor - Harrow Council Hub, Forward Drive, Harrow, HA3 8LU.

Present:

Councillor Deirdre Costigan (Chair)

Councillor Julia Neden Watts (Vice-Chair)

Councillor Guy Lambert, Councillor Eddie Lavery, Councillor Anjana Patel and Councillor Krupa Sheth

Robin Pritchard – Independent Member

54. Apologies for absence

There were no apologies for absence.

55. Declarations of interest

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

56. Minutes of the meetings held on 20 January 2023 and 24 March 2023

RESOLVED: That the minutes of the Audit Committee held on 20 January 2023 and of the Authority meeting held on 24 March 2023 be taken as read and signed as correct records.

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

RESOLVED: That (1) Councillor Deirdre Costigan be appointed as Chair of the Authority for the 2023/24 municipal year;

(2) Councillor Julia Neden Watts be appointed as Vice-Chair of the Authority for the 2023/24 municipal year;

(3) Councillor Krupa Sheth be appointed as Chair of the Audit Committee for the 2023/2024 Municipal Year;

(4) it be noted that Robin Pritchard would continue as Independent Member of the Audit Committee for the 2023/24 Municipal Year.

58. Meetings for the Municipal Year 2023/24

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

Friday 22 September 2023 at 10.00am
Friday 1 December 2023 at 10.00am
Friday 19 January 2024 at 11.00am (Audit Committee at 10.00am)
Friday 22 March 2024 at 10.00am
Friday 21 June 2024 at 10.00am
Friday 20 September 2024 at 10.00am
Friday 6 December 2024 at 10.00am

59. Internal Audit Report Procurement and Expenditure

Councillor Krupa Sheth, Chair of the Audit Committee, chaired the meeting for this item and items 7-12.

Members received the Internal Audit Report 2022/23 which reviewed the robustness of the Authority's controls in relation to Procurement and Expenditure.

Mike Pinder, Internal Auditor, outlined the content of the report and advised that overall there was reasonable assurance. A further report would be submitted to the Audit Committee in January.

In terms of the key findings and the high risk that none of the procurement cases examined had signed contracts in place and the potential impact, the Internal Auditor advised that there was a risk in that the contractor could just walk away. In response to a Member's question in relation to the HB Public Law (not HB Law as referred to in the report) contract and the assumption that there was a contract in place, the Internal Auditor advised that a review of service level agreements was required and that it was not unusual for contracts not to be signed in advance. It was however important to carry out a review and to safeguard the Authority's position. The Independent Member emphasised the need to chase up HB Public Law to resolve these issues and the Treasurer added that the ability to use electronic signatures on documents could speed up the process.

Members expressed concern at the delays in getting contracts signed and Tom Beagan, Head of Service Delivery undertook to provide an update at the end of the month. Jay Patel, Finance Director, confirmed that all suppliers had been checked and the recommendations implemented.

RESOLVED: That the report be noted.

60. Annual Internal Audit Report

Members received the Annual Report on Internal Audits and the Head of Internal Audit opinion. The report also provided details of the work completed by the Audit Team between April 2022 and March 2023.

The Independent Member requested that the dates in paragraph 5 of the report be corrected.

RESOLVED: That the report be noted.

61. 2021/22 External Auditors Report

Members received the draft Audit results report for the year ended 31 March 2022 which summarised Ernst & Young preliminary audit conclusion in relation to the audit of the Authority.

Andrew Brittain and Kalthiemah Abrahams, Ernst &Young (EY), joined the meeting online, to present the report. Mr Brittain reminded Members that the report had been delayed for a number of reasons as explained at the previous meeting and that there was one outstanding issue around the triennial evaluation. It was anticipated that EY would be in a position to issue an unqualified opinion on the financial statements and value for money.

In terms of the 2022/23 audit, Mr Brittain advised that planning work had commenced and that it was intended to conclude this work by the end of the calendar year.

RESOLVED: That the report be noted.

62. Final 2021-22 Statement of Accounts

Members received the report which provided the 2021-22 Statement of Accounts for approval.

RESOLVED: That the Chair of the Authority be authorised to approve the 2021/22 financial statements once the audit had been finalised by Ernst & Young.

63. Draft Statement of Accounts for the year ending 31 March 2023

Members received the report which presented the draft 2022/23 Statement of Accounts.

Jay Patel, Finance Director, outlined the content of the report and advised that the dates in the header required correction. Financial performance over a number of years had been relatively strong and there were greater reserves than required. It was therefore proposed to disperse the excess in reserves back to the boroughs in July.

RESOLVED: That (1) the draft Statement of Accounts for 2022/23, as set out in Appendix 1 to the report, be noted;
(2) the disbursement of PPP contract income totalling £12.7 million, as set out in section 13 of the officer report, be approved.
(3) the disbursement of excess reserves totalling £3.3 million, as set out in section 24 of the officer report, be approved.

64. Assurance Statements for the year ending 31 March 2023

Members received the Assurance Statements from the Authority's Chief Officers and Senior Managers which formed part of the overall governance framework and supported the approval of the Annual Statement of Accounts.

In response to a comment by the Independent Member that there might be benefits in linking assurance statements to the risk management system, Jay Patel, Finance Director, advised that the Authority was a relatively small organisation but that this could be looked at. A Member commented that the gross expenditure in relation to employees appeared to have increased and was advised that this movement was essentially a valuation adjustment but that further detail could be provided to Members and the notes updated on these draft statements.

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

65. Risk Register

Members received the Authority's updated risk register.

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

66. 2022/23 Business Plan

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

Members received the report which provided the Authority's Business Plan for 2022/23.

Emma Beal, Managing Director, introduced the report and responded to a Member's questions in relation to UK net zero greenhouse gases targets and whether they related specifically to waste operations, as set out on page 219 of the papers. The Managing Director indicated that she would review this and also consider whether a whole borough target was needed. In terms of the London Mayor's targets of 65% recycling by 2030, 50% should have been achieved by 2020 but once the targets were published Members would be updated.

RESOLVED: That the conclusion of the 2022 Business Plan be approved and that some of the activities, as outlined in the officer report, be rolled over to the 2023/24 Business Plan.

67. 2023/24 Business Plan

Members received the report which provided details of the five strategic priorities that would form the basis for the Authority's Business Plan for 2023/24.

Emma Beal, Managing Director, introduced the report and drew attention to the five strategic priorities :-

- Citizen perception
- 'Reuse' Social Value
- Data Driven Efficiency
- Increased access
- Organisational Excellence

In response to a Member's comment that there was still considerable work to do on food waste, the Managing Director advised that this service was a challenge as not enough residents were using it. Citizen perception would inform all of the programmes and increasing access is also important because if, for example, only 70% of residents had access to a service, targets would never be met.

The Independent Member commented that there should be a link between risk management and the strategic objectives and resistance to change should be considered. A Member commented that perception was key, for example, residents might consider recycling to be about plastic whereas it was about food. The Members discussed the difficulties of food waste collection in estates, flats and flats above shops and the need to have provision within the planning application process to assist. Another suggestion was to engage schools with food waste collection as the messaging about its importance might then reach parents via their children.

RESOLVED: That the 2023 Strategic Priorities to shape the Business Plan for 2023/24 be approved and included in the Annual Report.

68. Contracts and Operations Update

Members received a report which provided an update on the Authority's waste treatment arrangements and procurements.

Tom Beagan, Head of Service Delivery, introduced the report and advised that since the publication of the agenda the Government had announced a change in legislation which would require all HRRCs to accept some DIY waste from Autumn 2023. There were some risks around this change in terms of a reduced ability to charge but there might also be opportunities, for example, harmonising charging policies across the Boroughs.

In response to a question about disposal of vapes and whether any communications around e-waste was required, the Head of Service Delivery advised that these were mostly being placed in residual waste by residents but that he would report back to the Authority if more were being seen in electrical waste bins at the HRRCs. The Members were advised that the government were expected to release a consultation on e-waste and that there was a suggestion that vapes would be included as a separate category.

RESOLVED: That the report be noted.

69. Programmes Update

Members received a report which provided an update on the Authority's programmes.

Referring to the Reuse and Social value table on page 245 of the agenda, a Member questioned how and when the West London Waste plan would consider whether there were the right number of waste sites. The Members were advised that the plan was in the process of being updated, coordinated by the West London Alliance and that this issue was being dealt with by planners and expected to take between 3 – 5 years to deliver. A periodical update could be submitted to the Authority.

Emma Beal, Managing Director, stated the importance of protecting waste sites for waste use. Moving to a circular economy would require the definition of waste to change as there should be a technical assessment to decide whether items could be reused or recycled.

RESOLVED: That (1) the progress on the Authority's programmes outlined within the officer report be noted;
(2) the importance of aligning priorities and working in partnership in order to increase the chances of successful delivery be noted.

70. Finance Update

Members received a report which provided an update on financial and operational matters.

RESOLVED: That (1) the current financial position and forecast for 2023/24 be noted;
(2) the 2023/24 Key Performance Indicators be noted.
(3) the Key Performance Indicators to date be noted.

71. Human Resources Services Update

Members received an update on the Authority's Human Resources Services.

RESOLVED: That the report be noted.

72. Jay Patel - Finance Director

Members expressed their gratitude to Jay Patel, Finance Director, who was retiring from the Authority's employ, for all his work and keeping the Authority in good financial shape. Members wished him well for the future.

The meeting finished at 11.51 am.

The minute taker at this meeting was Alison Atherton.

11

Internal Audit Report 2023/24

West London
Waste Authority

Final
August 2023

Income Audit

Classification	Trend	By type	Control design	Operating effectiveness	Total
Substantial	**Previously rated as Reasonable**	**Critical**	0	0	**0**
		High	0	0	**0**
Total findings: 3		**Medium**	0	0	**0**
		Low	0	3	**3**
		Advisory	0	0	**0**

Agenda Item 4
Pages 11 to 22

West London Waste
Treating waste as a valuable resource

Executive summary (1 of 2)

Summary of findings

This audit has been undertaken as part of the WLWA 2023/24 Internal Audit Plan. The WLWA primarily receive income for the disposal of waste for the six boroughs signed up to the authority.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to income with a focus on policies and procedures, raising of invoices / credit notes and refunds, debtors and write-offs, reconciliations and profit share.

Overall, we have graded the audit as Substantial, but we have raised actions to mitigate three low risk findings. These are in areas, where materiality of transaction is low.

Key findings

We identified the following three low risk findings.

Low Risks

- The refund process needs to be reviewed and tighter controls put in place.
- All write offs must be in agreement of the Treasurer unless a threshold is in place.
- Administration should be reviewed and improved to prevent errors.

Executive summary (2 of 2)

1	***Refunds***	Low
2	***Write-offs***	Low
3	***Administration***	Low

By Scope Area

	Critical	High	Medium	Low	Advisory
Policies and Procedures	0	0	0	0	0
Raising of Invoices / Credit Notes and Refunds	0	0	0	2	0
Debtors and Write-offs	0	0	0	1	0
Reconciliations	0	0	0	0	0
Profit Share	0	0	0	0	0
Bulky Waste	0	0	0	0	0
Total	**0**	**0**	**0**	**3**	**0**

Background and scope (1 of 2)

Background

The West London Waste Authority (WLWA) are responsible for disposing of waste for six London Boroughs.

- London Borough of Brent
- London Borough of Ealing
- London Borough of Harrow
- London Borough of Hillingdon
- London Borough of Hounslow
- London Borough of Richmond upon Thames

West London Waste Authority (WLWA) has three main streams of income -

1. Monthly levies from the six boroughs who are receiving the services of the WLWA. The amounts are calculated and agreed before the start of the year and are the focus of budget monitoring. There are two elements to the levy, a fixed charge which remains unchanged and a pay as you throw charge which is reconciled quarterly to ensure boroughs only pay for the waste they dispose.
2. Income generated at the Household Reuse and Recycling Centre in Brent. This income comes from trade customers who are invoiced and from residents and others who pay by credit card at the weighbridge. There is also an agency charge to Brent for the provision of the service to residents.
3. Profit share as part of the Authority's Residual Waste Services Public Private Partnership Contract with SUEZ UK Limited.

There are also other minor items of miscellaneous income.

The Senior Management team receive regular reports on the income and debt recovery and key performance indicators have been created to monitor the level of debt each month. The Board receive summary information within board reports prepared.

Background and scope (2 of 2)

Scope

The audit work focused on the following areas –

Policies and Procedures

- Policies and procedures are in place and clearly state the process to follow for raising invoices, income collection and debt recovery.
- Procedures are reviewed and updated on a regular basis and include best practice and changes in legislation and are relevant and available to all staff.

Raising of Invoices / Credit Notes and Refunds

- Income is maximised by the prompt raising of invoices for goods and services that have been provided by the WLWA.
- All requests to raise invoices received in the Finance team are recorded accurately, completely and in a timely manner.
- Levy notices are accurate.
- Cancellation of invoices and credit notes are recorded and posted accurately.
- Refunds from customer accounts are processed for valid reasons in accordance with WLWA policies.

Debtors and Write-offs

- Debtor balances are monitored and managed to maximise income collection.
- Management reports are produced regularly, and debt recovery targets are monitored by Senior Management.
- Write offs of account arrears are processed for valid reasons and in accordance with WLWA policies.
- All write offs are documented and authorisation is retained as part of the overall process.

Reconciliations

- Reconciliations are prepared on a monthly basis which reconcile the balance on the accounts receivable ledger to the general ledger. Supporting g documentation retained which confirms the balances of ledgers.
- Quarterly reconciliations are completed on the "Pay as you Throw" accounts to work out over and under payments for the six boroughs.
- Un-reconciled items are investigated and resolved, and the suspense account total is kept at a minimum.
- Reconciliations are prepared and reviewed by two separate individuals at the appropriate level to observe segregation of duties and delegated authority levels.

- Reconciliations are prepared and reviewed within one month of the period being reconciled.

Profit Share

- Profit share calculations of percentage are agreed and accurate.
- Two thirds of profit share are paid to participating boroughs.
- One third of profit share is retained for agreed green projects.

Limitation of scope

Our work was limited to the sub-processes and control objectives outlined above.

The scope of our work also did not cover IT controls and processes, such as interfaces.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Current year findings (1 of 3)

Refunds

Control Design & Operational Effectiveness

1

Low

17

Finding and root cause

In the event that a refund is due to customers (usually from HRRC), the customer and reason for the refund are collated along with the proof of payment receipt. The information form should be signed by two officers before it is submitted to the Finance Team to process. No refunds are permitted at Abbey Road.

We requested a list of refunds processed over the past twelve months and were provided with a list of nine refunds.

- One case out of nine *(£126.10)* did not have a completed form nor an original receipt. There was only an email from the Finance Team to the Operations Data Officer asking why a refund had been requested in addition to a ticket being cancelled and a new one being raised. It has been noted that we were not provided with email confirming that the refunds had been approved prior to payment.
- One case out of nine *(Previously mentioned case: £126.10)* did not have a completed form. Just an email request from the Operations Data Officer and no backing papers either to support his version of events. Again, there was no evidence of the manager being copied into emails and subsequently approving the refund.
- Three cases out of nine *(refund values: £33.00, £126.10 & £3748.20)* did not have a copy of the receipts displaying the original charges attached.
- Three cases out of nine were double signed; the other six *(ranging from £9.60 - £3748.20)* had been signed by one officer and submitted for processing. There was no evidence that customers had signed these forms to confirm that the details on forms were correct.
- Furthermore, one refund case *(£45.00)* had been processed and paid out to an employee's bank account rather than the organisation who had originally paid to dump refuse at abbey road.

The refund process is very manual and there aren't any safeguards in place to avoid incorrect companies being paid or ensuring the refunds are paid back via the same method of payment and onto the same card that was used. Customers are not asked to sign a form to confirm that details are correct. There is not a consistent second signature on the form to confirm two officers have completed and subsequently checked each other's work. A clear policy or procedure document is not in place. WLWA have provided an email where the Operations Project Manager listed what he believes to be the correct process, and this was confirmed by the Finance Manager with a copy to the Finance Assistants.

Implications

- Fraud may not be detected due to a lack of audit trail for verification and payments to incorrect accounts.

