

Merseyside Waste Disposal Authority

15th April 2011

Internal Audit Plan 2011/12

1.0 **Objective**

1.1 To seek Authority approval to the proposed internal audit plan 2011/12.

2.0 **Background**

2.1 The responsibility to maintain an adequate and effective system of internal audit of the Authority's system of internal control, in accordance with proper internal audit practices, rests with the Assistant Director (Finance) MWDA under Section 73 of the Local Government Act 1985 and the requirements of the Accounts and Audit Regulations 2011.

2.2 Internal Audit is provided via an annual Service Level Agreement (SLA) and in broad terms 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.

2.3 In addition, officers of the MWDA to:-

- ✓ Consider and agree internal audit reports prior to publication;
- ✓ Present published audit 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.

2.4 Internal Audit will support the MWDA and its staff in the delivery of their objectives and help ensure that resources are safeguarded from fraud bribery 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.
- 2.5 Our internal audit plan will be informed by professional standards necessary to ensure an effective internal audit service.
- 2.6 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.
- 2.7 The audit planning process was informed by discussion of audit needs based on assessment of risk in conjunction with the Assistant Director (Finance). Risk factors included budgetary information and inherent corporate and reputational risk factors.
- 2.8 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.
- 2.9 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 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 2011/12

3.1 An outline of our proposed work is detailed below and, in accordance with our proposed SLA, we will provide 50 audit days.

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

- ✓ The control environment and transactions relating to the contract delivered by Veolia on behalf of the Authority relating to Waste Management, disposal and Recycling with a view to gaining the necessary assurances as to the integrity and effectiveness of the control environment;

The contract includes provision of transfer stations, transport, household waste, recycling centres, material recycling facilities and green waste composting.
- ✓ Strategic risk management arrangements including the risk register and the adequacy and effectiveness of controls;
- ✓ Performance management and data quality arrangements;
- ✓ The Authority's corporate governance framework and resulting Annual Governance Statement;

3.4 In addition to the above the Resource Recovery Contract (RRC) is a major contractual commitment and has been identified as high risk to the Authority. In our discussions with the Assistant Director (Finance) it was agreed that the procurement arrangements for this contract, during the call in for final tenders stage, is an area requiring independent review of the control environment to ensure:

- ✓ the integrity of the tender submission process;
- ✓ equitable treatment of prospective tenderers;
- ✓ security and management of the electronic repository for the receipt and access of tender documentation;
- ✓ the adoption and application of a robust, transparent and accurate scoring methodology in the evaluation of final tenders.

3.5 Our work in relation to the RRC may require an increase to our current Service Level Agreement of 50 days audit resource and we will discuss and agree the likely level of this increase with the Assistant Director (Finance) early in the first quarter of the

financial year.

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.