

# Validera

London Waste & Recycling  
Board (T/A ReLondon)

Internal Audit Report

2022/23





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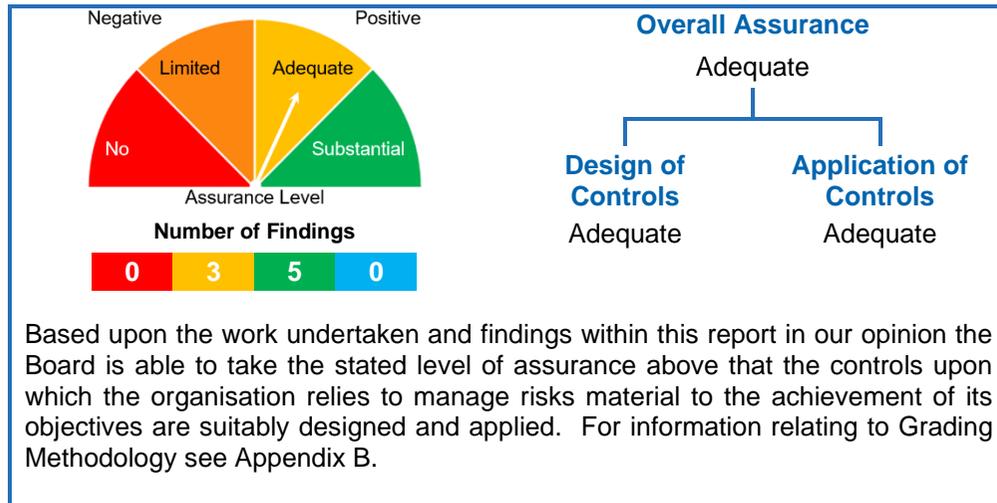
Table with 2 columns: Item Name and Page. Items include Audit Outcome (3), Executive Summary (4), Action Plan (5), Appendix A – Audit Brief (13), and Appendix B – Grading Methodology (15).

Version History

Table with 3 columns: Version, Issued, and Description. Rows include DR v1.0 (09/05/23), DR v1.1 (10/05/23), and FR v1.0 (10/05/23).



# Audit Outcome



Based upon the work undertaken and findings within this report in our opinion the Board is able to take the stated level of assurance above that the controls upon which the organisation relies to manage risks material to the achievement of its objectives are suitably designed and applied. For information relating to Grading Methodology see Appendix B.

## Risk Management

As part of the review we considered ReLondon’s risk management arrangements. There is a Risk Management Strategy and Risk Register in place, we have raised a finding surrounding improvement to these documents.

The review of the Risk Register is delegated by Board to Audit Committee; we note that the Audit Committee has been inquorate on two occasions.

## Governance

The Board meets four times per annum; standing agenda items include a Chief Executive’s Report and Programme Update. The Board is supported by an Audit Committee which planned to meet four times during the year, however, was inquorate in September and December. The Audit Committee considers the Finance Report, Risk Register and Audit Reports.

## Areas Relating to 5Es

When performing our work we are mindful of opportunities to improve upon Efficiency, Effectiveness, Economy, Equality and the Environmental impact (5Es) of the organisation.

Audit Committee meets four times per annum, however, was inquorate twice in the past year. Inquorate meetings are not an efficient use of time.

Improved control over credit cards and single supplier arrangements may yield Value for Money (VfM) benefits or better evidence efforts to always secure VfM.

## Areas of Good Practice

We noted the following areas of good practice:

- ✓ Investments registers were complete, accurate and properly maintained.
- ✓ Compliance with process was generally considered high and accounting records suitably maintained.

## Areas for Improvement

We noted the following areas for improvement:

- ✗ Purchase Orders are not raised for online credit card transactions.
- ✗ Better evidencing of segregation of duties.
- ✗ Risk Register format could be enhanced.
- ✗ Reconcile HR records to Payroll system.
- ✗ Maintain up to date Bank Mandate.

## Executive Summary

London Waste & Recycling Board's (T/A ReLondon) internal audit has been completed in accordance with the requirements of the audit regime and this report constitutes the Annual Report by the Internal Auditor for the financial year ended 31 March 2023. The Annual Return needs to be fully completed before being sent to your external auditors.

The review was scoped to meet the requirements of Form 3 of the Annual Governance & Accountability Return; the scope of our work is detailed at Appendix A.