Action plan

1) A definitive refund process is drafted and agreed by management and distributed to finance and site administrative staff to ensure that refunds are only processed once full details are provided to provide a robust audit trail.
2) When processing refunds ensure the same organisation *(and payment method/bank details)* who made and paid for the booking receive the refunded monies.
3) Ensure two Abbey Road officers sign off all refund requests.
4) Ensure the Finance Manager's approval is included in the audit trail for refunds.
5) Ensure the customer signs the initial refund request form thus confirming their details listed are accurate.
6) Full backing papers are retained to evidence the refund request.

Responsible person/title
Adesh Swain, Finance Supervisor
Target date
30th Sept 2023

Current year findings (2 of 3)

Write-offs

Operational Effectiveness

2

Low

19

Finding and root cause

We requested a list of debts written off at the WLWA in the last twelve months but were informed that there were none.

The aged debtor report indicated that one outstanding debt had been outstanding for 1-2 years. A company owed a small sum *(£466)* to the WLWA but are now no longer trading.

We were advised that this amount would be written off later in the year. When we requested a copy of the Treasurer's authorisation to write this sum off, we were advised that they did not need to get permission as the amount was under £500. This is not documented anywhere.

The WLWA Scheme of Delegation clearly states that the Treasurer can write off sums < £25,000. There is nothing noted about a threshold agreed.

Late write offs were highlighted in the previous audit report and should be reviewed at least annually and not left for an unnecessary length of time.

Implications

- Sums are written off without the Treasurer being made aware and having the opportunity to challenge the collection effort or evidence of company cessation.

Action plan

1) Unless there is a Board agreed threshold, all write-offs proposals and backing documents must be provided to the treasurer for authorisation to proceed.
2) Items to be written off are reviewed at least annually.

Responsible person/title
Gurdeep Bhogil, Senior Accountant
Target date
30th Sept 2023

Current year findings (3 of 3)

Administration

Control Design and Operational Effectiveness

3

Low

Finding and root cause

During the audit testing we found a small number of errors made (all corrected) which indicate tightening of processes and checking need to occur.

Late Invoices – 1 of 15 invoices checked was raised on the 17th of April for rent covering April to June 2023. With 30-day payment terms, the payment would not be considered late if paid mid- May. However, paying for April's rent in mid-May is putting the rent account in arrears.

Credit notes - Of the 11 credit notes raised over the last 12 months, all of them were due to internal errors being made.

Implications

- Invoices raised late will result in a higher risk of late payments.
- A lack of checking on invoices, refunds etc will result in continued poor performance.

Action plan

1) Administration checks are tightened to prevent errors.
2) Additional training is provided to officers who make the most mistakes.
3) Rent payments are raised in advance and added to a calendar schedule.

Responsible person/title
Gurdeep Bhogil, Senior Accountant
Target date
30th Sept 2023

Appendix A: Basis of our classifications

Individual finding ratings

Critical	A finding that could have a: • ***Critical*** *impact on operational performance; or* • ***Critical*** *monetary or financial statement impact; or* • ***Critical*** *breach in laws and regulations that could result in material fines or consequences; or* • ***Critical*** *impact on the reputation or brand of the organisation which could threaten its future viability*.
High	A finding that could have a: • ***Significant*** *impact on operational performance; or* • ***Significant*** *monetary or financial statement impact; or* • ***Significant*** *breach in laws and regulations resulting in significant fines and consequences; or* • ***Significant*** *impact on the reputation or brand of the organisation*.
Medium	A finding that could have a: • ***Moderate*** *impact on operational; or* • ***Moderate*** *monetary or financial statement impact; or* • ***Moderate*** *breach in laws and regulations resulting in fines and consequences; or* • ***Moderate*** *impact on the reputation or brand of the organisation*.
Low	A finding that could have a: • ***Minor*** *impact on the organisation's operational performance; or* • ***Minor*** *monetary or financial statement impact; or* • ***Minor*** *breach in laws and regulations with limited consequences; or* • ***Minor*** *impact on the reputation of the organisation.*

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work	
We have undertaken this review subject to the limitations outlined below	
Internal control Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.	***Future periods*** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that: • The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or • The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

West London Waste Authority
Auditor's Annual Report

Year ended **31 March 2022**

Agenda Item 5
Pages 23 to 46

Contents

24

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

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

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction (continued)

2021/22 Conclusions	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 31 August 2023.
Going concern	We have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority .
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission.

Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

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

We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

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

Audit of the financial statements

Significant risk	Conclusion
Valuation of Property, Plant and Equipment	The current value of Property, Plant and Equipment represent a significant balance in the Authority's accounts, totalling approximately £240m and it is subject to valuation changes, impairment reviews and depreciation charges. There is a risk that even a small movement in valuation could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values. The approach undertaken by management is to revalue all PPE assets at least every five years and to review the residual value, useful life and depreciation method as well as to identify any indicators of impairment at least at each financial year-end. The Authority undertook a full valuation of assets during the financial year-end 31 March 2022. Based on the procedures we have performed, we have reached a conclusion that Property, Plant and Equipment is fairly stated at £240m in the year end accounts and that management have fairly reflected the fluctuation in the value of the Severn Energy Recovery Centre that is estimated to have occurred during the year. We have however, identified a material misstatement in the accounting entries processed relating to the revaluation of property, plant and equipment. Whilst we are broadly satisfied with the accounting policy of revaluing assets every five years in line with the CIPFA Code, we would encourage management to review in detail the highest value assets regularly between the five yearly revaluations and, where management has done this, we will review the assumptions applied to these annual revaluations.

Value for Money

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

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

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

Scope

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

Reporting

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

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

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

Value for Money (continued)

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

For 2021/22, West London Waste Authority (the 'Authority') has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services. The Authority undertakes the waste disposal function for its six constituent boroughs in west London and its administrative area covers a population of approximately 1.7 million and an area of 38,000 hectares. The six constituent London boroughs govern the Authority and participate in the Private Finance Initiative arrangement with the Authority (the 'Boroughs').

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

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

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

Value for Money (continued)

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

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

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

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

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

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

Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

For 2021/22, the Authority has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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

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

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

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

Appendices

Financial Sustainability

34

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Authority identifies financial pressures mainly through its annual budgeting process, and annual medium/long term plans. The 21/22 annual budget is dated 22 January 2021 and sets out the key areas of focus in the next 12-60 months to deliver on targets. The Authority works collaboratively with Boroughs to foresee and plan for any eventualities, such as preparing the annual budget in consultation with the Boroughs to ensure all issues are considered. The two risks classified as High in the annual budget are borough FCL tonnages being higher than budgeted resulting in an under-recovery of HRRC disposal costs through the FCL charge which is fixed and new markets will emerge for recycling of specific waste streams (as opposed to landfill). The Authority built this risk into their planning by setting aside sufficient reserves. The Head of Finance and Performance also confirmed that the Authority will secure funding if and when needed for capital projects.
How the body plans to bridge its funding gaps and identifies achievable savings	The Authority utilises long term planning in order to identify opportunities to bridge its funding gaps. These methods to bridge any funding gaps are mainly via loans from the PWLB and the Boroughs, or through WLWA's own revenue streams. Revenue funding of debt has been discussed in the 21/22 annual budget. Any potential savings have also been identified in the annual budget. This was done by engaging with budget managers who reported their 2021/22 plans and proposed savings to a budget challenge session with at least one Chair (either the Authority Committee Chair or the Audit Committee Chair) and Chief Officers
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Authority utilises long term planning to support the sustainable delivery of services. The plan is prepared and discussed by Head of Finance, Treasurer and the Managing Director. The medium/long term plan indicates there is a base assumption of 0.5% for annual growth of residual tonnages. The base assumption thus allows the Authority to prepare their services. As mentioned above, the annual budget is also prepared in consultation with the Boroughs to identify potential future demand. For example: the Authority's Business Plan identifies action in 3 areas; Climate Emergency, Joint Working and Data. The budget for 2022/23 aims to push on with some of this strategic work.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The Authority reviews its long-term financial planning annually alongside the business plan, which details the activities, opportunities and risks for the long term. We have obtained the business plan for the period 2020-2025, which outlines the overall strategy for the Authority in addition to its financial performance. The annual budget also takes into consideration the budget for employees , which shows the movement in Full Time Equivalent (FTE) posts and how this would impact staffing. There is regular communication with each Borough to help the Authority plan their services.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The main method the Authority would manage risk is to set sufficient reserves aside to buffer against this risk. The annual budget has identified known risks facing the Authority in order to determine a suitable level of reserves. Pg. 16 of the annual budget confirms a target level of reserves for 2021/2 and an emphasis on, incentivising food waste, financial risks relating to the economic climate (inflation, Brexit) and ensuring business continuity. There is also a challenge session with at least one Chair (either the Authority Committee Chair or Audit Committee Chair) on the annual budget and its underlying assumptions, which is then approved at the Authority meeting.

35

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risk and opportunity management is embedded throughout the Authority to prevent and detect fraud. The Risk Register was developed to identify risks to the Authority at a corporate level and is reviewed regularly by risk owners. The register is a standard agenda item discussed at WLWA Officer meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely. The risks assessed are wider than just financial, due to the nature of the Authority's activities. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. The Authority assesses the impact of risks on a matrix of impact and probability, with a combined score produced to assess the importance of the risk. These risks are evaluated, and controls put in place to manage and mitigate the impact on the Authority. The Authority gains assurance over the effectiveness of internal controls through the policies and procedures it has implemented, which all help prevent and detect fraud. These policies/procedures include segregation of duties, documented procedures, regular checks and reconciliations, management/supervision, and the Authority's whistleblowing policy. The Authority's Finance Regulations are published on its website under the Corporate Governance section, and that states it is the Treasurer's responsibility to develop and maintain the counter-fraud and anti-corruption policy. Internal audit provides a useful mechanism to ensure procedures are followed and are appropriate to the relevant activity. Internal audit give an objective opinion to the Authority on whether the control environment is operating as expected. The report state whether the controls in place are suitable to mitigate risk and enhance the likelihood of achieving the overall aims of the service. Internal audit also helps identify risks that need attention and work with management to develop action plans to mitigate these risks. The Head of IA's opinion for 21/22 was that overall IA can provide reasonable assurance on internal controls.
How the body approaches and carries out its annual budget setting process	Management (such as the Finance Director) liaises with the Authority's budget holders and consults with Boroughs' finance directors when setting the Authority's budget. The draft annual budget is approved by the senior management team (consisting of the Managing Director, Project Director, Head of Service Delivery and Finance Director) and there is a challenge session with Officers and at least one Chair (either the Authority Committee Chair or the Audit Committee Chair) before approval at Authority meeting. These individuals are all professionally qualified and experienced in reviewing financial budgets. This process also shows clear segregation of budget preparation and approval.

36

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Finance Reports (Budget Monitoring Reports) are produced by the Treasurer and Managing Director monthly and reviewed at Authority meetings. The budget monitoring reports communicate management information, such as financial performance, performance against non-financial KPIs and any other relevant information. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the Statement of Accounts, the Treasurer has selected suitable accounting policies and then applied them consistently; made judgements and estimates that were reasonable and prudent; and complied with the local authority Code. The Treasurer has also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities. The processes to support this include: appropriate segregation of duties for journal posting (i.e. journals posted by the preparer are reviewed by a separate individual); ensuring paper copies of all journals with supporting documentation are held on site; and having a detailed closedown timetable showing procedure details and the responsible preparer. The Annual Governance Statement (AGS) is prepared under CIPFA - Delivering Good Governance in local government framework. The AGS is prepared by the Finance Director, who receives CIPFA annual updates and professional advice from Clerk and Treasurer. The Finance Director reviews and updates based off of previous year's AGS, adjusted for the introduction of any new guidance and legislation. The AGS is then reviewed by Chief Officers, Audit Committee and the Authority Committee. With regards to corrective actions to improve the processes and procedures in place, internal audit makes recommendations for any risks they have identified in their review. These recommendations involve the relevant managers/risk owners taking positive action to treat the risks, such as having more comprehensive written procedures. Internal Audit monitors all high and medium risk recommendations raised to determine if they have been implemented.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	There is regular reporting to Chief Officers and Authority on all matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The Audit Committee meets 4 times per year, is comprised of appropriately skilled and experienced lay members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting. The six councillors from each of the Boroughs (the 'Authority') also meet 4 times a year to discuss the annual budget, budget monitoring report and any other issues such as updates on current projects.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. The Monitoring Officer has overall responsibility for ensuring the Authority acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the Authority which are likely to contravene any enactment or rule of law or any maladministration. No reports were made during 2021/22. The Authority also has specific policies for staff and lay members in respect of gifts and hospitality and conflicts of interest. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2021-22. No related party transactions were declared

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The budget monitoring reports communicate management information, such as financial performance, performance against non-financial KPIs and any other relevant information.
How the body evaluates the services it provides to assess performance and identify areas for improvement	Within the monthly budget monitoring reports, there is an appendix that lists out all KPIs relating to the Authority's Service Delivery and Efficiency. The KPIs under the Service Delivery section – Keep waste moving- are 'Diversion from Landfill %' and 'Turnaround times (% above 25 minutes) for borough vehicles". The appendix sets out the target measure for the financial year and tracks the KPI's monthly performance. Each KPI is then given a rating depending on whether the forecasted performance is on target. The KPI performances are presented to the Authority Committee with explanations for any under-performances and/or plan for improvement. In this way the Authority's service is under review by the Boroughs (as they make up the Authority Committee) and areas of improvement can be identified.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Authority holds fortnightly meetings with Borough Environment Directors to take a holistic view of waste services across West London and to build partnership working. Collaboration across all organisations has enabled the regular reporting to Authority committee members to help monitor and improve the service provided by the Authority. An action log of the meetings is kept detailing the agreed follow-up action, the responsible individual, the due date and date completed. In this way the Authority can monitor its performance against expectations with its stakeholders. The Authority also prepares a weekly waste service status report that is shared with the Boroughs and Authority Committee. The information covered in this report includes waste flow data compared to equivalent data from prior year, any service disruptions to waste sites, staffing availability etc. Much of the reporting has also been developed in a way that means it is accessible and at anytime to the Boroughs – Microsoft Power BI self-service has been provided to Borough officers with guidance enabling access to a range of information.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Authority has an overarching procurement policy in place, the Contract and Procurement Rules 206, which were formally approved by senior management. The internal audit report covers Contracts and Procurements to determine if procurement exercises are conducted in accordance with relevant legislation. Overall the IA opinion weaknesses were identified in relation to contracts in place / signed, setting up of suppliers and amending supplier details along with segregation of duties issues when ordering and authorising payments. The Monitoring Officer also has overall responsibility for ensuring the Authority acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the Authority which are likely to contravene any enactment or rule of law or any maladministration. No reports were made during 2021/22.

Appendix B – Summary of all recommendations

Recommendations

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

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

Appendix C – Fees

Fees

We carried out our audit of the Corporation's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated July 2021)". The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling-Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

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

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

Appendix C – Fees

Fees

Note 1
We have previously discussed with the management and the Governance and Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2021/22 the scale fee has been re-assessed to take these into account.

Note 2
From 2020/21, the new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

Note 3
For 2021/22 we have quantified the additional work we undertook in the completion of the 2021/22 audit.

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

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

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

Appendix C – Fees
Relationships, services and related threats and safeguards

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

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

EY | Assurance | Tax | Transactions | Consultancy

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

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

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com

This page is intentionally left blank

31 March 2023
Audit planning report

Year ended 31 March 2023

10 November 2023

47

Agenda Item 6
Pages 47 to 92

Building a better
working world

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

10 November 2023

Dear Audit Committee Members

We are pleased to attach our Audit Plan 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 2022/23 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 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 West London Waste 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 10 November 2023 as well as understand whether there are other matters which you consider may influence our audit.

