

Internal Audit Service



ST HELENS
BOROUGH COUNCIL

Merseyside Recycling and Waste Authority Internal Audit Plan 2023-24

Background

The responsibility to maintain an adequate and effective system of internal audit of the Merseyside Recycling and Waste Authority's (MRWA) system of internal control, in accordance with proper internal audit practices, rests with the Director of Finance of the MRWA under Section 73 of the Local Government Act 1985 and the requirements of the Accounts and Audit Regulations 2015.

Internal Audit is provided by St Helens Borough Council's Internal Audit Service and is delivered via an annual Service Level Agreement (SLA), and in broad terms will require the MRWA to:

- Approve an annual Internal Audit Plan;
- Consider Internal Audit's Annual Opinion on the effectiveness of the control, risk, and governance environment;
- Reflect any significant governance issues identified by Internal Audit or other sources of assurance when outlining the Authority's governance arrangements in the Annual Governance Statement (AGS).

In addition, officers of MRWA are requested to:

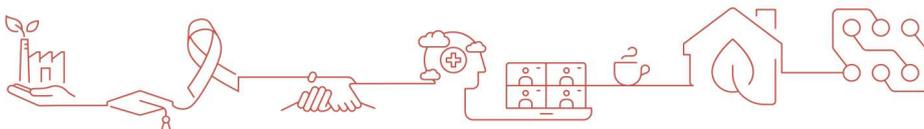
- Consider and agree the findings and recommendations of individual internal audit reports prior to publication;
- Present published internal audit reports to the Authority and take appropriate action to ensure agreed actions arising are implemented;
- Notify Internal Audit promptly of any material change in the risks facing the MRWA;
- Agree variations to the Internal Audit Plan during its currency to allow internal audit to respond to changing risks and priorities.

Internal Audit work aims to support the MRWA and its staff in the delivery of its corporate aims, plan, and mission 'To ensure that we reduce the impact of our actions on climate change and improve the sustainable management of waste and resources'.

Internal Audit work will therefore be planned to contribute to identifying weaknesses in control, governance and risk management and help ensure that the Authority maintains a control environment that minimises the risk of inefficient use of resources and the loss of resources and/or reputation from fraud, bribery, and corruption.

Internal Audit will meet its responsibilities by:

- Providing an independent opinion on the effectiveness of the MRWA's financial, operational, risk management, governance, and control framework;
- Conducting risk-based reviews of internal systems within the MRWA, reporting to managers on their effectiveness and making recommendations for improvement where appropriate and proportionate;
- Where requested, advising on the adequacy and effectiveness of controls in new and developing systems;
- Where requested, advising on the implementation of controls aimed at the prevention and detection of fraud, bribery, and corruption and to investigate reports of suspected fraud or irregularity.



All internal audit work carried out by St Helens Borough Council's Internal Audit Service is performed in accordance with professional standards necessary to ensure an effective internal audit service. These requirements are specified within:

- Public Sector Internal Audit Standards (PSIAS), revised March 2017;
- CIPFA guidance detailing proper practice and arrangements to inform the AGS - Delivering Good Governance Framework 2016.

The annual internal audit planning process was informed by a discussion of audit needs based on an assessment of risk in conjunction with the Director of Finance who had also taken advice from MRWA's Executive Management Team.

Factors informing the content of the 2023-24 Internal Audit Plan include:

- The Authority's Risk Register;
- Budgetary information and high value contracts;
- Known areas of weakness;
- Discussion with the Director of Finance;
- Existence of any alternative sources of assurance.

The proposed internal audit coverage will support the Chief Executive in preparing their annual opinion and report to the Authority as to the effectiveness of its control, risk and governance environment and the Authority's AGS.

Proposed Internal Audit Plan 2023-24

The service level agreement sets out that 50 days of internal audit work will be provided by St Helens Borough Council's Internal Audit Service.

A key objective of Internal Audit's work is to provide MRWA management with independent assurance as to the effectiveness of the control, risk and governance environment within their respective areas of responsibility.

The proposed individual internal audit assignments are detailed below. The audit areas have been ranked in order of risk, i.e. high, medium or low.

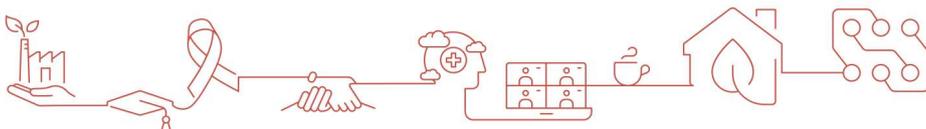
The plan provides a balanced approach to the review of the control risk and governance environment and includes reviews of:

1. **Contract Management (High Risk)** – relates to Risk 10 Failure of Waste Contractors to deliver the contracted level of service.

A review of the effectiveness of the control environment for contract management, including Veolia and the Resource Recovery Contract.

2. **Performance Management (High Risk)** – relates to Risk 6 Failure to identify current strengths and weaknesses in performance and plan for future needs and Risk 28 Failure to manage performance strategically and control data quality.

A review which will consider potential changes to the performance management process for 2024/25, including business planning and the collection, verification, and reporting of Key Performance Indicators.



3. Risk management (High/Medium Risk)

A review of the processes in place for the management of the risk strategy, assessing how risks are reported and the monitoring of mitigating actions.

4. Recycling Credits (Medium Risk) – relates to Risk 35 Failure to secure the Authority's approval of a sustainable financial position and budget.

A review to confirm the adequacy of the process for ensuring the accuracy of claims for recycling credits before payment is made.

5. Education (Low Risk) – relates to Risk 8 Failure to engage partners and stakeholders.

A review of the arrangements in place for educating the public on ways to reduce waste and promoting unwanted materials as a valuable resource. This will include assessing current programmes and future planning.

6. Complaints (Low Risk) – relates to Risk 10 Failure of Waste Contractors to deliver the contracted level of service.

A review of the current process, including the logging, investigation, resolution and monitoring of complaints.

An agile and flexible approach will be taken, ensuring that the internal audit plan is subject to review throughout the year to ensure that its content reflects new and emerging risks and priorities, and as such will be subject to amendment where required. If any changes are required, these will be reported to the Authority.

When allocating internal audit resources, priority will be given to the high and medium risk reviews.

Should any of the planned reviews identify issues which require additional testing or audit coverage, which would affect the current Service Level Agreement of 50 days, this will be discussed with the Director of Finance at the earliest opportunity and agreement sought on resources.

Reporting Arrangements

Internal Audit will, on the completion of audit work, provide draft reports to the Director of Finance for consideration and review as part of a drafting process prior to publication of the final version.

Any significant issues identified by internal audit work will be highlighted to the Director of Finance as soon as they are noted.

On publication, a copy of each final report will be forwarded to the Clerk to the Authority for inclusion within the Authority's scheduled meetings.

A representative from Internal Audit will attend Authority meetings to present relevant reports and to respond to any questions or points for clarification that Members may have.

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Date: 24 May 2023

