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AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Tuesday, 26th February

AUDIT WASTE REPORTS

The Briefing comprises:

- 1-Review of Waste Audit for 2016-2017
- 2-Follow up Review of the Waste Audit for 2017-2018

Members and Co-opted Members have been provided with advanced copies of the briefing via email. The briefing is also available on the Council website at the following link:

<http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=559&Year=0>

Printed copies of the briefing are available upon request by contacting Steve Wood on 020 8313 4316 or by e-mail at stephen.wood@bromley.gov.uk.

Copies of the documents referred to above can be obtained from
www.bromley.gov.uk/meetings

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FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF WASTE AUDIT FOR 2016-17

Issued to: Nigel Davies, Executive Director ECS
Dan Jones, Assistant Director Street Scene & Green Space
John Bosley, Contracts Manager (Waste & Refuse service)
Claire Martin, Head of Finance ESD

Cc: Peter Turner, Director of Finance

Prepared by: Principal Auditor

Date of Issue: 17/11/2016

Report No.: ECS/010/01/2016

REVIEW OF WASTE AUDIT FOR 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of **Waste Audit for 2016-17**. The audit was carried out in quarter 2 as part of the programmed work specified in the 2016-17 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 30/08/2016. The period covered by this report is from October 2015 to October 2016.
4. The Waste Management services budget for 2016/17 was set as £17,205,380. The collected income from trade customers includes payments/ part payments (direct debit customers paying quarterly) in respect of service which will be delivered. For 2016-17 budgeted income for trade waste was £1,736,730, and as at October 2016 £1,576,890 has been collected.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference however it was extended to include review of all defaults within the waste management contract given the initial findings identified for trade waste.

AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. Initially this audit was a review of the trade waste collection service including analysis of current working practises and the management of contractors. There was probity testing for income and expenditure transactions.
8. Review of income collection from trade waste customers included testing of invoices, debt management, and the working relationship with the contractor. The information on Customer Relation Management system (CRM) was reviewed to ensure that the customer database is maintained and monitored.
9. The audit was also planned to review performance related issues, specifically interrogating missed bin collection reports for trade waste.
10. In reviewing trade waste, Internal Audit identified deficiencies with the current working practices for missed bin defaults across all waste collections. Areas for improvement have been identified and urgent management action is required to ensure recommendations made below are implemented to reduce the adverse impact and loss to the authority. Areas that require management attention are discussed in paragraph 11.

11. Default calculation for trade waste missed collections

In reviewing defaults for trade waste Internal Audit have identified significant deficiencies that applied to other aspects of the waste collection contract

- **Non collection of credits for defaults**

Credits for defaults for all type of waste collection have not been received for 2015-16. The Strategic Commissioner-Waste advised that the value of uncollected debt for 2015-16 is £68,000 and for 2016-17 the amount is yet to be determined. The outstanding amounts for both years are likely to be higher given the shortcomings in the calculations and application of the defaults identified in this review and discussed below.

REVIEW OF WASTE AUDIT FOR 2016-17

- **Bulk domestic**

The contract requirement for default calculation has not been actioned for bulk domestic bins since the start of the contract in 2001. The contract states that for the purposes of calculation of defaults for bulk domestic bins, each individual dwelling/flat affected should be classed as a property. There was evidence that a methodology was agreed in 2003, to consider each bulk bin to be the waste from 5 flats, however this agreed approach does not appear to have been adopted. Since introduction of recycling for flats, each bulk bin is expected to hold waste from 6 flats due to 20% reduction in volume of waste. However, currently each missed bulk bin is classed as single missed bin rather than 6. This represents under accounting households adversely affected and defaults credit due from the contractor. This is expanded below under the priority one finding.

- **Incorrect calculation methodology for defaults calculated**

The review of calculations for missed bins highlighted the following inaccuracies:

- As per the contract, one missed bin is allowed per round before a default is applied. The number of allowable missed bins on the spreadsheet does not correlate to the actual number of collection rounds undertaken by contractor.
- The defaults are calculated per calendar month for the missed bins. However, the first and the last week of the month do not always have 5 collection days. It was noted that the allowable missed collections were not adjusted to account for shortened weeks.

Both of these issues were raised with management, by email from Internal Audit, in October 2015 in relation to green garden waste.

REVIEW OF WASTE AUDIT FOR 2016-17

- **Reduced rates used by contractor since October 2013**

The review of invoices also highlighted that reduced rates have been applied to calculate the amount of credit due for defaults since October 2013. The charges detailed on the invoices checked since April 2013 did not agree to the charges declared by the Strategic Commissioner – Waste. Subsequent discussion with Head of Finance ECS confirmed that there was a discrepancy in the applied rates.

12. **Recovery of debt**

The outstanding invoices for trade waste are not being pursued as per the debt recovery procedure; the dunning process. Trade waste customers are invoiced annually in April. New customers joining part way through the year pay a pro-rata charge for the first year. The total amount outstanding for invoices raised in April 2016 is approximately £35,000 of which £26,000 is in respect of hire charges for containers.

13. There were two outstanding priority 1 recommendations from the Waste audit 2015-16 finalised in November 2015, relating to shortcomings in the retention of financial information and recording of defaults by the CRM system. Both recommendations were followed up as part of this audit. CRM is now correctly recording default stages and the recommendation is therefore implemented. Although, financial history is now recorded for individual customers, the income system is still being developed to accommodate direct debits for green garden waste and this recommendation is considered partially implemented. Recommendation relating to shortcomings in the income system has been partially implemented. Specifically audit testing has shown that for individual clients the system is now able to retain historical financial information. However, in relation to the income system being able to accommodate direct debits for Green Garden Waste, this is still being developed.

SIGNIFICANT FINDINGS (PRIORITY 1)

14. There are two Priority 1 findings identified in this report.

REVIEW OF WASTE AUDIT FOR 2016-17

15. In reviewing defaults for trade waste, Internal Audit identified deficiencies that applied to the waste collection contract in general. The shortcomings for the default process for trade waste and other waste collections have been summarised below.

Non collection of credits for defaults

LBB has not received any credits for defaults from the contractor since April 2015. The Strategic Commissioner- Waste advised that the value of uncollected debt for 2015-16 is £68,000 and for 2016-17 the amount is yet to be determined. The outstanding amounts for both years are likely to be higher given the shortcomings in the calculations and application of the defaults identified in this review. No provision has been made by management in 2015-16 account for the outstanding credit in relation to defaults. The defaults for period April 2016 to September 2016 were being calculated at the time of audit and no credits have been received.