The internal audit process is an integral part of the organisation's new reduced audit regime which concerns itself with the principles of good governance, accountability and transparency. These are set out and considered in detail in the NALC publication entitled Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide ("the Guide").

The Board's current Business Plan covers the period 2020-2025 and is publicly available via the website. The Risk Register is suitably aligned and referenced to the Objectives within the Business Plan.

The Board meets four times per annum; standing agenda items include a Chief Executive's Report and Programme Update. The Board is supported by an Audit Committee which planned to meet four times during the year, however, was inquorate in September and December. The Audit Committee considers the Finance Report, Risk Register and Audit Reports. Committee papers referred to the September Finance Report being taken by Board in October, there was no similar reference found regarding the handling of the Committee's December schedule of work or the Risk Register. When Committee's fail to reach quorum their schedule of business should be taken in full at the next available Board meeting.

The majority of funding comprises of carry forward of unspent funds, released commitments and recovered funds from previously invested projects, and repayments of interest and principal from loans. The Board aims at the end of the business plan period that its total cash bank balance plus estimated income over the period is all used. The Business Plan recognises the need to diversify its income streams and commercialise operations.

The Board budgeted net programme expenditure of £2.34m and the year-end financial position as provided to us by management reported £2.32m

The organisation utilises the established Xero finance system and has added other functionality such as ApprovalMax for purchasing. The HR system is YouManage and IRIS is utilised for payroll.

You may take comfort that your organisation operates a system of internal controls which is in our opinion adequate and effective, given the resources available to it, and for the most part adheres to the Guide and other accounting and control principles for the financial year 2022/23.

For each area of the scope we sought suitable evidence from management to demonstrate the application of the control to assess whether it was suitably operated and sampling testing was performed where appropriate.

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

# Action Plan

## 1. Purchase Orders

Finding(s)	Rationale	Action(s)
<p>We selected a sample of ten purchases from the purchase ledger, all transactions were supported by a Purchase Order.</p> <p>However, one of these POs (£5,310 exc. VAT) did not suitably demonstrate segregation of duties, as was approved by the same individual who had raised the order. Tenders were evidenced to comply with Financial Regulations.</p>	<p>Application</p> <p><b>Risk(s)</b></p> <p>Increased risk of non-compliance and fraud where segregation of duties is not suitably exercised.</p> <p>Increased risk that the organisation is erroneously committed to expenditure and/or fails to operate within budget.</p> 	<p>Ensure segregation of duties between raising and approval of POs.</p>

### Management Response

Accepted	Comment
<p>Yes</p>	<p>The Approval Max workflow has been re-configured as of September 22, which eliminated the risk going forward.</p>
Responsible Officer	
<p>Ineta Galdikiene, Financial Controller</p>	
Target Date	
<p>N/A (action completed - September 22)</p>	

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**2. Credit Cards**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
<p>We selected a sample of twelve credit card transactions. Seven of these transactions were online orders over £500 (exc. VAT) and did not have any corresponding Purchase Order (PO) in place.</p> <p>Upon querying we were informed that POs are not raised for online orders.</p>	<p>Application &amp; Design. Financial Procedures, Systems &amp; Controls February 2023 states that every purchase over £500 (exc. VAT) must be supported by a PO.</p> <p>Procedures should clarify where differences in approach are permitted.</p> <p><b>Risk(s)</b></p> <p>Increased risk of non-compliance or inconsistency of approach if expectations are not clearly defined within Policy or Procedure statements.</p> <p>Potential value for money implications.</p> 	<p>Raise POs for all credit card purchases over £500 (exc. VAT) to comply with Financial Procedures, Systems &amp; Controls February 2023.</p> <p>Alternatively, amend the Financial Procedures, Systems &amp; Controls to reflect alternative expectations if sufficient to manage risk within appetite.</p>

**Management Response**

<b>Accepted</b>	<b>Comment</b>
<p>Yes</p> <p><b>Responsible Officer</b></p> <p>Ineta Galdikiene, Financial Controller</p> <p><b>Target Date</b></p> <p>May 2023</p>	<p>The Financial Procedures, Systems &amp; Controls will be amended to reflect the credit card spending approval process for transactions over £500.</p>

