



Western Riverside Waste Authority (WRWA)

Auditor's Annual Report 2020/21

17 January 2022

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Key messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Authority's financial statements on 30 November 2021.

The Authority's arrangements to secure Value for Money

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

- The Authority recognised a surplus on the provision of services for the year ended 31 March 2021 of £1,788,000.
 - The Authority has a thorough annual financial planning and forecasting process and has set out a balanced budget and levy for 2020/21 and 2021/22. There is also a treasury management and capital strategy for 2021/22.
 - The Authority reports the financial position periodically which includes an analysis of the actual expenditure incurred compared to budget.
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Governance

How the body ensures that it makes informed decisions and properly manages its risks

- The Authority has a detailed risk management process in place and performed an assessment of the risks of Covid-19 during the year. The Authority maintains a Risk Management Framework and risk register, which are reviewed on an annual basis.
 - The Authority has a number of policies in place to ensure it makes properly informed decisions. It has an approved decision methodology for investment and divestment decisions, which includes approval by finance personnel, and other key factors. Where necessary, decisions will be reviewed by the executive management team for comment before going to the Members of the Authority for final approval.
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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

The Authority has adapted its processes for assessing financial and performance information, including identifying areas for improvements in response to the pandemic.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Western Riverside Waste Authority ("the Authority") for the year ended 31 March 2021.

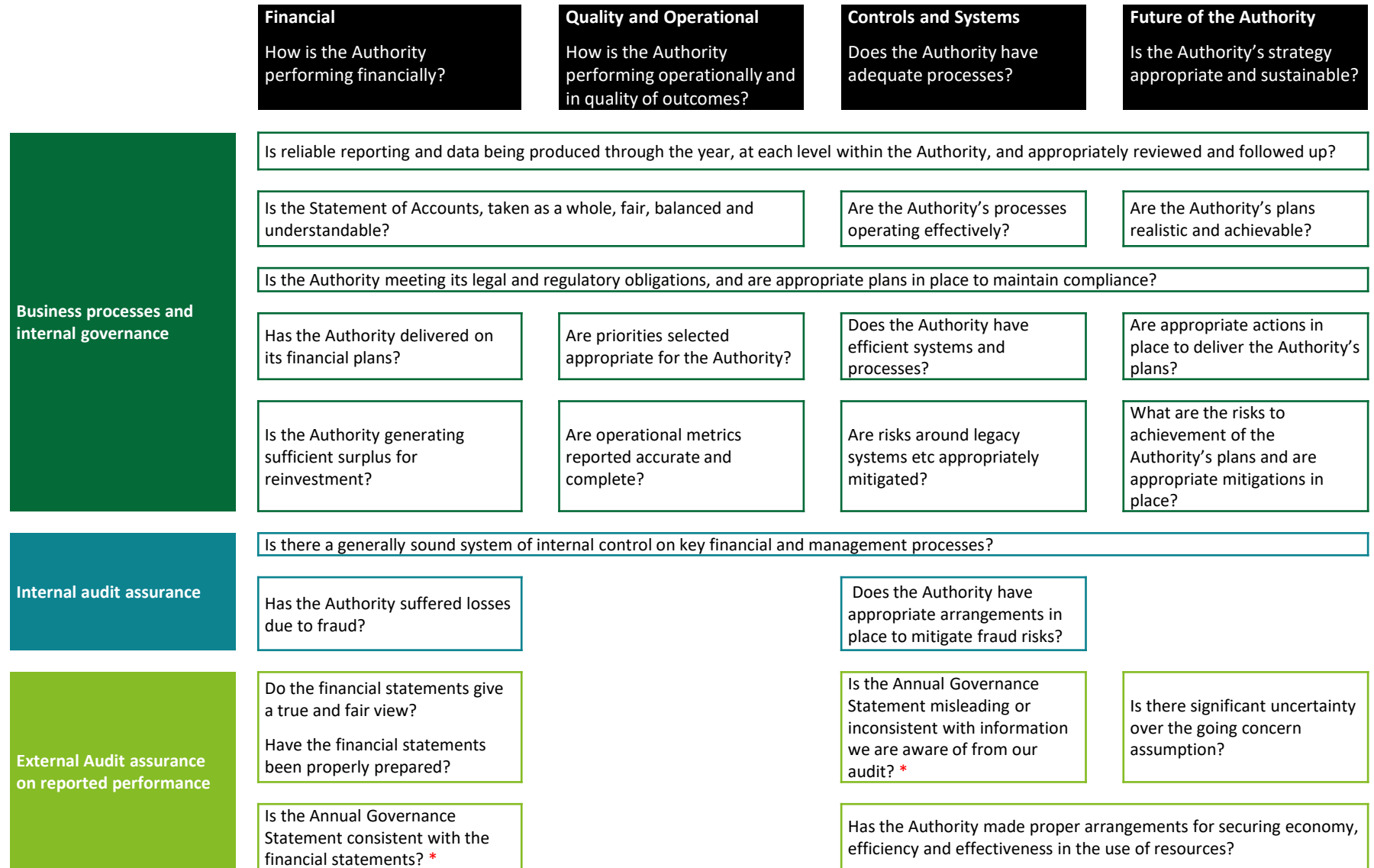
This report is intended to bring together the results of our work over the year at the Authority, including commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM").