Bulk domestic

Missed bins for trade waste service include instances where bulk domestic bins were not collected from flats and other domestic dwellings. The contract states that for the purposes of calculation of defaults, each individual dwelling/flat affected should be classed as a property. Management were queried if the current process of calculation of defaults takes into account the number of household affected when calculating defaults for bulk domestic missed collections. Audit was advised that this element of the contract is not being fulfilled.

Number of missed collections is a key performance indicator, and therefore disregarding this element of the contract means that monitoring information collated and provided is incorrect. In the absence of any variations to the contract to negate this element, it is believed that this has been the case since the start of the contract in 2001.

Audit was subsequently advised that a methodology was agreed in 2003 evidenced by an email, however it appears not to have been adopted. Through negotiation, it was agreed at the time that LBB would consider each bulk bin to be sufficient to contain the waste from 5 flats. Therefore every bulk bin missed would be equivalent to 5 missed bins. Since introduction of recycling for flats, each bulk bin is expected to hold waste from 6 flats due to 20% reduction in volume of waste. However, currently each missed bulk bin is classed as single missed bin rather than 6. This represents under accounting households adversely affected and defaults credit due from the contractor.

REVIEW OF WASTE AUDIT FOR 2016-17

Audit reviewed the bulk domestic defaults for the month of June 2016 to ascertain the impact of disregarding this element of the contract. There were 27 bulk domestic missed collections recorded in June 2016, most sites had more than one bulk domestic bin. Council tax system was interrogated to establish the number of flats at the missed collection sites. The review highlighted that a maximum of 765 household were affected if all bulk domestic bins were not collected at the missed sites and a minimum of 265 households were affected if only one bulk domestic bin was missed and rest were collected. In monetary terms the under-claiming is in the range of £7800 to £2515 for June 2016.

However, using the 2003 agreement mentioned above, a maximum of 468 properties would be affected if all bulk domestic bins were not collected at the missed sites and a minimum of 123 household would be affected if only one bulk domestic bin was missed and rest were collected. In monetary terms the under-claiming is in the range of £4950 to £1300 for June 2016.

Incorrect calculation methodology

As per the contract, one missed bin is allowed per round before a default is applied. The defaults are calculated per calendar month and should be sent to contractor to be issued with credits. The review of default calculation process highlighted following issues:

- The number of allowable missed bins before default is applied does not correlate to the number of waste collection rounds undertaken by contractor. The default calculation for June 2016 recorded 95 allowable misses assuming 95 collection rounds per day for various waste collections. The rounds information of some type of waste collections has not been updated from 2010. Please refer to the table below for discrepancies in the number of rounds:

Waste Collection rounds	Daily rounds on default calculation spreadsheet for June 2016	Actual Daily rounds undertaken by the contractor in June 2016
Refuse Rounds	17	11
Recycling Rounds (paper or mixed recyclables)	49	21

REVIEW OF WASTE AUDIT FOR 2016-17

depending on week)		
Food Waste Rounds	16	21
Green Waste Rounds (after 18 July 2016)	5	5
Trade Waste Rounds	4	2.5
Domestic Bulk Rounds	0	2.5
Bulk Recycling Rounds	4	2

- The defaults are calculated per calendar month from the missed bin information which is drawn from CRM system. The first and the last week of the month do not always have 5 collection days. While reviewing the default calculation spreadsheet for June 2016, it was noted that the allowable missed collections were not adjusted to account for reduced collection days for the first and last week of the month. This is equivalent to potential under-claiming of 65 stage 1 defaults per day.

The default calculation spreadsheet as received from Strategic Commissioner – Waste for June 2016 was reviewed; Recalculation of information after adjusting for discrepancies in number of rounds and shorter collection week highlighted under-accounting of approximately 350 stage 1 defaults which equate to under claiming of £3,700 in credit. Both of these issues were raised with management, by email from Internal Audit, in October 2015 in relation to green garden waste; however no action has been taken to resolve it.

Incorrect rates for defaults

Review of invoices for the period April 2013 to March 2015 also highlighted that reduced rates have been applied by the contractor to calculate the amount of credits due for defaults.

16. There may be substantial losses arising from the findings above that have not been calculated by Internal Audit. The value of these potential losses will need to be calculated and then for the management to consider the course of action for recovery. Given the significant findings in this report with regards to defaults: calculations and adherence to the terms of the contract

REVIEW OF WASTE AUDIT FOR 2016-17

and contract monitoring, there should be a management review based on these findings. It is also suggested that the management review will consider the robustness of contract monitoring arrangements relating to other areas of the Waste management contract.

17. Of the two priority 1 recommendations from Waste audit 2015-16, the recommendation relating to the system defaulting online referrals to status one had been resolved and reported to the Audit Sub Committee. The other priority one recommendation relating to shortcomings in the income system has been partially implemented and is discussed in detail in Appendix C including a statement from IT regarding the current position of direct debit system. Internal Audit has tested the current process to record historical data for individual clients and we are satisfied that this aspect of the priority one has been addressed.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

18. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B. Follow up of previous recommendations in detailed in Appendix C.

ACKNOWLEDGEMENT

19. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1.	<p>In reviewing defaults for trade waste, Internal Audit identified deficiencies that applied to the waste collection contract in general. The shortcomings for the default process for trade waste and other waste collections have been summarised below.</p> <p>Non collection of credits for defaults</p> <p>LBB has not received any credits for defaults from the contractor since April 2015. The Strategic Commissioner-Waste advised that the value of uncollected debt for 2015-16 is £68,000 and for 2016-17 the amount is yet to be determined. The outstanding amounts for both years are likely to be higher given the shortcomings in the calculations and application of the defaults identified in this review. No provision has been made by management in 2015-16 account for the outstanding credit in relation to defaults. The defaults for period April 2016 to September 2016 were being calculated at the time of audit and no credits have been received.</p>	<p>Poor performance by contractor is not challenged which results in potential losses to the authority</p>	<p>Outstanding credits for defaults for 2015-16 and 2016-17 should be recalculated and recovered from the contractor as soon as possible.</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>Bulk domestic</p> <p>Missed bins for trade waste service include instances where bulk domestic bins were not collected from flats and other domestic dwellings. The contract states that for the purposes of calculation of defaults, each individual dwelling/flat affected should be classed as a property. Management were queried if the current process of calculation of defaults takes into account the number of household affected when calculating defaults for bulk domestic missed collections. Audit was advised that this element of the contract is not being fulfilled.</p> <p>Number of missed collections is a key performance indicator, and therefore disregarding this element of the contract means that monitoring information collated and provided is incorrect. In the absence of any variations to the contract to negate this element, it is believed that this has been the case since the start of the contract in 2001.</p> <p>Internal Audit was subsequently advised that a methodology was agreed in 2003 evidenced by an email, however it appears not to have been adopted. Through negotiation, it</p>		<p>Management review of the default process is required to ensure that contractor performance is monitored effectively and all remedies as per the contract are applied to address contractor performance.</p> <p>Any contractual variation is agreed and authorised at appropriate level.</p>