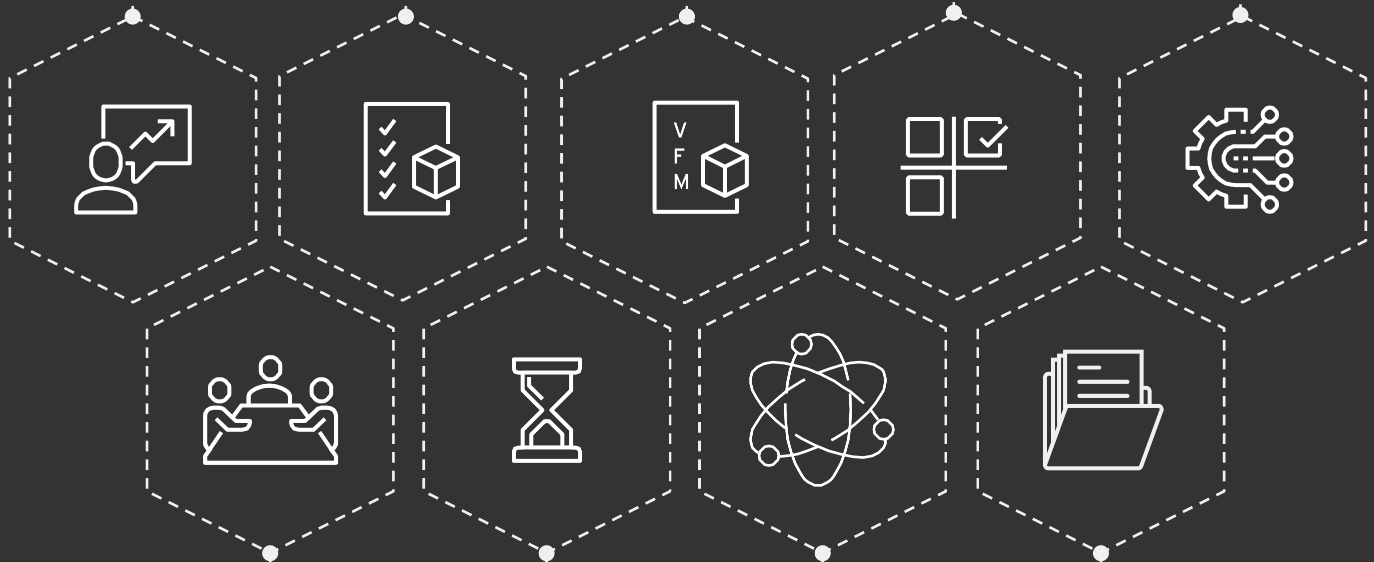
Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) 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.

01 Overview of our 2022/23 audit strategy

Overview of our 202/23 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
Risk of fraud in revenue and expenditure recognition - Miscellaneous income	Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Valuation of Property, Plant and Equipment (PPE)	Significant risk	No change in risk or focus	The current value of Property, Plant and Equipment represent a significant balance in the Authority's accounts, totalling approximately £230m and it is subject to valuation changes, impairment reviews and depreciation charges. There is a risk that even a small movement in valuation could have a material impact on the Comprehensive Income and Expenditure Statement and on asset carrying values.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Implementation of IFRS16 Leases	Inherent risk	No change in risk or focus	The implementation of IFRS 16 has been deferred to the 2022/23 Code and will apply from 1 April 2024. The standard is expected to have significant practical and financial impact for local authorities due to the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively. Although IFRS 16 does not come into effect until 1 April 2024, the Code of Practice on Local Authority Accounting requires local authorities to disclose information relating to the impact of the accounting change, where a new standard has been published but has not yet been adopted by the Code.

Overview of our 202/23 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
Pension asset valuation	Inherent risk	No change in risk or focus	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. As at 31 March 2023 the pension fund was is an asset position of £1.3 million compared to a prior year deficit of £8 million
PPP liability	Inherent risk	No change in risk or focus	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.
Disclosures on Going Concern	Inherent risk	No change in risk or focus	The ongoing unpredictability of the current environment gives rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by a management assessment and the Authority's actual year end financial position and performance for the going concern period of 12 months after the auditor's report date.

Overview of our 2022/23 audit strategy

Materiality

Planning materiality

£1.65m

Materiality has been set at £1.65m, which represents 2% of the current years gross expenditure on provision of services.

Performance materiality

£1.24m

Performance materiality has been set at £1.24m, which represents 75% of materiality.

Audit differences

£0.08m

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 £82,622. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2022/23 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 2023 and of the income and expenditure for the year then ended; and

- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

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

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

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

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of West London Waste Authority audit, we will discuss these with management as to the impact on the scale fee.

ISA315:

ISA (UK) 315 (Revised) Identifying and Assessing the Risks of Material Misstatement, is effective for audits of financial statements for periods beginning on or after 15 December 2021. For the pension fund this will therefore impact on the audit of the financial statements for 2022/23. The new approach required to comply with the ISA will involve more detailed work around identifying relevant IT controls and evaluating the design and implementation of these controls. It also requires auditors to place risks of material misstatement on the 'Spectrum of Risk' as a significant, medium, low or no risk. Based on this assessment, different combinations of assurance (inherent, controls, and substantive) are used to address the risk. The subsequent slides provides more information on ISA315.

Overview of our 2022/23 audit strategy

Audit scope

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Analytics:

We will use our 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 the Audit Committee, the Pensions Committee and management.

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Authority's arrangements against three reporting criteria:
  - Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
  - Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
  - Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The target date for you to publish Authority's accounts for the financial year ending 31 March 2023 is 30 September 2023, as set out within the Accounts and Audit (Amendment) Regulations 2022. In line with our previous communications with you, due to the complex set of factors contributing to audit delays across the sector we were not be able to give our opinion on your financial statements by 30 September 2023. Refer to Section 06 for the indicative timelines.

56

Scope of our audit

ISA (UK) 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*

Summary of key measures	Impact on Hillingdon Pension Authority

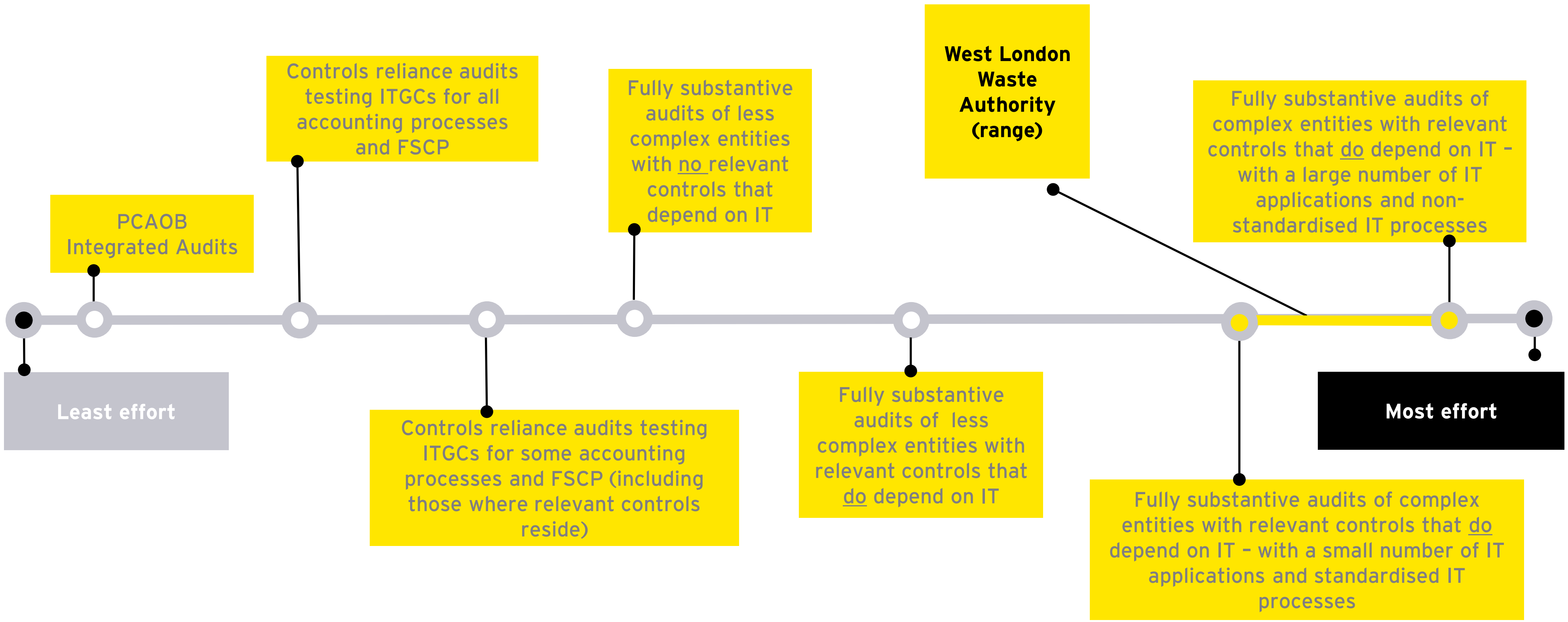
▸ The revised auditing standard is effective for audits of financial statements for periods beginning on or after 15 December 2021, and adopts ISA 315 (Revised 2019) as issued by the IAASB.
▸ The revised risk assessment standard sees enhancements and clarifications to: (i) Encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernize the standard to keep up with the evolving environment in which entities operate, in particular in relation to the Authority's use of information technology.
▸ The fundamentals of risk assessment have not changed, however, the changes will see additional audit procedures and considerations being made in the following areas to respond to the requirements of the revised standard:
  ▸ How we identify and assess risks based on our understanding of the entity and other risk assessment procedures;
  ▸ How we understand the components of the system of internal control, including new evaluations which apply to each component;
  ▸ The type of controls and process for understanding controls that are relevant to our audit relating to the preparation and posting of journal entries;
  ▸ **New requirement** Understanding the effect of the Trust's use of IT, including relevant IT general controls, and the identification of IT-related risks; and
  ▸ Evaluating, as an audit team, whether sufficient evidence has been obtained to support the identification and assessment of risks of material misstatement.
	▸ The revised standard is for auditors and does not put any additional responsibilities or requirements on management or the Audit Committee, however, management and/or the Audit Committee may experience different conversations, requests or simply have more focused discussions with members of the audit team, including about risk, internal controls, audit quality and our audit strategy.
	▸ For West London Waste Authority, the revised standard is effective for this audit of the financial statements for the period ended 31 March 2023.
	▸ We will be required to perform new and additional procedures to understand the Authority's use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented.
	The revised standard does not require an evaluation of the operating effectiveness of ITGCs; it continues to be a strategy decision for the auditor as to whether they intend to rely on IT processes.
	▸ More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be *significant deficiencies*.
	▸ The new requirement relating to understanding the effect of the use of IT by an audited entity has the greatest potential for additional audit effort, involvement of team members with specialised knowledge of auditing IT, and an upward impact on audit fees.
	▸ We have discussed on the next slides the specific impact of this new requirement on the audit of the Authority.
	▸ The other impacts of the revised standard on our audit strategy are reflected in the relevant sections of this report.

External resources

- FRC Feedback statement and impact assessment
- IAASB Introduction to ISA 315 (Revised 2019) Fact Sheet

Scope of our audit

The graphic below indicates where we anticipate, based on our current understanding, that the audit of West London Authority falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the use of IT. The level of effort is displayed relative to the circumstances applicable to the Authority and why that level of effort may differ to that required on the audits of entities with different circumstances.



02 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.

Risk of fraud in revenue recognition*

59

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the miscellaneous income account. This account had the following balances in the 2023 financial statements:

Income Account: £22.3m

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Included in the accounts of the Authority is Miscellaneous Income which relates to WLWA's share of SERC capacity increase. We have presumed revenue recognition risk due to error or fraud related to calculating and determining the amount to be accrued. In addition, rising electricity price since Jan 2022 will potentially increase the income sharing slice under PPP contract, this benefit will possibly be shared with its commissioning councils. The total income received in the current year was £19.1m of which £12.7m was recognised a disbursement to the boroughs.

What will we do?

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

- Holding discussions with management to gain an understanding with regards to method of calculating the miscellaneous income and challenge managements judgement
- Obtain and inspect supporting evidence (e.g., executed contract, cash receipts, invoice) and determine whether revenue was accounted for correctly.
- Reviewed and tested the treatment/disclosure of potential liability occurred from sharing benefit with councils.

Our response to significant risks (continued)

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) 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?

- Identifying fraud risks during the planning stages.
- Inquiry 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
- Consideration of 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

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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Pension Liability/ Asset Valuation</u> 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 Local Government Pension Scheme administered by the London Pensions Fund Authority (LPFA) Pension Fund. The Authority's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Authority's balance sheet. At 31 March 2023 this totalled £1,3 million with a material movement of £9,3 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the LPFA. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 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 LPFA Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority; ▶ Assess the work of the Pension Fund actuary (Barnett Waddingham Actuary) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19. ▶ Consider the results of the 2022 triennial valuation which was completed in March 2023. After consideration management decided not to make the adjustments arising from the triennial valuation in the 21/22 accounts due to the impact being immaterial. We will leverage the work performed in the prior to confirm that the current years accounts are based on the latest triennial valuation. ▶ Review managements calculation with regards to the asset-ceiling calculation in terms of IFRIC 14.
<u>Public-Private Partnership (PPP)</u> The Authority has a PPP arrangement with WLER. This is a PPP for the construction and operation of the Severn Energy Recovery Centre (SERC). The total value of the investment was estimated to be £101.2 million as at 31 March 2023.	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; and ▶ review the planned entries and disclosures for the Authority's 2022/23 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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Going concern disclosure</u> Continued assessment of going concern under newly effective audit standard ISA570 since 20/21 audit. The Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on its waste disposal volumes and on the constituent boroughs' ability to pay the waste disposal levy, there is a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive. The Authority is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.	We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts by: • Challenging management's identification of events or conditions impacting going concern. • Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewing the Authority's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. • Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. • Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

03 Value for Money Risks

Value for Money

Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

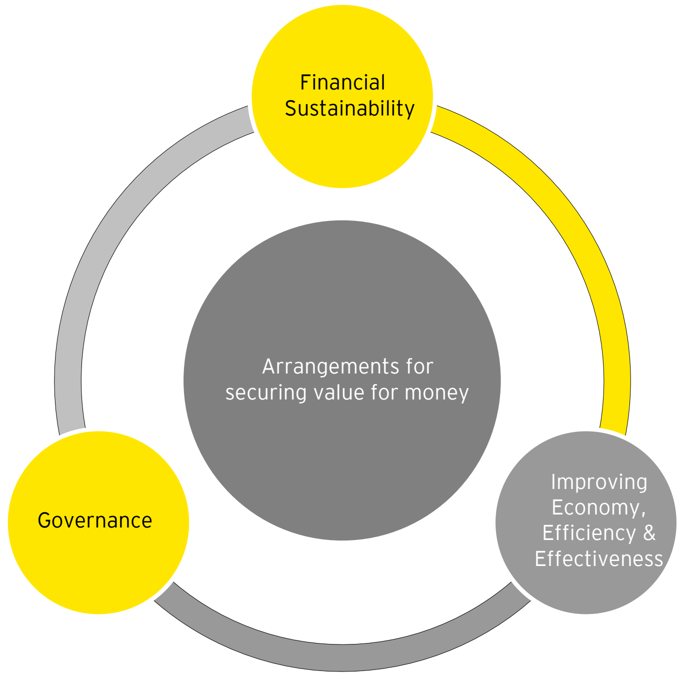
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice 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. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.



Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement;
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Authority to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.

Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2022/23 VFM planning

We have completed our initial VFM (value for money) risk planning work, where we have considered:

- Our entity level controls and understanding the business assessment/ The Authority's Risk Register/ The Annual Governance Statement/ Authority's meeting minutes/ Our planning meetings with management/ Key financial and budget information/ Key performance reports/ Internal audit reports/ Information from local, national and specialist media/ Findings of other inspectorates, review agencies and other relevant bodies including the CQC.

We have identified a risk significant weakness in the Authority's arrangements that the Authority did not have proper arrangements to secure economy, efficiency and effectiveness on its use of resources at that time. The risk of significant weakness are set out on the following page.