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 07. These are available from the NAO's website.

A key element of this report is our commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Authority has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Authority has in place, nor does it provide positive assurance that the Authority is delivering or represents value for money. Where we find significant weaknesses in the Authority's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Authority needs to do to strengthen its arrangements. We have found no significant weaknesses in our audit work for 2020/21.

Assurance sources for the Authority

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems, and the future of the Authority (set out in the green rows) fit with some of the other assurances available over the Authority's position and performance.



* The scope of external audit in this area is "negative assurance" of reporting by exception of issues identified.

Opinion on the financial statements

We provide an independent opinion on whether the Authority's financial statements:

- Give a true and fair view of the financial position of the Authority 31 March 2021 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

The full opinion is included in the Authority's Statement of Accounts, which can be obtained from the Authority's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Authority's financial statements on 30 November 2021. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

Annual Governance Statement

We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the CIPFA Code of Practice, was misleading, or was inconsistent with information of which we are aware from our audit.

Narrative Report

We are satisfied that the information given in the narrative report for the year ended 31 March 2021 is consistent with the financial statements.

Reports in the public interest and use of other powers

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.

Audit Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that our remaining work in this area is unlikely to have a material impact on the financial statements or on our value for money conclusion.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Authority and the environment they operate in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address any identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit lead, Ben Sheriff. The audit team included integrated Deloitte specialists bringing specific skills and experience in local government pension schemes, property valuation and information technology systems.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Authority to be £987k, on the basis of 2% of gross expenditure.

We communicated in our audit plan that we would report to the Members all audit differences in excess of £49k for the Authority as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Members on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Authority's financial statements

Our audit of the Authority's financial statements included:

- developing an understanding of the Authority, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Authority's financial statements;
 - interviewing Members of the Authority's management team and reviewing documentation to test the design and implementation of the Authority's internal controls in certain key areas relevant to the financial statements; and
 - performing sample tests on balances in the Authority's financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances.
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Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to Members of the Authority setting out what we considered to be the significant audit risks for the Authority, together with our planned approach to addressing the risk. We have provided a summary of the significant audit risks on the next pages.

Financial statement audit significant risks

Risk identified	Deloitte response	Key observations
<p>Revenue and expenditure recognition</p> <p>Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. For the Authority, we consider this significant risk to be the validity and accuracy of the variable element of the revenue relating to the actual direct tonnage charged to the four constituents councils.</p> <p>Given that revenue is driven by the volume of activity during the year, this risk is also linked to the recognition of expenditure. The Authority has a significant contract with Cory Limited for the provision of waste management services. The risk includes the accuracy and completeness of expenditure calculated by Cory and whether the Authority is accounting for expenditure appropriately and consistently in line with activity.</p>	<ul style="list-style-type: none">• We tested the design and implementation of the key controls around the recording of completeness of expenditure and accruals;• We reviewed the contract in place between the Authority and Cory Limited;• We performed focused testing in relation to the completeness of expenditure and accruals, as well as challenged the assumptions made on the year end accruals;• We reviewed the accuracy of the expenditure calculated by Cory;• We performed testing for unrecorded liabilities based on payments made and expenses recorded in the period after year end; and• We reviewed the year on year movement in expenditure and accruals and investigated significant movements.	<p>We did not identify any issues from this testing.</p>
<p>Management override of controls</p> <p>In accordance with ISA 240 (UK), management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.</p>	<p>We considered the overall sensitivity of judgements made in preparation of the financial statements. The procedures we performed are set out below:</p> <ul style="list-style-type: none">• We tested the design and implementation of controls in relation to journals and accounting estimates;• We used data analytics to assess the risk and test a sample of journals, based upon identification of items of potential audit interest; and• We reviewed accounting estimates for biases that could result in material misstatements due to fraud, and tested accounting estimates and judgements.	<p>We did not identify any issues from this testing.</p>

Financial statement audit significant risks - continued

Risk identified	Deloitte response	Key observations
<p>Property valuations</p> <p>The Authority held £57.9m of property assets at 31 March 2021 and valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.</p>	<ul style="list-style-type: none">• We have tested the design and implementation of key controls in place around the property valuation;• We have considered the work performed by the Authority's valuer, including their professional capabilities and findings;• We obtained and challenged the valuers reasoning for their conclusion that there is no material movements in the value of property assets from the prior year end, including considering the impact of Covid-19 on the valuation of property assets; and• We have engaged Deloitte Real Estate, our internal valuation specialists, who reviewed in detail a sample of property valuations. They assessed the assumptions used in the Wilkes Head & Eve (WHE) valuation report to ensure they were materially accurate	<p>The valuation at 31 March 2021 is within the range we would consider acceptable, but is at the lower end of the range. We recommended to the Authority to obtain an updated valuation at 31 March 2022. We note that the valuation does not directly impact on General Fund balances.</p>

Auditor's work on Value for Money (VfM) arrangements

The Treasurer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Treasurer reports on the Authority's arrangements, and the effectiveness with which the arrangements are operating, as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Authority can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around the Authority's arrangements, and events occurring outside of the Authority's control, which affect the relevance of some of these indicators. We have considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key officers, including Mark Broxup (General Manager), Chris Buss (Treasurer), and Katherine Burston (Deputy Treasurer).