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	<p>was agreed at the time that LBB would consider each bulk bin to be sufficient to contain the waste from 5 flats. Therefore every bulk bin missed would be equivalent to 5 missed bins. Since introduction of recycling for flats, each bulk bin is expected to hold waste from 6 flats due to 20% reduction in volume of waste. However, currently each missed bulk bin is classed as single missed bin rather than 6. This represents under accounting households adversely affected and defaults credit due from the contractor.</p> <p>Audit reviewed the bulk domestic defaults for the month of June 2016 to ascertain the impact of disregarding this element of the contract. There were 27 bulk domestic missed collections recorded in June 2016, most sites had more than one bulk domestic bin. Council tax system was interrogated to establish the number of flats at the missed collection sites. The review highlighted that a maximum of 765 household were affected if all bulk domestic bins were not collected at the missed sites and a minimum of 265 households were affected if only one bulk domestic bin was missed and rest were collected. In monetary terms the under-claiming is in the range of £7800 to £2515 for June 2016.</p>		

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	<p>However, using the 2003 agreement mentioned above, a maximum of 468 properties would be affected if all bulk domestic bins were not collected at the missed sites and a minimum of 123 household would be affected if only one bulk domestic bin was missed and rest were collected. In monetary terms the under-claiming is in the range of £4950 to £1300 for June 2016.</p> <p>Incorrect calculation methodology</p> <p>As per the contract, one missed bin is allowed per round before a default is applied. The defaults are calculated per calendar month and should be sent to contractor to be issued with credits. The review of default calculation process highlighted following issues:</p> <ul style="list-style-type: none"> ➤ The number of allowable missed bins before default is applied does not correlate to the number of waste collection rounds undertaken by contractor. The default calculation for June 2016 recorded 95 allowable misses assuming 95 collection rounds per day for various waste collections. The rounds information of some type of waste collections has not been updated from 2010. Please refer 		<p>Methodology for calculation of default should be reviewed to ensure shortened collection weeks are accounted for correctly and contractor is only allowed one missed bin per round as stated in the contract.</p>

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No.	Findings	Risk	Recommendation
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	to the table below for discrepancies in the number of rounds:																	
	<table border="1"> <thead> <tr> <th data-bbox="302 486 607 727">Waste Collection rounds</th> <th data-bbox="607 486 871 727">Daily rounds on default calculation spreadsheet for June 2016</th> <th data-bbox="871 486 1115 727">Actual Daily rounds undertaken by the contractor in June 2016</th> </tr> </thead> <tbody> <tr> <td data-bbox="302 727 607 799">Refuse Rounds</td> <td data-bbox="607 727 871 799">17</td> <td data-bbox="871 727 1115 799">11</td> </tr> <tr> <td data-bbox="302 799 607 999">Recycling Rounds (paper or mixed recyclables depending on week)</td> <td data-bbox="607 799 871 999">49</td> <td data-bbox="871 799 1115 999">21</td> </tr> <tr> <td data-bbox="302 999 607 1070">Food Waste Rounds</td> <td data-bbox="607 999 871 1070">16</td> <td data-bbox="871 999 1115 1070">21</td> </tr> <tr> <td data-bbox="302 1070 607 1182">Green Waste Rounds (after 18 July 2016)</td> <td data-bbox="607 1070 871 1182">5</td> <td data-bbox="871 1070 1115 1182">5</td> </tr> </tbody> </table>			Waste Collection rounds	Daily rounds on default calculation spreadsheet for June 2016	Actual Daily rounds undertaken by the contractor in June 2016	Refuse Rounds	17	11	Recycling Rounds (paper or mixed recyclables depending on week)	49	21	Food Waste Rounds	16	21	Green Waste Rounds (after 18 July 2016)	5	5
	Waste Collection rounds			Daily rounds on default calculation spreadsheet for June 2016	Actual Daily rounds undertaken by the contractor in June 2016													
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	Recycling Rounds (paper or mixed recyclables depending on week)			49	21													
	Food Waste Rounds			16	21													
Green Waste Rounds (after 18 July 2016)	5	5																