Value for Money Risks

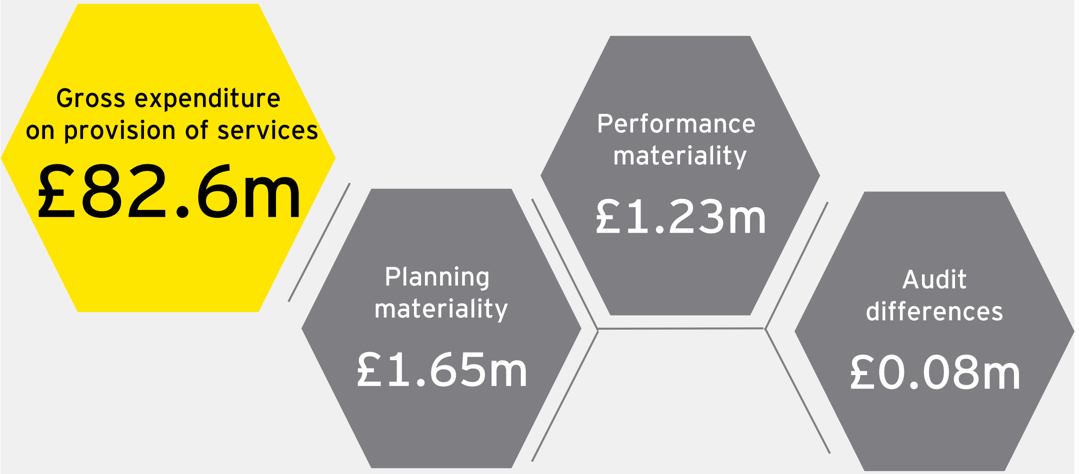
What is the risk of significant weakness?	What arrangements does this impact	What will we do?
In the prior year, it was identified that the current profit sharing arrangement does not take into consideration extra tonnage of waste. Based on discussion with management this agreement has still not been finalised.	Governance	Our approach will focus on: • Review all updated correspondence relating to this agreement • Review the compensating controls/processes that mitigate against the associated risk • Determine financial impact of the agreement and if it has been recorded in the current year.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2022/23 has been set at £1.65m. This represents 2% of the Authority's current year gross expenditure on provision of services (including finance expenditure). It will be reassessed throughout the audit process. The rationale for using this basis is that the main purpose of the Authority is providing waste disposal services to the boroughs and the majority of its income comes from levies on constituent councils, many of their users will be focused on expenditure. We included the financing cost of £9m because it relates to interests paid on the loan to finance the Authority's daily operations. We have provided supplemental information about audit materiality in Appendix C.



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.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.23m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors in routine processing of transactions throughout the year that could result in pervasive errors. This expectation has been built on our experience of the Authority in the prior year.

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 and 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.

Audit materiality

Materiality

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

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including members allowances: we will agree all disclosures back to source data, and member allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

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 undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper 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 opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:
- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:
- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO

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

As outlined in Section 03, 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 and report a commentary on those arrangements.

Scope of our audit

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 2022/23 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.

06 Audit team

Audit team

Audit team structure:

Andrew Brittain
Lead Audit Partner

Kalthiemah Abrahams
Manager

Sharukh Khan
Senior

EY Actuaries

EY Real Estate

EY Financial Accounting Advisory Services

EY Data Analytics

* Key Audit Partner

Audit team

Use of specialists

- Our approach to the involvement of specialists, and the use of their work.

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
PFI	EY Internal PFI Specialist

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.

07 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 2022/23.

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.	June-July 2023		
Walkthrough of key systems and processes	July-Aug 2023		
Walkthrough of key systems and processes	July-Aug 2023		
Year end audit Quality Report/Account testing	Aug - Oct 2023		
Audit Planning Report presented to the Audit Committee	November 2023	Audit Committee (communicated to the chairperson via management)	Audit Planning Report
Audit progress presented to the Audit Committee	January 2024		
Year end audit Audit Completion procedures	January 2024	Audit Committee (communicated to the chairperson via management)	Audit Results Report Audit opinions and completion certificates
	Jan - Mar 2024	Audit Committee (communicated to the chairperson via management)	Auditor's Annual Report

08 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 December 2019, 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**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence.	▶ 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; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ 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; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ 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; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

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 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 Andrew Brittain, 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 Council. Examples include where we have an investment in the Authority; 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 those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2023 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

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.

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.

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.

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.

Other communications

EY Transparency Report 2022
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 the reporting period from 2 July 2022 to 30 June 2023, referred to throughout the report as FY23: ey-uk-2023-transparency-report.pdf

09 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

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.

	Planned fee 2022/23	Scale fee 2022/23	Proposed Scale Fee 2021/22
	£	£	£
Fee – Code work (note 3)	33,916	33,916	15,223
Proposed resetting of the scale fee (note 1)	21,407	-	40,100
Proposed in year scale fee variations (note 2)	TBC	-	33,622
Total fees	TBC	33,916	88,945

All fees exclude VAT

(1) We have previously discussed with the management and the Governance and Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2022/23 the scale fee has been re-assessed to take these into account.

(2) The 2021/22 Code work includes an additional proposed fee of £33,622, which relates to work:

- reviewing the significant risk around PPE valuation, including EY valuation specialists input;
- procedures on pensions valuations (including the triennial valuation);
- required incremental work under the revised NAO code in relation to our Value for Money conclusion and additional procedures on the VFM risk identified;
- specific procedures to address the risk relating to the PFI and it's disclosures;
- the impact of the revised ISA 540 on Estimates;
- the re-assessment of miscellaneous income to a significant risk;
- the prior period error identified and the review of the updated accounts after the processing of all audit adjustments;
- work in relation to Going Concern and professional consultations and additional time spent as a result of the broader change in the regulatory environment and the quality of audit evidence required.

The proposed fee is submitted to the PSAA for determination.

(3) For 2022/23, the scale fee for code work will be impacted by a range of factors (see page 5 - 6) which will result in additional work. We set out an estimate of the potential additional fee for this below. The issues we have identified at the planning stage which will impact on the fee include:

- Additional procedures to consider the Authority's going concern assessment, including our internal consultation requirement.
- The need to engage EY Real Estate to review the valuation of investments in property, plant and equipment.
- The need to engage EY Pensions to review assumptions used in the Pensions IAS19 liability and additional work performed on the asset ceiling test in terms of IFRIC 14.
- The need to engage EY FAAS to review assumptions used in the PPP liability.
- Additional ISA 315 work - additional risk assessment procedures to understand the entities use of IT applications and controls
- Additional work that will be required to address the value for money risks identified.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

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 Authority 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 B

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 – November 2023
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – January 2024

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report - January 2024
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report - January 2024
Subsequent events	▸ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements	Audit results report - January 2024
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility	Audit results report - January 2024

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report – January 2024
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report and Audit Results Report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – January 2024
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ 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	Audit results report – January 2024
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit results report – January 2024

Appendix B

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 – January 2024
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – January 2024
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – January 2024 Auditor's Annual Report – January 2024
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report – November 2023 Audit results report – January 2024
Value for Money	▸ Risks of significant weakness identified in planning work ▸ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.	Audit planning report – November 2023 Audit results report – January 2024 Auditor's Annual Report – January 2024

Appendix C

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Authority's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

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 business 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.

Appendix C

Additional audit information (continued)

Other required procedures during the course of the audit (continued)	
Procedures required by the Audit Code	▸ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▸ Examining and reporting on the consistency of consolidation schedules or returns with the Authority's audited financial statements for the relevant reporting period
Other procedures	▸ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice
We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.	

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 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.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com

WEST LONDON WASTE AUTHORITY AUDIT COMMITTEE

Report of the Treasurer and Managing Director 19 January 2024

Final 2022-23 Statement of Accounts

SUMMARY

This report provides the 2022-23 Statement of Accounts for approval.

RECOMMENDATION(S)

The Authority is asked to:-

1) Approve the 2022-23 financial statements in Appendix 1

1. 2022/23 Statement of Accounts

At its meeting in June 2023, the Audit Committee considered:

- The draft Statement of Accounts for 2022/23
- A summary of the out-turn position compared to budget
- The Annual Internal Auditors Report on Internal Audits including Head of Audit Opinion and Performance Report.
- The risk register highlighting the mitigation and controls in relation to key risks

EY have now substantially completed their work and their report can be found elsewhere on today's agenda. This confirms the Statement of Accounts provide a true and fair view of the Authority's finances for the year ending 31 March 2023.

The only notable changes from the draft accounts reported in June 2023 relates to the accounting of the disbursement of reserves to boroughs totalling £3.3m. This had previously been shown as an expense item on the comprehensive income and expenditure statement, but has since been moved to the balance sheet.

The pension fund figures have also been included in the final accounts, these were not available at the time of the draft accounts due to the triennial valuations taking place after March 2022 and the audit standard ISA540 requiring further information to see whether the revaluation may indicate a material difference or error. This delayed the pension providers finalising an updated FY22 report, which had a knock on impact on the FY23 report.

We have also included the payment due to a borough for the disposal of their waste at one of their HRRC's which totalled £150k. This amount was agreed after the draft accounts had been published.

The insurance for the SERC and Transfer Stations has also been included from November 2022 to March 2023 totalling just over £450k. Again, these figures were made available after the draft accounts had been published.

Contact Officers	Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk

West London Waste Authority

Statement of Accounts

For the year ended 31 March 2023

West London Waste

Treating waste as a valuable resource

Contents

Narrative Report

Introduction

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

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

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

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

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

At the end of the year WLWA employed 41 staff (previous year: 41) in two locations, the main administrative office in West Drayton and a small transfer station in Brent. WLWA is headed by the Managing Director and three part-time chief officers – the Clerk, Treasurer and Chief Technical Adviser, who are normally also full time chief officers employed in the constituent boroughs. Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:

- London Borough of Ealing – treasury, payroll, internal audit
- London Borough of Harrow – legal, insurance, procurement and committee services
- London Borough of Hounslow – dynamic procurement system (DPS)

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

Following the procurement and construction of an energy from waste plant, more recently the Authority's focus has been on how waste is disposed of – increasing reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close co-operation with the constituent boroughs, achieved through an agreed long term Joint Waste Management Strategy. A key objective of this strategy is to improve the recycling rate which is reflected in a target of 65% agreed by boroughs and support a longer term push for increased circular economy. To further support this strategy, the Authority's Waste Minimisation team has developed into a Circular Economy team and a Projects team to increase our capability to meet the legislative challenges ahead.

In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long term contracts that ensure most of the constituent boroughs' waste that cannot be recycled or composted is used to produce energy. These long term arrangements provide for 400,000 tonnes of waste per year to be treated at energy from waste recovery centres, and through the anaerobic digestion contract (50,000 tonnes of food waste recycling per annum, which offers significant savings in comparison to disposal of residual waste).

The arrangements deliver one of the key objectives of the Joint Waste Management Strategy and mean that only a very small percentage of waste goes to landfill. They also guarantee an outlet for the majority of west London's waste for the next 20 years and dampen the effect of pricing inflation over that period.

Activity

During the financial year, the Authority continued to successfully collaborate with constituent boroughs to manage waste more holistically across west London through sharing of information and resources. Examples of this include improving existing reports and creating further reports on our self-service hub for boroughs, which enables them to have access to management information reports and data visualisation to enable trend analysis and discussions around areas of concern.

In 2020-21 the Authority provided £3.0 million funding to its constituent boroughs to increase access to food waste recycling services to over 100,000 households. Throughout 2021-22 and 2022-23, there has been a significant improvement, with total food waste reduction.

In 2021-22, the Authority invested £1.2 million in the borough's household reuse and recycling centres and support in improving diversion from residual waste. This was to enable boroughs to reduce residual waste and thus provide cost benefits overall. The Authority monitored performance throughout 2022-23, and provided assistance where needed to improve diversion from residual waste at each household reuse and recycling centre.

During the financial year, the Authority also strengthened its strategic priorities for the coming years. We believe in a carbon neutral West London and our mission - in pursuit of that vision - is to create the new accepted model for how waste and resources are managed; we are going to redefine how people perceive and understand waste.

The Authority maintains a risk register which is reported to the Audit Committee. The principle risks lie around operational issues, legislative changes, economic climate and cyber security. The Authority faces the risk that there is not a reduction in waste, in particular residual waste in West

London. This will see levies increase over time to Boroughs as the cost of treating waste increases and is impacted by legislative changes.

The Authority has developed programmes of work to reduce waste in West London, and drive financial savings and reduce carbon among West London. These programmes of work along with our strategic priorities will continue to be developed to ensure that the Authority's purpose is met which is existing to 'be leaders 'in treating waste as a valuable resource''.

The Emissions Trading Scheme which will go live in 2028 for Energy for Waste plants, and will be levied against fossil carbon products such as soft plastics, textiles and e-waste. Our ability to segregate fossil based plastic is currently only through resident engagement. To mitigate the potential impact and ensure we have the requisite capacity we need to design and invest in infrastructure to segregate effectively in new facilities capable of sorting material and retaining value locally where possible. If we don't develop our infrastructure, reserves will simply go to funding penalties, not creating a solution.

The Authority routinely reviews business risks and has concluded that the current level of reserves at £85.9 million offers a reasonable level of cover to ensure adequate resilience in an environment that is rapidly changing. Recent and emerging legislation will result in challenges and risks that we will need to manage and things that we will need to do, which won't be optional.

Net Zero, Climate Emergency, Consistency, Extended Producer Responsibility, Deposit Return Scheme and the Emissions Trading Scheme are some examples of where we already have or will soon see new legislative requirements. The scale of the change required will be significant and reserves will enable the Authority and constituent boroughs to manage the risks.

The principal statutory responsibility for the Authority remains unchanged and is to receive, treat, transport and dispose of waste collected by boroughs from their households. A breakdown of the boroughs' collected waste is provided in the table below. The table below shows a 5.1% decrease in the volume of borough collected waste being received by the Authority to 578,000 tonnes for the year. This is indicative of both efficiencies made by the Authority's investments in waste reduction as levels are lower than pre Covid-19 pandemic, as well as the impact of less people working from home post pandemic. During the year, 99.3% of waste was recycled, reused, composted or converted to energy. The table below provides a breakdown of the waste tonnages.

	2022-23 Tonnes	**2021-22 Tonnes**
Recycling and reuse	89,000	91,000
Composting	78,000	88,000
Energy recovery	407,000	426,000
Landfill	4,000	4,000
Total waste	**578,000**	**609,000**

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

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

For the year, within the above totals, residual waste sent for disposal from these centres totalled 81,000 tonnes. Of this, householders deposited 32,000 tonnes; 28,000 tonnes was trade waste and 21,000 tonnes was borough collected waste. A breakdown follows.

	2022-23 Tonnes	**2021-22 Tonnes**
Household residual waste	32,000	46,000
Household recycle and re-used waste	11,000	7,000
Household composted waste	10,000	11,000
Trade residual waste	28,000	23,000
Borough residual street cleansing waste	21,000	17,000
Total Household Re-use and Recycling Centre waste	**102,000**	**104,000**

Financial Performance

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

During the year, the Authority raised an annual levy on the constituent boroughs of £62.7 million, just slightly short of the £62.9 million in 2021-22. During the year, there has been an increase of net cost of services to £46.7 million, from the previous year's £36.7 million. However 2021-22 had a property valuation gain of £9.9 million recognised from prior years. Therefore, without this gain recognised, the year on year increase on net cost of services would be £2.9 million. Net financing costs are at £8.7 million and the overall result shows a surplus on provision of services of £7.2 million, a decrease on the surplus of £16.8 million in the previous year a result of valuation gains recognised. Without the valuation gains, the year on year movement in surplus on provision of services would be £0.403 million.

The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties. In 2021-22, the Authority received £10.7 million which was included within Miscellaneous Income. This financial year, WLWA received £19.1 million again shown under Miscellaneous Income largely driven by high electricity prices. Two thirds of this is disbursed to boroughs.

