



St. Helens Council

Internal Audit Report 2015/16

Merseyside Recycling and Waste Authority Financial Systems

	Section	Page
Executive Summary	1	2
Control Objectives	2	4
Findings & Conclusions	3	5
Action Plan	4	9

Report Prepared by:

Nicola Colquitt	Senior Auditor	NicolaColquitt@sthelens.gov.uk
Barbara Aspinall	Group Auditor	BarbaraAspinall@sthelens.gov.uk

Distribution

For Action:

Peter Williams	Director of Finance
Paula Pocock	Corporate Services Manager

For Information:

Carl Beer	Chief Executive
-----------	-----------------

Ref:	MWDA04
Status:	FINAL REPORT



St. Helens Council

Merseyside Recycling and Waste Authority

Financial Systems

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 2016.

The agreed audit plan includes a review of the Authority's financial systems 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 following financial systems:

- Expenditure procedures and value for money
- Income Management and Debt Recovery procedures
- Treasury Management
- Payroll and Pension services

1.3 Background

Context

There is an SLA between St Helens Council and MRWA for the provision of a number of services, some of which relate to key financial systems. These include Exchequer Services, Financial Information System, Treasury Management Services, VAT Services and Payroll and Pensions. The SLA outlines the responsibilities for the operation of these services for both the Council, as supplier, and MRWA, as the client.

The administration of the financial systems within MRWA is undertaken by Corporate Services.

Budget

The charge for services provided in the SLA for 2015/16 is £126,419.

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:

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

Financial Systems

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

1. Policies and Procedures are in place, are regularly reviewed and approved and are available to staff.
2. Expenditure incurred is appropriate, value for money is considered, and transactions are authorised and processed in line with Financial Instructions.
3. All income due is properly received, receipted and accounted for, and debt recovery procedures are adhered to.
4. Treasury Management arrangements are in place and supplier and client responsibilities are in line with the approved Service Level Agreement.
5. Suitable arrangements are in place to ensure client and supplier responsibility is being met with regard to Payroll and Pension Services.

Findings & Conclusions 3

Findings

3.1 Control Objective: Policies and Procedures are in place, are regularly reviewed and approved and are available to staff.

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

A comprehensive Policies and Procedures Document Library is in place which contains an extensive list of all appropriate documents. Details of approval date, last review date and date of next review are recorded to ensure that all policies and procedures are up to date. At the time of review, only 8 were due for review.

The Document Library is held on a shared drive, and so all staff have access to relevant policies and procedures.

No recommendations have been made.

3.2 Control Objective: Expenditure incurred is appropriate, value for money is considered, and transactions are authorised and processed in line with Financial Instructions.

We established that 25 out of 26 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:

3.2.1 Charge Cards

A monthly transaction log is completed, which records expenditure as and when it occurs, and this is signed by the charge card holder, and authorised by an independent certifying Officer.

On a monthly basis, the transaction log is reconciled to the monthly charge card statements.

However, supporting invoices or receipts for mobile phone bills and a number of Amazon transactions had not been retained and so evidence of purchase could not be verified.

Recommendation *All charge card transactions should be supported by appropriate evidence of purchase.*

3.3 Control Objective: All income due is properly received, receipted and accounted for, and debt recovery procedures are adhered to.

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

St Helens Council is responsible for providing an efficient and effective income management and control service in respect of monies received relating to MRWA. The Council ensures that appropriate debt recovery procedures are in place and are adhered to. Daily and weekly

reconciliations are completed by the Income Sections as expected.

Appropriate communication was evident between the Income Section and MRWA, with regard to irrecoverable debts, bad debtors and unidentified income transactions.

No recommendations have been made.

3.4 Control Objective: Treasury Management arrangements are in place and supplier and client responsibilities are in line with the approved Service Level Agreement.

We established that six out of eight 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 this area, as detailed below:

3.4.1 Service Level Agreement

The current SLA which is in place between St Helens Council and MRWA states under client responsibilities:

“To provide, by the 30th April, a monthly profiled summary of cashflow activity for the previous financial year”

and;

“To immediately advise Officers of the Council where the Cashflow forecast relating to any individual item of income / expenditure in excess of £150,000 is likely to change.”

Discussion with the St Helens Council Treasury and Systems Officer revealed that, currently, all cashflow forecasting is done internally by the Council. In addition, there is an expectation that MRWA inform the Council whenever individual items of income / expenditure over a value of £100,000 are likely to change.

Currently, the SLA between the two parties does not accurately reflect the responsibilities of the client and the supplier.

Recommendation ***Consideration should be given to amending the current SLA to accurately reflect the responsibilities of both parties, with regard to Treasury Management.***

3.5 Control Objective: Suitable arrangements are in place to ensure client and supplier responsibility is being met with regard to Payroll and Pension Services.

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

St Helens Council supply MRWA with a payroll processing service, as set out in the Service Level Agreement. Services provided include processing BACS payments, inputting car mileage and subsistence claims and ensuring compliance with HM Revenue and Customs and Merseyside Pension Fund requirements. MRWA schedule work to ensure that payroll deadlines are met, and provide the Council with all appropriate information on a timely basis.

All MRWA staff have access to the online Payroll Portal to ensure that they receive their payslips in a timely manner.

No recommendations have been made.

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.
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.

Merseyside Recycling and Waste Authority
Financial Services

Action Plan 4

REC NO.	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION AND PROPOSED DATE OF IMPLEMENTATION	ACTUAL DATE OF IMPLEMENTATION
1	All charge card transactions should be supported by appropriate evidence of purchase.	Corporate Services Manager	The Ordering Procedure will be circulated to all staff on 20 th December 2015, to ensure compliance with Section 4 of the procedure which requires all charge card transactions be supported by appropriate evidence of purchase.	
2	Consideration should be given to amending the current SLA to accurately reflect the responsibilities of both parties, with regard to Treasury Management.	Director of Finance	The SLA will be reviewed and updated to ensure the contract accurately reflects the responsibilities of both the Authority and St Helens Council April 30 th 2016	