



Western Riverside Waste Authority (WRWA)

Auditor's Annual Report 2022/23

October 2024

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Key messages

Audit opinion on the financial statements

We issued an unmodified audit opinion, with no reference to any matters in respect of the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

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 2023 of £4.9m (2022: £1.8m).
 - The annual financial planning and forecasting processes have continued to operate effectively and has set out a balanced budget and levy for 2023/24. There is also a treasury management and capital strategy for 2023/24.
 - The Authority reports on 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.
 - The Authority maintains a Risk Management Framework and risk register, which are reviewed on an annual basis.
 - The Authority has policies in place to ensure it makes properly informed decisions. It has an approved decision-making methodology for investment and divestment decisions, which includes approval by finance personnel and where necessary, decisions will be reviewed by the executive management team for comments before going to 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 considers benchmarking and survey data to inform waste and recycling initiatives and identify areas for improvement.
 - The Authority has communications plans along with stakeholder engagement and education activities in place with the overall aim to reduce packaging waste and to encourage re-use and recycling.
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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 2023.

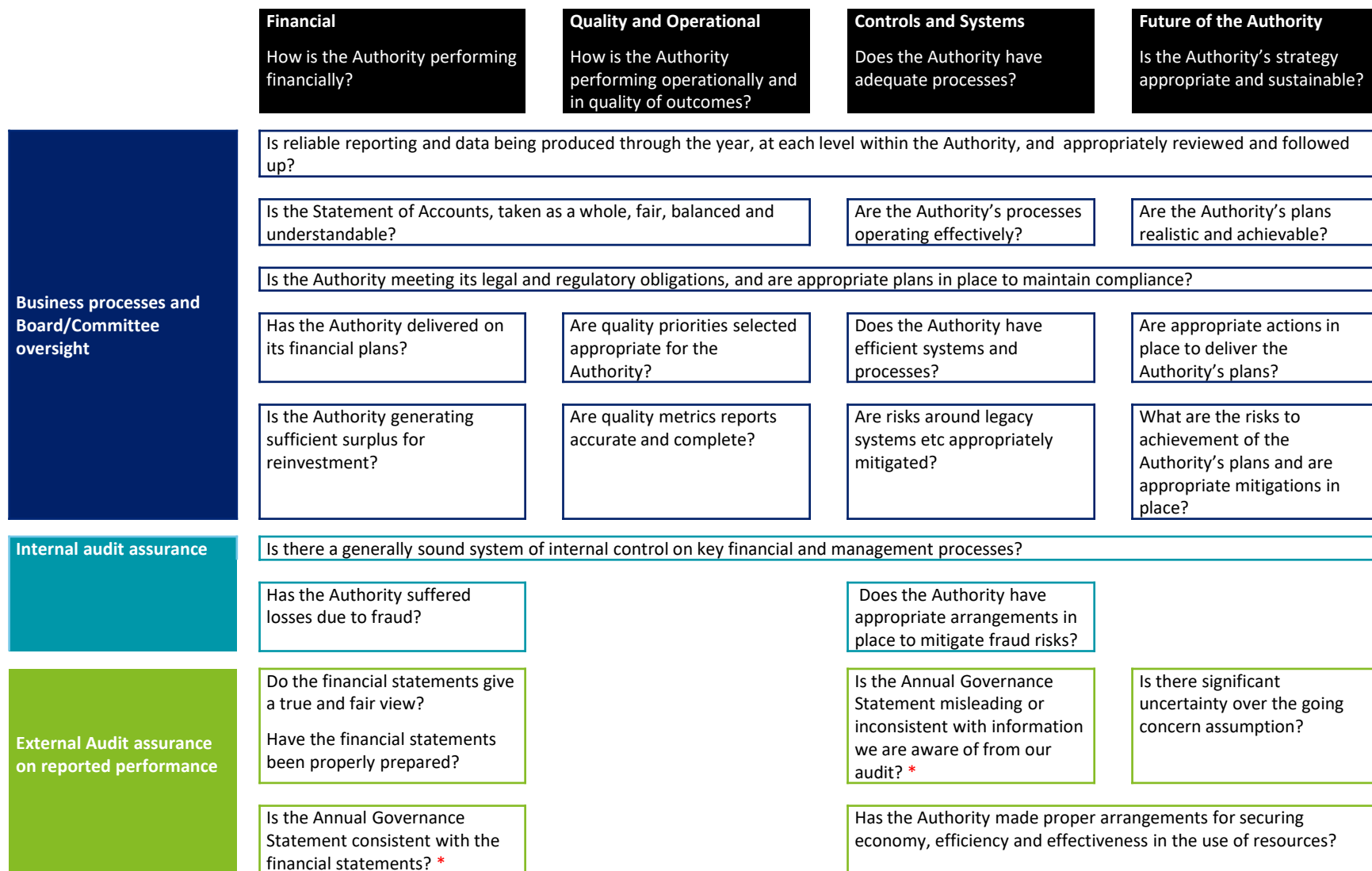
This report is intended to bring together the results of our work over the year at the Authority, including commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts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