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**3. Single Tender**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
<p>We have been informed that when services are unique and there are only a few suppliers in the market, the budget holder will request CEO approval.</p> <p>There is no formal single tender waiver form or record in place.</p>	<p>Design. A formal single tender waiver form process increases scrutiny of transactions where the organisation has been unable to suitably comply with its Financial Procedures, Systems &amp; Controls.</p> <p><b>Risk(s)</b></p> <p>Increased risk of failure to comply with the organisation's financial regulations.</p> <p>Increased risk of failure to suitably evidence efforts to secure Value for Money in procurement processes.</p> <p>Lack of monitoring, scrutiny and challenge allows poor practice to continue.</p>	<p>We would recommend the use of a single tender waiver process when procuring services where the organisation has been unable to obtain quotes in line with its own financial regulations.</p> <p>Single tender waiver forms should be completed justifying why the officer raising the order has not been able to sufficiently comply with financial regulations, and formally document the approval of the CEO.</p> <p>It is good practice to report the number of single tender waivers exercised to Audit Committee for scrutiny; we would suggest annually unless issues arise which justify more regular review.</p>



**Management Response**

<b>Accepted</b>	<b>Comment</b>
<p>Yes</p> <p><b>Responsible Officer</b></p> <p>Adam Leibowitz, Governance and Project Management Lead</p> <p><b>Target Date</b></p> <p>June 2023</p>	<p>The single tender waiver form will be implemented to eliminate the risk, and the report to the Audit Committee will be produced on an annual basis.</p>

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**4. Risk Management**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
<p>We reviewed the organisation’s Risk Management Strategy and Risk Register format.</p> <p>We made the following observations:</p> <p>The Strategy does not reflect new reduced audit arrangements (refers to risk based internal audit plan) and does not include version control.</p> <p>The Register does not include Inherent (pre-control) Risk Score.</p> <p>Where Residual Score (current post control) is beyond Risk Appetite there is no corresponding Action column detailing the further mitigating controls, timeframes and ownership.</p>	<p>Design.</p> <p><b>Risk(s)</b></p> <p>Stakeholders do not fully understand the organisation’s new audit arrangements.</p> <p>Users of the Risk Register cannot distinguish between those Residual Risks which are Inherently high or low and therefore which corresponding controls are of most importance to the organisation (Control Effectiveness).</p> <p>The organisation fails to take additional actions to manage risk within Appetite.</p>	<p>Ensure that the Risk Management Strategy is updated to reflect the new audit arrangements.</p> <p>Include a record of version control within the Risk Management Strategy.</p> <p>Introduce assessment of Inherent Risk within the Risk Register to aid transparency and inform assurance needs.</p> <p>Introduce a Further Mitigating Controls column to capture action plans in relation to risks scored beyond Appetite.</p>



**Management Response**

<b>Accepted</b>	<b>Comment</b>
<p>Yes</p> <p><b>Responsible Officer</b></p> <p>Jo Rogers, Director of Operations and Governance</p> <p><b>Target Date</b></p> <p>September 2023</p>	<p>The need to revise the risk register has been flagged at audit committee and we plan to implement in the coming year. We aim to improve Risk Management to reduce/eliminate the risks flagged by the internal auditors.</p>

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**5. Bank Reconciliations**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
Bank reconciliations are completed monthly, however, there is no formal record to demonstrate their review.	Design.	Maintain a suitable record of these reviews and approvals taking place, including who approved and the date of sign off.

**Risk(s)**

Failure to maintain a sufficient audit trail for bank reconciliations demonstrating segregation and timeliness.



Increased risk of erroneous or fraudulent activities not being detected in a timely manner leading to financial loss.

**Management Response**

<b>Accepted</b>	<b>Comment</b>
Yes	A bank reconciliation form, approved by the Financial Controller, will be implemented to evidence the check being in place.