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation									
	<table border="1" data-bbox="302 376 1115 676"> <tr> <td data-bbox="302 376 607 448">Trade Waste Rounds</td> <td data-bbox="607 376 871 448">4</td> <td data-bbox="871 376 1115 448">2.5</td> </tr> <tr> <td data-bbox="302 448 607 560">Domestic Bulk Rounds</td> <td data-bbox="607 448 871 560">0</td> <td data-bbox="871 448 1115 560">2.5</td> </tr> <tr> <td data-bbox="302 560 607 676">Bulk Recycling Rounds</td> <td data-bbox="607 560 871 676">4</td> <td data-bbox="871 560 1115 676">2</td> </tr> </table> <p data-bbox="331 715 1131 1082">➤ The defaults are calculated per calendar month from the missed bin information which is drawn from CRM system. The first and the last week of the month do not always have 5 collection days. While reviewing the default calculation spreadsheet for June 2016, it was noted that the allowable missed collections were not adjusted to account for reduced collection days for the first and last week of the month. This is equivalent to potential under-claiming of 65 stage 1 defaults per day.</p> <p data-bbox="280 1121 1086 1228">The default calculation spreadsheet as received from Strategic Commissioner – Waste for June 2016 was reviewed; Recalculation of information after adjusting for</p>	Trade Waste Rounds	4	2.5	Domestic Bulk Rounds	0	2.5	Bulk Recycling Rounds	4	2		
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No.	Findings	Risk	Recommendation
	<p>discrepancies in number of rounds and shorter collection week highlighted under-accounting of approximately 350 stage 1 defaults which equate to under claiming of £3,700 in credit for the month. Both of these issues were raised with management, by email from Internal Audit, in October 2015 in relation to green garden waste; however no action has been taken to resolve it.</p> <p>Incorrect rates for defaults</p> <p>Review of invoices for the period April 2013 to March 2015 also highlighted that reduced rates have been applied by the contractor to calculate the amount of credits due for defaults.</p>		<p>Management should ensure that correct default rates are applied to the credits received from the contractor.</p> <p>[Priority 1]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>There may be substantial losses arising from the findings above that have not been calculated by Internal Audit. The value of these potential losses will need to be calculated and then for the management to consider the course of action for recovery. Given the significant findings in this report with regards to defaults calculations and adherence to the terms of the contract and contract monitoring, there should be a management review based on these findings. It is also suggested that the management review will consider the robustness of contract monitoring arrangements relating to other areas of the Waste management contract.</p>	<p>Poor management practises lead to potential losses to the authority</p>	<p>The value of potential losses arising from the findings of this audit should be calculated and for management to consider the course of action for recovery.</p> <p>A management review of robustness of contract monitoring should be undertaken to review controls relating to the other areas of the Waste management contract.</p> <p>[Priority 1]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>The outstanding invoices for Trade waste are not being pursued as per the procedure. Amount outstanding for invoices raised in April 2016 are approximately £35,000 of which £26,000 is in respect of hire charges for containers. In the sample of 20 invoices tested, 11 related to hire charge of bulk domestic bins. It was noted that in 9 cases there were considerable delays in recovery action, after the initial dunning letters were sent. The invoices have now been referred to debt collector however as per the procedure the exchequer contractor should contact the waste advisor to arrange a site visit to obtain managing agent details.</p> <p>The procedure to manage non-payment of trade waste invoices (excluding bulk domestic bin charges) is that dunning is undertaken as below :</p> <ul style="list-style-type: none"> • 1st Dunning letter 21 days • 2nd Dunning letter 14 days • 3rd Dunning letter 7 days • 11 working days ON hold • 14 days Pull containers • 14 days termination <p>For 3/20 invoices in the sample debt recovery action</p>	<p>Loss due to non-collection of income resulting from delay in recovery action</p>	<p>The exchequer contractor should be reminded to process debts for recovery as per the procedure. Waste manager should consider undertaking additional monitoring for bulk domestic invoices quarterly to ensure invoices are paid and any outstanding debt is pursued as per the agreed procedures.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	stopped after 2nd Dunning letter was sent. The Waste team has not been contacted to put account on hold as per the procedure.		

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Priority 2
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Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Outstanding credits for defaults for 2015-16 and 2016-17 should be recalculated and recovered from the contractor as soon as possible.</p> <p>Management review of the default process is required to ensure that contractor performance is monitored effectively and all remedies as per the contract are applied to address contractor performance.</p> <p>Any contractual variation is agreed and authorised at appropriate level.</p> <p>Methodology for calculation of default should be reviewed to</p>	1	A management investigation is being commissioned to look at the findings included in this report. The findings of the investigation will be used to inform the management comments at a later date.	Executive Director ECS and Assistant Director Street Scene & Green Space	March 2017

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>ensure shortened collection weeks are accounted for correctly and contractor is only allowed one missed bin per round as stated in the contract.</p> <p>Management should ensure that correct default rates are applied to the credits received from the contractor.</p>				
2	<p>The value of potential losses arising from the findings of this audit should be calculated and for management to consider the course of action for recovery.</p> <p>A management review of robustness of contract monitoring should be undertaken to review controls</p>	1	A management investigation is being commissioned to look at the findings included in this report. The findings of the investigation will be used to inform the management comments at a later date.	Executive Director ECS and Assistant Director Street Scene & Green Space	March 2017

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	relating to the other areas of the Waste management contract.				
3	The exchequer contractor should be reminded to process debts for recovery as per the procedure. Waste manager should consider undertaking additional monitoring for bulk domestic invoices quarterly to ensure invoices are paid and any outstanding debt is pursued as per the agreed procedures.	2	The Head of Exchequer Services is investigating the accounts highlighted in the audit report and will provide a detailed response by 25/11/16.	Head of Exchequer Services	November 2016

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FOLLOW UP

PREVIOUS RECOMMENDATIONS						
Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status

<p>Management should ensure that information on all receipts is retained so that income can be independently verified and reconciled.</p> <p>Going forward Management should explore system based solutions for collecting and recording income which have the functionality of collecting income by direct debit and retaining an audit trail of receipts.</p>	<p>The process for the receipting and recording of cheque and Kiosk payments has now been reviewed, refined and put into place. Detail of the refined process is in Appendix D.</p> <p>Cheque payment reference slips used by the Collection & Deposit process (C&D payment) are entered against each customer's account when paying by cheques and prior to banking; the completed payment slip is scanned and retained. In addition, since April 2015, CRM has an auditing tool which will record any changes to the customer's account records, allowing a historical record of updated changes when a customer renews the service in</p>	<p>30/11/2015</p>	<p>1</p>	<p>Contracts Manager (Waste & Refuse service) and Principal Waste Officer</p>	<p>A sample of 10 Green garden waste customers was reviewed to ensure management have implemented the agreed controls. Payments history is recorded on CRM as expected.</p> <p>The income system to accommodate direct debits for Green Garden Waste is still being developed. The position as advised by IT is as follows:</p> <p><i>"The ' Corporate Debt Recovery and Single View Project' has been established to achieve significant savings against the Exchequer Services contract and to improve corporate debt recovery through the implementation of the Corporate Debt Recovery System.</i></p> <p><i>The system has many features that improve the efficiency of debt collection and, at the point of go-live, will include Direct Debit</i></p>	<p>Partially implemented.</p>
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FOLLOW UP

PREVIOUS RECOMMENDATIONS						
Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status

	subsequent years. Kiosk payment records are similarly controlled through scanning and recording of completed payments.				<i>functionality that allows for the payment of debts interfaced through from the Oracle Financials System. Standard functionality allows customers to register for payments by Direct Debit via the telephone, or in some cases paper form, and online signup for payment by Direct Debit is being reviewed for implementation as a priority enhancement following the initial launch. Prior to this, Direct Debit payment of Green Garden Waste subscriptions (which requires the integration of the system with the CRM system used to manage the Green Garden Waste service) will be designed and costed for implementation following the initial launch and in time for the annual bulk renewal of Green Garden Waste subscriptions. As would be expected from a debt recovery system, all payments that are routed through the</i>	
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Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

