

HCW/15/51

Devon Authorities Waste Reduction and Recycling Committee
20 July 2015

**Devon Authorities Waste Reduction and Recycling Committee (DAWRRC):
Small Bodies Return**

Report of the Head of Highways, Capital Development and Waste

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendations: It is recommended that:

- (a) the annual accounts return for 2014/15 be approved;**
- (b) the risk register be approved.**

1. Background

Joint Committees whose gross income and expenditure has been less than 1 million in any of the previous three years are audited under the Commission's limited assurance audit regime. The limited assurance regime requires audited bodies to prepare their annual accounts and annual governance statement in the form of an annual return, and is normally conducted by correspondence only.

2. Annual return for the year ended 31 March 2014

The return can only be sent to the external auditors, Grant Thornton, once it has been presented and approved by Committee.

The proposed return to Grant Thornton is attached at Appendix I and has been prepared in accordance with all relevant guidance.

3. Draft Internal Audit Report

A copy of the draft Internal Audit Report is attached at Appendix II. There were no observations or recommendations.

4. Review of DAWRRC Risk Register

The Audit Commission requires the DAWRRC Risk Register to be reviewed and approved by this committee on an annual basis. This is attached at Appendix III.

5. Review of DAWRRC Asset Register

There are no assets held by DAWRRC.

David Whitton
Head of Highways, Capital Development and Waste

Electoral Divisions: All

Local Government Act 1972: List of Background Papers

Contact for enquiries: Rachel Palmer

Room No. Matford Offices, County Hall, Exeter. EX2 4QD

Tel No: (01392) 382237

Background Paper
None

Date

File Reference

rp060715dawrrc Small Bodies Return
hk 04 070715

Section 1 – Accounting statements 2014/15 for:

Enter name of reporting body here:

	Year ending		Notes and guidance
	31 March 2014 £	31 March 2015 £	
1 Balances brought forward	28961	26104	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from local taxation and/or levy	231591	199413	Total amount of local tax and/or levy received or receivable in the year including funding from a sponsoring body.
3 (+) Total other receipts	1400	0	Total income or receipts as recorded in the cashbook less the taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	18098	18125	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) All other payments	217750	170151	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	26104	37240	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	29404	40939	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets plus other long term investments and assets	0	0	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the body as at 31 March
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2015 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:



Date

I confirm that these accounting statements were approved by the body on:

and recorded as minute reference:

Signed by Chair of meeting approving these accounting statements:

Date

Section 2 – Annual governance statement 2014/15

We acknowledge as the members of our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2015, that:

	Agreed –		'Yes' means that the body:
	Yes	No*	
1 We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓		prepared its accounting statements in the way prescribed by law.
2 We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
4 We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6 We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7 We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8 We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

dated

Signed by:

Chair

dated

Signed by:

Clerk

dated

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the council will address the weaknesses identified.

Section 3 – External auditor certificate and report 2014/15

Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Audit Commission Act 1998 as transitionally saved, for the year ended 31 March 2015 in respect of:

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2015; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to review the annual return in accordance with guidance issued by the Audit Commission (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

External auditor report

(Except for the matters reported below)* on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor signature

External auditor name Date

Note: The Audit Commission issued guidance in its Standing Guidance, which is applicable to external auditors' work on 2014/15 accounts.

Section 4 – Annual internal audit report 2014/15 to

DEVON AUDIT PARTNERSHIP

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2015.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A Appropriate accounting records have been kept properly throughout the year.	YES		
B The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES		
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES		
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES		
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES		
F Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.			NOT COVERED
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	YES		
H Asset and investments registers were complete and accurate and properly maintained.			NOT COVERED
I Periodic and year-end bank account reconciliations were properly carried out.	HW YES		NOT COVERED
J 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, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	YES		

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

NONE

Name of person who carried out the internal audit: ROBERT HUTCHINS

Signature of person who carried out the internal audit: *R Hutchins* Date: 9/6/2015

*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).



devon **audit** partnership

Appendix II
To HCW/15/51

Internal Audit Report

DAWRRC Small Bodies
Return

Devon Authorities Waste
Reduction & Recycling
Committee

DRAFT

May 2015

OFFICIAL



Auditing for achievement

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

1 Introduction

The Devon Authorities' Waste Reduction and Recycling Committee (DAWRRC) was established under the Provisions of Section 101 of the Local Government Act 1972. It is funded by a levy from City, Borough and District Councils as well as Devon County Council (DCC).

This audit was carried out as a result of DAWRCC being required to have their accounts shown as an entity, to be accounted for separately, and to have submitted an annual Small Bodies Return to the External Auditor.

