



St. Helens Council

Internal Audit Report 2013/14

Merseyside Recycling and Waste Authority Corporate Governance

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St. Helens Council

Merseyside Recycling & Waste Authority

Corporate Governance

1.1 Introduction

An audit review of the management arrangements for Corporate Governance was undertaken as part of the 2013/14 Internal Audit Plan. The objective of the Audit was to provide an assessment of the adequacy of the control environment established, to ensure that the objectives are achieved and risks are adequately managed.

1.2 Scope

The review considered the arrangements in place for:-

- Corporate and Service level planning;
- Risk Management;
- Performance Management;
- Corporate Governance Self Assessment; and
- Policy and Procedure review.

1.3 Background

Context

The Recycling and Waste Authority is required to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE (Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives) Framework for Delivering Good Governance.

The scope of this Audit, as indicated above, has been determined with a view to assessing how successful the Authority has been in achieving the standards required for effective corporate governance.

1.4 Audit Opinion

Internal Audit contribute to the overall governance of the Authority 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;

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.

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 & Waste Authority

Corporate Governance

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

1. Robust strategic and service planning arrangements are in place to support achievement of the Authority's aims and objectives.
2. Risk Management arrangements are robust and subject to ongoing review.
3. Financial and performance management information is produced and reported on a timely, accurate and complete basis.
4. The Annual Governance Statement is supported by appropriate and adequate evidence and subject to formal approval.
5. There is an effective mechanism in place to support the programmed review and approval of significant Policies and Procedures within an appropriate timeframe.

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Findings

3.1 Control Objective: Robust strategic and service planning arrangements are in place to support achievement of the Authority's aims and objectives.

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

However, weaknesses in the design or operation of two controls were identified, and recommendations have been made to enhance the control environment in these areas, as detailed below:

3.1.1 Service Plan Outturn

Service Plans have been produced for each of the four divisions (Corporate Services, Contracts, Strategy and Waste Facilities) and subject to approval by the Authority at the start of the financial year. In terms of reporting service plan outturn to the Authority, there is a requirement for plan authors to populate a Section titled '*Looking Back – Outcome from the Previous Year*'.

We confirmed that each of the four divisional service plans contained a section reporting on the outcomes from the previous year. However, in some cases, the narrative did not account for all of the projects that had been approved in the previous year's plan. Whilst the items did not all actually remain outstanding, nor did they on this occasion represent items of significant or strategic bearing, the format of this Section of the plans does not provide the reader with the ability to easily confirm that all of the approved projects have been reported upon and whether they have been successfully completed or remain outstanding.

Recommendation *The format of the service plans be refined to enhance the reporting of outcomes from the previous year's approved projects. The format should provide, for each project, a position statement to reflect completion or outstanding action.*

3.1.2 Staff Development Interviews

An integral part of the Performance Management Framework is the Staff Development Scheme. The Scheme requires Staff Development Interviews to be held with all members of staff, on a one-to-one basis with their line manager, twice per annum. The first interview should be scheduled in April, following approval of the Annual Service Plans, and the second interview in around October. The interviews provide the facility to discuss and agree individual objectives, examine progress against objectives and establish any training and development requirements. The Assistant Corporate Services Manager monitors the process.

We examined the documentation in support of the staff development interviews and established that they had not been undertaken for a number of staff, most notably the October interviews.

The failure to undertake the staff development interviews compromises the effectiveness of the Staff Development Scheme and therefore weakens the Performance Management Framework.

Recommendations *Staff Development Interviews should be undertaken twice per annum, as expected.*

The monitoring role should be improved in order that compliance with the expected interview frequency be monitored and failure to undertake interviews be reported to senior management and non-compliance addressed.

3.2 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.

No recommendations have been made.

3.3 Control Objective: Financial and performance management information is produced and reported on a timely, accurate and complete basis.

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

However, weaknesses in the design or operation of one control was identified, and recommendations have been made to enhance the control environment in this area, as detailed below:

3.3.1 Financial Information

The performance management and reporting arrangements are generally robust. The performance against targets is well monitored by management and reported effectively. However, it was considered that the Financial Information Section in the Quarterly Performance Report could be enhanced. Currently, the information is limited to three tables / graphs:-

- Total Actual Revenue expenditure against budget;
- Capital Programme expenditure against budget; and
- Predicted levels of Reserves.