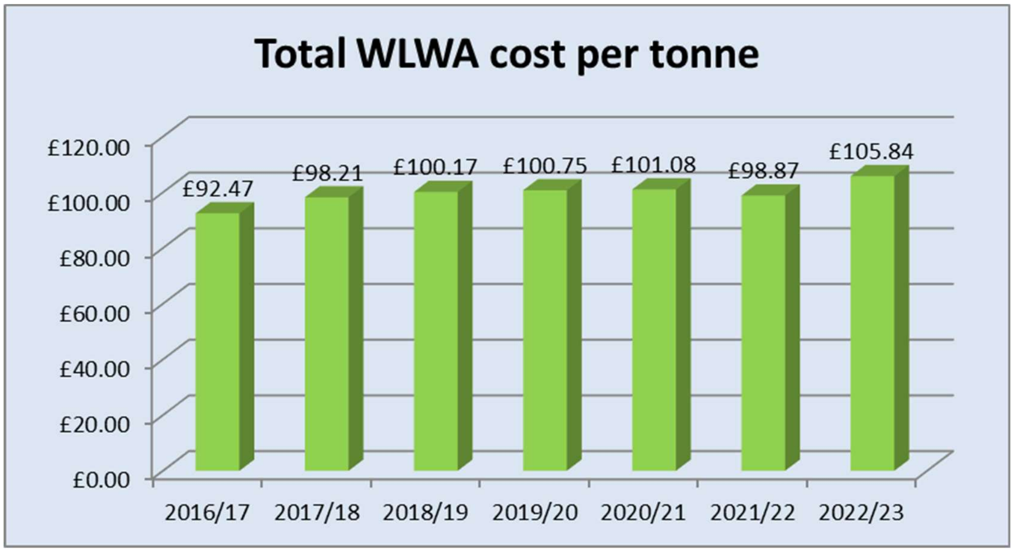
Another large component within Miscellaneous Income is £2.7 million in relation to a service to the London Borough of Ealing for the disposal of dry mixed recyclable waste. This contract is a related party transaction and outside of the PPP scheme mentioned previously.

The Authority continues to aim to deliver ambitious business plan objectives and at the same time to break even and maintain reserves as a buffer against unexpected budget pressures – so reducing the risk of having to request additional in-year funding from Boroughs. The Authority has continued to achieve this target.

The Authority's properties comprise of an energy from waste centre, three transfer stations and a head office building which have a combined balance sheet value of £240.0 million and have been funded by loans from constituent boroughs and the Public Works Loans Board with combined total balances of £83.6 million and a capital contribution balance from the Suez consortium of £104.6 million for the construction of the energy recovery centre.

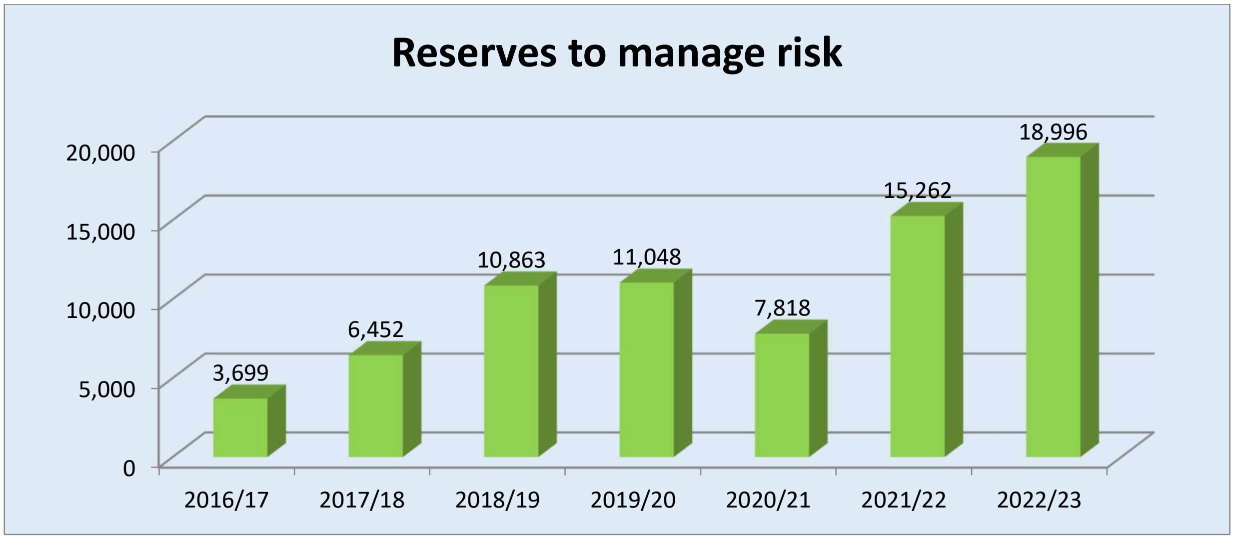
Looking ahead into the longer term, the Authority has a healthy reserve position to manage any risks in relation to continuing and indeed extending its service offering to constituent boroughs. The Authority's long term financial plans and finance strategy incorporate sensitivity analysis to reflect the impact of key variables affecting the finances i.e. tonnage growth and inflation. The plans show a strong financial outlook including effective mitigation of risks, reflected in a low forecast of growth in costs and therefore levies. The plans also show a break even position throughout the medium term, despite a background of inflation and waste growth. The Authority has commenced collaboration with constituent boroughs to develop a new joint municipal waste management strategy for approval next year that will set out how the Authority and the boroughs will respond to the challenging legislative changes ahead.

To put the numbers into context and provide a better perspective of financial performance, it helps to look at results over time. To this effect, the key measure is the Authority's cost per tonne. This looks at how effectively the Authority has managed costs and is a key measure of efficiency and performance. The total cost of delivering services (Net Cost of Services plus Financing less Revaluation Costs) is divided by the total tonnes of waste (all materials) disposed by the Authority, to provide an overall cost per tonne figure. The share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous Income totalling £19.1 million has been excluded. So has the provision of the share of this income to be disbursed to the Boroughs, totalling £12.7 million which has been included in Other Supplies and Payments and an adjustment of disbursement to boroughs (principally of excess reserves) accrued from 2021/22 which totalled £3.9 million. This measure reflects our real operating efficiency and has been plotted over seven years in the chart that follows.



The key feature illustrated by this chart is that the Authority's operating cost per tonne is 14.46% more than it was in 2016/17, with a 7.05% increase on the previous year (which excludes any valuation gains/losses recognised in the Comprehensive Income and Expenditure Statement). Whilst there is a small increase year on year, the chart reflects the continuous operational efficiencies the Authority makes whilst delivering on their services. The increase in costs is in line with inflationary increases that have impacted the Authority. It is worth noting that 2016/17 included significant one off benefits resulting from the commencement of full service at the new energy recovery centre.

Once again, by considering a longer timeframe, the level of reserves available to manage risk provides better perspective about the Authority's financial health. The chart below considers the Authority's reserves excluding the notional property revaluation over the same period, and the earmarked reserves (accumulated WLWA share of the PPP income and investment in improving Borough's diversion rate from residual waste) set aside for delivering on the Authority's strategic priorities. Since 2013-14 the Authority has improved its position by building a stable level of reserves as the basis of a financial buffer to better manage unexpected risks.



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

Statement of Responsibilities for the Statement of Accounts

The Authority is required:

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

The Treasurer's Responsibilities:

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

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

Statement of the Treasurer

I certify that the Statement of Accounts presents a true and fair view of the Authority's income and expenditure for the year ended 31 March 2023 and the Authority's financial position as at 31 March 2023.

Ian O'Donnell
Treasurer
19th January 2024

Authority

I can confirm that these Accounts were considered and approved by the Authority.

Signed on behalf of West London Waste Authority
Councillor Deirdre Costigan (Chair)
19th January 2024

Comprehensive Income and Expenditure Statement

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

	Note	2022-23 £'000	2021-22 £'000
Gross expenditure			
Employees		(3,457)	(3,073)
Premises		(2,479)	(2,508)
Waste transport and disposal		(40,465)	(40,647)
Other supplies and payments	30	(14,839)	(7,854)
Depreciation	13	(10,465)	(8,943)
Total		**(71,704)**	**(63,025)**
Gross income			
Trade waste		2,334	2,160
Agency	25	373	373
Miscellaneous income	30	22,315	13,810
Reversal of prior year revaluation losses recognised in the CIES			9,956
Total		**25,022**	**26,299**
Net cost of services		**(46,681)**	**(36,726)**
Net financing and investment income and expenditure	12	(8,729)	(9,377)
Levies on constituent councils	24	62,654	62,890
Total		**53,925**	**53,513**
(Deficit)/Surplus on provision of services		**7,243**	**16,787**
Gain / (loss) from revaluation of property		0	35,246
Actuarial (loss) / gain on pension liability	28	10,351	3,927
Other comprehensive income and expenditure		**10,351**	**39,173**
Total comprehensive income and expenditure		**17,594**	**55,960**

Movement in Reserves Statement

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

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2022	**32,771**	**38,775**	**71,546**
Surplus/(deficit) on provision of services (accounting basis)	7,243	**0**	7,243
Other comprehensive income/(expenditure)	0	10,351	10,351
Total comprehensive income/(expenditure)	7,243	10,351	17,594
Adjustments between accounting basis and funding basis under regulations (Note 11)	3,704	(3,704)	0
Increase/(Decrease) in year	**10,947**	**6,647**	**17,594**
Less: Disbursement of excess reserves	(3,261)	0	(3,261)
Balance at 31 March 2023	**40,457**	**45,422**	**85,879**

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2021	**3,509**	**12,077**	**15,585**
Surplus/(deficit) on provision of services (accounting basis)	16,787	0	16,787
Other comprehensive income/(expenditure)	0	39,173	39,173
Total comprehensive income/(expenditure)	16,787	39,173	55,960
Adjustments between accounting basis and funding basis under regulations (Note 11)	12,475	(12,475)	0
Increase/(Decrease) in year	**29,262**	**26,698**	**55,960**
Balance at 31 March 2022	**32,771**	**38,775**	**71,546**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The unaudited accounts were issued on 11 May 2023 and the audited accounts are authorised for issue on xxxx.

		2022-23	2021-22
		£'000	£'000
Property, plant and equipment	13	229,766	240,159
Capital work in progress	14	83	83
Long Term Assets		**229,848**	**240,242**
Cash and cash equivalents	16	33,202	29,045
Short term debtors	17	25,991	16,588
Pension fund asset/(liability)	28	1,309	
Current Assets		**60,502**	**45,632**
Total Assets		**290,350**	**285,874**
Short term creditors	18	(19,735)	(15,788)
Short term borrowing	19	(2,483)	(2,354)
Current PPP liability	27	(4,257)	(4,166)
Current Liabilities		**(26,475)**	**(22,308)**
Long term borrowing	19	(81,102)	(83,586)
Other long-term liabilities	27	(96,893)	(100,413)
Pension fund asset/(liability)	28		(8,022)
Long Term Liabilities		**(177,995)**	**(192,021)**
Net Assets		**85,879**	**71,546**
Usable Reserves	20	43,718	32,771
Less: Disbursement of Excess reserves		(3,261)	
Unusable reserves	21	45,422	38,775
Total Reserves		**85,879**	**71,546**

Cash Flow Statement

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

		2022-23 £'000	2021-22 £'000
Net surplus/(deficit) on the provision of services		7,243	16,787
(Loss)/Gain on indexation and valuations			
Adjustments to net surplus	31	14,555	5,842
Net cash generated from operating activities		**21,798**	**22,629**
Investment activities			
Payments for property, plant and equipment	13	(71)	(102)
Interest received	12	554	19
Net cash used in investment activities		**483**	**(83)**
Financing activities			
Interest paid	12	(9,080)	(9,396)
Loans repaid*	19	(5,783)	(6,314)
Disbursements to boroughs		(3,261)	0
Net cash generated (used in)/from financing activities		**(18,124)**	**(15,710)**
Net movement in cash and cash equivalents		**4,157**	**6,836**
Opening balance		29,045	22,209
Cash and cash equivalents at end of year		**33,202**	**29,045**

*Loans repaid consist of £2,354 borrowings and £3,429 PPP (PY: £2,233 and £4,081)

Notes to the Core Financial Statements

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

1. Expenditure and Funding Analysis

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

2021-22				2022-23		
Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Income chargeable to General Fund	Adjustments between funding and accounting basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
(17,133)	(19,592)	(36,726)	Net Cost of Services	(35,391)	(11,290)	(46,681)
46,395	7,117	53,513	Other income and expenditure	46,339	7,586	53,925
29,262	(12,475)	16,787	Surplus or (deficit)	10,947	(3,704)	7,244
3,509			Opening General Fund Balance	32,771		
29,262			Surplus or (deficit)	10.947		
0			Less: Disbursement of excess Reserves	(3,261)		
32,771			**Closing General Fund Balance**	**40,457**		

2. Accounting Policies

General

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

Borrowing costs

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

Capital Adjustment Account

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

Capital Work in Progress

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

Cash and Cash Equivalents

Cash is represented by cash in hand and the Authority deposits funds which are managed under a service level with the London Borough of Ealing. Some deposit funds are made on a fixed term of three to twelve months and generate high interest rates for the Authority. The Authority is able to draw on funds from London Borough of Ealing within three working days.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Debtors and Creditors

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

• dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

• vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

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

Type of Asset	**Years**
Land Assets	60
Buildings	19-25
Fixed Plant	8-12
Vehicles and equipment	7-8

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. There must be a contract whether actual or implied.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial assets are held for day to day operations so are settled in the short term (i.e. generally within a few weeks). This means the time value of money is unchanged from the initial value i.e. nil amortisation. There is no gain or loss to recognise through the amortisation process.

Financial liabilities that are held for day to day operations (i.e. trade creditors) are also settled in the short term and their value will remain unchanged from the initial value. There is no gain or loss to recognise through the amortisation process.

Financial liabilities held over a longer term (borrowing/loans/PPP) where the time value is relevant are subsequently measured using the effective interest method. In WLWA's case the actual interest rate of the borrowing is the effective interest rate. There is no gain or loss to recognise through the amortisation process.

The transaction costs in relation to loan debts are immaterial and consequently charged immediately to surplus and deficit on provision of services.

Impairment and credit losses for trade receivables are required for assets classified under the amortised cost basis. The Authority has assessed impairment and credit losses for trade receivables. Reviewing current debt the Authority has forecast bad debt going forwards and adjusted for credit losses.

The Authority's financial assets comprise of bank balances, investments and trade receivables. The Authority's financial liabilities comprise of borrowings, PPP liability and trade payables

Going Concern

The Authority's Statement of Accounts have been prepared on a Going Concern basis, i.e. the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This conclusion is supported by the Authority's Business Plan and financial plans principally it's medium to long term Financial Model which covers a period of 21 years from the balance sheet date of these accounts.

The financial plans show the Authority maintains suitable reserves to manage risks. The Section 73 Officer's recommendation of a minimum level of reserves of £9.2 million was approved by the Authority in December 2021. These are reviewed at least annually as part of the budget setting process. The reserves are also used to provide a buffer to absorb any variances from budgeted performance and so facilitate stability of levying to boroughs. The current reserve position as detailed in the balance sheet is largely reflected in the cash and equivalent balances. The forecast reserve position until 31 March 2024 of £14.5 million will also be fully reflected by the forecast cash position. There are no long term investments. These cash balances can be drawn down at short notice to support the cash position if needed. The Authority's cash flow projections demonstrate the Authority has no liquidity problems for the 12 months from the audit report date and no requirement for any borrowing for cash management purposes.

The financial plans are prudent. They show that the Authority will maintain healthy reserve and cash positions over the longer term, that borrowing will be repaid and that the key driving factors of waste volumes and inflation are effectively managed over the longer term. These are reflected over the longer term through projected balanced budgets and levies to boroughs rising at significantly less than inflation in context of growing waste volumes.

Government Grants and Other Contributions

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

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

Impairments

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

Leasing - The Authority as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. There were no finance leases during 2022-23.

Minimum Revenue Provision (MRP)

Under Part IV of the Local Government and Housing Act 1989 the Authority is required to set aside a minimum revenue provision (MRP) as part of the means to finance capital expenditure. The Authority's policy is and is based on 4% of the capital financing requirement.

Employee Benefits

Short term employee benefits (to be settled within 12 months other than termination benefits) are recognised when the employee renders the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme: The liabilities of the London Pensions Fund Authority (LPFA) attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bond – Merrill Lynch AA rated corporate bond.