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. We have not identified any significant weaknesses in the Authority's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

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 2023 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 2022/23; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

The full opinion and certificate are 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 unmodified audit opinion on the Authority's financial statements. 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 reported that the information given in the narrative report for the year ended 31 March 2023 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 2023.

Audit Certificate

We will certify completion of the audit, following completion of our responsibilities in respect of the audit for the year ended 31 March 2023.

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 it operates 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, Mo Ramzan. 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 £869k, on the basis of 2% of gross waste disposal expenditure.

We communicated in our audit plan that we would report to the Members all audit differences in excess of £43k 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 following 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> <p>The Authority approves every year a gross expenditure budget. Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals.</p>	<ul style="list-style-type: none">○ Reviewed and substantively tested revenue recognised by performing substantive procedures on each of operating income from Boroughs; Levy on Constituent Authorities; and other income balances through tracing to invoice or cost apportionment schedule, as applicable, and related bank receipts;○ We obtained an understanding of and tested the design and implementation of the key controls in place in relation to recording completeness of expenditure and accruals;○ We performed focused testing in relation to the completeness of expenditure and accruals;○ We gained assurance over the accuracy of the expenditure calculated by Cory via assessment of the operating effectiveness of the expenditure review control; nonetheless consistent with prior years we have opted to take a full substantive approach with no controls reliance;○ As part of this focused testing, we challenged the assumptions made in relation to year end accruals;○ We also reviewed expenses recorded in the final month of the year against previous year's trends to identify if there are any inconsistencies;○ We performed testing for unrecorded liabilities based on payments made and expenses recorded in the period after year end up to 61 days; and○ In addition, we reviewed the year-on-year movement in expenditure and accruals and investigated significant movements	<p>Our audit work suggests that the Authority has appropriately recorded revenue and expenditure for the period. No issues were noted.</p>

Financial statement audit significant risks (continued)

Risk identified	Deloitte response	Key observations
<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>The key judgments in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: revenue and expenditure recognition; valuation of property assets; and defined benefits pension scheme.</p>	<p>In considering the risk of management override, we performed the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none"> ○ We tested the design and implementation of controls in relation to journals and accounting estimates; ○ We risk assessed journals and selected items for detailed follow up testing. The journal entries were selected using computer assisted profiling based on areas which we consider to be of increased interest; ○ We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting; ○ We reviewed accounting estimates for biases that could result in material misstatements due to fraud; ○ We obtained an understanding of the business rationale of significant transactions that we became aware of that are outside of the normal course of business for the entity, or that otherwise appeared to be unusual, given our understanding of the entity and its environment; and ○ We used data analytics to assess the risk and test a sample of journals, based upon identification of items of potential audit interest. Our analysis covered all journals posted in the year; <p>In considering the key judgements in the financial statements:</p> <ul style="list-style-type: none"> ○ We reviewed the key judgements for biases that could result in material misstatements due to fraud. We note that overall the changes to key judgements in the period were balanced and did not indicate a bias to achieve a particular result. ○ We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. 	<p>After concluding our work, we have no matters to bring to the attention of the Members of the Authority.</p>

Financial statement audit significant risks (continued)

