

# Internal Audit Report 2023/24

West London  
Waste Authority

Final  
August 2023

## Income Audit

Classification	Trend	By type	Control design	Operating effectiveness	Total
<b>Substantial</b>	Previously rated as Reasonable	Critical	0	0	0
		High	0	0	0
		Medium	0	0	0
		Low	0	3	3
<b>Total findings: 3</b>		Advisory	0	0	0



# West London Waste

Treating waste as a valuable resource

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## Executive summary (1 of 2)

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### *Summary of findings*

This audit has been undertaken as part of the WLWA 2023/24 Internal Audit Plan. The WLWA primarily receive income for the disposal of waste for the six boroughs signed up to the authority.

The purpose of the audit was to review the robustness of the WLWAs controls in place in relation to income with a focus on policies and procedures, raising of invoices / credit notes and refunds, debtors and write-offs, reconciliations and profit share.

Overall, we have graded the audit as Substantial, but we have raised actions to mitigate three low risk findings. These are in areas, where materiality of transaction is low.

### *Key findings*

We identified the following three low risk findings.

#### **Low Risks**

- The refund process needs to be reviewed and tighter controls put in place.
  - All write offs must be in agreement of the Treasurer unless a threshold is in place.
  - Administration should be reviewed and improved to prevent errors.
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## Executive summary (2 of 2)

- 1 Refunds** Low
- 2 Write-offs** Low
- 3 Administration** Low

### By Scope Area

	Critical	High	Medium	Low	Advisory
Policies and Procedures	0	0	0	0	0
Raising of Invoices / Credit Notes and Refunds	0	0	0	2	0
Debtors and Write-offs	0	0	0	1	0
Reconciliations	0	0	0	0	0
Profit Share	0	0	0	0	0
Bulky Waste	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>

## Background and scope (1 of 2)

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### Background

The West London Waste Authority (WLWA) are responsible for disposing of waste for six London Boroughs.

- London Borough of Brent
- London Borough of Ealing
- London Borough of Harrow
- London Borough of Hillingdon
- London Borough of Hounslow
- London Borough of Richmond upon Thames

West London Waste Authority (WLWA) has three main streams of income -

1. Monthly levies from the six boroughs who are receiving the services of the WLWA. The amounts are calculated and agreed before the start of the year and are the focus of budget monitoring. There are two elements to the levy, a fixed charge which remains unchanged and a pay as you throw charge which is reconciled quarterly to ensure boroughs only pay for the waste they dispose.
2. Income generated at the Household Reuse and Recycling Centre in Brent. This income comes from trade customers who are invoiced and from residents and others who pay by credit card at the weighbridge. There is also an agency charge to Brent for the provision of the service to residents.
3. Profit share as part of the Authority's Residual Waste Services Public Private Partnership Contract with SUEZ UK Limited.

There are also other minor items of miscellaneous income.

The Senior Management team receive regular reports on the income and debt recovery and key performance indicators have been created to monitor the level of debt each month. The Board receive summary information within board reports prepared.

## **Background and scope (2 of 2)**

### **Scope**

The audit work focused on the following areas –

#### ***Policies and Procedures***

- Policies and procedures are in place and clearly state the process to follow for raising invoices, income collection and debt recovery.
- Procedures are reviewed and updated on a regular basis and include best practice and changes in legislation and are relevant and available to all staff.

#### ***Raising of Invoices / Credit Notes and Refunds***

- Income is maximised by the prompt raising of invoices for goods and services that have been provided by the WLWA.
- All requests to raise invoices received in the Finance team are recorded accurately, completely and in a timely manner.
- Levy notices are accurate.
- Cancellation of invoices and credit notes are recorded and posted accurately.
- Refunds from customer accounts are processed for valid reasons in accordance with WLWA policies.

#### ***Debtors and Write-offs***

- Debtor balances are monitored and managed to maximise income collection.
- Management reports are produced regularly, and debt recovery targets are monitored by Senior Management.
- Write offs of account arrears are processed for valid reasons and in accordance with WLWA policies.
- All write offs are documented and authorisation is retained as part of the overall process.

#### ***Reconciliations***

- Reconciliations are prepared on a monthly basis which reconcile the balance on the accounts receivable ledger to the general ledger. Supporting documentation retained which confirms the balances of ledgers.
- Quarterly reconciliations are completed on the “Pay as you Throw” accounts to work out over and under payments for the six boroughs.
- Un-reconciled items are investigated and resolved, and the suspense account total is kept at a minimum.
- Reconciliations are prepared and reviewed by two separate individuals at the appropriate level to observe segregation of duties and delegated authority levels.

- Reconciliations are prepared and reviewed within one month of the period being reconciled.

### **Profit Share**

- Profit share calculations of percentage are agreed and accurate.
- Two thirds of profit share are paid to participating boroughs.
- One third of profit share is retained for agreed green projects.

### **Limitation of scope**

Our work was limited to the sub-processes and control objectives outlined above.

The scope of our work also did not cover IT controls and processes, such as interfaces.

