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Annual Audit Letter on the 2018/19 External Audit

Western Riverside Waste Authority

March 2020

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Contents

		Page
1	Letter to Members	3
2	Key Messages	4
3	Responsibilities and Scope	5
4	Audit of the Accounts	6
5	Value for Money	11
6	Other Matters	12

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1. Letter to Members

The Members
Western Riverside Waste Authority
Smugglers Way
Wandsworth
London
SW18 1JS

30 March 2020

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2019.

Although this letter is addressed to the Members of Western Riverside Waste Authority ("the Authority"), it is also intended to communicate the significant issues we have identified in an accessible style to key external stakeholders including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at **www.psaa.co.uk** and on the Authority's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from **www.psaa.co.uk**.

This letter has been discussed and agreed with the Treasurer. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of the Authority following the transition to the PSAA contract in 2018/19.

Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Authority's own agenda. We recognise the value of your co-operation and support.

Yours faithfully,

Deloitte LLP

Ben Sheriff

Audit Director

for and on behalf of Deloitte LLP

St Albans, United Kingdom

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2. Key Messages

Statement of Accounts	
Unqualified opinion issued on 5 March 2020	In 2018/19 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and other relevant legislation. The initial draft financial statements which were published for public inspection and presented for audit did not include all detailed elements expected in accordance with the code which has contributed to significant delays in the issue of our audit opinion. We issued our audit opinion on the financial statements on **5 March 2020**. Our opinion was not qualified. Materiality for the Authority's accounts was set at £1m.

Value for Money ("VfM") conclusion	
Unqualified conclusion issued on 5 March 2020	We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office. This is an evaluation of whether the Authority has in place proper arrangements to ensure properly informed decisions were taken and the Authority deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We issued an unqualified VFM conclusion on **5 March 2020**.

Audit findings	
We identified significant weaknesses in internal control or other findings	International Standards on Auditing (UK) require us to communicate in writing to those charged with governance the significant findings from our audit. There were a number of significant findings that we brought to the attention of the Members of the Authority.

Independence and Objectivity	
Independence and objectivity	An analysis of audit fees for the year ended 31 March 2019 is shown in Section 6 of this letter. This includes our proposed fee variation due to additional costs incurred due to issues arising on the audit. In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit director and audit staff is not impaired.

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3. Responsibilities and Scope

Responsibilities of the Authority and Auditors

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England where they have opted into this programme.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- auditing the Authority's accounts; and
- evaluating whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money ("VFM") conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We conducted our work on the 2018/19 VFM conclusion in line with guidance issued by the National Audit Office in November 2017.

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4. Audit of the Accounts

Statement of Accounts	
Unqualified opinion issued on 5 March 2020	We issued an unqualified opinion on the Authority's 2018/19 accounts on 5 March 2020. Before we give our opinion on the accounts, we are required to report to those charged with governance (here the Members of the Authority) any significant matters arising from the audit. To address this requirement, a detailed report have been issued on 26 July 2019 which was discussed with the Members of the Authority on 31 July 2019. A second detailed report was issued on 21 January 2020. This was then discussed with the members of the Authority on 23 January 2020. This paper is available to view online as part of the Committee pack for that meeting.
Materiality	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, materiality for the Authority's accounts was set at £1m which equated to 2% of actual gross expenditure at the planning stage of the audit. This benchmark was chosen as the Authority is a non-profit organisation and total expenditure is a key measure of financial performance for users of the financial statements. We agreed with the Members of the Authority that we would report to the Committee all uncorrected audit differences in excess of £0.050m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We would also report to the Members of the Authority on any uncorrected disclosure matters identified when assessing the overall presentation of the financial statements. The Authority adjusted the financial statements for the matters identified during the audit, and an unadjusted misstatement of £0.5m was identified relating to the depreciation of PPE on correction of revaluation increase.
Significant Risk	Our audit work was designed to specifically address the following significant audit risks which are presented in further detail below. Significant audit risks are the areas deemed to be those with the greatest potential of being materially incorrect in the financial statements and are therefore areas of greater focus for the audit team. **1) Management override of controls:** 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. We did not identify any significant bias in the key judgements made by management based on work performed. We did not identify any instances of management override of controls in relation to the specific transactions tested based on work performed. We have identified a control deficiency relating to financial statement preparation, and have raised a control recommendation. There are no other findings to report.

