



Internal Audit

FINAL

London Waste and Recycling Board (LWARB)

Assurance Review of Governance, Risk and
Control

2019/20

July 2020

Executive Summary

OVERALL ASSURANCE ASSESSMENT

OVERALL CONCLUSION

The London Waste and Recycling Board is a well-run board with good accounting practices.

Good corporate governance is practiced by the Board with appropriate Board involvement and a clear and informative website

SCOPE

The review considered, the prescribed areas to be audited as detailed in the Annual Governance and Accountability Return (AGAR) Part 3 - internal audit report documentation required to be completed by small authorities.

Due to the COVID-19 restrictions, the review was completed remotely via email, video and telephone conference arrangements. The level of substantive testing was reduced in order to complete the work on this occasion, however, the resultant level of assurance is substantial.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Management Action Plan – Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No Control Recommendations were identified.							

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
----------	---------------	--

2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
----------	------------------	--

3	ROUTINE	Control issue on which action should be taken.
----------	----------------	--

Operational Effectiveness Action Plan

Ref	Risk Area	Item	Management Comments
No Matters Noted			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in July 2020 as part of the planned internal audit work for 2019/20. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Background

2. The London Waste and Recycling Board (LWARB) was established under the Greater London Authority Act 2007. LWARB works in conjunction with the Mayor of London and London Councils to improve waste and resource management in the capital.

Materiality

3. As at 31 March 2020, the organisation stated a YTD total income figure of £1,454,160.

Key Findings & Action Points

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

5. The review considered, the prescribed areas to be audited as detailed in the Annual Governance and Accountability Return (AGAR) Part 3 - internal audit report documentation required to be completed by small authorities.
6. Due to the COVID-19 restrictions, the review was completed remotely via video and telephone conference arrangements. The level of substantive testing was reduced in order to complete the work on this occasion, and the resultant level of assurance is therefore indicative.
7. The definition of the type of review, the limitations and the responsibilities of in regard to this review are set out in the Annual Internal Audit Plan.

Disclaimer

8. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Risk Area Assurance Assessments

9. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

10. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

11. The table below sets out the history of this report.

Date draft report issued:	20 th July 2020
Date management responses rec'd:	21 st July 2020
Date final report issued:	21 st July 2020

12. The following matters were identified in reviewing the Key Risk Control Objective:

Directed Risk: Failure to direct the process through approved policy & procedures.

Introduction

- 12.1 The London Waste and Recycling Board (LWARB) works in conjunction with the Mayor of London and London Councils to improve waste and resource management in the capital.
- 12.2 Specifically, LWARB works to ensure that London's businesses, local government and communities thrive by helping them make the very best use of resources and materials. This is currently done via two programmes of work:
- The Circular London programme; and
 - Resource London.

Financial Overview

- 12.3 The Head of Finance is responsible for overall management of the core finance processes, and is supported by the Administration and Finance Officer. The organisation's (LWARB) primary sources of income include: Grant Income; Loan Interest Income; and Bank Interest receivable.
- 12.4 As at 31 March 2019, the organisation stated a YTD total income figure of £1,454,160.
- 12.5 During discussions with the Head of Finance and the Governance and Secretariat Officer, it was identified that the financial systems in place remain the same as last year:
- Finance Functions – Xero Accounting System.
 - Receipt Bank – to upload receipts and invoices for expenses and purchases.
 - ApprovalMax – to raise and approve purchase orders and to approve the payments of invoices / purchases.
- 12.6 Both Receipt Bank and ApprovalMax interface with the accounting system.
- 12.7 It was re-confirmed that the Head of Finance, Governance and Secretariat, and the Administration and Finance Officer have access to Xero. During the review the LWARB SODA (Scheme of Delegation – Updated October 2019) and financial processes as required were provided.
- 12.8 There were no other changes made to the systems or financial processes as identified through the discussions with Head of Finance and the Governance and Secretariat Officer.

Governance

- 12.9 Standing Orders – A comprehensive set of Standings Orders was developed in 2010 and have been regularly reviewed and updated. The latest review was undertaken in June 2019 when the gifts and hospitality declaration threshold was revised. The Standing Orders are clearly written and support good governance to be exercised by the LWARB.

- 12.10 Scheme of Delegated Authority (SODA) – LWARB operate a scheme of delegation to enable business to be transacted at all times and to cater for any urgent or emergency decision making to enable the Board’s activities to continue with minimal disruption and to minimise any financial impact.
- 12.11 Business Plan – The 2020 -2025 Business Plan was approved and issued in March 2020. LWARB’s main expression of policy resides in their Business Plan which is produced and published every year before 31 March as required under their operating procedures. The Business Plan sets out an ambitious programme of activities consistent with the urgent need for climate action. LWARB’s priority is to reduce London’s consumption based carbon dioxide emissions by focusing on reducing waste and increasing recycling.
- 12.12 Web Site – The Board have a clear and easy to navigate web site which is very informative and allows the reader to understand what the LWARB are all about. Good governance is also practiced as the Board post relevant documents and data on the Board and Committee meetings.
- 12.13 Board and Committee Meetings – The following Board meeting agenda and minutes were reviewed and found to be in order:
- 16 May 2019
 - 31 October 2019
 - 6 February 2020

The following Audit Committee agenda and minutes were reviewed and found to be in order:

- 6 June 2019
- 28 November 2019
- 5 March 2020

Risk Management

- 12.14 Risk Management Strategy – This Strategy sets out the approach LWARB have to risk management and includes the following:
- Definition of risk
 - Risk management and internal control objectives
 - Risk management process
 - Roles and Responsibilities
- The strategy is appropriate for a small authority.
- 12.15 TIAA provided a risk workshop during the year for members of the Audit Committee and senior staff at LWARB.
- 12.16 Risk management is well established at the LWARB and is regularly reviewed with the risk considered at each meeting of the Audit Committee. Good documentation is in place and staff are well aware of managing risks and how the controls operate to mitigate them.

Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.

12.17 Due to the COVID-19 restrictions testing was completed virtually using data emailed and interviews, but sufficient detail and walkthrough of the processes enabled the audit to be completed and an appropriate level of assurance provided.

Supplier Set Up and Changes

12.18 At the last review, a recommendation was made to ensure that the New Supplier Form was completed and set-up for all new suppliers. This was confirmed as part of the follow up review (provided separately).

12.19 On this occasion, one supplier set-up and one supplier change was selected from the report provided to walk through the process and obtain evidence.

12.20 The supplier change selected was for a bank account change where there is a higher potential for fraud. Evidence was provided to confirm that the change had been made correctly and that the supplier had been contacted on the telephone to confirm the change.

12.21 For the new supplier set-up, the completed “New Supplier Form” was provided as evidence to confirm that this had been completed.

12.22 An email from the Head of Finance confirmed that this new supplier set up had been approved.

Accounts Payable

12.23 A report of invoices paid within the last three months was provided by the Administration and Finance Officer. From this, a small sample of invoices was selected across various financial ranges and evidence was requested to provide copies of the invoices to confirm that the payments had been made to the correct suppliers and were accurate.

12.24 The invoices selected included payments ranges from £2,880 up to £161,025. No issues were noted from the evidence provided.

12.25 Payment runs are carried out every two weeks, and are done via BACS. It was confirmed during the discussions held that the Administration and Finance Officer prepares the payment documentation and that this is checked and signed by both the Head of Finance and Operations, and the Governance & Secretariat Officer or Chief Executive.

12.26 On this occasion the process was talked through and confirmed with the Administration and Finance Officer, and with the Head of Finance.

12.27 There are two credit card holders: The Chief Executive, and the Governance & Secretariat Officer. Additionally there is a “Virtual Credit Card”. The credit card reconciliations for January 2020 were provided and no issues were noted from the reconciliations provided.

Budget

12.28 Adequate budgetary arrangements are in place and budgetary and financial data is reported to the Audit Committee as each meeting.

Forecast

12.29 Five year finance plans are prepared and published on a five yearly basis with additional budgets being prepared when deemed necessary by management.

Reserves

12.30 The LWARB hold adequate reserves to support the business in going forward.

Bank Accounts and Reconciliations

12.31 It was reconfirmed during the review that LWARB maintains the following three bank accounts:

- RBS Current Account;
- Special Interest Bearing Account (SIBA); and
- GLA Treasury Deposit Account.

12.32 It was noted that there is also a Euro Account held by the LWARB, but the balance of this was confirmed as zero.

12.33 As there have been no key changes to the staff mandates, the Head of Finance confirmed that the bank mandates for these accounts were current.

12.34 For the purposes of this review, the bank reconciliations for each of the accounts for the month of January 2020 were provided by LWARB.

12.35 From a review of the documents provided, for each account it was noted that there were no issues in terms of reconciling items – i.e. no long standing items. All reconciled amounts were confirmed to the bank statements at the time.

12.36 Reconciliation paperwork for the three credit cards utilised by the LWARB were also provided for January 2020, and again on this occasion no issues were noted.

Payroll

12.37 The organisation, uses a separate HR and Payroll system, both of which are operated in-house by the Head of Finance and Operations and the Governance and Secretariat Officer. The HR system, YouManage, records employees' sickness, annual leave, and retains recruitment records, as well as all employment related documentation. Kashflow is the payroll system, through which staff salaries are input, and paid.

12.38 From a listing of new starters, two were selected for testing to confirm that the correct processes had been completed. In both cases the following was provided for review:

- A starter form including the starter bank details was provided;
- A signed contract was provided for the starters selected;
- Start dates and salary per the appointment letter agreed to details recorded in Kashflow.

12.39 A listing of leavers was also provided from which two were also selected to walk through to ensure that the correct processes and been followed and completed. The following was noted:

- Completed leaver forms were provided.
- Screen shots of the Kashflow system were included to confirm leaving dates.

12.40 Salary Changes including cost of living and salary scale uprating's are completed in April each year. An email from the Governance and Secretariat Officer was provided to confirm the salary increases for the 2019/20 year.

Expenses

- 12.41 On this occasion, one expense claim was selected for testing to confirm that the claim was in line with the procedures and was supported by receipts.
- 12.42 From the claim, it was confirmed from the evidence provided that it was fully supported by receipts.
- 12.43 The expense claim had also been approved by the Line Manager and an email approval was provided to support this.

Petty Cash

- 12.44 The Board operate a small petty cash imprest of £100 to support the purchase of minor items that require a cash payment. There is a petty cash procedure to enable the cash float to be adequately controlled. Petty cash was in order.

Income

- 12.45 External invoices are raised on an ad hoc basis when requested by staff. There is only a very small number as the majority of funding comes from the Greater London Authority.
- 12.46 Debt collection has historically not been a problem for LWARB and therefore there is no formalised debt collection procedure.
- 12.47 Debtors are reviewed annually for potential write off.

Accounting Statements

- 12.48 Accounting Statements are reconciled to the Cash Book, although not verified at this audit.