2 Audit Opinion

High Standard - The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place.

3 Executive Summary

The applicable internal control objectives described in the Small Bodies Return have been met throughout the financial year. The budget monitoring statements can easily be traced to the ledger records and the figures have been transposed to the Small Bodies Return.

As we previous audits we confirm that DAWRRC do not have a separate bank account and so a bank reconciliation process is not required. There are neither any fixed assets nor does it have its own petty cash records. These internal objectives were not considered during the course of this audit.

The detailed findings and recommendations regarding these issues and less important matters are described in the Appendices. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

4 Assurance Opinion on Specific Sections

The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at Section 2. Definitions of the assurance opinion ratings can be found in the Appendices.

Areas Covered		Level of Assurance
1	Inappropriate accounting records have been maintained.	High Standard
2	Payments made do not comply with financial regulations, are not approved, supported by invoices or appropriately accounted for.	High Standard
3	Risks to objectives are not identified or managed.	High Standard
4	Budgetary control processes are inadequate	High Standard
5	Income has not been received, properly recorded or promptly banked.	High Standard

6	Petty cash payments are not approved, supported by receipts or appropriately accounted for.	Not applicable
7	Salaries are paid without approval and PAYE and NI requirements are not met.	High standard
8	Asset and investment registers are incomplete and inaccurate.	Not applicable
9	Periodic and year end bank account reconciliations are not carried out.	Not applicable
10	Accounting statements have not been prepared on the correct basis, agreed to the cash book or supported by an adequate audit trail.	High Standard

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed. Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report. Written responses should be returned to Martin Woolcott (martin.woolcott@devonaudit.gov.uk) or to Jane Quick (jane.quick@devonaudit.gov.uk). Alternatively a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

5 Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Based on the evidence we have found that in this audit there are no issues arising from the risk management, systems and controls examined that would warrant inclusion in the Annual Governance Statement.

6 Scope and Objectives

We have used the internal control objectives stated in the Annual Small Bodies Return for the year ended 31st March 2015.

The internal control objectives are listed below:-

- Appropriate accounting records have been kept properly throughout the year.
- The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was properly accounted for.
- The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with the body approvals, PAYE and NI requirements were properly applied.
- Asset and investment registers were complete and accurate and properly maintained.
- Periodic and year-end bank account reconciliations were properly carried out.

Accounting statements prepared during the year were prepared on the correct accounting basis,

agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.

The three areas of control which do not apply to DAWRCC are petty cash controls, bank account reconciliations and assets and investments:

- DAWRRC does not have petty cash and this has been confirmed.
- Receipts and payments for DAWRCC pass through the Devon County Council bank accounts and are reflected within the DCC Finest accounting system, where DAWRCC has its own budget code against which income and expenditure is recorded.
- DAWRRC does not hold any Fixed Assets or Investments.

Additionally implementation of the recommendations made in the previous audit was reviewed.

7 Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

8 Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Robert Hutchins
Head of Partnership

Appendix A**Detailed Audit Observations and Action Plan**

1. Area Covered: Inappropriate accounting records have been maintained.	Level of Assurance
Opinion Statement: Accounting records have been provided and compared to the DCC Finest system and found to be correct.	High Standard
No observations and recommendations recorded.	

2. Area Covered: Payments made do not comply with financial regulations, are not approved, supported by invoices or appropriately accounted for.	Level of Assurance
Opinion Statement: The sampled invoices for the financial year 2014/15 were found to have been paid in accordance with DCC Financial Regulations. It was noted that all invoices are date stamped for when received. One invoice sampled was dated 31st August but not paid until 18th November 2015. However as the invoice was date stamped for 18th November also provides assurance that invoices are paid promptly and in accordance with new EU regulations.	High Standard
No observations and recommendations recorded.	

3. Area Covered: Risks to objectives are not identified or managed.	Level of Assurance
Opinion Statement: A risk register is maintained and is subject to annual review and acknowledgment by Committee.	High Standard
No observations and recommendations recorded.	

4. Area Covered: Budgetary control processes are inadequate	Level of Assurance
Opinion Statement: The annual budget is approved each year by Committee. Monitoring reports are made to each Committee meeting every four months advising of variances.	High Standard
No observations and recommendations recorded.	

5. Area Covered: Income has not been received, properly recorded or promptly banked.	Level of Assurance
Opinion Statement: Income is generated from the "top-slicing" of levies made to the local councils for the collection of their waste. This income is traceable to the ledger.	High Standard
No observations and recommendations recorded.	

