



St. Helens Council

Internal Audit Report 2016/17

Merseyside Recycling and Waste Authority Corporate Governance

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St. Helens Council

Merseyside Recycling and Waste Authority

Corporate Governance

1.1 Introduction

Merseyside Recycling and Waste Authority (MRWA) have entered into a Service Level Agreement (SLA) for St Helens Council to provide its annual Internal Audit coverage for the period 1st April 2015 to 31st March 2017.

The agreed audit plan includes a review of the Authority's corporate governance arrangements to provide an assessment of the adequacy of the control environment established, to ensure that objectives are achieved and risks are adequately managed.

1.2 Scope

The review considered:

- The Governance Framework;
- Ethics and Values;
- Risk Management;
- The Annual Governance Statement.

Service planning and performance monitoring were not included in the scope of this review, as these areas have been covered in the Performance Management Framework audit review completed in 2015/16.

1.3 Background

Context

Corporate Governance is defined within the CIPFA/SOLACE framework document as

“the systems and processes, and cultures and values, by which local government bodies are directed and controlled through which they account to, engage with and, where appropriate, lead their communities.”

Merseyside Waste and Recycling Authority (MRWA) have developed a Code of Corporate Governance, which outlines the six core principles of good governance. These principles include creating a vision for the local area, working together to achieve common purpose, promoting values, informed and transparent decision making, developing capacity and capability of Members and engaging with local people and other stakeholders to ensure local public accountability.

1.4 Audit Opinion

Internal Audit contribute to the overall governance of the Council by providing an opinion on how effectively risks are being managed and the adequacy and effectiveness of internal control in relation to the areas under review.

Our opinion is based on the work performed as described in the above scope, which was agreed with management prior to the commencement of the review.

Our overall opinion, following this review is as follows:

High Assurance All expected controls are in place and being applied consistently and effectively and there is a sound system of control designed to ensure the achievement of the service or system's business objectives.

1.5 Key Issues

There are no key issues arising from this review.

1.6 Agreed Action

Actions to address the recommendations made in this report are included in the attached Action Plan, which has been agreed with the relevant Managers.

Merseyside Recycling and Waste Authority

Corporate Governance

To gain assurance that the following control objectives are being achieved within an appropriate framework of control:

1. A sound governance framework is in place for oversight and accountability.
2. Ethics and Values are appropriately promoted within the organisation.
3. Risk management arrangements are robust and subject to ongoing review.
4. The Annual Governance Statement is supported by appropriate and adequate evidence and is subject to formal approval.

Findings & Conclusions 3

Findings**3.1 Control Objective: A sound governance framework is in place for oversight and accountability.**

We established that all expected controls under review were in place and working effectively.

The Constitution of MRWA sets out how the Authority operates and how decisions are made. Contained within the Constitution is a Scheme of Delegation and the Member/Officer Protocol, which outline the roles and responsibilities of Officers and Members, along with the delegated limits for decision making.

Meetings of the Authority are held on a regular basis, and comprehensive minutes are taken, approved at subsequent meetings and are published online, which demonstrates open and transparent decision-making. Committees of the Authority have approved terms of reference in place, however, meetings are only held when required and no meetings have been held since 2006.

Policies and procedures are recorded and held on the Authority's document library, which is available to all staff. This central record records the last review date and the date when the next review is required, which enables management to monitor and ensure that policies and procedures are up to date. Testing confirmed that 99% of these documents have been reviewed on a timely basis.

No recommendations have been made.

3.2 Control Objective: Ethics and values are appropriately promoted within the organisation.

We established that all expected controls under review were in place and working effectively.

The Code of Corporate Governance states that the Authority will:

“Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners”

Review of corporate policies and procedures found that shared ethics and values are reflected in both the Officer and the Member Code of Conduct, and in the Officer / Member Protocol. The Authority's website provides accessible information to the public and to other shareholders, which reflects these values.

In addition, a declaration of interest register is maintained for Senior Officers and Members of the Authority, which are signed annually. Staff sign the DA1 Form when they have received any hospitality, in line with the Employee Code of Conduct.

No recommendations have been made.

3.3 **Control Objective: Risk management arrangements are robust and subject to ongoing review.**

We established that all expected controls under review were in place and working effectively.

Review of appropriate documentation found that a Risk Management Strategy is in place which has been appropriately approved within a reasonable timescale. Corporate and Project Risk Registers are in place and contain all information as expected, for example, risks, implications, likelihood, impact and mitigating factors.

Minutes of the Authority Meetings clearly demonstrate that risk is considered in every decision, which is made, by being included in the reports, which are provided to Members. These reports and the subsequent minutes clearly demonstrate an effective and open mechanism to support decisions which have been made.

Comments and complaints are dealt with centrally and response times and information provided to the complainant is appropriate and effective.

No recommendations have been made.

3.4 **Control Objective: The Annual Governance Statement is supported by appropriate and adequate evidence and is subject to formal approval.**

We established that six out of seven expected controls under review were in place and working effectively.

However, weakness in the design or operation of one control was identified, and a recommendation has been made to enhance the control environment in this area, as detailed below:

CIPFA/SOLACE Delivering Good Governance 2016

At the time of review, an updated version of the *CIPFA/SOLACE Delivering Good Governance* had been published, which comes into effect for the 16/17 Annual Governance Statement.

The Assistant Director of Performance and Governance was unaware of the changes and has therefore not given consideration to the impending changes. The updated guidance includes changes to the core principles of good governance which will need to be considered during the annual review process early in 2017.

The Code of Corporate Governance and the self-assessment process will need to be reviewed to ensure that arrangements are in accordance with the principles of good governance.

Recommendation

The Code of Corporate Governance should be reviewed and updated to reflect changes made in the CIPFA/SOLACE Delivering Good Governance 2016 document.

Conclusions

Internal Audit contribute to the overall governance of the Council by providing an opinion on how effectively risks are being managed and the adequacy and effectiveness of internal control in relations to the areas under review. Our opinion is based on the findings of the work performed as described above.

Our overall opinion, following this review is as follows;

High Assurance	✓	All expected controls are in place and being applied consistently and effectively and there is a sound system of control designed to ensure the achievement of the service or system's business objectives.
Substantial Assurance		The majority of expected controls are in place but there is some inconsistency in their application. Whilst there is basically a sound system of controls, there may be weaknesses in the design and/or operation of these and recommendations have been made to enhance the control environment further.
Limited Assurance		A number of expected controls do not exist or are not applied consistently or effectively. There are weaknesses in the design or operation of controls that could impact upon achievement of the service or system's business objectives and these may have resulted in the emergence of key issues.
Minimal Assurance		A significant number of expected controls are not in place or there are significant weaknesses in the control system that may put the service or system's business objectives at risk. A number of recommendations have been made and / or key issues identified.

REC NO.	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION AND PROPOSED DATE OF IMPLEMENTATION	ACTUAL DATE OF IMPLEMENTATION
1	The Code of Corporate Governance should be reviewed and updated to reflect changes made in the CIPFA/SOLACE Delivering Good Governance 2016 document.	Corporate Services Manager	CIPFA/SOLACE updated guidance to be applied as required to the annual assessment for 2016/17 and onwards. April 2017	