There is no breakdown of expenditure provided for either the revenue or capital budgets and no consideration given to anticipated outturn. Due to this high level budget reporting, which is generally unsupported by any written commentary, the information reported is not sufficient in itself to enable members to suitably appreciate or question any budget pressures that exist or the associated resultant actions taken.

Recommendation *The Financial Information Section of the Quarterly Performance Reports should be enhanced to report budget position at budget heading level for revenue and capital expenditure, with appropriate commentary on any existing budget pressures and resultant key actions.*

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

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

However, weaknesses 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:

3.4.1 Primary Assurance Group The Primary Assurance Group (PAG) Terms of Reference requires the Group to meet on at least a bi-annual basis, to include a half-year review to consider progress against actions in the previous year's Improvement Action Plan.

We identified that the Group did not formally meet as expected for the half-year review. In the absence of a formal meeting, the Clerk to the Authority met with the Monitoring Officer to discuss progress against actions relevant to themselves. Also, the Clerk e-mailed other Lead Officers responsible for Improvement Plan Actions, requesting updates.

However, the lack of a formal meeting of the PAG does not demonstrate that the required level of commitment was provided to the Assessment Process. In the event that the PAG does not formally meet to consider all outstanding actions, the risk that actions will not be given due consideration within the pre-determined timeframes is heightened.

Recommendation *The PAG should meet formally, on at least a bi-annual basis, in accordance with the Terms of Reference of the Group.*

3.5 Control Objective: There is an effective mechanism in place to support the programmed review and approval of significant Policies and Procedures within an appropriate timeframe.

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

However, weaknesses in the design or operation of one control was identified, and recommendations have been made to enhance the control environment in this area, as detailed below:

3.5.1 Policy & Procedure Reviews

The Document Control Library provides a suitable electronic repository for all corporate policies, plans and procedures. The database provides the facility to register the responsibility for key documents to designated officers and for review dates to be recorded and monitored.

We identified that whilst in the main the database is well maintained and policies, plans and procedures are generally updated in accordance with the pre-determined review timeframes, there were occasions when documents surpassed their expected review dates, in some cases by a number of months.

In order to ensure that policies, plans and procedures are maintained up to date and fit for purpose, they should be subject to review within their designated timeframes. The monitoring role in this respect requires strengthening.

Recommendations *The designated Lead Officers responsible for updating / reviewing documents in the Controlled Document Library should be notified of impending review dates, with an appropriate lead in time.*

The compliance with review dates be monitored and failures reported to senior management.

Conclusions

Internal Audit contribute to the overall governance of the Authority 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.
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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.

Actions to address the recommendations made during this review are included in the Action Plan attached at Section 4 of this Report.

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Action Plan 4

REC NO.	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION AND PROPOSED DATE OF IMPLEMENTATION	ACTUAL DATE OF IMPLEMENTATION
1	The format of the service plans be refined to enhance the reporting of outcomes from the previous year's approved projects. The format should provide, for each project, a position statement to reflect completion or outstanding action.	Corporate Services Manager	Amendment of template for use in 2015-16. June 2014	
2	Staff Development Interviews should be undertaken twice per annum, as expected.	Assistant Corporate Services Manager	Staff and manager training and re-issue of Staff Development Scheme. May 2014	
3	The monitoring role should be improved in order that compliance with the expected interview frequency be monitored and failure to undertake interviews be reported to senior management and non-compliance addressed.	Chief Executive	Monitoring through monthly reports to be undertaken by EMT. July 2014	

4	The Financial Information Section of the Quarterly Performance Reports should be enhanced to report budget position at budget heading level for revenue and capital expenditure, with appropriate commentary on any existing budget pressures and resultant key actions.	Director of Finance	Additional commentary to be added to quarterly performance reporting for capital and revenue budgets September 2014	
5	The PAG should meet formally, on at least a bi-annual basis, in accordance with the Terms of Reference of the Group.	Corporate Services Manager	Bi-annual meetings to take place from 2014/15 onwards April 2015	
6	The designated Lead Officers responsible for updating / reviewing documents in the Controlled Document Library should be notified of impending review dates, with an appropriate lead in time.	Corporate Services Manager	Twice yearly notifications with a list of documents for review in the next twelve months June 2014	
7	The compliance with review dates be monitored and failures reported to senior management.	Corporate Services Manager	During above notification process, list of overdue reviews to be reported to EMT July 2014	