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date (31 March 2012). The WLWA is committed to provide for service benefits up to the valuation date.

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

Post Balance Sheet Events

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

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

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

Public Private Partnership Contracts

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost – interest and other financing charges on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability including deferred revenue balance – applied to write down the Balance Sheet liability towards the PPP contractor.

- Life cycle costs – reflecting the consumption of components and the cost of their replacement

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

Property, Plant and Equipment

Assets are initially measured at cost, comprising: the purchase price any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction. All property, plant and equipment are used in operations and measured at current value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The expenses incurred for construction of the fixed asset are normally not capitalised (other than major projects spanning multiple years) but are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Land and buildings are normally re-valued every five years applying Fair Value assumptions using independent professional valuations to reflect the current value to the Authority in their existing use. Where appropriate a re-valuation will be carried out within a five-year period. In between full or quinquennial valuations a review is undertaken to determine whether annual indexation should be applied to ensure the carrying value continues to reflect the current value. Non-property assets will be carried at historical cost as a proxy for current value.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the Authority and the cost of the item can be determined reliably. Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset’s carrying value.

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

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

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive

Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Revenue Recognition

In accordance with the Waste Regulations and Disposal (Authorities) Order 1985 and the IFRS 15 (Revenue from Contracts) the Authority apportions costs in a manner agreed with boroughs then raises and notifies boroughs of an annual levy which is a statutory requirement for the boroughs to pay. This is charged in 12 equal instalments over the year. Revenue is recognised on the date of each instalment. The levies are then adjusted on a quarterly basis to reflect the actual service (i.e. tonnages of waste disposed) with boroughs receiving an additional charge or rebate. The adjustment is recognised in the revenue and any unsettled balance at year end reflected in creditors or debtors. Trade, agency and other income are recognised at the point of service delivery and sale.

Within Miscellaneous Income, the Authority has recognised £19.1 million of income which is from the Public Private Partnership (PPP). The Authority is entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, and from the increase in electricity prices. The additional income is due to be paid to the Authority in financial year 2023-24.

In relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, the Authority does not act as an Agent in accordance with IFRS 15 as:

- We are contracting the vendor to dispose of waste for London Borough of Ealing
- We can determine the price
- We are exposed to credit risk should the service recipient not pay
- The remuneration is not based on a percentage commission based arrangement

We would bear the risk if the vendor is unable to carry on the service

Borough Service Costs

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

VAT

All income and expenditure is shown net of VAT.

Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The net assets/(liabilities) of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserve is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

3. Accounting standards that have been issued but not yet adopted

The standards introduced by the 2022/23 Code where disclosures are required in the financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

• IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).

• Annual Improvements to IFRS Standards. The annual IFRS improvement programme notes 4 changed standards:

- • IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- • IAS 37 (Onerous contracts) – clarifies the intention of the standard
- • IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

4. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2022- for which there may be a risk of material adjustment in the forthcoming financial year are as follows:

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

	surveyors in relation to market conditions, components and lifecycles.	valuation was undertaken as at 31 March 2022.
Fair Value of Long Term Borrowing/ PPP Liability estimated by Arlingclose	Independent professional fair value valuations take place every year by an external independent valuer, Arlingclose. The valuations are undertaken in accordance with relevant rules and regulations and use of a variety of information and the judgement of valuers in relation to market conditions, components and lifecycles.	For prudence where there are notional losses, these are immediately recognised in the income and expenditure statement. A full valuation was undertaken as at 31 March 2022.

6. Events after the Balance Sheet Date

The Statement of Accounts is authorised for issue by the Treasurer of the Authority on xxxx 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023 they have been taken into account.

7. Material Items of Income and Expense

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. The Authority is also entitled to a share of the income (above certain thresholds) earned by the Public Private Partnership (PPP) from third parties, which is included within Miscellaneous income of £22.3 million.

A material expense which makes up the majority of the Authority's expenses are the waste transport and disposal costs. These are outlined in the Comprehensive Income and Expenditure Statement. Within Other Supplies and Payments, £12.7 million relates to the payment of the above income to the six constituent boroughs. This will be paid to the boroughs within the financial year 2023-24.

8. Segmental Income

The majority of income is comprised of levies charged to the six constituent boroughs. Details of this is within the Related Parties Transaction note. This is agreed at the start of the financial year and paid monthly by the boroughs to the Authority.

There are no other material segmental income to disclose.

9. Expenditure and Income Analysed by Nature

All material expenditure and income has been analysed within the Comprehensive Income and Expenditure Statement, Related Parties Transaction note, and Material Items of Income and Expense note.

10. Provisions

Within Short Term Creditors, a provision of £12.7 million has been made which has been charged to Other Supplies and Payments. This relates to the payment to the six constituent boroughs of the additional PPP income driven by an increase in electricity prices. This will be paid to the boroughs within the financial year 2023/24.

11. Adjustments between Accounting Basis and Funding Basis under Regulations

	2022-23	2021-22
	£'000	£'000
Amounts included in the Comprehensive Income and Expenditure Account but required by Statute to be excluded:		
Depreciation* (note 13)	10,465	8,943
Impairments and revaluation gains/(losses)*	0	9,956
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	1,020	921
	11,485	**19,820**
Amounts not included in the Comprehensive Income and Expenditure Account but required by Statute to be included:		
Statutory provision for the Repayment of Debt* (note 21)	(7,718)	(7,226)
Revenue expenditure funded from capital under statute (note 21)	(71)	(102)
	(7,789)	**(7,328)**
Transfer (from)/to general reserves		
Accumulated Absences Account (note 21)	8	(17)
	8	**(17)**
Net additional amount to be credited to general balances for the year	**3,704**	**12,475**

* Adjustments impact capital adjustment account (unusable reserve)

12. Financing and Investment Income and Expenditure

	2022-23	2021-22
	£'000	£'000
Interest payable and similar charges	5,181	5,304
Pensions interest and expected return on pensions assets	203	211
PPP financing interest	3,308	3,393
PPP contingent rents	591	488
Interest receivable and similar income	(554)	(19)
	8,729	**9,377**

13. Property, Plant and Equipment

	Land and Buildings Freehold	Land and Buildings Leasehold	Fixed Plant and Vehicles	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2022	**239,984**	**0**	**530**	**240,514**
Additions	27	0	44	**71**
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0	**0**
Revaluation increase/(decrease) recognised in comprehensive income and expenditure statement	0	0	0	**0**
Gross book value at 31 March 2023	**240,011**	**0**	**574**	**240,585**
Accumulated depreciation at 1 April 2022	**0**	**0**	**(355)**	**(355)**
Depreciation charge for the year	(10,400)	0	(65)	**(10,465)**
Depreciation written out to Revaluation Reserve	0	0	0	**0**
Accumulated depreciation at 31 March 2023	**(10,400)**	**0**	**(420)**	**(10,820)**
Net book Value at 31 March 2023	**239,984**	**0**	**175**	**240,159**
Net book Value at 01 April 2022	**229,611**	**0**	**155**	**229,766**

Land and buildings include assets under PPP arrangement with net book value of £175.1 million. A full valuation exercise valued properties at 31 March 2022.

Within depreciation charge for the year, £359k in land and buildings freehold reflects the decrease in ground rent value towards the lease expiry.

	Land and Buildings Freehold	**Land and Buildings Leasehold**	**Fixed Plant and Vehicles**	**TOTAL**
	£'000	£'000	£'000	£'000
Gross book value at 1 April 2021	**221,173**	**0**	**484**	**221,657**
Additions	57	0	46	**103**
Revaluation increases/(decreases) recognised in Revaluation Reserve	8,798			**8,798**
Revaluation increases/(decreases) recognised in Comprehensive income and expenditure statement	9,956	0	0	**9,956**
Gross book value at 31 March 2022	**239,984**	**0**	**530**	**240,514**
Accumulated depreciation brought forward	**(17,553)**	**0**	**(307)**	**(17,860)**
Depreciation charge for the year	(8,895)	0	(48)	**(8,943)**
Depreciation written out to Revaluation Reserve	26,448	0	0	**26,448**
Accumulated depreciation carried forward	**0**	**0**	**(355)**	**(355)**
Net book Value at 31 March 2022	**239,984**	**0**	**175**	**240,159**
Net book Value at 01 April 2021	**203,620**	**0**	**177**	**203,797**

14. Capital Work in Progress

	2022-23	**2021-22**
	£'000	£'000
Opening balance	83	83
Expenditure in year	0	0
Recognised in long term assets	0	0
Closing balance	**83**	**83**

15. Financial Instruments

Accounting regulations require the "financial instruments" shown on the Balance Sheet to be further analysed into various defined categories:

	Long term		Current	
	2022-23	**2021-22**	**2022-23**	**2021-22**
	£'000	£'000	£'000	£'000
Financial Assets – Amortised Cost				
Cash and cash equivalents	0	0	33,202	29,045
Trade debtors and prepayments	0	0	23,245	13,126
Financial Liabilities – Amortised Cost				
Trade creditors	0	0	(7,493)	(7,841)
Long term borrowing	(81,102)	(83,586)	(2,483)	(2,354)
PPP liability	(96,156)	(100,412)	(4,257)	(4,166)

Fair Values of Assets and Liabilities

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

- The financial asset or liability's discount rate of return at 31 March 2023
- No early repayment or impairment
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

	2022-23		2020-21	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	£'000	£'000	£'000
Long term borrowing (note 19)	83,586	72,800	85,940	86,481
PPP liability	100,412	89,314	104,579	111,349

The fair value for the year was provided by an independent professional valuer, Arlingclose, who are regulated by the Financial Conduct Authority. The higher fair values reflect that these essentially fixed rate instruments have higher interest rates than similar loans available in the market at balance sheet date. The loans and long term liabilities are valued at Level 2 (previous year: Level 2) as the valuation of the underlying debt is derived from observable inputs (i.e. estimated using market data) as they are not readily quoted or sold in active markets. The valuation is derived from future cash flows which are discounted at the equivalent interest rate the

Authority would expect to obtain for the same product at 31 March 2023 (same methodology used in previous year). The discount rates range between 5.40% and 9.56% (previous year: 1.90% and 7.60%) to reflect the particular features of each financial instrument and are set using market information including as the AA rated corporate bond yields, swap rates and margins. Due to higher inflation, policy makers have been raising interest rates to control the impact and this in turn is driving the higher discount rate for financial year 2022/23.

Nature and Extent of Risks arising from Financial Instruments

Overall Procedures for Managing Risk:

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

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

Market Risk

As at the 31 March 2023 the Authority holds no variable rate borrowings as they are all fixed rates. Therefore there is no predicted impact for this on the Comprehensive Income and Expenditure Statement.

16. Cash and Cash Equivalents

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

	2022-23	2021-22
	£'000	£'000
Bank balance (HSBC)	5,202	6,045
Deposit placed with the London Borough of Ealing	28,000	23,000
	33,202	**29,045**

17. Short Term Debtors

	2022-23	2021-22
	£'000	£'000
Other Local Authorities	987	414
Central Government Bodies	2,360	2,399
Other Entities and Individuals	60	63
Prepayments and Accrued Income	22,583	13,712
Total	**25,991**	**16,588**

In determining the recoverability of Short Term Debtors, the Authority considers the credit quality of the receivable. Credit risk is low as the majority of balance relates to HMRC and constituent boroughs. Credit losses for doubtful debts are recognised against trade receivables, based on estimated irrecoverable amounts determined by debt analysis and management judgement.

Age of receivables due	**2022-23**	**2021-22**
	£'000	£'000
< 90 days	307	317
90 – 180 days	0	0
> 180 days	0	0
Total	**307**	**317**

18. Short Term Creditors

	2022-23	**2020-21**
	£'000	£'000
Other Entities and Individuals	(6,089)	(6,678)
Other Local Authorities	(13,647)	(9,110)
Total	**(19,736)**	**(15,788)**

Trade creditors for waste transport and disposal are the main component of short term creditors.

19. Borrowing

The Authority's capital expenditure for the project to build a residual waste to energy plant is financed by loan arrangements with four constituent Boroughs (Brent, Ealing, Harrow and Richmond). The interest charged was 7.604% and will be repaid over 25 years with interest being charged on the reducing balance basis. The purchase of two transfer station sites during the year was financed by a loan from the PWLB at a fixed interest rate of 2.24%.

	2022-23	**2021-22**
	£'000	£'000
Opening balance	(85,940)	(88,172)
Loans in year	0	0
Repayments	2,354	2,233
Closing balance	**(83,586)**	**(85,940)**

At 31 March 2023 £146,000 loan interest payable within 12 months was accrued and is included within short term creditors.

The table below shows the loans split by maturity into short term and long term elements. Analysis by maturity	2022-23	2021-22
	£'000	£'000
Short term element	**(2,483)**	**(2,354)**
Between 2 and 4 years	(11,416)	(10,803)
Between 5 and 10 years	(18,465)	(17,424)
10 years or more	(51,222)	(55,359)
Long term element	**(81,102)**	**(83,586)**
Total liability	**(83,586)**	**(85,940)**

The table below shows the loans split by maturity including interest into short term and long term elements.

Analysis by maturity

	2022-23	2021-22
	£'000	£'000
Short term element	**(7,517)**	**(7,521)**
Between 2 and 4 years	(30,021)	(30,040)
Between 5 and 10 years	(37,393)	(37,426)
10 years or more	(66,858)	(74,322)
Long term element	**(134,272)**	**(141,789)**
Total liability	**(141,789)**	**(149,310)**

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

	2022-23	2021-22
	£'000	£'000
Revaluation reserve	(52,732)	(52,732)
Capital adjustment account	8,585	5,910
Pensions reserve	(1,309)	8,022
Accumulated absences account	33	25
	(45,422)	**(38,775)**

(i) Revaluation Reserve

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

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

The freehold properties were valued in 2021-22, and the gain recognised through the Comprehensive Income and Expenditure Statement, and via the revaluation reserve.

(ii) Capital Adjustment Account

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

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

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

	2022-23	**2021-22**
	£'000	£'000
Balance as at 1 April	5,521	(5,661)
Depreciation	10,465	8,943
Statutory provision for repayment of debt	(7,718)	(7,615)
Impairment and revaluation	0	9,956
Amounts written out of Revaluation Reserve	0	0
Net written out amount of the cost of non-current assets consumed in the year	8,268	5,624
Revenue financing to capital	(71)	(102)
Balance at 31 March	**8,197**	**5,521**

(iii) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources of the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022-23	2021-22
	£'000	£'000
Balance as at 1 April	8,022	11,028
Actuarial gains or losses on pension assets and liabilities	(10,351)	(3,927)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	817	710
Employer's pensions contributions and direct payments to pensioners payable in the year	203	211
Balance at 31 March	**(1,309)**	**8,022**

(iv) Accumulated Absences Account

The Accumulated Absences Reserve reflects untaken leave balances outstanding as at the 31 March 2023. This reserve absorbs the differences that would otherwise arise in the General Fund from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	2022-23	2021-22
	£'000	£'000
Balance as at 1 April	25	42
Amounts accrued at the end of the current year by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	(17)
Balance at 31 March	**33**	**25**

22. Officers' Remuneration

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

	Salary and Termination Benefits (£)		Pension Contributions (£)		Total (£)	
	2022-23	**2021-22**	**2022-23**	**2021-22**	**2022-23**	**2021-22**
Director	150,667	150,990	20,612	19,808	171,279	170,798
Clerk	11,316	11,179	1,528	1,509	12,843	12,688
Technical Advisor (till April 21)	0	918	0	0	0	918
Technical Adviser (from May 21)	11,316	10,157	0	617	11,316	10,774
Treasurer	11,316	11,179	1,528	1,509	12,843	12,688

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

	2022-23	**2021-22**
Remuneration Band including exit packages	No of employees	No of employees
£50,000 to £54,999	5	3
£55,000 to £59,999	3	2
£60,000 to £64,999	1	1
£65,000 to £69,999	0	0
£70,000 to £74,999	2	0
£85,000 to £89,999	1	1
£90,000 to £94,999	0	0
£125,000 to £129,999	1	1

Members Allowances

£5,400 allowance to members was paid for attending Authority meetings 22-23.

