



St. Helens Council

Audit Report 2008/09

Merseyside Waste Disposal Authority

Review of Governance Arrangements 2008-09

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St. Helens Council

EXECUTIVE SUMMARY

Merseyside Waste Disposal Authority

Review of Governance Arrangements 2008-09

Scope

To review the Authority's governance arrangements in particular the:-

- (i) Robustness and accuracy of the Performance Management System;
- (ii) Production of the Annual Governance Statement;
- (iii) Capacity to review strategic issues in relation to the waste strategy.

Background

A key element of sound governance is the ability to monitor and manage performance and the Merseyside Waste Disposal Authority (MWDA) utilises twenty two performance indicators, both local and national. These are maintained within a Performance Management System maintained on a regular basis from which monthly and quarterly performance reports are produced and reviewed.

The Authority is required to produce an Annual Governance Statement and this is compiled in accordance with CIPFA/SOLACE good governance guidance and best practice. These principles focus on those systems and processes necessary for the direction and control of the organisation and its activities through which it accounts to its stakeholders.

The preparation of the Annual Governance Statement is necessary to meet the statutory requirements of Regulation 4 (2) (3) of the accounts and Audit Regulations 2003 (amended 2006) and reports upon the system of internal control, risk and governance and identifies areas for improvement where necessary.

The Authority has annual budgetary provision utilised for consideration and evaluation of strategic issues in relation to the Authority's waste strategy. In 2009-10 this equates to approximately £330,000.

Audit Opinion

In our opinion appropriate controls are in place and operating effectively in relation to the areas reviewed. Key to good governance is the reporting of performance to the appropriate level and we have made some recommendations to improve this aspect.

Key Issues

The Annual Governance Statement provides the interface to Members and stakeholders of the Authority. We consider therefore that agreed improvements to the control, risk and governance environment, detailed in the supporting annual self assessment, should be reported to the Management Board, in accordance with their responsibilities, in order that progress toward implementation can be monitored.

With regard to performance monitoring we consider that the Management Board should receive and consider the Quarterly Performance Reports which detail the level of achievement against agreed Authority performance targets.

In relation to the Waste Strategy Budget we consider that the reporting of progress and measurable outcomes is required to both the Senior Management Team and the Management Board.

Agreed Action

The recommendations arising from the review have been discussed with the Director and Corporate Services Manager and the agreed action plan is attached to this report.

INTERNAL AUDIT REPORT

Review of Governance Arrangements 2008-09

1.0 Objective

The following control objectives were identified to ensure that:-

1. Performance Management information is produced and reported on a timely, accurate and complete basis.
2. There is a robust mechanism for the production and approval of the Annual Governance Statement and that the Statement is based on CIPFA/SOLACE principles and guidelines.
3. There is suitable capacity to review strategic issues in relation to the Authority's waste strategy.

2.0 Conclusions & Recommendations

2.1 Control Objective – Performance Management information is produced and reported on a timely, accurate and complete basis.

- 2.1.1 This control objective is being met but some improvements are recommended.
- 2.1.2 Discussion with the Corporate Service Manager confirmed that her team are responsible for the collection, recording and completion of the various performance indicators. There are twenty two performance indicators, including three national performance indicators, reported within the following categories;
- Corporate Services;
 - Strategy;
 - Contracts;
 - Sites and Planning.
- 2.1.3 Testing confirmed that at the end of each month the Corporate Services Officer, as the responsible officer, obtains all relevant information / data in order to calculate the performance indicators via e-mails or direct access to relevant MWDA databases. As part of our review we selected five performance indicators, one of which was a national performance indicator and confirmed that the information was being received on a monthly basis, was complete, collated on a timely basis and that the indicators had been calculated accurately.
- 2.1.4 We noted that the Corporate Services Officer, on a monthly basis, produces a Monthly Management Report detailing the indicators and performance compared to annual target. We considered an eight month period and confirmed that the Monthly Management Report regular updated and noted publication on the Authority's intranet.
- 2.1.5 In addition, the Authority also produces a Quarterly Performance Report. Prior to publication quality control arrangements are evident to ensure that relevant officers are satisfied as to its accuracy. This can however lead to a time lag in publishing.

- 2.1.6 We confirmed that the first two quarters had been published at the time of our review and that the third quarter on target for publication.
- 2.1.7 We sought confirmation that senior management review and take the necessary remedial action where necessary and noted that the Senior Management Group reviews the Monthly Management Report.
- 2.1.8 Members of the Management Board are informed via e mail as to the publication of the Quarterly Performance Report on the Authority's website. The performance report is not scheduled as an item for the Board in year which, in our opinion, would strengthen governance arrangements regarding performance and enhance accountability.