Review of Members reports and attendance at Members of the Authority's meetings.



Reviewing reports from third parties including internal audit.



Considering the findings from our audit work on the financial statements.



Review of the Authority's Annual Governance Statement and narrative report.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Authority ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans, and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Authority identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Authority recognised a surplus on the provision of services for the year of £1.79m. At 31 March 2021, the Authority had net asset of £63.52m (31 March 2020: £62.72m), net current assets of £10.57m (31 March 2020: £9.64m), and cash of £8.92m (31 March 2020: £6.87m). The Authority's useable reserves have increased by £2.39m to £17.94m.

£3.00m has been transferred into an earmarked loan repayments reserve of £3m to cover the repayment of the remaining loan balance of £3.00m.

Although the Authority has been impacted by the Covid-19 pandemic, this has been more limited than for most organisations, with its services continuing to operate. Additional costs have been incurred in some areas, but at the level of cost (and with the requirement to recover costs from constituent authorities over time) do not impact the overall financial sustainability of the Authority.

The Authority has a thorough annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is lead by the Treasurer. In preparing the 2020/21 budget, the Authority has performed a full review of the base budget due to the significant changes that have occurred over the year. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget. The 2020/21 budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

VfM arrangements: Financial Sustainability - continued

Commentary - continued

Due to the nature of the Authority, the expenditure incurred is charged to constituent councils to meet its liabilities. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no significant funding gap, however there is the need to put in place savings plans to minimise cost.

The Authority has a detailed risk management process. The Authority maintains a risk register which is reviewed annually and challenged by the Members of the Authority. These include consideration of risks in relation to legislative change (such as the Environment Bill), impacts of property developments on operations, and contractual risks from on-going changes in activities of the Authority and its contractors. Management has in place mitigation plans to reduce the overall impact on the Authority.

The Authority has a climate change policy in place and is considering alternative investment approaches as part of the investment strategy review.

The Authority reports the corporate performance on a regular basis, which includes a review of the financial position and an analysis of the actual expenditure incurred compared to budget. This allows the Authority to identify any changes in demand throughout the year.

VfM arrangements: Governance

Approach and considerations

We have considered how the Authority ensures that it makes informed decisions and properly manages its risks, including:

- 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;
- how the body approaches and carries out its annual budget setting process;
- 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); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

As set out on the previous page, the Authority has a detailed risk management process in place. The Authority maintains a Risk Management Framework and risk register which are reviewed annually by the Authority. The risks identified are allocated to an owner to implement the mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic were added to the risk register.

The Authority has a series of policies covering internal controls, including a whistleblowing and anti-fraud policy. These policies are readily available for all staff to review on the Authority's website.

The annual budget setting is conducted as part of the annual planning exercise for which the Treasurer has executive responsibility. National and local guidance is assessed and used to form the basis of a number of assumptions in the plan. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Members of the Authority.

The Authority produces regular corporate performance reports which include a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority monthly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non-financial information and reports on how the Authority is achieving against its corporate plans.

The Authority has a number of policies in place to ensure it makes properly informed decisions which are detailed within the Authority's Constitution. The Authority has an approved decision methodology for investment and divestment decisions, which includes approval by the Treasurer and the Members of the Authority.

The Authority has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
 - How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
 - How the Authority 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; and
 - Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.
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Commentary

The Authority assesses its performance through regularly Corporate Performance Reports which consider a number of measures including corporate, investment, pension administration and financial metrics. These reports are presented to the Members of the Authority.

The Authority have an annual review meeting involving senior management and the Members of the Authority and produces an annual review report. This covers performance and the delivery of the Authority's objectives.

Appendices



Appendix 1: Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Authority's arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report is made solely for the Authority, as a body, in accordance with the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in our Auditor's Annual 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 Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information the Authority need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.



Appendix 2: Authority's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Treasurer as Accounting Officer of the Authority, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the CIPFA code of practice and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Authority provides will continue into the future.

The Accounting Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Authority's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Authority's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Authority, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Members of the Authority are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 3: Auditor's responsibilities

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.

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

Auditor's responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Authority has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Authority's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Authority, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Authority or an officer of the Authority is:
 - about to make, or has made, a decision which involves or would involve the Authority incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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