FOLLOW UP

PREVIOUS RECOMMENDATIONS						
Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status

					<i>system are fully traceable and so allow for the independent verification and reconciliation of income received. It is expected that direct debits will be implemented for March 2017."</i>	
<p>Management review is required to ensure that the online referrals for missed collections for all types of waste are escalated in line with procedures irrespective of the method of referral.</p> <p>Audit testing as part of this review was restricted to missed collections for GGW. However this issue must affect all types of</p>	<p>The CRM system has now been adapted to enable the automatic apportionment of an escalated default (stage 2 level) for any case which has been escalated within the CRM system, which is irrespective of the contact channel (includes voice recognition, web-form and telephone enquires). The system also has been adapted to enable any unjustified collection to be assigned a stage 1 level default as a starting value.</p>	31/12/2015	1	Contracts Manager (Waste & Refuse service)	<p>Recommendation implemented. Reviewed as part of 2016-17 audit.</p>	<p>Recommendation implemented.</p>

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Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

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 Required to address issues which do not represent good practice

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 Identification of suggested areas for improvement

FOLLOW UP

PREVIOUS RECOMMENDATIONS						
Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status

<p>waste collection.</p>	<p>In terms of repetitive missed collections, the assigning of stage 3 level default is dependent on the time period between missed collections. For weekly collections, the trigger level is >1 in a 4 week period and for every-other-week collections, the value is >1 in an 8 week period. This sensitivity requires an interrogation of previous missed collections at the address which is not achievable using voice recognition or web-based forms as the information is one directional. However, we are reviewing reporting systems that will enable the assigning of stage 3 level defaults on a monthly basis when the monthly performance data is calculated. This should enable</p>					
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Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

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Priority 3
 Identification of suggested areas for improvement

FOLLOW UP

PREVIOUS RECOMMENDATIONS						
Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status

	the retrospective assigning of defaults at this level on a monthly basis.					
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Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

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 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITION

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

FOLLOW UP REVIEW OF WASTE FOR 2017-18

Issued to: Doug Patterson, Chief Executive
Nigel Davies, Executive Director ECS
Dan Jones, Director of Environment Services
Mark Bowen, Director of Corporate Services
Claire Martin, Head of Finance ECS and Corporate

Cc: Peter Turner, Director of Finance
Lesley Moore, Director of Commissioning

Prepared by: Principal Auditor

Date of Issue: 17/04/2018

Report No.: ECS/03/2017/AU

INTRODUCTION

1. The planned audit of Waste Services completed in November 2016 highlighted serious weaknesses; failure to adhere to contract and financial procedures and the mismanagement of the application of the default process. It was recommended that a management investigation be undertaken to review the robustness of contract monitoring and controls relating to all aspects of the Waste Management contract. The management investigation highlighted further weaknesses in management of the Waste contract.
2. The areas of weaknesses highlighted by the management investigation were further reviewed by the Internal Audit and 15 priority one recommendations were made in a follow-up report of the Waste Services Audit for 2016-17 which was finalised on 29/03/2017.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report issued on 29/03/2017 and the progress made to implement the 15 priority one recommendations and 1 outstanding priority one recommendation from Waste Audit 2015-16.

MANAGEMENT SUMMARY

4. The progress on implementation of the priority one recommendations was closely monitored and updates were reported to Audit sub-committee in June 2017, November 2017 and March 2018. We carried out sample testing and analysis of relevant documentation to confirm the extent to which the recommendations made in our original report had been implemented. We found that 15 Priority 1 recommendations made in the Internal Audit report issued on 29/03/2017 have been implemented. The priority 1 recommendation relating to direct debit payments for Green Garden waste from Waste Audit 2015-16 has also been discharged as the responsibility for implementing this is not within Environment Services control.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. There were 15 Priority 1 findings identified during our original audit. Our follow up reviews have found that all 15 recommendations arising from these findings have now been implemented and the details are recorded in Appendix A.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

6. Appendix A provides information on the recommendations that were followed-up and the status following the audit review. No new finding and recommendations were raised as part of this review. Appendix B also gives definitions of the priority categories.