Recommendation

1. That the Quarterly Performance Management Report is tabled to Management Board for consideration.

2.2 Control Objective – There is suitable capacity to review strategic issues in relation to the Authority's waste strategy

- 2.2.1 Testing confirmed that improvements could be made to ensure full compliance with this control objective.
- 2.2.2 In order to develop capacity the Authority has resourced a Waste Strategy Section comprising of six staff.
- 2.2.3 The Waste Strategy Manager is responsible for an annual budget of approximately £322,000 (2009-10) approved by the Management Board alongside other revenue budgets in the annual budget cycle. The Management Board approved this financial resource to deliver the Waste Strategy team service delivery plan. In the period 2009-2010 of the £322,000 budget £195,500 has been allocated for the review of the Joint Municipal Waste Management Strategy (JMWMS) which MWDA has a statutory duty to produce on behalf of the Partnership.
- 2.2.4 In addition, the Waste Strategy Manager formulates an annual workplan for the Senior Officer Working Group (SOWG), formulated from existing policies and plans and contributed to by all partners, in order to ensure that the Authority and its partners meet their specified objectives in the JMWMS. Progress on the Plan is provided to the Senior Management Team and SOWG on a quarterly basis.
- 2.2.5 The waste strategy budget has 8 cost centres for 2009-10 and 7 key projects identified in the Service Delivery plan one of which is the JMWMS others are aimed at developing policy / strategy or amending existing arrangements. These projects have been commissioned following member approval and adoption e.g. of the JMWMS, sustainability strategy and education and awareness strategy. There is inevitable integration with the annual workplan of the SOWG as noted above. Identified projects / reviews are allocated a specific budget determined by the Waste Strategy Manager.

- 2.2.6 At present, the determination of the annual projects to the Waste Strategy Budget, whilst inextricably linked to a range of developments, is not subject to formal input or subsequent ratification by Director / Assistant Directors in terms of content, assigned budget values and expected measurable outcomes.
- 2.2.7 Whilst the Waste Strategy Manager has confirmed to us that the progress in year is monitored via the Waste Strategy Service Plan we are of the view that accountability would be increased by bi annual reporting to the Senior Management Team and Management Board of progress on each project together with expenditure to date / outturn and clear measurable outcomes given the value of budgetary assigned.
- 2.2.8 Where the reviews required external expertise we considered a sample of two projects and we confirmed that a tender specification had been produced and issued to all interested parties and a subsequent tender evaluation by way of suitable scoring mechanism had taken place. We confirmed that the reasoning behind the selection of the successful contractor was valid and that a contract had been signed prior to the start of the contract.
- 2.2.9 During the review, we noted that projects were not operating to timescale and that some projects were being postponed to the next financial year as a result of budget resources being redirected to the review of the Joint Merseyside Waste Management System. Where revisions take place, especially in year, these should be subject to further strategic financial discussions by Senior Management Team.

Recommendation

2. That the Authority should incorporate budget management procedures for reporting and actions at a strategic level to be agreed by the senior Management Team.
3. Measurable outcomes are identified in relation to nominated projects
4. The Waste Strategy Budget to be subject to bi annual reporting to the Senior Management Team and Management Board to include expenditure to date / outturn and clear measurable outcomes per project.
5. Revision to agreed projects and associated budgets should only be amended once approval has been sought/granted from the Senior Management Team / Management Board and in accordance with Authority's procedural rules.

2.3 Control Objective - There is a robust mechanism for the production and approval of the Annual Governance Statement and that the Statement is based on the CIPFA/SOLACE principles and guidelines.

- 2.3.1 Testing confirmed that this control objective was in the main complied with. We have made some recommendations to improve monitoring of agreed improvements arising from the self assessment of the control, risk and governance environment.
- 2.3.2 The Authority instigated a Primary Assurance Group (PAG) with the purpose of gathering and evaluating the necessary assurances as to the operation and robustness of the control, risk and governance environment. This information is a key driver to the production of the Authority's Annual Governance Statement and is facilitated by the completion of a self assessment template based on the expected

assurances as defined by CIPFA/SOLACE in the “Delivering Good Governance” publication thereby complying with best practice. The Group consists of the:

- Clerk to the Authority (Corporate Services Manager);
- Treasurer;
- Monitoring Officer (Assistant Director of Strategy & Resources).