£1,500 allowance was paid to Audit committee member for meetings in 22-23.

23. External Audit Fees

The audit fees reflected in the accounts are as follows:

	2022-23	**2021-22**
	£'000	£'000
Audit of the Authority	62	57
Total Fees	**62**	**57**

24. Related Party Transactions

This disclosure has been prepared after considering the requirements of "related party transactions" in accordance with the Authority's interpretation and understanding of International Accounting Standard 24 (IAS 24) and its applicability to the public sector utilising current advice and guidance. Any disclosure under IAS 24 is designed to set out relationships with other parties that might materially affect the Authority. The Authority is composed of one Councillor from each of the six constituent boroughs, the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames and its operations are financed by an annual levy on the constituent boroughs and all the transactions are at arms' length. Borough loans have also been used to finance large capital investments. The Authority has sought and received declarations from Members, the advisors and senior officers of any "related party transaction" in which they or their related parties have been engaged in during 2022-23. No related party transactions were declared. At the end of the financial year the officers in the post of Clerk to the Authority and Chief Technical Advisor were also Chief Officers at the London Borough of Harrow. The Authority pays the individuals directly for the services they provide. The Authority also receives support services from Ealing, Hillingdon, Hounslow and Harrow, and the cost of these support services are set out below and are included in the Comprehensive Income and Expenditure Account.

	Brent	**Ealing**	**Harrow**	**Hillingdon**	**Hounslow**	**Richmond**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Pay as you Throw	8,804	10,028	6,957	9,195	7,948	5,601	48,532
Fixed Cost Levy	2,396	2,847	2,175	2,493	2,083	2,128	14,122
Total Levies	11,200	12,875	9,132	11,687	10,031	7,729	62,654
Agency and other income	359	2,705	0	0	0	0	3,063
Total 2022-23	**11,559**	**15,580**	**9,132**	**11,687**	**10,031**	**7,729**	**65,717**
Total 2021-22	11,860	15,668	8,937	11,470	10,224	7,746	65,905
Interest expense 2022-23	**1,164**	**1,164**	**1,164**	**0**	**0**	**1,164**	**4,655**
Interest expense 2021-22	1,189	1,189	1,189	0	0	1,189	4,758

Expenditure							
Waste Transport and Disposal Costs	0	165	0	0	0	0	165
Rent and Rates	102	0	0	416	0	0	518
Support Services	0	35	8	0	0	0	43
Other	(26)	(52)	(49)	0	(106)	(31)	(265)
Total 2022-23	**76**	**148**	**(41)**	**416**	**(106)**	**(31)**	**460**
Total 2021-22	102	29	15	396	0	0	542

	Brent	**Ealing**	**Harrow**	**Hillingdon**	**Hounslow**	**Richmond**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors 2022-23	**35**	**385**	**0**	**0**	**0**	**0**	**420**
Debtors 2021-22	15	160	0	3	85	0	263
Creditors 2022-23	**271**	**841**	**227**	**361**	**233**	**59**	**1,992**
Creditors 2021-22	792	622	157	179	679	180	2,610
Borrowings 2022-23	**15,145**	**15,145**	**15,145**	**0**	**0**	**15,145**	**60,579**
Borrowings 2021-22	15,493	15,493	15,493	0	0	15,493	61,971
Cash / equivalents 2022-23	**0**	**28,000**	**0**	**0**	**0**	**0**	**28,000**
Cash / equivalents 2021-22	0	23,000	0	0	0	0	23,000

25. Agency Services

This can be found under the Related Parties Transaction note. This is a charge to a borough for managing their Household Recycling and Reuse Site.

26. Leases

The Authority does not hold any finance leases but holds one rental operating lease which is not material. This lease agreement will expire in March 2024.

27. Other Liabilities

The construction of an energy from waste centre included investment by the Suez consortium which the Authority will benefit from over the life of the contract. A liability was recognised as project assets were completed, equal to the fair value of each asset less any capital contribution. This benefit will be realised over the life of the contract.

	2022-23	**2021-22**
Energy from waste facility:	£'000	£'000
Opening balance	104,578	108,659
Developer's contribution	0	0
Reduced through unitary payments	(4,165)	(4,081)
Closing balance	**100,413**	**104,578**

PPP liability repayments	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**1,489**	**2,768**	**4,257**
Two to five years	6,986	11,072	18,058
Six to ten years	11,600	13,840	25,441
Eleven to fifteen years	15,878	13,840	29,719
Sixteen to twenty years	13,701	9,238	22,938
Twenty to twenty five years	0	0	0
Long term liability	**48,165**	**47,990**	**96,156**
Total repayments	**49,654**	**50,758**	**100,413**

The table below shows the split by maturity including interest payments:

PPP liability repayments including interest	Finance liability	Deferred income	Total repayments
	£'000	£'000	£'000
Within one year	**4,707**	**2,768**	**7,475**
Two to five years	18,826	11,072	29,898
Six to ten years	23,533	13,840	37,374
Eleven to fifteen years	23,533	13,840	37,373
Sixteen to twenty years	15,703	9,237	24,940
Twenty to twenty-five years	0	0	0
Long term liability	81,595	47,990	129,586

Total repayments	**86,302**	**50,758**	**137,060**

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

On early termination or expiry, West London Waste Authority is placed in a position broadly equivalent to if the main treatment facility was constructed on an Authority site and the PPP contract provides WLWA with a variety of options as follows (which it may exercise at its discretion):

- WLWA may walk away on expiry of the contract without having to bear decommissioning risks and SUEZ must pay WLWA the Residual Life Rebate;
- WLWA may extend the contract for 5 years after which WLWA may walk away without having to bear decommissioning risks but SUEZ then do not pay WLWA the Residual Life Rebate; or

WLWA may exercise its right to take a lease of SERC (Conditional Lease) for 25 years post expiry to allow WLWA to secure the site and retender the operation of the facility. With this option, WLWA would have to pay rent and bear decommissioning risks at the end of the term and SUEZ do not pay WLWA the Residual Life Rebate.

The Authority was paid an additional £737k for the landfill reconciliation for the years 2018 to 2022 from WLERL. As this amount was still being agreed with the contractor, it has not been recognised as income. This amount is contained within Long Term Liabilities.

28. Defined Benefit Pension Scheme

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

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

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

The liabilities of a defined benefit scheme reflect the estimated outgoings due after the triennial valuation date. The WLWA is committed to provide for service benefits up to the valuation date. Pension costs are a very minor proportion of total spending and the effects of the defined benefit scheme and its valuation on the timing, uncertainty and risk around cash flows is not material.

The Code of Practice on Local Authority Accounting requires the Authority to apply accounting principles and to make disclosures under International Accounting Standard 19, Retirement Benefits (IAS 19 and IFRIC 14) in respect of retirement benefits. Details are provided to the Authority by the Actuary (currently Barnett Waddingham) via the LPFA. The notes to the Core Accounts provide details of how the Authority has met these requirements.

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

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of General Fund via the Movement in Reserves Statement. Changes in the net pension liability arising as a result of past events which are not concurrent with the assumptions made in the course of the last actuarial valuation, or as a result of revised actuarial assumptions are charged to the Pensions Reserve.

Asset ceiling assumptions:

The asset ceiling test was based on the expectation that the maximum economic benefit available was determined by a reduction in future contributions.

The potential economic benefit from future contributions was calculated at £37.98 million.

The potential economic benefit from future contributions calculated is higher than the surplus reported, and therefore does not impact the year end net asset position.

Balance sheet disclosure

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

	2022-23	**2021-22**
	£'000	£'000
Present value of funded obligation	(22,413)	(31,419)
Fair value of Scheme Assets (bid value)	23,871	23,560
Net Asset/(Liability)	**1,458**	**(7,859)**
Present value of unfunded obligations	(149)	(163)
Net Asset/(Liability) in Balance Sheet	**1,309**	**(8,022)**

Comprehensive Income and Expenditure Statement

	2022-23	2021-22
	£'000	£'000
Return on Fund assets in excess of interest	(5)	2,951
Other actuarial gains / (losses) on assets	16	0
Change in financial assumptions	12,213	1,057
Change in demographic assumptions	1,099	0
Experience gain / (loss) on defined benefit obligation	(2,972)	(81)
Re-measurement of the net assets / (defined liability)	**10,351**	**3,927**

Reconciliation of the present value of the scheme liabilities:

	2021-22	2021-22
	£'000	£'000
Opening balance as at 1 April	31,582	31,910
Current service cost	1,085	883
Interest cost	812	612
Change in financial assumptions	(12,213)	(1,057)
Change in demographic assumptions	(1,099)	0
Experience (gain)/loss on liabilities	2,972	81
Liabilities assumed/extinguished on settlements	0	0
Estimated benefits paid net of transfers in	(891)	(1,123)
Past service costs including curtailments	0	0
Contributions by scheme participants and other employers	329	290
Unfunded pension payments	(15)	(14)
Closing balance as at 31 March	**22,562**	**31,582**

Reconciliation of fair value of the scheme (plan) assets:

	2022-23	2021-22
	£'000	£'000
Opening balance as at 1 April	23,560	20,882
Interest on assets	609	401
Return on assets less interest	(5)	2,951
Other actuarial gains	16	0
Administration expenses	(7)	(27)
Employer contributions	275	200
Contributions by scheme participants and other employers	329	290
Benefits paid	(906)	(1,137)
Settlement prices received/(paid)	0	0
Closing balance as at 31 March	**23,871**	**23,560**

Assumptions as at	31 March 2023 p.a.	31 March 2022 p.a.	31 March 2021 p.a.
Discount rate	4.80%	2.60%	1.95%
Pension increases	2.90%	3.30%	2.80%
Salary increases	3.90%	4.30%	3.80%

The LPFA's actuary undertakes sensitivity analysis by looking at the impact on the present value of the scheme by flexing the assumptions (e.g. increasing discount rate by 0.1%).

Life expectancy from age 65 (years)		31 March 2023	31 March 2022
Retiring today	Males	21.8	22.2
	Females	23.6	23.7
Retiring in 20 years	Males	21.5	22.7
	Females	25.7	26.0

Sensitivity analysis on major assumptions	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,260	22,562	22,872
▪ Projected service cost	324	337	350
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,576	22,562	22,549
▪ Projected service cost	337	337	337
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
▪ Present value of total obligation	22,863	22,562	22,268
▪ Projected service cost	351	337	324
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
▪ Present value of total obligation	23,464	22,562	21,698
▪ Projected service cost	351	337	323

Re-measurements in other comprehensive income	2022-23	2021-22
	£'000	£'000
Return on plan assets in excess of interest	(5)	2,951
Other actuarial gains on assets	16	0
Change in financial assumptions	12,213	1,057
Change in demographic assumptions	1,099	0
Experience gain on defined benefit obligation	(2,972)	(81)
Total	**10,351**	**3,927**

Projected pension expense for next year	2023-24
	£'000
Service cost	337

Net interest on the defined liability		(71)
Administration expenses		7
Total		**273**
Employer contributions		**338**

	2022-23	2021-22
Assets by Class	£'000	£'000
Equities	13,741	13,411
Target Return Portfolio	4,344	5,074
Infrastructure	2,956	2,400
Property	2,294	2,114
Cash	536	561
Total	**23,871**	**23,560**

Analysis of 2022-2 Assets		**% Quoted**	**% Unquoted**
Equities			
	Real Estate	0%	
	Consumer Discretionary	7%	
	Consumer Staples	7%	
	Energy	0%	
	Financials	8%	
	Health Care	4%	
	Industrials	7%	
	Information Technology	10%	
	Materials	0%	
	Communication Services	3%	
	Utilities	0%	
	Fees	0%	
	Trade Cash/Pending	2%	
	Private Equity	0%	
Private Equity			8%
Fixed Income		1%	
Total Return			
	Investment/Hedge funds and unit trusts	7%	
Credit			10%
Infrastructure			12%
Real Estate			10%

Cash			
	Cash	2%	
	LDI	0%	
	Currency Hedge (Forward Contracts)		-0%
	BlackRock DDG	-0%	
Total		**60%**	**40%**

29. Contingent Assets and Liabilities

At 31 March 2023 there was a contingent asset relating to additional income from waste plants generated by increasing third party waste volumes and rising electricity prices. The amount is subject to risk and requires negotiation and legal agreement. Although not determined an estimate of the value is £389,000. This provision is expected to materialise within 12 months.

At 31 March 2023 there was no contingent liability (31 March 2022: Nil)

30. Miscellaneous Income and Other Supplies and Payments

This year income from the Severnside Energy Recovery Centre (SERC) has been recognised within Miscellaneous Income, and totals £19.1 million (31 March 2022: £10.7 million). It principally relates to income resulting from high electricity prices and current levels of activity. The disbursement to the boroughs of £12.7 million (31 March 2022: £6.5 million) has been recognised within Other Supplies and Payments.

The remaining income within Miscellaneous Income is in relation to a trial at London Borough of Ealing for the disposal of dry mixed recyclable waste, which is a continuation from the trial in 2020-21. This amounts to £2.7 million (31 March 2022: £2.6 million).

Over the longer term there may also be opportunities to secure income by increasing third party waste volumes processed at the SERC. This is the key facility for managing residual waste as part of the West London Residual Waste Services contract between the Authority and West London Energy Recovery Ltd (WLER). When this proposal come to fruition, there will be additional income received by the Authority, which will be partially be disbursed to the boroughs and a proportion retained to mitigate risks and invest in a wider strategic project across the six constituent boroughs.

31. Note to Cash Flow Statement

	2022-23 £'000	2020-21 £'000
Adjustments to net surplus for non-cash movements		
Depreciation and impairments	10,465	8,943
Reversal of prior year revaluation losses	0	(9,956)
IAS 19 non-cash pension entries	1,020	921
(Increase)/decrease in short term debtors	(9,403)	(8,151)
(Decrease)/increase in short term creditors	3,948	4,709
Sub Total	6,030	(3,535)
Adjustments for items included in financing/investing activities		
Interest received	(554)	(19)
Interest paid	9,080	9,396
Total Adjustments	14,555	5,842

Annual Governance Statement 2022-23

1. Scope of Responsibility

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

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

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

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

2. The Purpose of the Governance Framework

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

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

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

3. The Governance Framework

The key elements of the Governance Framework include

- Production of business plans and long term financial forecasts
- Performance monitoring information (Key Performance Indicators)
- Statement of Accounts
- Schemes of delegation for Officers
- Regular scrutiny of operations at Chief Officer's meetings
- Audit Committee
- Regular progress meetings with members
- Internal Audit
- Whistle Blowing Policy
- Financial Regulations and Related Policies
- HR Policies providing a framework for the organisation culture
- Health & Safety Policy and annual action plans
- Public meetings, except for confidential items
- Clear communication with stakeholders
- Collaborative development with constituent boroughs of the Authority's long term Strategy
- Regular meetings with constituent borough Environment Directors and Finance Directors
- Consultation with constituent boroughs of Authority papers

4. Review of Effectiveness

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

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

- Abbey Road Processes
- HR and Payroll
- Procurement and Expenditure

The internal audit reports provide assurance about specific activities and over a number of years all of the Authority's activities will be audited. This year's reports provided reasonable assurance for two reported areas and limited assurance for HR and Payroll. They identified no critical risk items/recommendations, 3 high risk and mostly medium and low risk recommendations which have been accepted and most implemented.

Risk registers were regularly reviewed at all levels within the Authority and were considered at each Audit Committee meeting. Financial performance was scrutinised and a strong focus on controlling spending delivered efficiency savings.

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

5. Significant Governance Issues

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

Councillor Deirdre Costigan	Hugh Peart,
Chair to the Authority	Clerk
19th January 2024	19th January 2024

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

Opinion

We have audited the financial statements of West London Authority ('the Authority') for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 30 including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of West London Waste Authority as at 31 March 2023 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the

Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the **Authority**'s ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information contained within the annual report**.**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014 (as amended)
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on pages 9 to 10, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how West London Waste Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm the Authority's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue) and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Authority's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the West London Waste Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the West London Waste Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance certificate in respect of the Whole of Government Accounts consolidation pack and the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of West London Waste Authority. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

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

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading, UK
19th January 2024

WEST LONDON WASTE AUTHORITY AUDIT COMMITTEE

Report of the Treasurer and Managing Director 19 January 2024

Audit Committee – Terms of Reference

SUMMARY

This report provides an update on the proposed amendments to the Terms of Reference for the Audit Committee.

