



# **East London Waste Authority**

**Auditor's Annual Report  
Year ended 31 March 2021**

**26 May 2022**



**EY**

Building a better  
working world

# Contents

<b>Section</b>	<b>Page</b>
<b>01 - Executive Summary</b>	<b>03</b>
<b>02 - Purpose and responsibilities</b>	<b>06</b>
<b>03 - Financial statements audit</b>	<b>08</b>
<b>04 - Value for Money</b>	<b>12</b>
<b>05 – Other reporting issues</b>	<b>20</b>
<b>Appendix 1 – Fees</b>	<b>23</b>

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

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

# Executive Summary



## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Authority:</b>	
Financial statements	<p>Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.</p> <p>We issued our auditor's report on 18 March 2022.</p>
Going concern	We have concluded that the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We concluded that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
<b>Reports by exception:</b>	
Value for money (VFM)	<p>We had no matters to report by exception on the Authority's VFM arrangements.</p> <p>We have included our VFM commentary in Section 04.</p>
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

# Executive Summary: Key conclusions from our 2020/21 audit

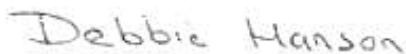
As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 1 March 2022 to the Authority meeting held on 18 March 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet been able to perform the procedures required by the National Audit Office on the Whole of Government Accounts submission. The Data Collection Tool (DCT) is now open and cycle 1 data submission is due by 31 July 2022.

## Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report, we were required to carry out additional audit procedures to address audit risks in a number of areas. As a result, we have proposed an additional fee which will be submitted to PSAA for their determination. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority staff for their assistance during the course of our work.



Debbie Hanson

Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities



# Purpose and responsibilities

---

This report summarises our audit work on the 2020/21 financial statements.

---

## **Purpose**

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

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued in January 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

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

## **Responsibilities of the Authority**

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

Section 3

# Financial Statement Audit



# Financial Statement Audit – East London Waste Authority

---

We have issued an unqualified audit opinion on the Authority 2020/21 financial statements.

---

## Key issues

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

On 18 March 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Authority meeting held on 18 March 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

### Misstatements due to fraud or error - management override of controls

An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

## Conclusion

We did not identify any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Authority's normal course of business.

## Other areas of audit focus

### Pension asset and liability valuation

The Pension Fund asset and liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

## Conclusion

We tested the Authority's pension liability valuation, assessed the work of the actuary and engaged our internal Pension specialist to undertake additional audit procedures in response to the updated ISA540 regarding accounting estimates.

There are no matters to bring to the attention of the Authority.

# Financial Statement Audit – East London Waste Authority (continued)

Other areas of audit focus	Conclusion
<p><b>Valuation of land and buildings</b> Land and buildings is the most significant balance on the Authority's balance sheet.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Our 2019/20 audit identified a £1.6 million overstatement in valuation as a result of incorrect assumptions applied by the Authority's valuer in relation to four assets.</p> <p>A small movement in these assumptions can have a material impact on the financial statements. We made use of our own professionally qualified valuation specialists to support our work in this area.</p>	<p>There were significant increases in the carrying value of land and building reported in the Authority's accounts as at 31 March 2021. These changes arose from the Authority locating additional floor plans and supporting information for the recycling sites at Jenkins Lane and Frog Island which was provided to their valuers to support the 2020/21 valuation.</p> <p>Our consideration of these changes and the supporting information as part of our audit, identified that the floor areas on which the valuations in 2018/19 and 2019/20 were based were incorrect, resulting in the value of the sites being materially understated. We therefore asked management to make material adjustments to the comparative years figures in respect of the carrying value of land and buildings included in the Authority's property, plant and equipment (PPE) balances.</p> <p>As a result of the audit adjustments, at the end of 2018/19, the total net book value of PPE increased by approximately £4.3 million and in 2019/20 increased by £3.8 million. This error also resulted in immaterial changes to the prior and current years comprehensive income and expenditure statement and cashflow statement as the change in underlying valuation also impacts the in year depreciation charge.</p>
<p><b>PFI liability and annual charges</b> The Authority entered into a PFI agreement in 2002, which ends in 2027. The related entries represents significant balances in the accounts, with the liability on the balance sheet as at 31 March 2020 being £48.5 million and the service charges in 2019/20 being £46.3 million.</p> <p>The PFI contract costs are driven by complex accounting models which require key inputs from management based on estimates over a period of 25 years, which are therefore higher risk. The assumptions made at the beginning of the contract may be subject to unknown future change.</p>	<p>We confirmed that the accounting entries and disclosures made within the financial statements are consistent with the underlying PFI model and have no issues to bring to the attention of the Authority.</p>

## Financial Statement Audit – East London Waste Authority (continued)

Other area of audit focus	Conclusion
<p><b>Going concern disclosures</b></p> <p>There is a presumption that the Authority will continue as a going concern for the foreseeable future.</p> <p>However, the Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there was a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.</p>	<p>Management produced a going concern assessment which was supported by cashflow forecasts. We reviewed the cashflow forecasts for reasonableness along with the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Authority, checking for consistency with our knowledge of the Authority and the accounts.</p> <p>We are satisfied that the final disclosure is an accurate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.</p>

# Financial Statement Audit – East London Waste Authority (continued)

## Audit differences

We highlight the following misstatements which have been corrected by management that were identified during the course of our audit.

