

At a meeting of the West London Waste Authority - Audit Committee held on Friday 22 September 2017 at 10.00 am at the Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Amritpal Mann (Chair)

Councillor Eleanor Southwood

**Apologies for Absence**

Councillor Keith Burrows and Andrea White

**36. Apologies for absence**

Apologies for absence were received from Councillor Keith Burrows and Andrea White.

**37. Declarations of interest**

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

**38. Minutes of the meeting held on 27 January 2017**

**RESOLVED:** That the minutes of the meeting held on 27 January 2017 be taken as read and signed as a correct record.

**39. Annual Internal Audit Report and Opinion Statement 2016/17**

The Committee received the Annual Internal Audit Report and Opinion Statement 2016/17.

The Committee were advised that, overall, the Head of Internal Audit could provide a reasonable assurance that the system of internal control that had been in place at the Authority for the year ended 31 March 2017 accorded with proper practice. In total, five pieces of Internal Audit work had been delivered as part of the 2016/17 Internal Audit Plan. This included four assurance reviews and one follow up review. Three of the assurance reviews had resulted in a reasonable assurance opinion being provided with one having received a limited assurance opinion.

The Head of Finance reported that the Committee's Independent Person had submitted some queries/comments on the report and which he reported to the meeting as follows:-

- A reasonable assurance was a positive result;
- It would be useful to be appraised of the senior management team's views;
- Could the Internal Auditor provide views on how easy it would be to achieve assurance.

The Head of Finance stated that from his perspective it was quite challenging to

implement all controls and measures with the staffing resource available. The focus was therefore on key risks and issues. Areas where substantial assurance could be assumed were where internal audit recommendations were now implemented. This was endorsed by the Internal Auditor.

The Head of Finance undertook to respond to the queries raised by the Independent Person.

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

#### **40. West London Waste Authority Audit Results report**

The Committee received the Authority's Audit results report for the year ended 31 March 2017 and welcomed Helen Thompson and Jo Taylor, External Auditors, Ernst & Young, to the meeting.

Helen Thompson introduced the report which summarised the work carried out by the external Auditor and advised that it was proposed to issue an unqualified opinion on the Authority's accounts. To date, no objections had been received so the Auditors would be able to certify the accounts closed. Ms Thompson also advised that the Auditor would submit their next report to the June 2018 meeting and that she was confident that the resulting earlier deadlines could be met.

Helen Thompson reminded the Committee that three significant risks had been identified in January 2017, namely fraud in revenue recognition, management override and the increase in property/plant/equipment value. She advised that the latter was a significant transaction and had been closely scrutinised to ensure that there was the correct financial information moving forward.

The Committee were advised that the additional work carried out by the Auditor had been reflected in an increase in their fee from £19,770 to £40,000. Ms Thompson stated that the intention was that the fee in 2017/18 would return to approximately £19,000. Jay Patel, Head of Finance, reported that the increase in the auditor's fee had been raised by Andrea White, Independent Person, and that she had stated that it would be helpful to have the auditor's views as to whether the difficulties with the audit were isolated to the Valuer's report. Helen Thompson, External Auditor, confirmed that there was no issue with the officers but that there was a need to draw on the expertise from specialists for one-off areas of work this year.

Members expressed concern at the doubling of the audit fee and sought clarification on the options available to address the increase. Helen Thompson advised that whilst the potential additional work had been flagged up in the Audit Plan, it had not been expected that it would have been of the level it had been. The fee would be subject to the approval of the Public Sector Audit Authority (PSSA) which would require a breakdown of the fee, which she could also provide to the Authority.

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

#### **41. Risk Register**

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

Jay Patel, Head of Finance, provided clarification in relation to the amber risks. In

particular that advice to be received from lawyers would determine how any bill payment mechanism ambiguity would be dealt with. He advised that the Committee's Independent Person had questioned contract payment mechanisms and whether the Authority had the ability to lower the rating. He indicated that legal issues of this type were outside the range of normal internal controls and processes.

**RESOLVED:** That (1) the updated Risk Management Policy be approved;

(2) the content of the Risk Register, Appendix 2 to the report, be noted.

#### **42. Assurance Statements**

The Committee 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 query raised by the Independent Person in relation to responsibility for anti-fraud and corruption, Jay Patel, Head of Finance, advised that although this was covered by a policy and his Assurance Statement, he would make it more explicit in next year's document.

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

#### **43. Statement of Accounts for the year ending 31 March 2017**

The Committee received the Authority's Statement of Accounts for the year ending 31 March 2017.

Jay Patel, Head of Finance, reported that the only notable change to the accounts previously considered by the Authority in June related to the valuation of properties. He advised that the valuations represented artificial gains and as the Authority did not rely on the valuation of assets to, for example, borrow money, it was less relevant. He indicated that the forecast was in line with outturn figures. Assurance had also been received from the Internal and External Auditors.

The Committee were advised that the Independent Person had submitted some comments as follows:-

- The increase in the amount of waste reused, recycled or recovered was should be highlighted;
- The decrease in the cost per tonne should be flagged up;
- Clarification In terms of the Authority's Reserves Policy was required;
- The usable reserves stated on p106 of £16.8m, did not tally with the narrative and graph on reserves on p96.

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

That the Statement of Accounts for 2016/17, as attached at pages 9-58 to the Authority's agenda papers, be approved.

**The meeting finished at 10.44 am.**

The minute taker at this meeting was Alison Atherton.