RECOMMENDATION(S)

The Authority is asked to:-

1) Note the proposed updated Terms of Reference in section 7b of the report, and recommend their adoption by the Authority.

1. Audit Committee – Terms of Reference

Policy 7 of the Joint Waste Management Strategy requires the Authority to work with the constituent boroughs to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

The Audit Committee was set up in 2013 to enhance the governance arrangements of the Authority and to deliver greater transparency to the boroughs of the finances and processes of the Authority.

The Terms of Reference for the Audit Committee were approved by Authority in April 2013, and have had slight amendments made throughout the years.

In 2022, CIPFA updated their 2018 Position Statement for Audit Committees in Local Authorities and Police. This has been used to update the Terms of Reference for the Authority's Audit Committee, to ensure we continue to have an independent and high-level focus on governance, risk and control arrangements.

2. The key changes made to the sections within the Terms of Reference are summarised as follows:

Membership allows for all six Authority members to be a part of the Audit Committee when previously this was three. This will allow for greater transparency across all boroughs. Membership also allows for a Vice Chair of the Audit Committee and this role will need to be appointed into.

Another change under membership has been to allow for four members to constitute a quorum.

Reporting outlines that the Audit Committee shall provide an Annual Report of the Audit Committee which would detail how it has complied with CIPFA's Position Statement and provide an assessment of its effectiveness.

Responsibilities has been expanded to provide clarity and be more in line with CIPFA's Position Statement.

Meetings now notes that the Chair, Vice Chair and Independent member will meet prior to the Audit Committee to review papers and comment. The Chair will also meet with the Finance Manager prior to each Audit Committee to review the papers and address any concerns. The Chair and Independent Member will also be able to meet separately and privately with the external auditor and Head of Internal Audit.

Contact Officers	Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk

West London Waste

Treating waste as a valuable resource

Audit Committee – Terms of Reference

The Authority has established an Audit Committee as a Committee of the Authority to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role is ensuring that there is sufficient assurance over governance, risk and control and gives greater control to all those charged with governance that those arrangements are effective.

The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Membership

The members of the Audit committee are:

- Six Authority members, one of whom will be appointed as Chair and a second the Vice-Chair by the Authority.
- One independent non-voting external member who will be co-opted by the Committee for a period of three-four years and will be eligible to serve for a maximum of eight years.
- The Audit Committee will be provided with a secretariat function by the Finance Manager.
- The committee needs four members to constitute a quorum.
- Members should be willing to:
    - Promote good governance principles, identifying ways that better governance arrangements can help achieve the Authority's strategic priorities.
    - Willingness to operate in an apolitical manner.
    - Unbiased attitudes – treating auditors, the executive and management fairly.
    - The ability to challenge the executive and senior managers when required.
    - Knowledge, expertise and interest in the work of the committee.

Reporting

- Report annually on how the Committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be made available to the public. This will be the Annual Report of the Audit Committee.

Responsibilities

The Audit Committee will advise the Authority and Treasurer on:

- The strategic process for risk, control and governance and the Statement on Internal Control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and managing the Authority's exposure to the risks of fraud and corruption.
- Be satisfied that the authority's accountability statements, including the annual governance statement, properly refle risk environment, and any actions

required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them. Adequacy of management response to issues identified by audit activity, including external audit's management letter.
- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the Authority's risk management arrangements. It should understand the risk profile of the Authority and seek assurances that active arrangements are in place on risk-related issues.
- In relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance, and conformance to professional standards.
    - support effective arrangements for internal audit.
    - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability.
- Assurances relating to the corporate governance requirements for the organisation.
- Proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services.
- Anti-fraud policies, whistle blowing processes and arrangements for special investigations.
- The Audit committee will also periodically review its own effectiveness and report the results of that review to the Authority.

Rights

The Audit Committee may:

- Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience.
- Procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Authority.

Access

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee.

Meetings

- The Audit Committee will meet at least two times a year. The Chair of the Audit Committee may convene additional meetings, as they deem necessary.
- The Chair, Vice Chair and Independent Member will meet prior to the Audit Committee meeting to review the papers and comment.
- The Chair will meet with the Finance Manager prior to the Audit Committee meeting to review the papers and go through any queries,
- Meet separately with the external auditor and with the Head of Internal Audit annually.
- A minimum of 4 members of the Audit Committee will be present for the meeting to be deemed quorate.
- Audit Committee meetings will normally be attended by the Managing Director, Treasurer, Finance Manager, Head of Internal Audit and a representative of External Audit.
- The Audit Committee may ask any other officials of the Authority to attend to assist it with its discussions on any matter.
- The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of matters.
- The Managing Director or the Treasurer may ask the Audit Committee to convene further meetings to discuss issues on which they want the Committee's advice.

Information Requirements

Each meeting the Audit Committee will be provided with:

- A report summarising any significant changes to the organisation's Risk Register
- A progress report from the Head of Internal Audit summarising:
  - Work performed (and a comparison with work planned)
  - Key issues emerging from internal audit work
  - Management response to audit recommendations;
  - Changes to periodic plan
  - Any resourcing issues affecting the delivery of Internal Audit Objectives
- A progress report from the External Audit representative summarising work done and emerging findings.

As and when appropriate the Committee will also be provided with:

- Proposals for the Terms of Reference of internal Audit
- The Internal Audit Strategy
- The Head of Internal Audit's Annual Opinion and Report
- Quality Assurance reports on the Internal Audit function;
- Significant risk and assurance needs for the Authority
- Strategic risk register and Operational risk registers where appropriate
- Information on any fraudulent activity
- The draft accounts of the organisation;
- The draft statement of Internal control;
- A report on any changes to accounting policies;
- External Audit's management letter

- A report on any proposals to tender for audit functions;
- A report on co-operation between Internal and External Audit

Audit Committee Indicative Work Plan

	September	January
Draft Accounts	X	
Annual Governance Statement	X	
Annual Internal Audit Assurance Statement	X	
External Audit Management Letter	X	
Risk Register	X	X
Review of Risk Processes		X
Internal Audit Plan (Annual)	X	
External Audit Plan		X
Internal Audit Reports	X	X
Review of Accounting Policies		X
Review of Internal Audit Provision and Strategy moving forward	Every 3 years	
Review of governance policies	On any notable or non-minor change	
Review of Audit Committee's effectiveness and preparation of report for the Authority	Annual	

WEST LONDON WASTE AUTHORITY

AUDIT COMMITTEE 19 January 2024

Report of the Managing Director and Treasurer

West London Waste Authority Risk Register

SUMMARY

This report provides the Committee with the Authority's updated Risk Register. The key points are:

- The risk register has been reviewed regularly by Senior Managers and Chief Officers
- The risk register provides focus on strategic and significant risks
- There are no notable (Red) risks

RECOMMENDATION(S)

The Committee is asked to:-

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

1. The Authority's Risk Management Policy reported in June 2023 identifies the risk register as a key tool for managing risk. This sets out the main risks to which the Authority is exposed and the actions management is taking to mitigate those risks. This is in line with good corporate governance.

2. The Corporate Risk Register is a formal document that is reviewed regularly by risk owners and is a standard agenda item for both WLWA Officer and Senior Leadership Team meetings which are held regularly throughout the year, where risks and actions are considered and updated routinely.

3. The risks are grouped according to the widely used PESTLE framework - political, economic, social, technological, legislative and environmental risks. Each risk is reviewed individually with risk owners taking responsibility for updating the register and highlighting significant changes and new risks. At the end of the risk register there is a matrix which helps Officers to score individual risks in terms of their probability and potential impact should they crystallize.

4. Appendix 1 provides the latest risk register which was updated and considered at the latest round of management meetings. In overall terms, the risk register identifies 8 key strategic risks facing the Authority and the mitigating actions to reduce the risk. There are no notable (Red) risks.

Contact Officers	Sapna Dhanani, Finance Manager sapnadhanani@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk Ian O'Donnell, Treasurer Ianodonnell@westlondonwaste.gov.uk

Appendix 1 – Risk Register

	Risk Area "There is a risk that…"	Analysis of Risk "Which will result in…"	Type	Assessment of Risk *(original score in brackets)*			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations *(original score in brackets)*			Responsible Officer
				Impact	Probability	Rating		Impact	Probability	Rating	
1.	One or more operational shock(s) or long term stress will cause contract or operational poor performance eg major fires, major mechanical failure, second pandemic, industrial action, increased regulator requirements, change management, projects.	Transfer stations bottlenecks impacting collections. Change / perceived loss of service on HRRC sites for residents. Negative indicators on contract performance. Increased cost of service.	Political	4	5	20	Fire prevention group established with clear ownership of actions. Increased measures to prevent flammable wastes arriving at transfer stations. Weekly waste reporting, joint monitoring of KPIs and service monitoring with Boroughs and service partners. Regular communications with government and regulators at a senior level and with national associations. Business continuity planning and regular reviews of contingency arrangements on each contract. Continuity planning with Boroughs including reducing frequency of tipping and rescheduling tipping times at the transfer stations. Emergency / fast procurement capability using dynamic procurement system and ensure key potential off takers are registered on the DPS. £13m investments into cranes, weighbridges and compactors at rail linked sites. Infrastructure investment plans linked to projects and change management. Stay aligned / maintain up to date knowledge of the waste market, waste flow planning.	4	3	12	Assistant Director Operations
2.	Legislative cost pressure eg Carbon tax / Emission trading scheme will be implemented faster than our change programmes to reduce waste. Boroughs may use money needed to invest in change to plug short term funding gaps.	Failure to invest sufficiently in projects to reduce waste. Levy growth over the medium term.	Economic	5	4	20	WLWA medium term strategy review. Savings strategy to reduce waste resulted in projects team - now growing in maturity. Harness additional savings / income for reinvestment in projects (EPR plan, electricity income, energy savings, recyclate income) Collaborative strategy planning with Boroughs, JMWMS, A plan for 2030. Regular reviews of the finance strategy and project KPIs with Environment Directors and Finance Directors. Food waste/Increased Access project to reduce waste, reduce cost and increase recycling rates. Digital twin project to map current services and waste flows and plan future opportunities of service changes/improvements. Social value and reuse project invests in income generation at HRRCs, supports community good growth and positively informs residents about the value of waste. Communications project tests the knowledge of residents against an ideal. Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste). EfWs to be included in Emissions Trading Scheme from 2028 – need further clarity on how it will work but the above actions should reduce fossil carbon in waste. The financial impact will need to be modelled after seeking legal advice and thereafter shared with boroughs,	4	3	12	Finance Manager / Projects Director
3.	The economic climate will impact our ability to retain staff. Recruitment will be difficult and / or take a long while due to eg: scarcity or incomplete experience/training..	Additional pressure on HR, Managers and remaining staff. New people need time to be trained in skills for the future. Time lost on projects..	Operational	4	4	16	Tuesday morning strategic meetings. Monthly team meetings in person to maintain cohesiveness with regular focus on knowledge, purpose, culture and values. Core training on coaching, insights, lean and six sigma and digital skills "the future of work" led and planned by SLT. Leaders and Managers to monitor team turnover, regularly review succession planning, skills gaps analysis, job descriptions and job market. Procure contracts to support the projects and spread the risk. Review the value of operational work in the current market and our ability to attract high quality staff. Offer secondment / staff sharing arrangements to maintain service levels with Boroughs and service partners.	3	3	9	Managing Director
4.	The complexity of the PPP contract payment mechanisms results in unintended consequences.	Less income or saving than expected following the capacity increase variation	Economic	4	3	12	SLT to deliver the variation with support from Sharpe Pritchard using in depth contract knowledge and experience. Thorough checks and testing throughout negotiation and prior to finalising the variation. Financial modelling to support the variation and contract management. Independent audit of payment mechanism. Training and familiarisation with payment mechanisms. Periodic billing file audits.	3	3	9	Finance Manager
5.	IT systems will face cyberattack or suffer a major failure.	Loss of data Failure to make statutory reports. Relying on Boroughs or Contractors for invoicing data. Operational shocks or projects delay.	Economic	4	4	16	All weighbridges except Abbey Road are run by third parties so we should investigate their security and systems. Data strategy needed due to the amount of people's / Boroughs data we are holding and the importance of that data to our savings projects. Data policy needed to ensure staff only use the cloud based systems / use of hard drive is limited and backed up regularly. Out-sourced cloud based systems subject to a wide range of back-up and security	4	3	12	Finance Manager

	Risk Area "There is a risk that…"	Analysis of Risk "Which will result in…"	Type	Assessment of Risk (original score in brackets)			Management Actions Implemented or Planned (in bold)	Assessment of Risk after mitigations (original score in brackets)			Responsible Officer
				Impact	Probability	Rating		Impact	Probability	Rating	
							measures inc remote storage and performance to an agreed service level standards. Contractor deploys a range of security measures to prevent unauthorized access to systems including 2 factor authentication, firewalls, antivirus and antispyware. Restricting access to kit, communications and applications to authorised users only. IT strategy is in place and IT requirements are regularly reviewed. Updated IT Strategy to be presented by end of 2023/24.				
6.	Changes in law or savings projects will affect our operations and contracts (Item 3 above considers legislation designed to have financial implications)	Unanticipated cost for the Authority Contractor claims for QCiL Unanticipated changes to waste flows Needing change from Borough operations to take whole system approach	Operational	4	5	20	WLWA medium term strategy review. Collaborative strategy planning with Boroughs, JMWMS, A plan for 2030. Prepare to pro-actively remove plastics from EfW waste at the right time (legislation or to balance removal of food waste). Low contamination policies for all material streams Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Analysis of the implications of legislative changes. Build costs into finance strategy and budgeting process. Operational support for projects to reduce waste / whole system costs Food waste project - Press Defra for capital funding for new food waste infrastructure. Digital twin project – Build operational digital skills. Social value and reuse project – Build operational Circular Economy skills. Communications project - test the knowledge of WLWA operatives against an ideal.	3	4	12	Assistant Director Operations
7.	Environmental regulator will require more use of buildings and structures to prevent environmental damage.	Increased cost Increased cost of repair Potential fines Reputational damage	Operational	5	4	20	Build costs into the costs of Projects, budgeting process and finance strategy. Press Defra for capital funding for all requirements linked to legislative change. Network with WNC,NAWDO, LEDNet, JWDAs to stay abreast of national impact of legislative changes and regulator imposed changes and potential funding (e.g. EPR). Involving operations in the projects, building knowledge and skills. CoTC training, responses to consultations. Range of processes including internal daily and weekly monitoring. Regular review of operational risks and procurement policy. Monitor contractors' environmental performance and reporting.	4	3	12	Operations Manager
8.	Pressure of change increases the risk of Health & Safety breaches. Circular Economy partners eg small charities are not as savvy to operational risk as they need to be.	Risk of injury to staff or public visitors to Authority sites. CE Partner organisations have less developed controls and need operational support and careful management. Early termination of CE small scale or trial services.	Operational	5	4	20	Specialist Health and Safety Advice contracted in. Collaborative H&S group set up with Boroughs. Periodic internal audit of contractors included in H&S Advisor contract. Annual Action Plans to continuously improve. Monitor contractors' health and safety performance and reporting. Regularly test and review fire prevention/precaution measures at site including fire risk assessments. Communications project to address batteries and e-waste. Losses are covered by insurance policies. Organise sites to ensure adequate separation between operational areas and public or volunteers. Stress testing of CE partner business cases (financial and environmental). Undertaking appropriate research and vetting of the business and key indivduals to properly understand the partner organisation / partnering risks. Leading on the development of processes and controls (including risk assessments) for the CE service offering to ensure appropriate controls are implemented to manage the operation and risk it entails. H&S termination clauses.	4	3	12	Operations Manager

Risk/ Impact Rating

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

Likelihood Classification

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

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

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

This page is intentionally left blank