- Our audit of the Authority accounts has resulted in management making material adjustments in the comparative years in respect of the carrying value of property, plant and equipment (PPE). These changes arose due to the Authority locating additional floor plans and supporting information for the recycling sites at Jenkins Lane and Frog Island. This highlighted that the floor areas on which the valuations in 2018/19 and 2019/20 were based were incorrect, resulting in the value of the sites being materially understated. As a result of these changes, at the end of 2018/19, the total net book value of PPE increased by approximately £4.3 million and in 2019/20 increased by £3.8 million. This error also resulted in immaterial changes to the prior and current years comprehensive income and expenditure statement and cashflow statement as the change in underlying valuation also impacts the in year depreciation charge; and
- Testing of creditor accruals highlighted that the VAT of £1.2 million associated with these accruals had not been accrued for. Management have adjusted both debtors and creditors by this amount. As this amount is fully recoverable from HMRC there was no impact on the income or expenditure of the Authority reported in the Comprehensive Income and Expenditure Statement.

Our audit also identified a limited number of minor disclosure misstatements and presentational issues which management have amended.

There were no unadjusted differences as a result of our work.

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £1.4 million, calculated based on 1.8% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
<b>Reporting threshold</b>	We agreed with Authority that we would report all audit differences in excess of £0.07 million.

Section 4

## Value for Money



# Value for Money (VFM)

---

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Authority meeting on 18 March 2022 which was based on a combination of our cumulative audit knowledge and experience, our review of Authority reports, and evaluation of associated documentation through our regular engagement with management and the finance team

We reported that we had not identified any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

---

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

## Reporting

We completed our planned VFM arrangements work and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

---

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

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Authority has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

*How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*

---

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

---

An Annual Budget and Service Delivery Plan (ABSDP) is prepared by Renewi, which informs the Authority's medium term financial strategy (MTFS). The Integrated Waste Management contract contains specific requirements regarding the preparation of the Annual Budget and Service Delivery Plan. The contractual requirement is for Renewi UK Ltd (the operator) to submit draft budgets for officer review and challenge based on agreed assumptions each autumn.

The preparation of the ABSDP and MTFS is an ongoing process which engages officers, members of the Authority, ELWA Limited (the contractor), Renewi UK Service Ltd (the operator) and the public on a cyclical basis in order to continuously update the medium-term position of the Authority once new information becomes available.

Each year, the Authority considers the key variables impacting the levy including projected tonnages, inflation, insurance costs and any other significant assumptions identified.

How the body plans to bridge its funding gaps and identifies achievable savings  
Budget planning is an ongoing process, usually starting in the Autumn each year, within an agreed detailed timetable which all partners are signed up to.

Required savings are baked into the annual budgets and there are no residual unidentified savings within the 2021/22 or 2022/23 financial plans. This includes overall waste disposal costs as part of the waste prevention programme of the Authority. The key variables identified as part of the budget are risk assessed and performance against each is monitored throughout the year.

Consideration of the value for money that the Authority is required to achieve for the constituent members is fully considered within the budget setting process.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority's policy is to hold a General Fund Balance at £3 million following an annual risk assessment undertaken as part of the MTFs agreement. The S73 officer determines whether the estimates are sufficiently robust to allow the Authority to set the Revenue Budget and Capital Programme. In addition, the Authority holds a minimum of £2 million in a strategy reserve and a further £1 million in a business risk reserve.

---

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

---

Alongside this, the annual Business Plan process involves two-way communication and collaboration with officers, members of the Authority, ELWA Limited (the contractor), Renewi UK Service Ltd (the operator) and the public. This process gives due consideration to the Authority's strategy and both local and national targets.

The next step for the Authority is to look forward to future years and the implementation of the adopted Joint Strategy for East London's Resources and Waste 2027-2057.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Authority's Business Plan is in line with the Joint Plan and is structured in a way to combine and capture all of the strategic plans, with inputs from all relevant partners and stakeholders.

The process is clear and there is an integrated business and financial planning cycle, including both revenue and capital plans, based on a good understanding of the factors that drive high quality financial management and service delivery. Due consideration is given to the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in supporting the needs of residents, businesses and communities and the underlying sustainability focus.