**Responsible Officer**

Ineta Galdikiene, Financial Controller

**Target Date**

May 2023

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**6. Bank Mandates**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
<p>The bank mandate provided included an ex-Board Member.</p> <p>We were informed that a bank mandate amendment form removing him from the mandate is currently with the CEO to sign.</p>	<p>Application.</p> <p><b>Risk(s)</b></p> <p>Increased risk of financial loss from deliberate or accidental transactions being processed on the bank account by unauthorised persons.</p>	<p>Ensure that account signatories who have left the organisation are immediately removed from bank mandates to maintain control.</p>



**Management Response**

<b>Accepted</b>	<b>Comment</b>
<p>Yes</p> <p><b>Responsible Officer</b></p> <p>Ineta Galdikiene, Financial Controller</p> <p><b>Target Date</b></p> <p>May 2023</p>	<p>Action is in progress. All future mandate changes will be updated immediately.</p>

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**7. HR Notification**

<b>Finding(s)</b>	<b>Rationale</b>	<b>Action(s)</b>
<p>We selected a sample of four employees from the March payroll. From this we found one instance where the latest notification of a change in salary (Gross £92,700) didn't agree to the member of staff's payslip and payroll reports (Gross £95,020), as the result a typo in the HR communication letter.</p> <p>We are advised that the sum paid is correct.</p>	<p>Application.</p> <p><b>Risk(s)</b></p> <p>Increased risk of financial loss due to inappropriate or inaccurate sums being processed by payroll.</p> <p>HR records do not reflect employees' current terms and conditions of employment.</p> 	<p>Correct the HR records in relation to the employee.</p> <p>Ensure that future HR notifications are subject to secondary review to reduce the likelihood of errors occurring.</p> <p>Perform a reconciliation between HR and Payroll at least annually to confirm information on both systems.</p>

**Management Response**

<b>Accepted</b>	<b>Comment</b>
<p>Yes</p> <p><b>Responsible Officer</b></p> <p>Ineta Galdikiene, Financial Controller</p> <p><b>Target Date</b></p> <p>N/A (already in place since August 2022)</p>	<p>The right checks have been in place since August 2022. The Financial Controller collates all the evidence from HR and checks the details before processing the payroll.</p>

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

**8. Governance**

**Finding(s)**

The Audit Committee is scheduled to meet four times per annum, however, was inquorate in September and December 2022.

Committee papers referred to the September Finance Report being taken by Board in October, there was no similar reference found regarding the handling of the Committee's December schedule of work or the Risk Register.

The Scheme of Delegation establishes the quorate number as three members. The Audit Committee has five members.

**Rationale**

Design & Application.

**Risk(s)**

Failure to achieve the benefits of devolved responsibilities through the established Committee structure.

Failure to suitably review and scrutinise the Risk Register.

Failure to exercise suitable governance over the operations of the organisation.



**Action(s)**

When Committee's fail to reach quoracy their schedule of business should be taken in full at the next available Board meeting.

Consider ways in which to improve the quoracy of meetings; one such way in which this may be possible is the reduction in Board members required, but addition of co-opted members with specific skills and experience to support the Committee. We would not recommend reducing the required number of Board members to less than two.

**Management Response**

**Accepted**

Yes

**Responsible Officer**

Jo Rogers, Director of Operations and Governance

**Target Date**

September 2023

**Comment**

We are aware of the issues relating to quoracy of the meetings and are currently undertaking a skills audit of the board with a view to adding additional members to the Audit Committee to bring in additional skills and increase ability to achieve quorum.

*The Executive Summary may also contain comment in relation to minor issues of non-compliance or improvement to process.*

# Appendix A – Audit Brief

## Management Objective:

ReLondon is classified as a smaller authority under the Local Audit and Accountability Act (2014) and is required to prepare an Annual Governance & Accountability Return which considers controls in respect of Finance, Operational Control and Governance, and Risk Management.

## Audit Focus:

The review is driven by the requirements of the Annual Governance & Accountability Return, the internal audit requirements are established by the Annual Internal Audit Report (Form) and guidance issued by the National Association of Local Councils (NALC) Joint Panel on Accountability and Governance Practitioners Guide (“the Guide”).

## Risk:

1. Failure to comply with the requirements of the Local Audit & Accountability Act (2014) and meet external stakeholder expectations leaves the organisation, its board and senior management open to financial and non-financial risk.

The applicable Internal Control Objectives (A-O) are specified within the Annual Governance and Accountability Return Form 3 for Local Councils, Internal Drainage Boards and other Smaller Authorities.