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	2) **Revenue and expenditure recognition:** This risk area 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. We concluded satisfactorily in this area and there are no findings to report. **Valuation of property assets:** We have reassessed valuation of property assets as a significant risk, based on issues identified in respect of the opening valuation. We have pinpointed the risk to the arithmetic accuracy of the valuation and the valuation of land. We identified a material prior year error in the valuation of £6.5m. As a result, the statement of accounts have been restated, adjusting the 31 March 2018 position. Following restatement, we have concluded that the net book value of property assets is not materially misstated. The Authority's revised valuation assumptions have been reasonable, in line with other Authorities and fall within the expected range. 3) **Accounting for the Authority's arrangements with Cory:** We identified a significant risk around the accounting of the income received from Cory and the Authority's arrangement. Following review and challenge of the approach to accounting for the £3.5m, we disagreed with the treatment in the draft financial statements. The £3.5m relates to income received from Cory as part of the refinancing arrangement. The financial statements were adjusted to spread the £3.5m received over the remaining period of the contract, with £125k recognised in the year and the remainder deferred. From our review of the contractual arrangements, we also identified a number of omitted disclosures in respect of the Authority's arrangements which have been added to the final financial statements.
Overall opinion	We issued an unqualified opinion on the Authority's 2018/19 accounts on 5 March 2020. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2019 and its income and expenditure for the year then ended.
Annual Governance Statement and Other Information	
No issues were identified in relation to this work	As appointed auditors, we review the Annual Governance Statement ("AGS") and other information presented with the financial statements to check that information is consistent with the financial statements. We do not have any findings to report in relation to this.
Powers and Duties	
We did not receive any questions about the accounts or	Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.

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make any public interest reports	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have not identified any matters that would require us to issue a public interest report.
Whole of Government ("WGA") accounts return	
The Authority is below the audit threshold	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. Under WGA requirements, we are required to submit a return outlining any issues arising from the audit and, as applicable here, confirming that the authority's closing balances fall below the threshold above which further audit procedures on the WGA consolidation pack are required. As required by the guidance, we submitted the return confirming these matters to the National Audit Office on 17 March 2020. This return reported no issues.
Audit Certificate	
We have issued our certificate	We issued our certificate on 5 March 2020. The certificate confirms that we have concluded the audit for 2018/19 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

5. Value for Money

Background and approach

We are required to issue a value for money ("VfM") conclusion within our report on the financial statements. We are required to base our VfM conclusion on criteria specified by the National Audit Office ("NAO") where we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Our assessment is based on the following reporting criterion:

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

The following sub-criteria are then used to inform and guide our work and inform our overall judgement although there is no requirement to separate these nor to report against each sub-criteria:

1) Informed decision making

2) Sustainable resource deployment

3) Working with partners and other third parties.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Authority.

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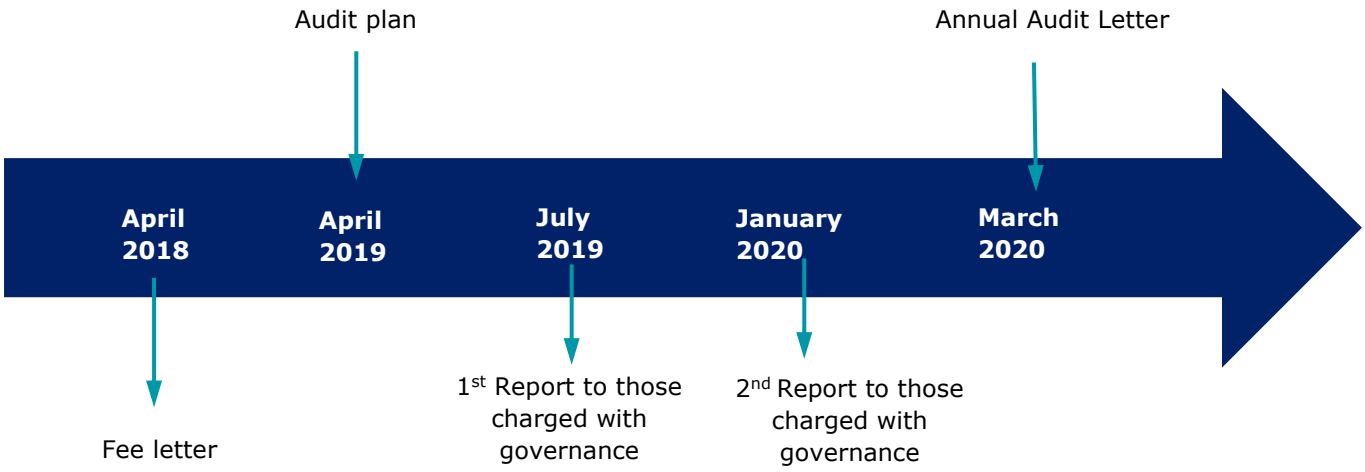
Background and approach
We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office. Whilst we did identify improvement areas required in arrangements, based upon the work performed in our risk assessment, we did not identify any significant areas of risk that required inclusion in our conclusion.
The VFM conclusion
Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2018/19 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2018/19 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2018/19 audit of the Authority; and
- This Annual Audit Letter.



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Analysis of audit fees

Audit fees charged to date are as follows:

	2018/19 £000
Scale fees for the audit of the Authority's annual accounts, VfM conclusion and Whole of Government Accounts return	12.6
Additional fee in relation to issues arising during the audit*	27.0
TOTAL	39.6

*This part of the fee is subject to final agreement with the Authority and Public Sector Audit Appointments Limited

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.

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