



Internal Audit Report

2021/22



COMPLIANCE WITH THE PUBLIC
SECTOR INTERNAL AUDIT STANDARDS
NWCAE GROUP FEBRUARY 2018

Merseyside Recycling and Waste Authority Levy Calculation

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Assignment Control

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Levy Calculation

1.1 Introduction

An audit review of Levy Calculation was undertaken as part of the 2021/22 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 the processes and controls in place to ensure that the levy calculation and apportionment is performed accurately, in line with legislation and is appropriately approved.

1.3 Background

Context

Merseyside Recycling and Waste Authority (MRWA) is required to calculate its budget requirement each year and to recover the costs of that budget requirement from constituent district councils via a statutory Levy.

The Levy provides the Authority with the means by which it can charge the constituent district councils for the costs of the services it provides. The Levy is statutory and allows the Authority to set the charge to each district council on an annual basis.

Budget

The total levy for 2021-22 is £77.6M, apportioned as follows:

- Knowsley - £8.4M;
- Liverpool - £27.2M;
- St Helens - £8.7M;
- Sefton - £15.5M; and
- Wirral - £17.6M.

1.4 Audit Opinion

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 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 Agreed Action

Actions to address the recommendations made in this report are included in section 4, which has been agreed with the relevant Managers

Control Objectives 2

Merseyside Recycling and Waste Authority

Levy Calculation

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

1. To verify that the levy calculation is performed accurately and in line with the requirements of the 'The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006', subject to checks, and adequate supporting documentation maintained in support of calculations made.
2. To confirm that the levy to be charged to local authorities is appropriately approved by MRWA Members.

Findings Summary 3

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The main findings from our review are highlighted below, and our detailed findings and recommendations are included in Section 4.

3.1 Areas of Good Practice

- The yearly correct tonnage data had been used to perform calculations; and
- Tonnage based costs, recycling credit costs, and population-based costs had been performed accurately.

3.2 Key Areas of Development

- Checks of calculations cannot be evidenced; and
- Errors were identified in respect of the calculation of Abatement and Levy Apportionment.

3.3 Recommendation Summary

In order to assist management in using our reports, we categorise our recommendations according to their level of priority, please see section 5 for definitions.

This table details the number of recommendations made for each level of priority.

Low priority recommendations are provided at the exit meeting, and are not included in this report.

Priority	Number
High	0
Medium	3
Low	0

Levy Calculation

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
<p>Control Objective 1: To verify that the levy calculation is performed accurately and in line with the requirements of the ‘The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006’, subject to checks, and adequate supporting documentation maintained in support of calculations made.</p>				
<p>1</p>	<p>There was no evidence to confirm that checks of the calculations performed by the Business Support Manager had been carried out by the Director of Finance.</p> <p>We were advised that checks are carried out, but they are not documented.</p>	<p>Errors may go unnoticed.</p>	<p>Checks of calculations completed by the Director of Finance should be documented. These should include checks of:</p> <ul style="list-style-type: none"> a) Tonnage based costs; b) Recycling credits costs; c) Population figures obtained from the City Population Website; d) 3 way cost allocations; e) Population costs that cannot be directly attributable to an individual District's tonnages; and f) Abatement. <p>Priority: Medium</p>	<p>Agreed Action:</p> <p>A schedule of confirmation checks will be prepared for each of the key calculations. These will be confirmed as signed off by the Business Support Manager and then confirmed as checked and signed off by the Director of Finance.</p> <p>Responsible Officer:</p> <p>Director of Finance</p> <p>Timescale:</p> <p>31st October 2021</p>

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
2	<p>A small error was detected in the calculation of Abatement.</p> <p>The error was due to the fact that 18.74 tonnes of third-party recycling credits from the Wirral for 2018/19 had not been recorded on the spreadsheet used to calculate the levy.</p> <p>Consequently, the distribution of Abatement across the district councils and apportionment of the levy for 2021/22 was inaccurate.</p>	<p>MRWA could receive adverse criticism from the District Councils if the levy is not apportioned accurately.</p>	<p>The error with regard to the Abatement calculation and apportionment of the levy to the district councils should be corrected at the earliest opportunity.</p> <p>Priority: Medium</p>	<p>Agreed Action:</p> <p>The very small error has been identified and will be adjusted in the next Levy exercise – the amount involved was very small and the impact was negligible.</p> <p>Responsible Officer:</p> <p>Business Support Officer</p> <p>Timescale:</p> <p>28th February 2022 (i.e. by the time the next Levy is approved)</p>
3	<p>Evidence of the population figures used in the calculation of population-based costs that cannot be attributable to an individual local authority are not retained on file.</p>	<p>There is no evidence to support the population-based costs calculated. Therefore, assurance cannot be offered to confirm that the calculations are accurate.</p>	<p>Evidence should be retained on file to demonstrate that the population figures obtained from the City Population website and used to calculate population-based costs not directly attributable to an individual district's tonnages.</p> <p>Priority: Medium</p>	<p>Agreed Action:</p> <p>A screen grab will be taken so that the evidence of the population figures used can be retained. The population figures are routinely checked vs those used by Merseytravel for similar purposes.</p> <p>Responsible Officer:</p> <p>Business Support Officer</p> <p>Timescale:</p> <p>28th February 2022</p>

Assurance Levels

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.

Recommendation Priority

High	Issues that are fundamental to the system of internal control for the area subject to review.
Medium	Issues where improvements in control are required to reduce the risk of loss, error, irregularity or inefficiency.
Low	Issues that merit attention and would improve the overall control environment.