6. Area Covered: Petty cash payments are not approved, supported by receipts or appropriately accounted for.	Level of Assurance
Opinion Statement: DAWRRC does not operate its own separate Imprest petty cash account.	Not applicable
No observations and recommendations recorded.	

7. Area Covered: Salaries are paid without approval and PAYE and NI requirements are not met.	Level of Assurance
<p>Opinion Statement:</p> <p>There is one member of staff that is directly paid from the DAWRRC project. The salary is paid through DCC Payroll via HR One and examination of the payments made confirm that Income tax and National Insurance is deducted as expected. These payments are accountable in the finance system Finest and payroll records.</p> <p>The Committee have noted that the salary has been paid out of the top-slicing income stream in accordance with the internal control objectives.</p>	High standard
No observations and recommendations recorded.	

8. Area Covered: Asset and investment registers are incomplete and inaccurate.	Level of Assurance
Opinion Statement: DARRC does not hold any assets only a small list of items on an inventory list that is monitored annually.	Not applicable
No observations and recommendations recorded.	

9. Area Covered: Periodic and year end bank account reconciliations are not carried out.	Level of Assurance
Opinion Statement: DAWRRC does not have its own separate bank account. It uses the Devon County Council bank account to pay items and so no bank reconciliations take place.	Not applicable
No observations and recommendations recorded.	

10. Area Covered: Accounting statements have not been prepared on the correct basis, agreed to the cash book or supported by an adequate audit trail.	Level of Assurance
Opinion Statement: All general ledger accounting records were found to be fully supported by appropriate documentation and agreed to the Small Bodies Return.	High Standard
No observations and recommendations recorded.	

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

Confidentiality under the National Protective Marking Scheme

Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

PROJECT RISKS REGISTER

Project: Devon Authorities Waste Reduction and Recycling Committee
Project Manager: Annette Dentith

Last Updated: 22.05.2015
Next Review: 21.05.2016

Managing Projects
'The Devon Way'



Identifier	Category	Effect	Inherent Risk See Risks Matrix			Date Expected	Proposed Action(s)	Actionee	Residual Risk See Risks Matrix			Owner	Response	Status												
			Likelihood	Impact	Score				Likelihood	Impact	Score															
Lack of or reduced topslice funding	Operational-Project Dependencies	No financial support from one or more DAWRRC partners leading to reduced funding for initiatives, impact on jobs, reduced public awareness, negative impact on reputation and reduced likelihood of meeting targets.	2	3	YELLOW	Plymouth have withdrawn from April 2014	Share (Threat)	Officers' Forum	2	3	6	Committee														
Unexpected decrease in materials market	Operational-Delivery/ Non Compliance	Worldwide lack of demand for recycled materials leading to decrease in price, and risk of authorities playing the spot market rather than remaining in joint contracts thereby reducing value and	2	2	GREEN	Unknown	Realisation (Opportunity)	Officers' Forum	2	2	4	Committee														
Death by corporate manslaughter	Operational-Delivery/ Non Compliance	Non compliance of health and safety procedures by DAWRRC representatives leading to death of staff member or public.	1	5	GREEN	Unknown	Reduction (Threat)	Committee	1	5	5	Committee														
Non-adherence of constitution	Strategic-Business	One or more DAWRRC partner acts outside of the agreed constitutional boundaries leading to reduction in reputation for all remaining partners and reduced level of funding	2	3	YELLOW	Unknown	Reduction (Threat)	Officers' Forum	2	3	6	Committee														
New legislation	Strategic-Business	New legislation introduced which could either inhibit or demand changes in waste services	2	3	YELLOW	unknown	Reduction (Threat)	Officers' Forum	2	3	6	Committee														
Reduced recycling rate leading to reduced topslice	Operational-Project Dependencies	Less funding to spend on initiatives, potential impact on jobs, reduced public awareness, negative impact on reputation and reduced likelihood of meeting targets.	3	3	Yellow	unknown	Share (Threat)	Officers' Forum	3	3	6	Committee	<table border="1"> <thead> <tr> <th colspan="2">Risk Scores</th> </tr> </thead> <tbody> <tr> <td>21 to 25</td> <td>Very High</td> </tr> <tr> <td>16 to 20</td> <td>High</td> </tr> <tr> <td>11 to 15</td> <td>Medium</td> </tr> <tr> <td>6 to 10</td> <td>Low</td> </tr> <tr> <td>1 to 5</td> <td>Very Low</td> </tr> </tbody> </table>		Risk Scores		21 to 25	Very High	16 to 20	High	11 to 15	Medium	6 to 10	Low	1 to 5	Very Low
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