Risk identified	Deloitte response	Key observations
<p>Valuation of property assets</p> <p>The Authority is required to hold property assets within Property, Plant and Equipment at valuation. The 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> <p>The Authority held £111.7m of property assets (land and buildings) and fixed plant and equipment at 31 March 2023, a reduction of £2.2m from £113.9m when compared to 31 March 2022. The movement reflects the depreciation charged for the year.</p> <p>Due to the materiality of this balance, we reported a risk in respect of this in our audit plan. In the prior year, the Authority's valuer Wilkes Head & Eve (WHE) performed a full property revaluation resulting in a £56.9m upward revaluation to £113.9m.</p> <p>For the year ended 31 March 2023, management have determined that there had been no physical change to the properties and there were no material indicators of a movement in value due to market conditions and therefore proposed to retain the values as reported at 31 March 2022 in the preparation of their 31 March 2023 financial statements.</p> <p>This risk is in respect of the judgement that no valuation is required and that there are no material movements in value since the previous valuation.</p>	<p>In the absence of a third party or internal valuation, the audit team have utilised our real estate specialists to assess whether management's assertion that there were no indicators of a material market movement was appropriate and hence adopting the reported values for the assets in line with those assessed as at 31 March 2022 was materially accurate.</p> <p>The following procedures were performed as part of the review:</p> <ul style="list-style-type: none"> ○ sourced appropriate market benchmarks to assess indicators of movement in value having regard to the valuation methodology adopted as at 31 March 2022; ○ reviewed correspondence provided to the Authority by their third-party valuer, Wilkes Head & Eve (WHE) which Management had regard to in determining that a revaluation was not required as at 31 March 2023. In addition, we participated in a virtual meeting with the lead valuer at WHE attended by representatives of the Finance team; and ○ determined based on the evidence presented by WHE and our own research whether market conditions had changed to warrant a revaluation of the assets as at 31 March 2023 to ensure the financial statements provided a materially accurate representation of the assets held. ○ Assessment of macro-economic indicators including: inflationary pressures; interest rate rise; volatile financial markets; rising gilt yields over the period. ○ Overview of real estate market: impact on rental and capital values of movements in prime property yields. ○ Land Values: datapoints used by external valuers including development land indices, market publications, and any sales of sites in the locality using relevant subscription databases; and related sentiment. ○ Build Costs: the build cost inflation figure for the period as reported by the Build Cost Information Service (BCIS) and Location Factor adjustments. ○ Impact of obsolescence and the fact there have been no physical changes to the buildings over the period. 	<p>The audit team noted that there should be a more formal process in place to confirm the management assessment as to whether there has been a material movement in value since the previous valuation and the related necessity for a revaluation to be performed in the current year.</p> <p>We have included a recommendation in this regard in our ISA 260 report.</p> <p>Following our review of the market and call with WHE as external valuer to the Authority we conclude that whilst property market conditions, specifically for prime investment grade assets, demonstrate downward movement in values over the period, for the subject sites used for operational purposes with the land value the most significant component within the valuation calculations that there was no clear market evidence to support a movement in overall value of the sites as at 31 March 2023.</p> <p>We observe that both the macro-economic climate and real estate market conditions have continued to remain challenging over 2023 and would recommend that the Authority engage with WHE ahead of the 31 March 2024 year end to establish whether a revaluation is appropriate.</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 2022/23 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.



Review of Members and Committee reports and attendance at Authority 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

Commentary

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.

The Authority recognised a surplus on the provision of services for the year of £4.9m (31 March 2022: £1.8m). At 31 March 2023, the Authority had net assets of £132.7m (31 March 2022: £123.9m), net current assets of £20.8m (31 March 2022: £13.5m), and cash of £17.3m (31 March 2022: £7.3m). The Authority's usable reserves have increased by £7.9m to £26.5m.

When setting the 2022/23 budget, rates and levy, the Authority agreed to utilise reserves to reduce the rates for both general waste and co-mingled recyclate. The level of subsidy anticipated when setting these rates for 2022/23 was not utilised due to positive movements in respect of income from recyclate and energy prices resulting in an over achievement of income. This has provided the Authority with some flexibility in setting rates for 2023/24 whilst still ensuring adequate reserves to meet additional costs which will accrue in the near to medium term future relating to capital expenditure.

The Authority does not have a Capital Programme at present. However, as a result of legislative changes arising from the Environment Act 2021 and in preparation for the procurement of services post 2032, it is highly likely that the Authority will incur capital costs either in the purchase and construction of new land and facilities or upgrading existing facilities. The costs of these would, if directly met by the Authority, fall on the Levy and be borne by the constituent councils. To try to mitigate future costs the Authority created a capital reserve of £2.2m at the end of 2021/22. Further additions to the reserve were made in 2022/23 using the Authority's underspend taking its value to £8.0m which will be used to fund capital costs.

As per the Authority's Annual Report, the total level of waste managed by the Authority in 2022/23 reduced compared to previous years. Overall, there has been a significant decrease in total waste managed by the Authority over the last decade, consistent with the aims of the Government's waste hierarchy.

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

In June 2023, the Treasurer reported to the Authority that the position for 2023/24 and future years is very uncertain. The current high level of inflation will feed into the contract rate paid for general waste as it is linked to RPIX increases. This is expected to be offset in part or in full by increased income from electricity for 2023/24. However, if electricity prices revert to previous levels, then the cost borne by the Authority for processing waste will increase and will, unless the Authority uses the Stabilisation Reserve to mitigate this in the short term, mean significant cost increases for the constituent councils in future years. There will be greater clarity on this during the year as forward sales of electricity are made. The WRWA Board are provided with regular financial updates and these financial risks will continue to be monitored, evaluated and reported.