Management should be aware that our internal audit work was performed in accordance with Public Sector Internal Audit Standards 2017 (PSIAS) and the Local Government Application. The assurance grading provided in our internal audit reports are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope above, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

## Current year findings (1 of 3)

### Refunds

#### Control Design & Operational Effectiveness

1

Low

### Finding and root cause

In the event that a refund is due to customers (usually from HRRC), the customer and reason for the refund are collated along with the proof of payment receipt. The information form should be signed by two officers before it is submitted to the Finance Team to process. No refunds are permitted at Abbey Road.

We requested a list of refunds processed over the past twelve months and were provided with a list of nine refunds.

- One case out of nine (£126.10) did not have a completed form nor an original receipt. There was only an email from the Finance Team to the Operations Data Officer asking why a refund had been requested in addition to a ticket being cancelled and a new one being raised. It has been noted that we were not provided with email confirming that the refunds had been approved prior to payment.
- One case out of nine (*Previously mentioned case: £126.10*) did not have a completed form. Just an email request from the Operations Data Officer and no backing papers either to support his version of events. Again, there was no evidence of the manager being copied into emails and subsequently approving the refund.
- Three cases out of nine (*refund values: £33.00, £126.10 & £3748.20*) did not have a copy of the receipts displaying the original charges attached.
- Three cases out of nine were double signed; the other six (*ranging from £9.60 - £3748.20*) had been signed by one officer and submitted for processing. There was no evidence that customers had signed these forms to confirm that the details on forms were correct.
- Furthermore, one refund case (£45.00) had been processed and paid out to an employee's bank account rather than the organisation who had originally paid to dump refuse at abbey road.

The refund process is very manual and there aren't any safeguards in place to avoid incorrect companies being paid or ensuring the refunds are paid back via the same method of payment and onto the same card that was used. Customers are not asked to sign a form to confirm that details are correct. There is not a consistent second signature on the form to confirm two officers have completed and subsequently checked each other's work. A clear policy or procedure document is not in place. WLWA have provided an email where the Operations Project Manager listed what he believes to be the correct process, and this was confirmed by the Finance Manager with a copy to the Finance Assistants.

## Implications

- Fraud may not be detected due to a lack of audit trail for verification and payments to incorrect accounts.

## Action plan

- 1) A definitive refund process is drafted and agreed by management and distributed to finance and site administrative staff to ensure that refunds are only processed once full details are provided to provide a robust audit trail.
- 2) When processing refunds ensure the same organisation (*and payment method/bank details*) who made and paid for the booking receive the refunded monies.
- 3) Ensure two Abbey Road officers sign off all refund requests.
- 4) Ensure the Finance Manager's approval is included in the audit trail for refunds.
- 5) Ensure the customer signs the initial refund request form thus confirming their details listed are accurate.
- 6) Full backing papers are retained to evidence the refund request.

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**Responsible person/title**

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Adesh Swain, Finance Supervisor

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**Target date**

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30<sup>th</sup> Sept 2023

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# Current year findings (2 of 3)

## Write-offs

Operational Effectiveness

2

Low

### Finding and root cause

We requested a list of debts written off at the WLWA in the last twelve months but were informed that there were none.

The aged debtor report indicated that one outstanding debt had been outstanding for 1-2 years. A company owed a small sum (£466) to the WLWA but are now no longer trading.

We were advised that this amount would be written off later in the year. When we requested a copy of the Treasurer's authorisation to write this sum off, we were advised that they did not need to get permission as the amount was under £500. This is not documented anywhere.

The WLWA Scheme of Delegation clearly states that the Treasurer can write off sums < £25,000. There is nothing noted about a threshold agreed.

Late write offs were highlighted in the previous audit report and should be reviewed at least annually and not left for an unnecessary length of time.

### Implications

- Sums are written off without the Treasurer being made aware and having the opportunity to challenge the collection effort or evidence of company cessation.

### Action plan

- Unless there is a Board agreed threshold, all write-offs proposals and backing documents must be provided to the treasurer for authorisation to proceed.
- Items to be written off are reviewed at least annually.

<b>Responsible person/title</b>
Gurdeep Bhogil, Senior Accountant
<b>Target date</b>
30 <sup>th</sup> Sept 2023

## Current year findings (3 of 3)

### Administration

#### Control Design and Operational Effectiveness

3

Low

### Finding and root cause

During the audit testing we found a small number of errors made (all corrected) which indicate tightening of processes and checking need to occur.

Late Invoices – 1 of 15 invoices checked was raised on the 17<sup>th</sup> of April for rent covering April to June 2023. With 30-day payment terms, the payment would not be considered late if paid mid- May. However, paying for April's rent in mid-May is putting the rent account in arrears.

Credit notes - Of the 11 credit notes raised over the last 12 months, all of them were due to internal errors being made.

### Implications

- Invoices raised late will result in a higher risk of late payments.
- A lack of checking on invoices, refunds etc will result in continued poor performance.

### Action plan

- 1) Administration checks are tightened to prevent errors.
- 2) Additional training is provided to officers who make the most mistakes.
- 3) Rent payments are raised in advance and added to a calendar schedule.

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#### Responsible person/title

Gurdeep Bhogil, Senior Accountant

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#### Target date

30<sup>th</sup> Sept 2023

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## Appendix A: Basis of our classifications

### Individual finding ratings

#### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

#### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

#### Medium

A finding that could have a:

- **Moderate** impact on operational; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

#### Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

## Appendix B: Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below

#### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.