

**FINAL INTERNAL AUDIT REPORT**

**ENVIRONMENTAL AND COMMUNITY SERVICES**

**REVIEW OF WASTE MANAGEMENT AUDIT 2013-14**

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## REVIEW OF WASTE MANAGEMENT AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Waste management Audit for 2013-14. The audit was carried out in quarter 1 as part of the programmed work specified in the 2013-14 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 25/03/2013. The period covered by this report is from 01/04/2012 to 30/09/2013.
4. The original Waste Management services budget for 2013/14 was set as £16,535,020 and has been revised to £16,659,510.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial 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. A review of Green Garden Waste collection service was undertaken following its roll out in March 2012. The original business case put forward 2 Options, with customer numbers of 6,700 required to break even in Option 1, and 7,300 customers required under Option 2. Councillors however chose a combination of the 2 Options. Under this scenario, the number of

## REVIEW OF WASTE MANAGEMENT AUDIT FOR 2013-14

customers required to break even was 7,870, equating to an income of £472k. Currently there are 11,823 customers subscribing to the scheme.

8. As part of the collection contract, the contractor charges a set amount per day to provide the vehicles and staff. Currently 5000 customers are served per vehicle. Increase in customer numbers and additional collection costs to provide the service per new customer should be kept under review to ensure that the service breaks even.
9. The income from garden waste is captured separately. As per the financial budget monitoring report for December 2013, the collected income is £738,549 and a surplus is projected for 2013-14.
10. The controls in relation to setting up new customers on the service, collection of income, managing customer turnover and performance monitoring of the service were reviewed and found to be satisfactory. The controls in relation to reconciling customer databases held by LBB and the contractor could be strengthened by undertaking periodic reconciliation to ensure that contractor has discontinued service for the terminated customers and collected the bins.
11. A sample of non-contractual payments was selected from the expenditure report generated from Oracle Financial system for the period April 2012 to August 2013 and reviewed to ensure that the Contract Procedure Rules and Financial Regulations have been complied with. The evidence provided by Waste Services to support the sampled payments was found to be satisfactory.
12. Regular contract monitoring meetings are held by Waste Managers with the contractor to monitor the Waste Collection contract and the Waste Disposal contract. Contract spend is monitored jointly with the finance department and budget monitoring meetings are held bi-monthly between Senior Managers in Waste Services and the ECS Finance Officer to discuss budget and finance related issues. Audit reviewed the budget monitoring meeting notes from their meeting on 08/08/2013 in which, Finance raised issues relating to paper income, monthly credit of co-mingled collection savings, textile collection income, payment mechanism and clinical waste which required action from the contractor.

Minutes of the contract monitoring meeting on 08/10/2013 were reviewed to ensure that outstanding financial issues as highlighted in the meeting on 08/08/2013 were discussed with the contractor. Finance issues were not discussed at the contract monitoring meeting on 08/10/2013.

## REVIEW OF WASTE MANAGEMENT AUDIT FOR 2013-14

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

13. There are no priority one findings.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

14. 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.

### **ACKNOWLEDGEMENT**

15. 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>A spreadsheet of customers who have withdrawn from the Green Garden Waste service is sent to the contractor every week for them to update their records and amend the collection rounds.</p> <p>No reconciliation process is in place to ensure that contractor has discontinued service for the terminated customers and collected the bins.</p>	<p>Loss of revenue as service continues free of charge</p>	<p><b>The list of Green Garden Waste customers held by LBB and the contractor should be periodically reconciled to ensure that all terminations have been actioned and bins have been removed from customers' properties. [Priority 2]</b></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
2	<p>Regular contract monitoring meetings are held by Waste Managers with the contractor to monitor the Waste Collection contract and the Waste Disposal contract. Contract spend is monitored jointly with the finance department and budget monitoring meeting are held bi-monthly between Senior Managers in Waste Services and ECS Finance Officer to discuss budget and finance related issues. Audit reviewed the budget monitoring meeting notes from their meeting on 08/08/2013 in which, Finance raised issues relating to paper income, monthly credit of co-mingled collection savings, textile collection income, payment mechanism and clinical waste which required action from the contractor.</p> <p>Minutes of the contract monitoring meeting on 08/10/2013 were reviewed to ensure that outstanding financial issues as highlighted in the meeting on 08/08/2013 were discussed with the contractor. Finance issues were not discussed at the contract monitoring meeting on 08/10/2013.</p>	Lack of action may result in loss of income	<p><b>Discussion of issues highlighted at the Finance meetings which require action from the contractor should be included in the agenda for contract monitoring meeting. [Priority 2]</b></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**

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The list of Green Garden Waste customers held by LBB and the contractor should be periodically reconciled to ensure that all terminations have been actioned and bins have been removed from customers' properties.	2	We have already begun to address Recommendation 1, by amending the existing process to ensure that we retain a scanned record of terminations issued to and completed by the contractor and / or the Waste Advisor where applicable. These will be reconciled against the customer list on a regular basis to ensure that only paid-up customers receive a service, and that containers are recovered from customers who leave the scheme.	Senior Waste Advisor	February 2014

**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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	Discussion of issues highlighted at the Finance meetings which require action from the contractor should be included in the agenda for contract monitoring meeting.	2	Finance Issues will be added as an ongoing element of all Contract Monitoring meeting agendas. Where separate meetings are held to resolve or progress financial issues, these will be separately minuted, but a note added to the next Contract Monitoring meeting minutes highlighting actions and progress.	Head of Waste Services	February 2014

**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



## OPINION DEFINITIONS

## APPENDIX C

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.