The Authority aims to achieve efficiencies from within the Waste Management Services Agreement (WMSA) with Cory Riverside Energy in order to generate savings for Constituent Councils in the current financial climate. The Authority aims to increase the proportion of waste from within its area that is reused and recycled and all of its residual waste is now used to recover energy at the Belvedere Energy from Waste (EfW) Facility, rather than going to landfill. The Authority follows the Government's waste hierarchy and has seen an overall reduction in waste handled by WRWA delivering benefits both environmentally and financially.

The Constituent Councils continue to benefit from the EfW facility at Belvedere under the current WMSA with:

- the avoidance of increasing government landfill tax costs;
 - certainty of capacity to dispose; and
 - contractual agreements through the WMSA to receive refinancing savings, income from the sale of energy and eventually, the benefits to be achieved from Residual Value at the end of the existing contract in 2032.
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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 annual financial planning and forecasting processes have continued to operate effectively. The financial plan is considered as part of the overall operational planning process and is led by the Treasurer. An annual budget was approved by the Authority in February 2022 and was formally revised in November 2022 and again in February 2023 as part of the annual budget process.

In preparing the annual budget, the Authority performs a full review of the base budget to take account of any significant changes that have occurred over the year. This involved reviewing both the internal and external environment to ensure that all financial pressures were identified and factored in to the budget. The budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

Due to the nature of the Authority, the expenditure incurred is charged to constituent councils to meet its liabilities. It is able to vary the levy due from members to ensure solvency and this is reviewed annually. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no significant funding gap.

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. Management have in place mitigating factors to reduce the overall impact on the Authority. The Risk Management Strategy is reviewed on an annual basis.

The Authority has a climate change policy in place.

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

VfM arrangements: Governance

Approach and considerations

Commentary

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.

The Authority reviews its Risk Management Strategy on an annual basis and maintains a Risk Management Framework and risk register as part of its risk management process, which are reviewed annually. The risk register provides a record of the principal risks to achieving the Authority's objectives together with an analysis of their likelihood/impact and the key preventative, detective and corrective controls. Each risk is allocated to an owner to implement the mitigating actions.

During the year, the Authority has updated its risk register to consider the overall risk factor based on likelihood and impact. As such the impact and risk ratings of Low/Medium/High, have been replaced with a rating of 1-5 with 1 representing Low and 5 representing High.

The Authority's governance framework is embodied within a number of specific policies, codes of practice and procedures that are subject to regular review.

The Authority has a Risk Management Strategy and risk assessments are undertaken as part of the annual review of the Authority's internal control procedures.

The Authority's Constitution and Standing Orders set out how the Authority operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Authority membership comprises eight elected Members, two from each of the constituent councils.

The Authority noted within its Annual Governance Statement, a fatality at the MRF facility at Smuggler's Way which occurred after the year end. Further noting that the site is operationally managed under the responsibility of Cory and any further implications would be a matter for Cory and not the Authority. This was formally reported at the Authority meeting in June 2023. We have noted a recommendation in our ISA260 Report regarding the importance of timely legal advice on such matters.

The 2022/23 Internal Audit Report provided an overall substantial assurance conclusion. Each of the risk areas considered received Full Assurance, except for Governance Arrangements which received Substantial Assurance. It was identified that in some cases, Declarations of Interest and Related Party Transaction declarations had not been completed where required, or maintained for all senior members of staff and decision-making officers. A management action plan was subsequently put in place to address these issues going forward.

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

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

There is an approved methodology for investment and divestment decisions, which includes approval by the treasurer and the members of the Authority, as appropriate.

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 process in place to set the annual budget and this is approved by the Members of the Authority.

The Authority produces a quarterly corporate performance report which, at least twice yearly, also includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority quarterly, providing 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 maintains a general performance management system for continuous improvement, featuring targets for key performance measures based on best practice, feedback from stakeholders, annual public reports, and performance related pay. This system is designed to improve progressively the likelihood of achieving objectives with good value for money.

Monitoring of compliance is undertaken by the Clerk to the Authority (as the Authority's monitoring officer), supported by the General Manager and the Treasurer (as the s.73 officer), with legal advice available via the Authority's legal advisers. Members are informed of relevant legal advice as it is received. All reports that have actual or potential financial implications include a Treasurer's comment.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

Commentary

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.

Quarterly Corporate Performance Reports set out a number of measures including corporate, investment, pension administration and financial metrics. These reports are presented to the Members of the Authority to monitor progress and action plans put in place where relevant.