ACKNOWLEDGEMENT

7. We would like to thank all staff contacted during this review for their help and co-operation.

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
1	<p>Outstanding credits for defaults should be recovered from the contractor as soon as possible.</p> <p>Methodology for calculation of default and procedure for recovery of defaults going forward should be reviewed.</p> <p>Management should ensure that correct default rates are applied to the credits received from the contractor.</p>	1	<p>The contractor was written to by the Director of Environment on the 22 February 2017 outlining the under-recovered defaults since 2008 and the value of these. The contractor was asked to confirm these figures and agree a process for recovery.</p> <p>The contractor has since responded seeking clarification on the calculation of the defaults and the values.</p> <p>LBB have replied and are awaiting further response.</p> <p>Follow up comments June 2017: The contractor has responded and are disputing the claim by LBB for defaults.</p> <p>At the time of writing, as requested by the Director of Environment, Legal Services have been asked to draft a response to the contractor to be sent on behalf of the Director of Environment.</p>	Director of Environment	March 2017	<p>Follow up March 2018:</p> <p>The acceptance of the Performance Management Framework(PMF) with adjustments made for Green Garden Waste Service was confirmed by the contractor in an email dated 20/02/2018. The confirmation has been formalised in CCN WM 25. The contractor was invoiced the settlement value of disputed defaults on 23-02-2018 which was paid on 11/04/2018.</p> <p>Management also confirmed that the agreed settlement of the inflationary index value will be applied to the February core invoice, defaults year-</p>	Implemented. (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>Follow up November 2017: ECS management advised that a resolution has been achieved with the contractor, and an agreement reached on the outstanding defaults. This was evidenced by a letter received from the contractor on the 18.10.17, setting out the agreed actions from the meeting on the 17.10.17. This includes the decimal points, indexation, disposal mechanism, contract variations and the claim for performance deductions and as such ends the dispute between the Authority and the contractor.</p> <p>The settlement for defaults has been agreed [Redacted] with an additional [Redacted] attributable for previous year's indexation. Some legal work is required to formalise this.</p>			<p>to-date (April 2017 to December 2017) will be applied to the February 2018 variable invoice. January 2018 applied PMF defaults (PAV values) will be applied to January 2018 variable invoice.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
2.	Payments going forward should be based on actual cost of disposal with savings achieved	1	The contractor have been informed of the correct methodology and the invoicing and payments will now be applied on the actual costs of disposal with the savings shared at	Director of Environment	March 2017	<p>Follow up November 2017:</p> <p>Internal audit checked the payment on statement of disposal</p>	Implemented (November 2017)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
	<p>from recycling shared at the end of the financial year. Officers working on contracts need to understand the payment mechanism and ensure sufficient checks and validations are undertaken before signing off invoices for payments.</p>		<p>the end of the annual period.</p> <p>Follow up June 2017: Having reviewed the process and the documentation and sought advice from Finance colleagues, it should be made clear that the recommendation is inaccurate as it states that payments should be made on actuals with any financial share being reconciled at the end of the year.</p> <p>The payment mechanism states that the amount to be invoiced by the contractor should be the lower price of the waste disposed of, whether that be Target or Actual tonnages, and that any financial benefit gained based on this calculation should be shared monthly not annually.</p> <p>The Director of Environment can confirm that the correct (not the recommended) calculation is now being applied to the monthly payment mechanism and that appropriate levels of checks and validations are being carried out before authorisation is made.</p>			<p>costs for June, July and August 2017. The Payment mechanism was applied correctly for the three months tested. The payment mechanism credit due to LBB for 2016-17 of £283,404 was also deducted from the above payment on the statement.</p> <p>Management advised that the monthly profit share will be reviewed every 6 months; if the contractor achieves 50% below target, they qualify for profit share, if not, they receive the target only. This will be backdated to April 2017, taking into consideration the issues covered by the agreement letter.</p> <p>The Contract Manager has reconciled the</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
						<p>ticket numbers for the August 2017 invoice. A detailed process has been written to support the new payment mechanism; a draft copy has been made available to audit although it should be noted that the calculation of income section is still in draft.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
3.	<p>Contract officers need to ensure that any variations to contracts need to be actioned formally via Change Controls as set out in the formal contracts.</p>	1	<p>Contract officers have been reminded of the need for variations to contracts to be actioned formally as set out in the formal contracts. Any variations must be authorised by the contract manager, the Head of Finance and the Director of Environment.</p> <p>This is now set out clearly in the</p>	Director of Environment	March 2017	<p>Follow up March 2018:</p> <p>The training issue around contract staff understanding Contract Procedure Rules (CPR) has been addressed. The Section has received a</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: As part of the negotiations and dialogue with the contractor, the documentation for the earlier changes is being brought together. The aim is to have an agreed Change Control, to cover these service changes, in place in the next month.</p> <p>Managers are being trained in the need to ensure documentation is properly prepared, signed and stored.</p> <p>Corporate training on Contract Procurement Rules and Financial Regulations is planned in the next month.</p> <p>Follow up November 2017: As discussed in the agreement letter, historic changes are being identified and documented. To address the training needs identified by this finding, all managers have redone the Contract Procedure</p>			<p>Contract Management Training course on the 27th November. The Head of Procurement is also scheduled to deliver a ½ day training on CPR in March 2018.</p> <p>The Financial Regulations online training course has now been completed by staff involved in the Waste contract.</p> <p>The historic changes to the contract and their financial implications were identified by management with input from Finance and Commissioning and captured in 26 Change Control Notices. These change control notices were agreed and signed by the contractor on</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>Rules online training. Managers are also being booked onto the new commissioning and contract management training being provided in October/November 2017 by the Director of Commissioning. The Head of Procurement will also be delivering a training course specific to ECS and a facilitator/trainer has been booked by ECS for the 27.11.17 to take ECS contract managers through best practice.</p>			<p>20/02/2018.</p> <p>The deed of variation to formalise the CCNs and the extension of contract has been sent to the contractor to sign on 06/03/2018. This was formally sealed on 28/03/2018 as confirmed by the Legal services.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
4.	<p>All write-offs need to be evidenced and an audit trail retained. Financial Regulations also need to be followed with regard to Director of Finance approval and Portfolio Holder approval if</p>	1	<p>Officers have been reminded of the need to follow Financial Regulations and to have accurate and timely evidence and an audit trail for all write-offs, including the correct authorisation.</p> <p>Follow up June 2017: Corporate training on Contract</p>	Executive Director of ECS	March 2017	<p>Follow up March 2018:</p> <p>The training issue relating to write offs, identifying what is a write off and the correct approval /authorisation limits will</p>	Implemented (March 2018)

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No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
	relevant.		<p>Procurement Rules and Financial Regs is planned in the next month.</p> <p>Follow up November 2017: Training is in place to address this also. There is a training issue generally around write offs, identifying what is a write off and the correct approval/authorisation limits. Write offs will be included in the CPR and Financial Regulations training to be delivered by the Head of Procurement. Any future issues with Paper will be treated as write offs and the relevant mangers are aware of this. Whilst training will reinforce this, the only way this can be tested is if the issue happens again and paper needs to be 'written off'.</p>			<p>be included in the Financial Regulations training and the CPR training to be delivered by the Head of Procurement.</p> <p>The responsibility of storage of paper, proper separation of paper for recycling to avoid rejected loads of paper and management of paper rejected by a re-processor on account of contamination is formalised in a procedure note. The contractor has confirmed by email on 07/03/2018 that they endorse this procedure.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
						reviewed.	
5.	<p>All formal meetings with contractors need to be document and filed in a central directory so other staff within the team are able to access should it be required.</p>	1	<p>Officers have been reminded of the need to have formal contract meetings and for these to be properly minuted and the documents stored in a central directory.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: The Director of Environment can confirm that all meetings taking place between LBB and contractor are now held with at least 2 LBB officers present and they are accurately minuted and the records stored on a shared accessible drive.</p> <p>Follow up November 2017: Internal Audit reviewed the Neighbourhood Management for Waste meeting minutes available on the Neighbourhood management team-site. No contract monitoring meeting took place in July and August 2017. Internal Audit therefore reviewed the May, June</p>	<p>Director of Environment/Executive Director of ECS</p>	<p>March 2017</p>	<p>Follow up March 2018:</p> <p>As part of the follow up audit, the contract monitoring meeting minutes for October, November and December 2017 which were available on Neighborhood Management team-site were reviewed. The minutes were detailed and meetings followed the performance management template as documented in the Waste Contract Monitoring Framework. It was however noted that timescales for completion of actions were not recorded in all instances.</p> <p>Internal Audit concludes that the</p>	<p>Implemented (March 2018)</p>

