

The Annual Audit Letter for London Waste and Recycling Board

Year ended 31 March 2019

16 October 2019



Contents



Your key Grant Thornton
team members are:

Iain Murray

Engagement Lead

T: 0207 728 3328

E: iain.g.murray@uk.gt.com

Tina James

Audit Manager

T: 0207 728 3307

E: tina.b.james@uk.gt.com

Section

1. Executive Summary
2. Audit of the Financial Statements
3. Value for Money conclusion

Page

- 3
4
7

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at London Waste and Recycling Board (the Board) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Board and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Board's Audit Committee as those charged with governance in our Audit Findings Report on 23 July 2019.

Our work

Materiality	We determined materiality for the audit of the Board's financial statements to be £547,000, which is 2% of the Board's net assets.
Financial Statements opinion	We gave an unqualified opinion on the Board's financial statements on 30 July 2019.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Board put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Board on 30 July 2019.
Certificate	We certified that we have completed the audit of the financial statements of the Board in accordance with the requirements of the Code of Audit Practice on 30 July 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Board's financial statements (section two)
- assess the Board's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Board's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Board's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Board's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Board's financial statements to be £547,000, which is 2% of the Board's net assets. We used this benchmark as, in our view, users of the Board's financial statements are most interested in where the Board has spent its revenue in the year.

We set a lower threshold of £27,400, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report, annual governance statement to check it is consistent with our understanding of the Board and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Board's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Evaluated the Board’s accounting policy for recognition of income for appropriateness • Gained an understanding of management’s controls over the recognition of income and the system for accounting for the income and evaluate the design of the associated controls; and • Tested material revenue streams 	<p>We have no significant findings in relation to this risk.</p>
<p>Valuation and classification of investments</p> <p>The Board was required to apply IFRS 9 ‘Financial Instruments’ for the first time in 2018-19. This required management to review the classification and valuation basis of financial instruments held, including investments and loans, to ensure they are being accounted for correctly in line with the new standard.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Reviewed the Board’s process for assessing investments against the requirements of IFRS 9 and consider the outcome of this work • Gained an understanding of the Board’s process for valuing investments and evaluated the design of the associated controls • Reviewed the nature and bass of estimated values based on management estimates and judgements, and considered what assurance management has over the year end valuations provided 	<p>We have no significant findings in relation to this risk.</p>
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the normal course of business as a significant risk.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined a criteria for selecting high risk unusual journals • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We have no significant findings in relation to this risk.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Board's financial statements on 30 July 2019.

Preparation of the financial statements

The Board presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Board's Audit Committee on 23 July 2019.

Annual Governance Statement and Narrative Report

We are required to review the Board's Annual Governance Statement and Narrative Report. It published them on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Board and with our knowledge of the Board.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Board's accounts and to raise objections received in relation to the accounts.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of London Waste and Recycling Board in accordance with the requirements of the Code of Audit Practice on 30 July 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Board put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Business plan and strategic context</p> <ul style="list-style-type: none"> 2018/19 is the first year in the Board's new business plan, 2018 – 2020. In May 2018 the Mayor published the first London Environment Strategy. This provides a new context for the work and role that London Waste and recycling Board will play in the future. 	<p>As part of our work we have:</p> <ul style="list-style-type: none"> We have discussed the budget setting and monitoring process with the Head of Finance and Operations and the Governance & Secretariat Officer. We have also reviewed the current LWARB aims and projects in light of the recent London Environment Strategy. 	<ul style="list-style-type: none"> The Strategy includes a significant aim to reduce waste in London through actions such as supporting businesses and education about recycling. This aligns with the aims and projects pursued by the LWARB. The 2018-19 draft accounts have usable reserves of £23m, this has reduced from £26m in 2017-18. Whilst this balance will reduce further early in 2019-20 to invest in a VC, it is still at a reasonable level in the short to medium term. <p>Overall, we believe the risk of identified relating to the business plan and strategic context is mitigated.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	7 February 2019
Audit Findings Report	23 July 2019
Annual Audit Letter	16 October 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	4,167	4,167	5,412
Total fees	4,167	4,167	5,412



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.