- 2.3.3 Discussions with the Corporate Services Manager confirmed that the Group meets annually to review the previous years action plan, produce the Annual Governance Statement and produce the Action Plan, where necessary, to drive identified improvements for the forthcoming year. At present, the meetings focus on the completion of the self assessment, using the template to record evidence and identify improvements, however, these meetings are not subject to a formal agenda and recording of issues discussed / action required.
- 2.3.4 Following the meeting of this Group, and subsequent confirmation by all parties as to agreed amendments, the draft Annual Governance Statement, Action Plan and other supporting documentation is forwarded by the Corporate Services Manager to members of the Senior Management Team (SMT) for their consideration. Currently, the Statement and supporting documentation is not tabled as a formal item to SMT that would in our opinion evidence proper consideration and evidence of approval.
- 2.3.5 The Director of the Authority, on an annual basis, certifies a statement of self assessment as the officer with overall responsibility for maintaining a sound system of internal control, risk and governance and the statement confirms that he has reviewed the draft Annual Governance Statement in producing this statement.
- 2.3.6 We confirmed that the Annual Governance Statement together with the Self Assessment and identified areas for improvement for 2007/08 was approved at the Management Board Meeting in July 2008 and we noted a signed copy by the relevant parties. It has been agreed that the 2008/09 Annual Governance Statement will be tabled at the Management Board in July 2009 for review and update.
- 2.3.7 We undertook a sample check of evidence detailed in the self assessment document for 2007-08 to confirm their existence / accuracy. This involved a review of relevant documents and discussion with appropriate officers.
- 2.3.8 Apart from minor issues all source documents and processes were available / in situ.
- 2.3.9 The self-assessment process identified areas for improvement and actions to address these areas were documented detailing the lead officer responsible and the agreed date for implementation. The PAG meets annually and whilst actions arising from the annual review of the control risk and governance environment are transferred and monitored on a six weekly basis by the Senior Officer Working Group, via the Authority’s Performance Management System, it is our view that progress toward implementation of actions should be reported to the Board biannually at mid year and outturn.

2.3.10 On a sample basis we confirmed that actions highlighted on the Action Plan were being completed within the agreed time scales.

Recommendations

- 6 That the PAG meet at least bi annually to monitor progress toward agreed actions.
- 7 A report is tabled to Management Board mid year and at outturn detailing progress toward implementation of agreed actions arising from the Annual Governance Statement.
- 8 Agenda and minutes of PAG meetings to be prepared and retained.
- 9 The Annual Governance Statement and supporting documentation to be tabled and approved by SMT.
- 10 Director to sign off Corporate Governance Assessment and Statement.

3.0 Action Plan

Merseyside Waste Disposal Authority

Rec. No.	Recommendation	Responsible Officer	Agreed Action and Date of Implementation	Actual Date of Implementation
1	That the Quarterly Performance Management Report is tabled to Management Board for consideration.	Corporate Services Manager	October 2009	
2	That the Authority should incorporate budget management procedures for reporting and actions at a strategic level to be agreed by Senior Management Team.	Treasurer	October 2009	
3	Measurable outcomes are identified in relation to nominated projects.	Assistant Director of Strategy & Resources	October 2009	
4	The Waste Strategy Budget to be subject to bi annual reporting to the Senior Management Team and Management Board to include expenditure to date / outturn and clear measurable outcomes per project.	Waste Strategy Manager	October 2009	
5	Revision to agreed projects and associated budgets should only be amended once approval has been sought/granted from the Senior Management Team / Management Board and in accordance with Authority's procedural rules.	Assistant Director of Strategy & Resources	October 2009	
6	That the PAG meet at least bi annually to monitor progress toward agreed actions.	Corporate Services Manager	October 2009	
7	A report is tabled to Management Board mid year and at outturn detailing progress toward implementation of agreed actions arising from the Annual Governance Statement.	PAG	December 2009	
8	Agenda and minutes of PAG meetings to be prepared and retained.	Corporate Services Manager	March 2010	
9	The Annual Governance Statement and supporting documentation to be tabled and approved by SMT.	Corporate Services Manager	April 2010	

Rec. No.	Recommendation	Responsible Officer	Agreed Action and Date of Implementation	Actual Date of Implementation
10	Director to sign off Corporate Governance and Assessment and Statement.	Corporate Services Manager	April 2010	