



St. Helens Council

Internal Audit Report 2018/19

Merseyside Recycling and Waste Authority Financial Systems

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St. Helens Council

Merseyside Recycling and Waste Authority

Financial Systems

1.1 Introduction

An audit review of Financial Systems was undertaken as part of the 2018/19 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 policies and procedures, income and expenditure, treasury management, payroll and pension services and budget monitoring.

1.3 Background

Context

There is a Service Level Agreement (SLA) currently in place between Merseyside Recycling and Waste Authority (MRWA) and St Helens Council for the provision of key financial systems. The SLA sets out the client and supplier responsibilities for the following functions:

- Estates Services;
- Exchequer Services;
- Financial Information System Usage;
- Health, Safety and Insurance Advice and Support;
- Internal Audit Services;
- Treasury Management Services;
- VAT Services;
- ICT Support – Remote Access;
- Legal Services; and
- Payroll and Pension Services

The administration of Financial Systems within MRWA is undertaken by the Authority's Business Services Department.

Budget

The total charge of the Service Level Agreement for 2018/19 is £128,936. Legal costs are calculated on a cost per hour, dependent on the Officer time, and additional costs may apply.

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.

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 subject to regular review and are available to all staff.
2. Expenditure incurred is appropriate, value for money is considered, and transactions are authorised and processed in line with Contract and Financial Procedure Rules, including any capital programme activity.
3. All income due is properly received, receipted and accounted for.
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 with regard to Payroll and Pension Services transactions, and client and supplier responsibility is being met.
6. Appropriate budget monitoring arrangements are in place.

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Findings

3.1 **Control Objective: Policies and procedures are in place, are subject to regular review and are available to all staff.**

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

There is an up to date Service Level Agreement in place between St Helens Council and MRWA, which is reviewed and approved on an annual basis.

The Authority maintain a Controlled Document Library, which details a list of all policies and procedures, the date of the last review, the date the next review is due, and the lead officer responsible for review.

From the 297 policies and procedures contained within this Library, 11 had not been reviewed within timescales. However, it was evident that the review dates are monitored and Responsible Officers are reminded to update the policies on a regular basis. In addition, in the majority of cases, reasonable explanations were given for why the reviews of the remaining policies had been put on hold.

The Controlled Document Library is held on the staff shared drive and so is accessible to all staff.

No recommendations have been made.

3.2 **Control Objective: Expenditure is appropriate, value for money is considered, and transactions are authorised and processed in line with Contract and Financial Procedure Rules, including any capital programme activity.**

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

A sample of expenditure across payments made on invoices, via petty cash and through Authority Officers' charge cards were reviewed.

Testing confirmed that payments made are appropriate, and suitable documentation is obtained and retained on file to support the payments which have been made. All transactions had been approved by an authorised member of staff, and it was evident that value for money is considered.

In addition, it was evident that invoices are processed and sent to St Helens Council within reasonable timescales in order for the payment to be made in line with the supplier terms and conditions. In the few cases where this had not been achieved, explanations as to why had been recorded in the procurement system.

At the time of review, no capital expenditure had been undertaken in 2017/18 or 2018/19, and so this has not been tested.

No recommendations have been made.

3.3 Control Objective: All income is properly received, receipted and accounted for.

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

The majority of income received to MRWA relates to the Waste Management and Recycling and Resource Recovery Contracts.

Once a request has been made, the Business Services Manager raises an invoice on the Ash Debtors system promptly, in order to ensure that income is received as soon as possible. Once on the system, St Helens Council is responsible for the monitoring and recovery of the debt.

It was evident from review of the Debtors System that once income has been received, it is receipted and accounted for promptly and accurately.

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

In the main, Treasury Management arrangements are managed by St Helens Council, on behalf of MRWA, as per the Service Level Agreement.

The fundamental systems of Treasury Management are audited on an annual basis by St Helens Council, as part of the annual internal audit plan. These reviews will incorporate MRWA cash balances, budget forecasts, and will ensure regular reconciliations are performed by the Treasury Management Section.

No recommendations have been made.

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

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

Payroll and Pension information is calculated by MRWA and is processed by St Helens Council. Appropriate new starter and leaver information is sent to the Payroll Section within reasonable timescales, to ensure that salary payments are correct.

Mileage and subsistence claims are made by completing a request form, which is checked and certified by independent officers and then sent to the Payroll Section for processing. From a sample of claim forms, it was evident that request forms have been completed in full, have been checked, and have been certified by an Authorised Officer.

No recommendations have been made.

3.6 Control Objective: Appropriate budget monitoring arrangements are in place.

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

As part of the Service Level Agreement with St Helens Council, the Authority has access to the Council's Financial Information System (FIS). This System is used to monitor the Authority's budgets, and provides comprehensive breakdown of income and expenditure transactions, the budget and actual and committed expenditure to date.

On a monthly basis, each Section Manager is provided with a budget monitoring report, and actions will be put in place to resolve any overspends. Service Managers complete Quarterly Performance Reports, which include budget information, and these are presented to the Executive Leadership Team for their review.

No recommendations have been made.

Conclusions

Internal Audit contribute to the overall governance of the Council 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.