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5 February 2020

Dear Bassam

London Waste and Recycling Board – Financial Statements for the year ended 31 March 2020

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of those charged with governance to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document those charged with governance's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the schedule set out in **Appendix 1**. In completing this task, you may wish to take into account the views of other Committee members where you think appropriate. The schedule relates to operational issues as well as the financial statements.

I would be grateful for your response by Thursday 14 February 2020.

Please contact me if you wish to discuss anything in relation to this request, either by telephone 020 7728 3307 or by e-mail tina.b.james@uk.gt.com

Yours sincerely

Tina James
Audit Manager
For Grant Thornton UK LLP

Appendix 1: Responses from Committee

Auditor question	Response
Fraud risk assessment	
Has the LWARB assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the LWARB have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Committee?	
How does the LWARB communicate and encourage ethical behaviour of its staff and contractors?	
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within	

the LWARB as a whole or within specific departments since 1 April 2019?	
Laws and regulations	
What arrangements does the LWARB have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Committee provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2019?	
What arrangements does the LWARB have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	
Going Concern	
How has the Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	

Tina James
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Contact: Eddie Confoy
 Direct Line: 07732 681825
 Email: Eddie.confoy@lwarb.gov.uk
 Our Reference:
 Your Reference:
 Date: 5 March 2020

Dear Ms James

London Waste and Recycling Board – Financial Statements for the year ended 31st March 2020

I am responding to your letter of 5 February requesting information on processes in place to prevent and detect fraud and to ensure compliance with law and regulation.

As a general comment, LWARB is a small organisation with a relatively low number of staff. Members of the Audit Committee are therefore in closer contact with the Officer team than in many other public bodies, and are able to discuss risk management matters pertaining to both business and financial risks which may impact on the Financial Statements on a regular basis. This is done at Audit Committee and Board meetings as well as through informal channels.

Given the reliance on key individual members of LWARB’s small staff team, LWARB has outsourced its internal audit function to Ankura Consulting. Ankura undertake an annual audit of LWARB’s financial systems to ensure that appropriate levels of financial control are in place and operating effectively. At the time of writing, the 2019/20 internal audits have not been completed. The 2018/19 internal audits were carried out by Ankura’s subcontractor, TIAA Ltd, who provided the following opinions on the effectiveness of risk management and financial and associated controls:

Audited Area (2018/19)	Assessment
Assurance Review of Key Financial Controls	Reasonable Assurance
ICT Review of IT Security	Reasonable Assurance
Compliance Review of Scheme of Delegation	Reasonable Assurance
Risk Management – Mitigating Ethical and Reputational Risk	Reasonable Assurance

You will have received copies of the relevant reports, which are also available on LWARB’s website.

Both the Audit Committee and the Board also take a hands-on approach to management of LWARB’s risk register, which is the key document which captures risks, and through which risk management policy is formulated. The risk register is reviewed at every Audit Committee meeting, and regularly by the Board, and whenever new, high level risks are identified.

The Audit Committee keeps under review all the Board’s governance procedures, including the Scheme of Delegated Authority for approval of expenditure.

For answers to your specific questions, please see the attached appendix.

This response was reviewed by the Audit Committee at its meeting on 5 March 2020.

Signed on behalf of London Waste and Recycling Board.

Name: Bassam Mahfouz

Position: Audit Committee Chairman

Date: 5 March 2020

Name: Wayne Hubbard

Position: Chief Executive Officer

Date: 5 March 2020

Name: Eddie Confoy

Position: Head of Finance

Date: 5 March 2020

Auditor question	Response
Fraud risk assessment	
Has the LWARB assessed the risk of material misstatement in the financial statements due to fraud?	Yes. This role is delegated to the Audit Committee, who place reliance on the Head of Finance, internal and external audit.
What are the results of this process?	Internal and external auditors report on an annual basis directly to the Audit Committee, who would approve any restatement of the accounts necessary.
What processes does the LWARB have in place to identify and respond to risks of fraud?	All of the LWARB's key financial processes include a separation of duties between at least two officers. The Board relies on the Head of Finance to report on any fraud risks identified. In addition, an internal audit of key financial processes is carried out each year.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No
Are internal controls, including segregation of duties, in place and operating effectively?	Yes
If not, where are the risk areas and what mitigating actions have been taken?	n/a
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	Certain officers have the authority to override controls within LWARB's finance system. However, internal and external auditors are aware of these access requirements and review as appropriate.
Are there any areas where there is a potential for misreporting?	As above, certain officers have the authority to override controls within LWARB's finance system. However, internal and external auditors are aware of these access requirements and review as appropriate.
How does the Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	The Board relies on senior management to ensure that processes are followed correctly and auditors to identify any deficiencies in those processes and test their application.
What arrangements are in place to report fraud issues and risks to the Committee?	The Board relies on the Head of Finance to report any fraud issues to the Audit Committee.

How does the LWARB communicate and encourage ethical behaviour of its staff and contractors?	The Board relies on the Senior Management Team to communicate and encourage ethical behaviour of its staff and contractors, including through policies and guidelines included in the Employee Handbook and elsewhere in the Operations Manual.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Board relies on the Senior Management Team. No concerns have been raised in the year
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Related party relationships are stated in the annual accounts. No concerns regarding fraud in relation to these have been identified.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the LWARB as a whole or within specific departments since 1 April 2019?	No.
Laws and regulations	
What arrangements does the LWARB have in place to prevent and detect non-compliance with laws and regulations?	As above. LWARB ensures compliance with the laws and regulations under which it operates, as follows: Employment – LWARB is advised by Addleshaw Goddard LLP, and LWARB is advised of any legislation updates which need to be implemented. Payroll – LWARB has a rolling support contract with its payroll software provider, Kashflow, to update the software to reflect any relevant legislative/regulatory changes. Finance – LWARB follows the provisions of IFRS and CIPFA's Code of Practice on Local Authority Accounting for financial reporting purposes, reviewing updates to both on an annual basis at the point of reporting. LWARB is advised on Corporation Tax policy by Deloitte LLP, and follows published HMRC guidance. Contract law and procurement – LWARB is advised by Addleshaw Goddard LLP on contracts and procurements as and when required.
How does management gain assurance that all relevant laws and regulations have been complied with?	Senior Management Team is relied on to ensure that any issues regarding compliance with legal and/or financial regulations are referred to the Board's appointed advisors, as required.
How is the Committee provided with assurance that all relevant laws and regulations have been complied with?	The Board relies on the Senior Management Team to report any potential breaches of laws or regulations.

Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2019?	No
What arrangements does the LWARB have in place to identify, evaluate and account for litigation or claims?	Any litigation claims will be referred to the Board's legal advisors, Addleshaw Goddard, for review.
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No
Going Concern	
How has the Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	Yes. Recently approved 5 year plan.