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>and September 2017 minutes to ensure that the meetings followed the performance management template as documented in the Waste Contract Monitoring Framework. It was noted that:</p> <ul style="list-style-type: none"> • The meetings did not follow the performance management template and all expected monitoring areas were not covered. • The job titles of the attendees were not recorded so it is not clear if the officers fulfilled the contract monitoring role for LBB or the contractor. • Timescales for completion of actions were not recorded. <p>Management advised that due to the Assistant Director of Environment being seconded to work on the Commissioning Programme for the majority of his time, the new contract manager was responsible for the contract meetings without the support of the AD who had previously led the meetings. The above comments of</p>			<p>recommendation has been implemented based on the evidence reviewed.</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>the Audit have been noted and improvement made.</p> <p>A specific Minute template has now been produced to ensure all the key elements of the Monitoring Framework are dealt with at the monthly meetings.</p> <p>They have also developed an updated Performance Monitoring Framework to ensure it is fit for purpose, robust and delivers the desired outcomes. This will be populated and discussed at the monthly contract meetings.</p> <p>Unfortunately there were no meetings in July and August due to Annual Leave and shortage of substitutes available for both LBB and the contractor. This was recorded on the Team Site.</p> <p>Management will ensure leave arrangements in the future mean that at least one Contract Manager or Head of Service is available to attend meetings. The contractor has</p>				

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			been instructed to do the same.				
6.	Supporting documents should be retained to evidence contract monitoring and an audit trail of action taken and decisions made.	1	<p>Officers have been reminded of the requirement to retain supporting documents to evidence contract monitoring and decision making.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: The Contract Monitoring framework has been adopted by the Director of Commissioning as the corporate framework.</p> <p>Supporting documents are now retained and saved on a shared drive, accessible to the appropriately authorised officers.</p> <p>Any contractual decisions made are recorded and saved in this area.</p> <p>Follow up November 2017: The Waste Contract Monitoring Framework establishes guidance for the required documentation for Contract Management.</p>	Director of Environment/Executive Director of ECS	March 2017	<p>Follow up March 2018:</p> <p>The revised Waste Contract Filing Structure was reviewed. It was in the process of being populated.</p> <p>Once this exercise is completed, it is proposed to establish a similar structure for all Environment contracts. This can be accessed in real time via Waste Contract Management Site.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>In addition Environment Services have commissioned a project to establish a Contract Filing system, which will put in place a comprehensive system to store all relevant paperwork for all Contracts under their control.</p> <p>Managers are being trained in the need to ensure documentation is properly prepared, signed and stored.</p> <p>The objective of the Contract Filing system project is to establish a comprehensive filing system, for all Environment Contracts, with input from Finance, Commissioning, and Legal, with the aim of making it possible to access all of the key documents for the Contract through a single point, regardless of where the Documents are stored electronically.</p> <p>The Quality standards of the Documents will also be reviewed, and guidance given to managers on what should be included, to ensure that the documents provide all</p>				

