



St. Helens Council

# Internal Audit Report 2016/17

## Merseyside Recycling and Waste Authority Recycling Credits

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Report Prepared by:

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

Distribution

For Information:

Carl Beer	Chief Executive
Peter Williams	Director of Finance
Ian Stephenson	Assistant Director
Gary Taylor	Contracts Manager
Paul Jobe	Compliance Officer

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## St. Helens Council

### Merseyside Recycling and Waste Authority

#### Recycling Credits

##### 1.1 Introduction

An audit review of Recycling Credits was undertaken as part of the 2016/17 Internal Audit Plan. The purpose of the Audit was 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 procedures that local authorities undertake to ensure that claims made to MRWA are accurate, and that appropriate checks are undertaken by MRWA before payment is made for recycling credits.

##### 1.3 Background

###### Context

Section 52 of the Environmental Protection Act (EPA) placed a duty on Waste Disposal Authorities (WDA) to make a payment to Waste Collection Authorities (WCA) in the event that a WCA retained waste for recycling.

Section 49 of the Clean Neighbourhoods and Environment Act 2005 made changes to Section 52 of the EPA. These changes removed the duty for WDA's to make Recycling Credit payments to WCA's (via an order from the Secretary of State) allowing the arrangements to be more flexible.

The main purpose of recycling credits is to provide an incentive to Local Authorities in the area to continue to recycle.

Recycling Credits are applied for by Local Authorities through submission of a payment claim form, along with supporting information such as weigh bridge tonnages. Individual authorities check this information for accuracy as part of their own internal processes, before the claim is made.

Claims are also checked and certified by an independent officer at MRWA before the any claim is paid.

###### Budget

The total amount of recycle credits paid at the time of review for 2016/17 totalled £2,489,504.

#### 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

No recommendations have been made following this review.

## Control Objectives 2

### **Merseyside Recycling and Waste Authority**

#### **Recycling Credits**

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

1. Individual local authorities ensure that claims for Recycling Credits are accurate before an invoice is issued to MRWA.
2. Effective processes are in place for the checking of Recycling Credits Claims before payment is made.

## Findings & Conclusions 3

### Findings

**3.1 Control Objective: Individual local authorities ensure that claims for Recycling Credits are accurate before an invoice is issued to MRWA.**

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

Each individual authority is expected to verify the accuracy of their claim before it is submitted, through their own internal procedures.

Two of the local authorities were tested at random, and through review of supporting documentation, it was evident that appropriate checks are undertaken to ensure accuracy. Sample testing identified that claims for both Councils were accurate to weighbridge tickets.

No recommendations have been made.

**3.2 Control Objective: Effective processes are in place for the checking of Recycling Credit Claims before payment is made.**

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

Upon receipt of a payment claim from local authorities, appropriate checks are undertaken to ensure that recyclable tonnages are accurate and that values have been correctly calculated before a payment is made.

It was evident during the review that when discrepancies have been identified, these were reported back to the authority, and amended invoices issued. There were no instances identified where an incorrect payment was made to a local authority.

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;

<b>High Assurance</b>	✓	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.
<b>Substantial Assurance</b>		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.
<b>Limited Assurance</b>		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.
<b>Minimal Assurance</b>		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.