There is an annual review meeting held involving senior management and the members of the Authority's and an annual review report is produced. This covers the investment performance and the delivery of the partnership against the principles and the Authority's objectives.

The Authority seeks to drive efficiencies and generate savings for constituent councils through the existing Waste Management Services Agreement (WMSA) as well as delivering benefits through the Energy from Waste facility.

Benchmarking information is considered by the Authority where available. This includes the annual DEFRA (Department for Environment Food and Rural Affairs) league tables of the total household waste recycling, composting and reuse rate for English local authorities; and, user satisfaction surveys for the Household Waste and Recycling Centre.

Waste composition surveys are undertaken every 15 months, which in turn allows for greater insights through obtaining data across the four seasonal variations over five years. The sampling regime involves the direct collection and compositional analysis of waste. The most recent survey was undertaken in July 2022. In addition, a food waste Composition Survey was undertaken in September 2022 within Hammersmith & Fulham Food Waste trial area. Based on this the Council have confirmed that they wish to introduce separate food waste collections borough-wide, with other borough also looking to expand the existing trial.

The Authority has also undertaken research into how other Waste Disposal Authorities fund, deliver and monitor success of joint communications activities and to identify any areas of best practice and economies of scale. Whilst, there is currently no consensus between the constituent councils with regards to jointly delivering generic communication campaigns, this will be under review through the structure and context of the Joint Municipal Waste Management Strategy (see further detail overleaf).

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

Commentary

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.

Since September 2022, demand for on-site visits from schools has returned to its pre-pandemic levels. The Education team also work with residents and adult education establishments and local businesses to offer outreach activities along with on-site and online tours.

The Authority continued with “What Happens to my Recycling” communication campaign. In 2023/24, the Authority also plans to focus its efforts on:

- Improving awareness of the new rigid plastics recycling offering;
- Highlighting the dangers of failing to recycle batteries appropriately having seen a significant increase and incurred disposal costs of c£135k in 2022/23.

The Authority is leading on the development of a Joint Municipal Waste Management Strategy (JMWMS) with constituent councils for the period 2025 to 2040. Technical advisors have been procured to support the delivery of the JMWMS which will consider expected waste quantities and composition to be collected and managed during this period. It is expected that the final Strategy document will be completed and adopted during 2024/25.

The Waste Management Services Agreement (WMSA) between the Authority and Cory expires in 2032. As such, the Authority has begun preparations to arrange for replacement services. In line with best practice set out in HM Treasury’s ‘Guide to Developing the Project Business Case’ (2018) and ‘The Green Book’ (2022), options are to be explored through development of an Outline Business Case that contains all the requirements for a deliverable procurement strategy. The Authority has appointed Technical Advisors and work is currently progressing with a Stakeholder Engagement Plan, Market Analysis and Capacity Gap Modelling and preparations for an Early Market Engagement exercise.

The Procurement Strategy timetable is inter-linked with the JMWMS. As such, the ‘whole system’ waste flow model outputs from the JMWMS will feed into the OBC. The OBC work will progress during 2023 and 2024 and work is expected to be completed by Autumn 2024.

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

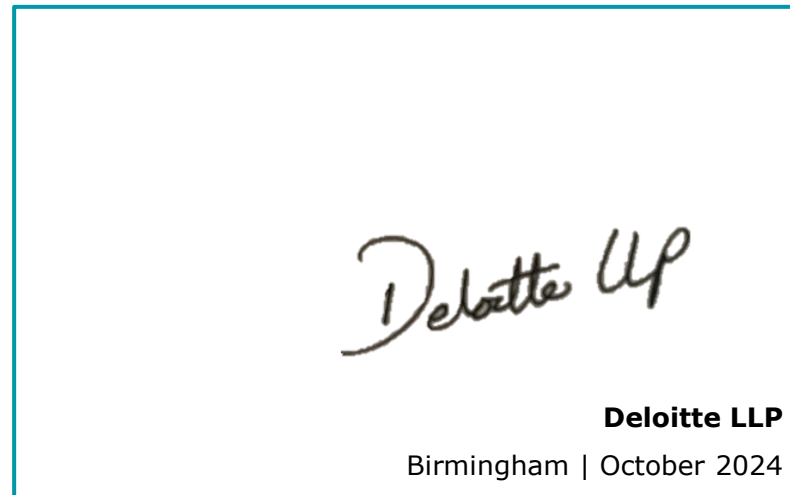
This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

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.



Appendices



Appendix 1: 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 Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: 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, 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 2023. 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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