

Final Internal Audit Report

South London Waste Partnership (SLWP) - Governance

June 2019

Distribution: Executive Director of Place (Final only)
Director of Public Realm
Head of Environment & Leisure
SLWP Strategic Partnership Manager

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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1. Introduction

- 1.1 The Landfill Directive 1999 was adopted in England and Wales in 2002 with the aim to reduce potentially polluting emissions from landfill, with targets established to reduce biodegradable household waste sent to landfill to 5.2 million tonnes by 2020, or 35% of the 1995 level of such waste. These targets are reflected in the Waste Management Plan for England 2013, and the Mayor of London Municipal Waste Strategy 2011 – 2031.
- 1.2 The South London Waste Partnership (SLWP) is a partnership of four London Boroughs: Croydon, Kingston, Merton and Sutton. The partnership was formed in 2003 and its aim is to work together and provide improved and cost effective waste management services.
- 1.3 SLWP is governed by the Inter Authority Agreement between the partners. It is managed by a Joint Waste Committee, which is comprised of the Cabinet / Executive Members from the four boroughs. This committee meets on a periodic basis, with meetings open to members of the public and its minutes published. The Joint Waste Committee is supported by a Management Group, under the leadership of the Strategic Partnership Manager.
- 1.4 SLWP has two commercial partners; Viridor Waste Management Ltd and Veolia (ES) (UK) Ltd. Veolia are responsible for managing the six 'Household Re-use and Recycling Centres', as well as selling on recyclable goods brought to these centres. Viridor is responsible for managing the landfill site for waste, which cannot be re-cycled or composted. This is provided at a site at Beddington Lane. Viridor are in the process of building a new £205 million Energy Recovery Facility (ERF) at Beddington, which is planned to treat 95% of non-recyclable waste.
- 1.5 There are environmental and financial reasons for reducing dependence on landfill as a means of disposing of waste. About two thirds of waste sent by SLWP to landfill sites is biodegradable. This is organic matter, which as it breaks down produces damaging greenhouse gases, such as methane, which contribute more towards global warming than vehicle emissions. Since 1996, a landfill tax has been payable for every tonne sent to landfill sites. This has risen from £7 per tonne in 1996 to £84.40 per tonne in 2018.
- 1.6 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 and the objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

1.7

2. Key Issues

Priority 2 Issues

Terms of Reference have been developed for the Strategic Steering Group and the Management Group, but do not detail the meeting frequency or what a quorum was, (**Issue 1**).

While a declaration of interests form was provided for the Partnership Manager, similar forms were not available for other members of staff, (**Issue 2**).

The priority 3 issue is detailed under item 4 below.

3. Actions and Key Findings/Rationale

<u>Control Area 1: Organisational, Management and Legislative Requirements</u>	
Priority	Agreed Action/s
2	<p>The terms of reference for the Management Group and Strategic Steering Group were approved by the Strategic Steering Group. Revised Terms of Reference are likely to be developed in an upcoming governance review to take place this summer. Any revised heads of terms will include meeting frequency and quorum, where relevant.</p>
	<p>The approval of the Terms of Reference for all partnership bodies by the JWC will help to ensure all delegations are consistent and appropriate.</p> <p>It was confirmed that terms of reference had been developed for the Strategic Steering Group and the Management Group, but examination of the terms of reference provided noted that these did not detail what the meeting frequency or what a quorum was.</p> <p>There is a risk that the groups do not meet with sufficient frequency and that decisions made at less well attended meetings may be disputed.</p>
Detailed Finding/Rationale – Issue 1	
Responsible officer	Deadline
SLWP Strategic Partnership Manager	September 2019

<u>Control Area 2: Governance Arrangements</u>		Detailed Finding/Rationale – Issue 2				
Priority	Agreed Action/s					
2	The SLWP's contract managers will complete the Kingston Declaration of Interest forms by the end of June 2019.	In order to help to ensure that conflicts of interest are identified and managed and to demonstrate compliance with the Nolan principles, partnership staff should complete declarations of interest. A declaration of interests form was provided for the Partnership Manager. We were informed that such forms were completed by other members of staff when they commenced employment, but the forms could not be located. There is a risk that conflicts of interest may exist, which if not declared, may not be properly managed resulting in damage to the reputation of the partnership.				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>SLWP Strategic Partnership Manager</td> <td>July 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	SLWP Strategic Partnership Manager	July 2019	
Responsible officer	Deadline					
SLWP Strategic Partnership Manager	July 2019					

4. Priority 3 Issue

Agreed Action/s	Findings
<p>A meeting is held each quarter unless otherwise arranged. In January 2018 a meeting was cancelled due to availability issues and as no decision making was required by SSG at the time; however this does not generally occur. Dates for SSG meetings in the last two years have been</p> <p>24th July 2017 30th November 2017 30th April 2018 29th August 2018 29th November 2018 28th February 2019 6th June 2019</p> <p>Meetings will continue to be held each quarter unless otherwise agreed by the boroughs.</p>	<p>The holding of periodic and regular meetings for all bodies will enable these bodies to have proper oversight and help to ensure that required decisions are taken in a timely manner.</p> <p>The Strategic Steering Group minutes over the past year were provided (dated 30 November 2017, 30 April 2018 and 29 August 2018), which did not demonstrate that regular meetings were being held. It is acknowledged that a meeting was scheduled for January 2019, but was cancelled due to staff availability.</p> <p>There is a risk that issues are raised late for resolution, and hence problems may persist for a longer period, and it is likely with greater costs.</p>

TERMS OF REFERENCE

South London Waste Partnership – Governance

1. INTRODUCTION AND BACKGROUND

- 1.1 The Landfill Directive 1999 was adopted in England and Wales in 2002 with the aim to reduce potentially polluting emissions from landfill, with targets established to reduce biodegradable household waste sent to landfill to 5.2 million tonnes by 2020, or 35% of the 1995 level of such waste. These targets are reflected in the Waste Management Plan for England 2013, and the Mayor of London Municipal Waste Strategy 2011 – 2031.
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- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to South London Waste Partnership – Governance.
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate testing conducted.
- 2.3 The key findings, conclusions, and subsequent issues arising will be presented at an exit meeting and followed by the circulation of a draft report for consideration by management. This prior to agreement and issue of the final audit report.

3. SCOPE





- 3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisation, management & legislative requirements.	0	1	0
Governance arrangements.	0	1	1
Client team.	0	0	0
Payment mechanism.	0	0	0
Performance management.	0	0	0
Management reporting.	0	0	0
TOTAL	0	2	1

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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