## Internal Control Objective:

- A. Appropriate accounting records have been properly kept throughout the financial year.
- B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
- G. Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.
- H. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
- I. The authority has complied with the publication requirements for the previous year AGAR (see AGAR Page 1 Guidance Notes).
- J. The authority, during the previous year correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).
- K. Asset and investments registers were complete and accurate and properly maintained.
- L. Periodic bank account reconciliations were properly carried out during the year.
- M. If the authority certified itself as exempt from a limited assurance review in previous year, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its AGAR tick “not covered”)
- N. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.
- O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

**Limitations to Scope:**

Our opinion will be derived based upon the results of our testing methodology to meet the expectations of the requirements above. We will utilise and interpret the latest published NALC Guidance to guide our work where appropriate and fulfil their expectations in relation to internal audit and certification. Testing will be undertaken to provide reasonable assurance that the specified internal control objectives are achieved. Audit testing is not intended to, and will not be sufficient to, provide an opinion on the accuracy and validity of ReLondon's data in its entirety. The work conducted does not constitute assurance that any data, claim or return submitted by ReLondon is accurate and correct; any such returns are prepared by and remain the responsibility of ReLondon. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

# Appendix B – Grading Methodology

## KEY FOR RECOMMENDATION PRIORITY RATINGS



The organisation may be subject to levels of fundamental risk where immediate action should be taken. In the organisation's risk framework, this approximates to the Impact Risk Grading – 5/4.



Attention to be given to resolving the position as the organisation may be subject to significant risks. In the organisation's risk framework, this approximates to the Impact Risk Grading – 3/2.



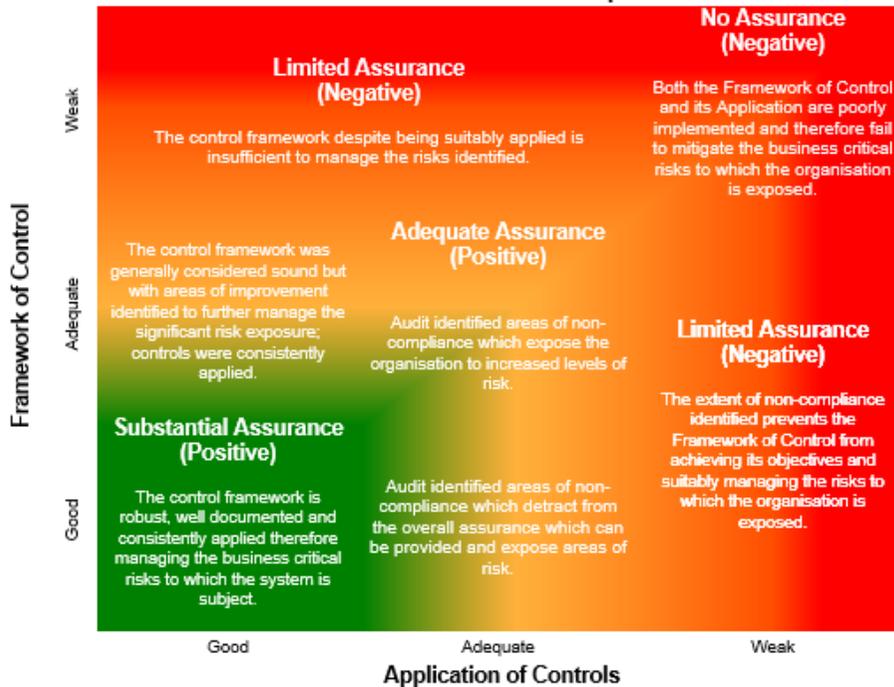
Desirable improvements to enhance value, the control, risk management or governance frameworks or strengthen their effectiveness. Minimal adverse impact on the achievement of objectives. In the organisation's risk framework, this approximates to the Impact Risk – 1.



These suggestions are of a good practice nature and do not represent any immediate risk to the organisation but may help it ensure that it remains effective and meets with external stakeholder expectations in the future.

## KEY FOR OVERALL ASSURANCE RATINGS

Overall Assurance Map



### IMPORTANT INFORMATION

The explanations provided are intended as a general guide; at all times, professional judgement is applied in the grading of individual recommendations and the overall assurance provided as a result of our audit work.

Should you have any queries over our general methodology or the grading of any specific recommendations or assignments please contact your Validera client management team who will be happy to explain further.

This report has been prepared for you as our client and should not be disclosed to any third parties, including in response to requests for information under the Freedom of Information Act, without our prior written consent.

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, it is based upon the documentation reviewed, information provided, and explanations given to us during the course of our work. Thus, no guarantee or warranty can be given with regard to the advice and information contained herein.

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