



ST HELENS
S BOROUGH COUNCIL

Internal Audit Report

2024/25



COMPLIANCE WITH THE PUBLIC
SECTOR INTERNAL AUDIT STANDARDS
NWCAE GROUP NOVEMBER 2023

Merseyside Recycling and Waste Authority Fraud Arrangements

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Distribution

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Merseyside Recycling and Waste Authority

Fraud Arrangements

1.1 Introduction

An audit review of MRWA's Fraud Arrangements was undertaken as part of the 2024/25 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 Audit included a review of MRWA's fraud arrangements, specifically the strategy and policy, supporting policies, fraud risk assessment, and fraud awareness training.

1.3 Background

Merseyside Recycling and Waste Authority is a strategic waste and resource management authority, leading on the recycling and management of municipal waste across the Liverpool City Region.

The Authority serves more than 1.5 million people living in the Liverpool City Region, providing 14 Household Waste Recycling Centres in Merseyside and two Centres in Halton, as part its contract with Veolia UK. The local centres allow for householders to recycle more than 40 different materials. MRWA also manages the processing of the co-mingled recycling collected at kerbside by five of the six council boroughs, which is sorted via its two Materials Recovery Facilities.

In 2017, the Authority marked the beginning of a Resource Recovery Contract (RRC) which sees the Authority send Liverpool City Region's black bag residual household waste from a Rail Transfer Loading Station in Knowsley to an Energy from Waste (EfW) plant in Teesside. The EfW plant produces enough electricity to provide power for up to 63,000 homes, using the 450,000 tonnes of household waste generated each year from 600,000 households as a fuel for the production of electricity for the National Grid.

The Authority MRWA works with District Council partners across the region and is funded by a levy on each of the Merseyside District Councils. We take a lead in advocating zero waste, the circular economy, waste prevention, recycling, and the safe and effective management of waste for our residents. We are also responsible for the aftercare of a number of closed landfill sites, which historically had been operated by the Authority or its predecessors. MRWA has a zero-tolerance policy regards fraud.

The Chartered Institute of Public Finance and Accountancy (CIPFA) outlines five key principles an organisation should follow to avoid fraud and the specific steps involved.

- Acknowledge the responsibility of the governing body for countering fraud and corruption;
- Identify the fraud and corruption risks;
- Develop an appropriate counter fraud and corruption strategy;
- Provide resources to implement the strategy; and
- Act in response to fraud and corruption.

1.4 **Audit Opinion**

Internal Audit contribute to the overall governance of MRWA 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

Fraud Arrangements

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

1. MRWA's counter fraud arrangements are underpinned by an appropriate strategy which is comprehensive and robust, and clearly defines arrangements for combatting fraud and corruption.
2. MRWA have put in place policies and procedures to support the counter fraud strategy and take action to prevent, detect and investigate fraud.
3. Fraud risks have been identified and scored, existing mitigations and controls identified, risk owners identified, and are subject to regular review.
4. There is suitable counter fraud work plan in place that links to the Authority's fraud risk assessment.
5. Staff have received relevant training in respect of fraud awareness and training records are kept up to date.
6. Management report to the Authority on an annual basis on the performance and effectiveness of the counter fraud arrangements.

Merseyside Recycling and Waste Authority

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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

- Relevant fraud legislation and fraud offences which can be committed are identified in the Authority's Anti-Fraud, Bribery, and Corruption Strategy;
- The aims and objectives of the Anti-Fraud, Bribery, and Corruption Strategy are clearly stated, and it aligns to the principles of good governance;
- The Anti-Fraud, Bribery, and Corruption Strategy records that Authority Members and all MRWA officers are responsible for the prevention and detection arrangements;
- The Anti-Fraud, Bribery, and Corruption Strategy records who staff can report concerns they have regarding fraud and irregularity;
- Exactly what steps the Authority will take if instances of fraud or corrupt practices are reported or detected are recorded in the Authority's Anti-Fraud, Bribery, and Corruption Strategy;
- The Anti-Fraud, Bribery, and Corruption Strategy records that Internal Audit will lead on investigations into allegations of fraud and corruption;
- Appropriate sanctions will be considered following an investigation into allegations of fraud and corruption;
- MRWA's approach to training and awareness on fraud matters is recorded in the Anti-Fraud, Bribery, and Corruption Strategy;
- The Anti-Fraud, Bribery, and Corruption Strategy has been approved by Members;
- The Authority's Counter Fraud Policy is incorporated into the Anti-Fraud, Bribery, and Corruption Strategy;
- A Whistleblowing Policy is in place;
- Gifts and Hospitality policies are in place for Members and employees; and
- Policies regarding pecuniary interests and conflicts of interest are recorded in the Authority's Member and employee Codes of Conduct.

3.2 Key Areas of Development

The Authority have not completed a fraud risk assessment to identify all possible fraud threats which the Authority may face. This could result in there being fraud risks which the Authority is exposed to, which aren't mitigated or appropriately controlled.

