

Merseyside Waste Disposal Authority

16th April 2010

Internal Audit Plan 2010/11

1.0 Objective

1.1 To seek Authority approval to the proposed internal audit plan 2010/11.

2.0 Background

2.1 St Helens Internal Audit Section provided internal audit services on an annual basis to the Merseyside Waste Disposal Authority for many years. Until 2009 the Assistant Chief Executive – Finance, St Helens Council, supported the Authority as Treasurer.

2.2 As a result, internal audit provision was provided to assist in the discharge of his Section 151 duties and meet the requirements of the Accounts and Audit Regulations 2003 (amended 2006).

2.3 Treasurer responsibilities now rest with the Assistant Director (Finance) MWDA under Section 73 of the Local Government Act 1985 and the requirements of the Accounts and Audit Regulations 2003 (amended 2006) remain applicable.

2.4 It has been agreed between the Council and MWDA that key services previously provided by St Helens, including Internal Audit, will continue and be subject to annual Service Level Agreements.

In broad terms the proposed Service Level Agreement for internal audit services will require the MWDA to:-

- ✓ Approve the internal audit plan;
- ✓ Consider Internal Audit's Annual Report;
- ✓ Review its control, risk and governance environment annually in preparing its Annual Governance Statement.

2.5 In addition, officers of the MWDA to:-

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

2.6 Internal Audit will support the MWDA and its staff in the delivery of their objectives and help ensure that resources are safeguarded from fraud and corruption. It will meet its responsibilities by:-

- ✓ Providing an independent opinion on the effectiveness of the MWDA's financial, operational, risk management, governance and control framework;

- ✓ Conducting risk based reviews of internal systems within the MWDA, reporting to Managers on their effectiveness and make recommendations for improvement where appropriate;
 - ✓ Advising on the adequacy and effectiveness of controls in new and developing systems where requested;
 - ✓ Advising on the prevention and detection of fraud and investigate where suspected fraud or irregularity where requested.
- 2.7 Our internal audit plan will be informed by professional standards necessary to ensure an effective internal audit service.
- 2.8 These requirements are specified within:
- ✓ The Code of Practice for Internal Audit in Local Government in the UK 2006 and,
 - ✓ CIPFA guidance detailing proper practice and arrangements in order to inform the Annual Governance Statement (AGS) in the context of the Accounts and Audit Regulations 2003 as amended 2006.
- 2.9 The audit planning process was informed by discussion of audit needs based on assessment of risk in conjunction with the Assistant Director – Finance, the Business Support Manager and the Clerk to the Authority. Risk factors include budgetary information and inherent corporate and reputational risk factors.
- 2.10 Coverage will support the Assistant Director (Finance) in preparing his annual opinion and report to the Authority as to the effectiveness of its control, risk and governance environment and the Authority's Annual Governance Statement.
- 2.11 The MWDA and its officers are responsible for the implementation and review of control systems within their respective areas and this requirement is documented in the MWDA's current Financial Procedure Rules:-
- ✓ The Treasurer (Assistant Director - Finance) to the Authority shall ensure that an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations are put in place.
 - ✓ The Director of Waste Disposal shall
 - i) Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risk;
 - ii) Review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Treasurer to the Authority, removing also controls that are unnecessary or not cost or risk effective;

- iii) Ensure staff have a clear understanding of the consequences of lack of control.

3.0 Proposed Audit Plan 2010/11

3.1 An outline of our proposed reviews are detailed below and, in accordance with our proposed SLA, we will provide 50 audit days to deliver this work.

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

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

- ✓ The contract for Waste Management and Recycling (the WMRC commenced June 2009). Our work will review the control environment and transactions relating to the new contract for the period June 2009 to March 2010 with a view to gaining the necessary assurances as to the integrity and effectiveness of the control environment.

The outcome of this review will be reported to the Assistant Director (Finance) early in the 2010/11 financial year to provide the necessary assurances on a timely basis for incorporation in to the Annual Governance Statement of the Authority for 2009/10.

The contract includes provision of transfer stations, transport, household waste, recycling centres, material recycling facilities and green waste composting. Potential for food waste processing may be added at future date;

- ✓ Landfill / Resource Recovery Contracts (RRC). Our work will review the control environment and transactions relating to the landfill contract for the 2009 / 2010 financial year with a view to gaining the necessary assurances as to the integrity and effectiveness of the control environment. Our work in relation to RRC will depend on progress made in relation to the letting of this contract.

The outcome of this review will be reported to the Assistant Director (Finance) on a timely basis to provide the necessary assurances for incorporation in to the Annual Governance Statement of the Authority for 2009/10.

- ✓ Review of the integrity of financial system controls / responsibilities between MWDA and St Helens Council as a consequence of recent introduction of SLA arrangements;

✓ Corporate Services.

3.4 Support services delivered by St Helens in 2009-10 i.e. payroll, creditors, debtors etc will receive audit coverage in accordance with planned audit work for the Council early in 2010 and assurances will be provided on a timely basis for incorporation in to the Annual Governance Statement of the Authority for 2009/10.

4.0 Reporting Arrangements

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

4.2 On publication, reports will be forwarded to the Clerk to the Authority for inclusion within the Authority's scheduled meetings.

4.3 Internal Audit will attend and present the report responding to any questions Members may have.