---

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

---

*How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.*

Budget monitoring is completed each month. Any budget variations are highlighted and key variables are monitored closely with the operator. Key performance data is used as the starting point for the following year's budget. Any emerging pressures identified are included in the Business Planning process and regular reports are taken to the Authority meetings.

The Authority holds a number of reserves for in year unplanned events. As part of the business planning cycle these are reviewed taking into account the external environment, internal known challenges and the level of savings needing to be delivered in year.

## **Governance**

*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*

---

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

---

The Managing Director is responsible for preparing the Risk Management Policy and for reviewing the effectiveness of risk management. This drives the Corporate Risk Register which is monitored at each Authority meeting. All significant risks must be managed to, or maintained at, an acceptable level and there are currently no high level risks (after mitigations)

The risk management policy is promoted throughout the Authority and within the constituent member councils, with the Managing Director being responsible for ensuring there are sufficient processes in place to identify, assess and capture risks.

There are specific fraud policies and these are updated annually. It is the responsibility of the Authority, Managing Director and Finance Director to ensure these are implemented and adhered to across the Authority. This is supported by the work of Internal Audit and is reported on at each Authority meeting as part of their work.

The constitution contains the corporate framework which provides the basis of how the Authority conducts its financial affairs. This incorporates appropriate controls and providing those responsible for delivering services with financial responsibility and flexibility. These processes are complemented by a programme of Internal Audit work who use the risk register along with discussions with management to inform their annual work programme. The results of their work is presented to the Authority and used to inform the annual governance statement.

## How the body approaches and carries out its annual budget setting process

The Annual Budget process, including the responsibilities and procedures, is set out within the Constitution.

It is the responsibility of the Finance Director to prepare a detailed proposed budget for revenue and capital expenditure for the forthcoming year. This is undertaken as part of the Integrated Waste Management Services contract in partnership with the operator of the contract.

It is then the responsibility of the Authority to review, scrutinise and approve the budget and annual levies as appropriate.

## How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

---

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

---

Within the Constitution of the Authority there are processes and procedures in place to ensure the body has effective systems to ensure budgetary control; to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements; and to ensure the body is taking corrective action where needed.

The Finance Director is responsible for this and, through our review of Authority meeting minutes and attendance at Authority meetings, we have positive confirmation that this information is being provided, action plans drawn up as necessary and that this includes financial and non financial information as appropriate.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The Authority's constitution includes guidelines on how decisions need to be made and by who, ensuring they are accountable to local people.

There is a forward plan on the agenda of each Authority meeting, which is a list of the Authority's key decisions that will be made over a rolling twelve month period. Key decisions are subject to several layers of scrutiny prior to approval and implementations. Decisions made at Authority meetings are recorded for future reference and this can be evidenced through the published Authority papers and minutes.

---

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

---

*How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).*

The responsibilities and statutory requirements of all officers and members of the Authority are embedded within the constitution. There is a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. An annual complaints report is presented to the Authority. There is a formal process to deal with Freedom of Information requests and Subject Access requests.

We note that there is a standing agenda item at each Authority meeting pertaining to any conflict of interest declarations that need to be made by members or officers. There are fraud and corruption policies in place which are updated annually and include a whistleblowing policy and coverage of money laundering.

These policies are underpinned by the work of Internal Audit, who report annually to the Authority.

## **Improving economy, efficiency and effectiveness**

*How financial and performance information has been used to assess performance to identify areas for improvement.*

---

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

---

As part of the Annual Budget and Service Delivery Plan (ABSDP) approval process the Integrated Waste Management Services contract contains specific requirements regarding the annual plan. This must contain details of how the Contractor will deliver the contract and meet the required targets during the forthcoming twelve months and highlight financial matters affecting the delivery of the IWMS Contract during this period.

The Authority receives reports on key performance areas included within the annual budget and service delivery plan. These outline the current performance against the planned targets and highlight any instances of overspend or underspend and over or under performance.

An annual report is produced by the contractor which helps review prior years performance and areas of focus for the coming year, which is considered as part of the annual service delivery plan.

The Authority's Annual Report and Annual Governance Statement also set out the review of performance for the year.

### How the body evaluates the services it provides to assess performance and identify areas for improvement

The Authority receives reports on performance at each Authority meeting. This includes an analysis of performance against the key financial and non financial targets. This is in line with those identified as part of the annual planning process.

An annual report is produced by the contractor which helps review prior years performance and areas of focus for the coming year which is considered as part of the annual service delivery plan.

This includes performance against national and local targets, including delivering on Government's emerging policies on waste management and future arrangements for waste reduction, reuse, recycling and collection and disposal services with East London, within the agreed budget.

