



Internal Audit Report

2023/24



COMPLIANCE WITH THE PUBLIC
SECTOR INTERNAL AUDIT STANDARDS
NWCAE GROUP
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Merseyside Recycling and Waste Authority Corporate Governance

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Merseyside Recycling and Waste Authority

Corporate Governance

1.1 Introduction

An audit review of Corporate Governance was undertaken as part of the 2023/24 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 governance framework, the promotion of ethics and values, risk management arrangements and the processes surrounding the production of the Annual Governance Statement, including the annual assessment process and the production and review of the Annual Improvement Plan.

1.3 Background

Context

Corporate Governance is defined within the CIPFA/SOLACE 2016 framework document as:

“the systems and processes, and cultures and values, by which local government bodies are directed and controlled through which they account to, engage with and, where appropriate, lead their communities.”

Merseyside Waste and Recycling Authority (MRWA) have developed a Code of Corporate Governance, which outlines the following seven core principles of good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Budget

There are no direct budgetary implications.

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:

Reasonable Assurance There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

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

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

1. A sound governance framework is in place for oversight and accountability.
2. Ethics and Values are appropriately promoted within the organisation.
3. Risk management arrangements are robust and subject to regular review
4. The Annual Governance Statement is supported by appropriate and adequate evidence and subject to formal approval.

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 MRWA Code of Corporate Governance has been produced in accordance with the CIPFA/SOLACE Framework.
- Corporate and service delivery planning arrangements are sound.
- Positive ethics and values are appropriately reflected in policies and procedures.

3.2 Key Areas of Development

- The assessment and review process undertaken by the Primary Assurance Group (PAG) requires better evidencing to provide the necessary assurance that a comprehensive process has been applied.
- The Improvement Plan produced by the PAG should be more focussed on actual planned improvements with less emphasis on actions that are inherent and ongoing management processes, for example delivery of the Corporate Training Programme.
- The format and oversight of the Document Library requires improvements to ensure that strategies, policies, and procedures are up to date and in remain in accordance with legislation and best practice.

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
Critical	0
High	2
Medium	3
Low	0

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
Control Objective 1: A sound governance framework is in place for oversight and accountability.				
1	CIPFA guidance recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. A review of administrative decisions identified that risk implications are not always recorded as a matter of routine.	Consideration of risk implications and associated mitigation could be overlooked.	Risk implications should be included in the standard template for administrative decisions. Priority: Medium	Agreed Action: As per recommendation. Responsible Officer: Director of Business Services & Strategy Timescale: 19 th February 2025
2	The Document Library on the shared drive is an effective repository for all strategies, policies and procedures. It was established that when responsible officers are issued with reminders to review their documents, they are offered the opportunity to extend the scheduled review date, thereby overriding expected deadlines. Notwithstanding this, examination of the Document Library still	Not reviewing strategies, policies and procedures within an appropriate time period increases the risk that the associated document fails to accommodate changes in legislation or best practice.	a) All documents that have surpassed their planned review dates should be reviewed. b) The Document Library should specify, for each individual document, the expected review interval for that document, whether that be annual or a specified number of years. c) Officers should not be allowed to extend planned review dates. Instead, a column to record reasons for exceeding planned review dates	Agreed Action: As per recommendation. Responsible Officer: Business Services Manager Timescale: 1 st April 2024

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
	identified instances where strategies, policies and procedures had exceeded their expected review date.		should be included in the system. Priority: High	
Control Objective 3: Risk management arrangements are robust and subject to regular review				
3	The Risk Management Strategy was last subject to review in 2018. This represents an excessive review interval for a key strategy.	Risk management practices could be compromised if arrangements are not kept in step with best practice and legislative changes.	The Risk Management Strategy should be formally reviewed on at least a biennial basis to ensure continuing compliance with best practice and legislative changes. Priority: High	Agreed Action: As per recommendation. Responsible Officer: Director of Finance. Timescale: 1 st September 2024
Control Objective 4: The Annual Governance Statement is supported by appropriate and adequate evidence and subject to formal approval.				
4	Whilst the audit has confirmed that the Primary Assurance Group (PAG) has been instrumental in: <ul style="list-style-type: none"> the annual assessment of the internal control and governance framework; a review of the progress against the previous years Improvement Action Plan; the production of the forward year's plan; and the production of the Annual Governance Statement, 	The operation of the PAG is essential to the assessment of corporate governance arrangements and to determine improvements going forward. An omission to record the meetings of the PAG compromises their accountability.	The meetings of the PAG should be minuted to include the recording of discussions and actions. Priority: Medium	Agreed Action: As per recommendation. Responsible Officer: Director of Finance. Timescale: 20 th February 2024

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
	<p>a review of the full effectiveness of the role of the PAG was inhibited due to there being no records or minutes maintained of the meetings of the PAG, in particular the discussions and actions.</p>			
5	<p>It was identified that the majority of the 21 'Areas for Improvement' recorded in the annual Improvement Action Plan were found to be longstanding and adopted processes and practices that are ongoing requirements, as opposed to newly identified, actual areas for improvement. For example, the delivery of Annual Service Plans, delivery of the Corporate Training Programme, and to ensure the Authority is compliant with ISO14000/2015 (sic). In most cases, these actions are reported as completed in the end of year progress report but then repeated in the subsequent year's Improvement Action Plan, with a revised target date of plus one year.</p>	<p>The focus on genuine areas for improvement could be diminished by the inclusion of those items that are measures already in place.</p>	<p>The Improvement Action Plan should be limited to including actions that are genuinely areas for improvement.</p> <p>Priority: Medium</p>	<p>Agreed Action: As per recommendation.</p> <p>Responsible Officer: Director of Finance.</p> <p>Timescale: 1st April 2024</p>

Assurance Levels

- Substantial** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- Reasonable** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
- Limited** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
- No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Recommendation Priority

- Critical** Failure to address the risk could potentially lead to catastrophic loss of services; loss of life; significant environmental damage or major financial loss; with national press coverage and substantial damage to reputation. Remedial action must be taken immediately.
- High** Failure to address the address the risk could potentially lead to failure to achieve organisational objectives, serious injuries, significant disruption to business or to users of its services, high financial loss, inefficient use of resources, failure to comply with law or regulations, damage to the Authority's reputation. Remedial action must be taken urgently.
- Medium** Failure to address the risk could potentially lead to an impact on operational objectives, moderate injuries, moderate financial loss, moderate breach of law or regulations, moderate reputational damage. Prompt specific action should be taken.
- Low** Matters that individually have no major impact on achieving the service's objectives. Specific remedial action is desirable.