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			relevant information.				
7.	A proper reconciliation process should be put in place to reconcile the weighbridge figures and the invoice payments.	1	<p>Officers within the Street Scene & Greenspaces division have completed an exercise to produce a process an automated system for reconciling the weighbridge tonnage figures and the proposed tonnages from the contractor.</p> <p>This will ensure that the figures included on the invoices have already been reconciled. Contract officers will then carry out manual checks to confirm the figures before invoices are signed by the appropriate Chief Officer.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: This system is being used on a regular basis and the Director of Environment has requested that Audit carry out an assessment of the process to validate it.</p> <p>Follow up November 2017: The draft process has been</p>	Director of Environment	March 2017	<p>Follow up March 2018:</p> <p>Management advised that the November and December disposal Invoices were reconciled using the new process and related documents were available on the contract filing system. Internal Audit reviewed the methodology to reconcile disposal tonnage to support payment of disposal invoices. The methodology was applied correctly for the two months tested.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			reviewed by Internal Audit, reconciling ticket numbers, and setting out the requirements for the inspection of Disposal tickets.				
8.	There should be a proper and meaningful process in place to ensure that invoices are checked and authorised in accordance with Financial Regulations.	1	<p>The process for the checking and authorising of invoices has been reviewed and amended and will include input from the Head of Finance as appropriate.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: The invoice payment process is checked and validated by 2 different officers before being authorised and the relevant supporting paperwork is attached to the invoice.</p> <p>Follow up November 2017: Detailed process maps have been drawn up and implemented to ensure that separation of duties is in place.</p> <p>Training is being given to Contract</p>	Executive Director of ECS	March 2017	<p>Follow up March 2018:</p> <p>The Financial Regulations online training course has now been completed by staff involved in the Waste contract.</p> <p>A random sample of 5 invoices for the period October, November and December 2017 was selected and reviewed to ensure that verification checks were undertaken, invoice were arithmetically correct, segregation of duties was evidenced and payment authorisation was in accordance of</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			management staff in Financial Regulations.			Financial Regulation. The checks were satisfactory for all 5 invoices in the sample. Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.	
9.	Officers working with contractors need to consider the cash flow of the Council and ensure that the Council's interest is protected at all times.	1	Officers have been reminded of the need to consider the cash flow of the Council to ensure that the Council's interest is protected at all times. This is now set out clearly in the Contract Monitoring framework produced by the Department. Follow up June 2017: The specific issue that this relates to has now been dealt with and the correct application of the payment mechanism is being applied – as per No. 2 above. Internal Audit will test the process at the time of next	Executive Director of ECS	March 2017	Follow up November 2017: Internal Audit reviewed the application of payment mechanism to the disposal invoices for June, July and August 2017. For the month of June and July 2017, the lower price of the waste disposed, which was the Target tonnages was paid. For August 2017, the lower price of the waste disposed,	Implemented (November 2017)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			follow up.			<p>which was the actual tonnages was paid and the financial benefit gained based on this calculation was shared 50-50 between LBB and the contractor.</p> <p>It was noted that the payment mechanism credit owed for 2016/17 was deducted from the disposal payment on account September 2017.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
10.	The information presented to committee should be accurate and vetted by an independent	1	Localised information is generated by the ECS Contract Support Team and provided to the Neighbourhood Management Service Leads for contract management purposes.	Director of Environment	April 2017	<p>Follow up November 2017:</p> <p>The recruitment request for a Head of</p>	Implemented (November 2017)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
	officer.		<p>This information is held on a central database which will be fully accessible by the Corporate Monitoring Function.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: The DoE has bid for additional resources to appoint a Head of Performance Monitoring and Business Support and 2 Performance Officers who will act as the independent checks regarding the presentation of information. Until this is in place the Business Support Team Manager is acting as the independent check in addition to their current duties.</p>		September 2017	<p>Performance Monitoring and Business Support and 2 Performance Officers was approved by the Executive in August 2017.</p> <p>Internal Audit verified the information to support the update on the Waste contract provided to Environment PDS in June 2017. The supporting information was pulled directly from the weighbridge system and was satisfactory. Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
11.	<p>Contract procedure rules requires that 2 officers are present to validate the discussions and record accurately what has been agreed. For future negotiations with the contractors, contract officers need to include a representative from finance to ensure that the Council is getting value for money.</p>	1	<p>Officers have been reminded of the need to have a minimum of 2 LBB officers present at all contract meetings and where financial issues are being negotiated then the Head of Finance or their representative must be present.</p> <p>This is now set out clearly in the Contract Monitoring framework produced by the Department.</p> <p>Follow up June 2017: As an example of this practice the Head of Finance recently attended a meeting with the DoE, Head of Service and representatives of the contractor to confirm the invoicing and payment mechanism process. Internal Audit will check the evidence at the time of next follow up.</p>	Executive Director of ECS	March 2017	<p>Follow up November 2017:</p> <p>Management advised that officers have been reminded of the need to have a minimum of 2 LBB officers present at all contract meetings and where financial issues are being negotiated then the Head of Finance or their representative must be present.</p> <p>The Head of Finance attended the final contract negotiation meeting with the Director of Environment, Executive Director of ECS, Director of Commissioning and the Assistant Director of Commissioning on the 17 October 2017.</p>	Implemented (November 2017)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
						Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.	
12.	Redacted	1	Redacted	Director of Environment/Executive Director of ECS	March 2017	Redacted	Implemented (November 2017)
13.	A signed copy of contract should be held securely by the Legal team along with any agreed variations.	1	<p>The strong room arrangements for booking contracts in and out are being reviewed. An internal audit has been requested of contract execution and sign off procedures which will take place in 2017-18.</p> <p>Follow up June 2017: The Waste Contract will be signed and placed under seal once the negotiations with the contractor have been completed, and the working party on the change control and consequent variation has finished its work.</p> <p>Follow up November 2017:</p>	Director of Corporate Services	March 2017	<p>Follow up March 2018:</p> <p>The historic changes to the contract and their financial implications were identified by management with input from Finance and Commissioning. The changes were captured in 26 Change Control Notices (CCNs). These CCNs were agreed and signed by the</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			<p>A revised draft of the Contract has been produced and is in the process of being reviewed. Now the negotiations have concluded on the default dispute it is envisaged that the Contract Change Control Notices can be completed and the Contract Variation signed within the next 2 months.</p>			<p>contractor on 20/02/2018. The deed of variation to formalise the CCNs and the extension of contract has been sent to the contractor to sign on 06/03/2018. Legal services confirmed on 28/03/2018 by email that the Deed of Variation and the contract has been sealed by the Council.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
14.	<p>Training on both Contract Procedure Rules and Financial Regulations should be mandatory for all officers involved in</p>	1	<p>Bespoke training on Contract Procedure Rules (CPR) and Financial Regulations (FR) can be arranged through Head of Procurement and Head of Audit respectively. The training package</p>	Director of Environment	March 2017	<p>Follow up November 2017:</p> <p>Bespoke training on Contract Procedure Rules (CPR) and</p>	Implemented (November 2017)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
	<p>contract management along with refresher training being undertaken periodically.</p>		<p>used will be available on the manager's toolkit for CPR. It is a management responsibility to identify and request training for officers involved in contract management and contract monitoring.</p> <p>Follow up June 2017: The Director of Environment has identified that there is a need for Contract Management Training for all managers with responsibility for contract management within his Division.</p> <p>It is expected that this training will be delivered in house and be tailored to meet the needs of the services provided within Environment Services.</p>		<p>July 2017</p>	<p>Financial Regulations (FR) is being arranged through the Head of Procurement. The training package used will be available on the manager's toolkit for CPR. It is a management responsibility to identify and request training for officers involved in contract management and contract monitoring.</p> <p>The issues identified in this Audit have also been addressed in the Waste Contract Management Framework, which is the template for the Council's new Contract Management Framework Document.</p> <p>In addition, Environmental Services are putting in</p>	

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
						<p>place additional training on Contract Management best practice; so that Contract managers better understand why these rules are in place and how to drive best value for the Service.</p> <p>Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.</p>	
15	<p>A departmental review of contract management process within the ECS is recommended to make it robust.</p>	1	<p>Building on the production of the Contract Management Framework a review of the management processes across ECS will be undertaken.</p> <p>Follow up June 2017: This commenced in March 2017 with the Waste Services and a programme of review is now in place within the Environment</p>	Executive Director of ECS	March 2017	<p>Follow up March 2018:</p> <p>Management advised that review of Waste Services is complete. The review of Street Cleaning was delayed due to dealing with invoicing issues with Waste.</p>	Implemented (March 2018)

No	Original recommendation (Internal Audit report 29/03/2017)	Priority	Management comment	Responsibility	Agreed timescale	Internal Audit follow-up comments	Status
			Division. Pest Control and Stray Dogs is under way and other services will follow over the next 6-12mths. Follow up November 2017: Following completion of implementation of the recommendations from the review of Waste Services the Street Cleansing Service will be reviewed. Target date of completion end December 2017.			The Director of Environment has met with the contractor to map existing processes. The filing structure will be populated. Performance reports are being reviewed against the Contract Monitoring Framework. Internal Audit concludes that the recommendation has been implemented based on the evidence reviewed.	

Definition of priority categories.

Priority 1

Required to address major weaknesses and should be implemented as soon as possible

Priority 2

Required to address issues which do not represent good practice

Priority 3

Identification of suggested areas for improvement

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