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	1
Medium	5
Low	2

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
Control Objective 1: MRWA's counter fraud arrangements are underpinned by an appropriate strategy which is comprehensive and robust, and clearly defines arrangements for combatting fraud and corruption.				
1	At present MRWA's Anti-Fraud, Bribery, and Corruption Strategy refers to the 2007 Anti-Money Laundering Regulations. The regulations were updated in 2019, therefore MRWA's anti-money laundering arrangements recorded in the strategy require updating to refer to and reflect the requirements of the revised regulations.	If the Anti-Fraud, Bribery, and Corruption Strategy is not updated to reflect the revised Anti-Money Laundering Regulations it may not be fit for purpose.	The Anti-Fraud, Bribery, and Corruption should be updated to refer to the Anti Money Laundering and Terrorist Financing (Amendment) Regulations 2019, and requirements placed on the Authority. Priority: Medium	Agreed Action: As per recommendation. Responsible Officer: Director of Finance Timescale: 31 st March 2025
Control Objective 2: MRWA have put in place policies and procedures to support the counter fraud strategy and take action to prevent, detect and investigate fraud.				
2	The Anti-Fraud, Bribery, and Corruption Strategy requires updating to include who is responsible for identifying and managing the Authority's fraud risks.	If responsibility for identifying and managing the Authority's fraud risks is not recorded in the strategy, it will not be clear to anyone who reads the document who has responsibility, which could lead to risks not being identified and	The Anti-Fraud, Bribery, and Corruption Strategy should be updated to record who is responsible for identifying and managing the Authority's fraud risks. Priority: Medium	Agreed Action: As per recommendation. Responsible Officer: Director of Finance Timescale:

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
		managed.		31 st March 2025
Control Objective 3: Fraud risks have been identified and scored, existing mitigations and controls identified, risk owners identified, and are subject to regular review.				
3	The Authority does not have a fraud risk register.	If the Authority does not have a fraud risk register in place, it could lead to the Authority being at risk from fraud risks which it has not identified and controlled.	<p>A fraud risk assessment should be undertaken and:</p> <ul style="list-style-type: none"> a) All known risks which could affect the authority should be identified; b) Any existing mitigations identified; c) All fraud risks should be scored; d) Suitable controls should be identified; e) Risk owners should be allocated; and f) The fraud risk register should be subject to regular review and updated when required. <p>Priority: High</p>	<p>Agreed Action: As per recommendation.</p> <p>Responsible Officer: Director of Finance</p> <p>Timescale: 31st March 2025</p>
Control Objective 5: Staff have received relevant training in respect of fraud awareness and training records are kept up to date.				
4	Awareness of the Authority's Anti-Fraud, Bribery, and Corruption Strategy is not included in the induction of new employees.	If awareness of the Authority's Anti-Fraud, Bribery, and Corruption Strategy is not included in the induction of new employees, then they may be unaware of the document's existence and the Authority's	<ul style="list-style-type: none"> a) The Authority's Anti-Fraud, Bribery, and Corruption Strategy should be discussed in the induction of new employees; and b) Employees should sign induction records to confirm their understanding of the 	<p>Agreed Action: As per recommendation.</p> <p>Responsible Officer: Director of Finance</p> <p>Timescale:</p>

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
		approach to fraud.	Authority's anti-fraud arrangements. Priority: Medium	31 st March 2025
5	There is currently no programme of fraud awareness training at the Authority.	If staff do not receive fraud awareness training, then they may not have the skills to protect the Authority from the threat of fraud or detect it.	The Authority should develop a programme of fraud awareness training, such as via an e-learning package. Priority: Medium	Agreed Action: As per recommendation. Responsible Officer: Director of Finance Timescale: 31 st March 2025
Control Objective 6: Management report to the Authority on an annual basis on the performance and effectiveness of the counter fraud arrangements.				
6	The CIPFA Code of Practice on managing the risk of fraud and corruption recommends that there is a report to the governing body at least annually, on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. A review of the Authority's Annual Governance Statement and accompanying appendices failed to confirm that the Authority reports to the Authority on the effectiveness	Members may not be aware of how the Authority's anti-fraud arrangements are working in practice.	In line with CIPFA's Code of Practice on managing the risk of fraud and corruption (the code), officers should report to the Authority on its performance against the Anti-Fraud, Bribery and Corruption Strategy. If making a statement in the annual governance statement one of the following of the two statements recommended in the code should be used: <u>Statement 1</u> Having considered all the principles, I am satisfied that the organisation	Agreed Action: As per recommendation. Responsible Officer: Director of Finance Timescale: 31 st March 2025

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
	of its performance against the Strategy.		<p>has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.</p> <p>Or</p> <p><u>Statement 2</u></p> <p>Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.</p> <p>Priority: Medium</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 MRWA services; loss of life; significant environmental damage or major financial loss; with national press coverage and substantial damage to the MRWA's 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 MRWA business or to users of its services, high financial loss, inefficient use of resources, failure to comply with law or regulations, damage to MRWA'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.