

Merseyside Recycling and Waste Authority

25th April 2014

Internal Audit Plan 2014/15

1.0 **Objective**

1.1 To seek Authority approval to the proposed Internal Audit Plan 2014/15.

2.0 **Background**

2.1 The responsibility to maintain an adequate and effective system of internal audit of the Authority's system of internal control, in accordance with proper internal audit practices, rests with the Director of Finance of MRWA under Section 73 of the Local Government Act 1985 and the requirements of the Accounts and Audit Regulations 2011.

2.2 Internal Audit is provided via an annual Service Level Agreement (SLA) and in broad terms will require the MRWA to:-

- Approve the Internal Audit Plan;
- Consider Internal Audit's Annual Opinion;
- Review its control, risk and governance environment annually in preparing its Annual Governance Statement.

2.3 In addition, officers of MRWA to:-

- Consider and agree internal audit reports prior to publication;
- Present published audit reports to the MRWA and take appropriate action to ensure agreed actions arising are implemented;
- Notify Internal Audit promptly of any material change in the risks facing the MRWA;
- Agree variations to the audit plan during its currency to allow internal audit to respond to changing risks.

2.4 Internal Audit will support the MRWA and its staff in the delivery of their objectives and help ensure that resources are safeguarded from fraud, bribery and corruption. It will meet its responsibilities by:-

- Providing an independent opinion on the effectiveness of the MRWA's financial, operational, risk management, governance and control framework;
- Conducting risk based reviews of internal systems within the MRWA, reporting to Managers on their effectiveness and make recommendations for improvement where appropriate;
- Advising on the adequacy and effectiveness of controls in new and developing systems where requested;

- Advising on the prevention and detection of fraud and investigate suspected fraud or irregularity where requested.
- 2.5 Our internal audit plan will be informed by professional standards necessary to ensure an effective internal audit service.
- 2.6 These requirements are specified within:
- Public Sector Internal Audit Standards (PSIA's) April 2013, and
 - CIPFA guidance detailing proper practice and arrangements in order to inform the Annual Governance Statement (AGS) - Delivering Good Governance Framework 2012.
- 2.7 The audit planning process was informed by discussion of audit needs based on assessment of risk in conjunction with the Director of Finance who had also taken advice from MRWA's Executive Management Team. Risk factors included budgetary information and inherent corporate and reputational risk factors.
- 2.8 Coverage will support the Chief Executive in preparing his annual opinion and report to the Authority as to the effectiveness of its control, risk and governance environment and the Authority's Annual Governance Statement.
- 3.0 Proposed Audit Plan 2014/15
- 3.1 An outline of our proposed work is detailed below and, in accordance with our proposed SLA, we will provide 50 audit days.
- 3.2 A key objective of Internal Audit's work is to provide MRWA management with independent assurance as to the effectiveness of the control, risk and governance environment within their respective areas of responsibility.
- 3.3 The plan provides a balanced approach to the review of the control risk and governance environment and includes reviews of :-
- **Contracts - Waste Contracts**
A review of the effectiveness of the control environment for the main contracts including testing of transactions and payments for the Veolia Contract, Landfill Contract and the Interim Waste Contract.
 - **Interim Greater Manchester Contract**
A review of the contract arrangements in place for the disposal of waste by Greater Manchester Waste Authority.
 - **Interim Framework Contract**
A review of the contract arrangements in place between MRWA and FCC Waste Service (UK) Ltd for the disposal of waste.
 - **Community Fund**
To review the process in place for the allocation, awarding and monitoring of the community grants.

- **Environmental Management System**

To review the process in place for the monitoring and controlling of the Environmental Management system.

- **Site Management**

To review the security / safety arrangements in place for monitoring closed landfill sites.

- **Information Communication Technology (ICT)**

A strategy review to assess the arrangements for ICT and data security

3.4 The review of Information Communication Technology controls was deferred from our 2013/14 work, and will be undertaken in the first half of the financial year. Should any of our planned reviews require additional testing or audit coverage, which would affect the current Service Level Agreement of 50 days, this will be discussed with the Director of Finance at the earliest opportunity and agreement sought on resources.

4.0 Reporting Arrangements

4.1 Internal Audit will, on the completion of audit work, provide draft reports to the Director of Finance for consideration and review as part of a drafting process prior to publication.

4.2 On publication, reports will be forwarded to the Clerk to the Authority for inclusion within the Authority's scheduled meetings.

4.3 Internal Audit will attend and present the report responding to any questions Members may have.

END

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