### How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

---

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

---

The Authority's formal governance structure starts with Members appointed by the Constituent Councils. Constituent Council Directors sit on the Authority's Management Board (an advisory officer group) and there are also regular meetings at other levels between the main partners. The ABSDPs and Five-Year Service Delivery Plans (FYSDPs) are developed by Renewi and are tools for the Authority to manage performance. Members receive regular financial and service performance updates at Authority Meetings. The Authority also works to its Constitution that was last updated in February 2022. Furthermore, the Authority has led the development of a Joint Strategy for East London's Resources and Waste to frame the procurement of waste services after the IWMS.

### How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority is party to a PFI-funded Integrated Waste Management Services contract (2002-2027). The Authority recently established a Procurement and Contract Expiry (PACE) programme board of ELWA and Constituent Council Directors and senior officers to deliver post-2027 services. It has employed Local Partnerships to help procure the external specialist advisers it will need, and is building its own internal officer resource. The Authority's preparations have been reviewed by the Infrastructure & Projects Authority and by DEFRA, and found to be positive. Authority officers also engage with external fora in order to be informed about and to influence, where possible, emerging Government policy on waste management. The PACE work and service procurement by the Constituent Councils will be framed by the Joint Strategy as noted above and will draw on the expertise of the Constituent Councils.



Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Governance Statement**

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The Data Collection Tool has now been made available and the cycle 1 submission is due by the Authority by 31 July 2022. We will liaise with the Authority to complete this work.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other Powers and Duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Other Reporting Issues (cont'd)

### **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls. However, we do have the following observations and recommendations as a result of the audit.

### **Property plant and equipment (PPE) valuations**

As reported in section 3 of this report, our audit testing highlighted issues with the valuation of property, plant and equipment (PPE) which resulted in the Authority having to restate prior years balances. Our work highlighted the use of incorrect floor areas in prior years, resulting in the underlying PPE values being materially understated. We have also identified errors in the valuation of PPE in the previous two year's audits.

**Recommendation:** The Authority should review the findings from the current and prior year audits and apply them to future years valuations. We would also encourage additional engagement with their valuation specialists, Wilkes, Head and Eve, regarding the assumptions they have used when undertaking the valuations and critical review and challenge of the outputs before updated valuations are posted in the general ledger and fixed asset register.

### **Related party transactions**

The CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 requires the Authority to disclose transactions with related parties. The provision of this disclosure is based on IAS 24 Related Party Disclosures. To collect this information, the Authority requires senior officers and members of the Authority to submit an annual declaration. For the 2020/21 financial year, one return was not received for a former Authority member. Alternative audit procedures were undertaken to ensure appropriate disclosures were made in the financial statements with no issues noted.

**Recommendation:** The Authority should ensure that members are aware of the requirement to complete the annual declaration and that these are collected in a timely manner.

Appendix A

## Audit Fees



## East London Waste Authority Audit Fees

The scale fee has been re-assessed to take into account a number of risk factors, including procedures performed to address risks and additional work to address increase in Regulatory standards.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
<b>Scale Fee – Code work</b>	14,068	14,068	14,068
Planned recurrent fee variation reflecting the underlying level of additional risk at the Authority (see Note 1)	39,477	31,569	9,362
Risk based fee variations (see note 2)	15,768	TBC	9,240
Changes in scope of work due to the Code of Audit Practice 2020 and updated auditing and accounting standards 2020/21 (see note 3)	9,503	9,500	
<b>Total Fee – Code Work</b>	<b>78,816</b>	<b>TBC</b>	<b>32,670</b>

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

Final Fee 2019/20 – this has now been determined by PSAA at the levels included in the table above.

Final Fee 2020/21 – following the recent determination of the 2019/20 audit fee we have submitted our fee proposals for 2020/21 to PSAA for them to determine. The additional fee has not been agreed with management.

**Note 1** - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work resulting in a proposed additional fee of £39,477 We expect this additional work and resulting fee to recur in subsequent years.

**Note 2** - We have completed our audit and quantified the 2020/21 risk based fee variations and will submit these to PSAA for their determination. The additional fee includes the extensive valuation work undertaken which resulted in the prior year adjustment referred to in this report.

**Note 3** - The impact on audit fees of the new requirements in the Code of Audit Practice 2020 and new or updated auditing and accounting standards for 2020/21 audits is set out in the 'Additional information for 2020/21 audit fees' issued by PSAA in August 2021. The PSAA paper sets out agreed fee ranges for the new requirements. For East London Waste Authority we have assessed the impact of this additional work as £9,503. This amount will recur in 2021/22.

**EY | Assurance | Tax | Transactions | Advisory**

## **Ernst & Young LLP**

© Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)