



St. Helens Council

Internal Audit Report 2013/14

Merseyside Recycling & Waste Authority Waste Management and Recycling Contract and Landfill Contracts – Review of Final Claim 2012/13

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|---------|---------------------|
| Ref: | MWDA01 |
| Status: | FINAL REPORT |

September 2013



St. Helens Council

Merseyside Recycling & Waste Authority

Waste Management and Recycling Contract and Landfill Contracts – Review of Final Claim 2012/13

1.1 Introduction

Merseyside Recycling and Waste Authority (MRWA) has entered into a Service Level Agreement (SLA) for St Helens Council to provide its annual Internal Audit coverage for the period April 2013 to March 2014. The agreed Audit Plan includes the Authority's contract payment arrangements with a view to providing an assessment of the adequacy of the control environment established, to ensure that the objectives are achieved and risks are adequately managed.

1.2 Scope

To review the Final Contract Claim for 2012/13 and provide an assurance of the accuracy of the final payment to the contractor.

1.3 Background

Context

Under the Waste Management Recycling Contract (WMRC), Veolia Environmental Services are responsible for the management of waste on behalf of MRWA as follows:-

- i. Operation of four Transfer Stations including associated transport of waste to disposal points and external process facilities;
- ii. Operation of the fourteen Household Waste Recycling Centres (HWRC's) on Merseyside (and two HWRC's in Halton) including associated transport of waste to disposal points and making arrangements for the collection of recyclable materials for processing;
- iii. Operation of two Material Recovery Facilities (MRF's) including associated transport of waste to disposal points and external processing facilities; and
- iv. Ensuring appropriate payments are made or income received for the processing of waste at end markets.

Landfill Contracts

MRWA currently disposes of waste via three landfill disposal contracts. Mersey Waste Holdings Ltd (MWHL) provides one of these contracts (3C Arpley Contract). The following summarises the three landfill contracts currently in place:

- i. 3C Arpley contract (up to 370,000tpa) between MWHL and Waste Recycling Group (WRG) accessed via MRWA;
- ii. Landfill Services Contract (Top up contract to 3C Arpley Contract) between MRWA and WRG; &
- iii. Landfill Services Contract between MRWA and Sita UK Ltd for disposal of Cement Bonded Asbestos (Hazardous Waste).

At year-end Veolia are required under the contract to provide information within the March claim to support recycling and diversion performance achieved during the contract year and associated recycling material income. This information will support any bonus payments and/or deductions and any monies due to MRWA under the contract.

Budget

The following table details contract values:

| Contract | Annual cost of Waste Management Contract 2012/13 Excluding VAT (£) |
|---|---|
| WMRC | 18,166,683 |
| Landfill 3C Contract (up to 370,000tpa) | 21,129,033 |
| WRG | 12,145,793 |
| Hazardous Waste Contract | 26,296 |
| Total | 51,467,805 |

1.4 Audit Opinion

Internal Audit contribute to the overall governance of the Authority by providing an opinion on how effectively risks are being managed and the adequacy and effectiveness of internal control in relation to the areas under review.

Our opinion is based on the work performed as described in the above scope, which was agreed with management prior to the commencement of the review.

Our overall opinion, following this review is as follows;

| | |
|-----------------------|---|
| High Assurance | All expected controls are in place and being applied consistently and effectively and there is a sound system of control designed to ensure the achievement of the service or system's business objectives. |
|-----------------------|---|

1.5 Key Issues

There are no key issues arising from this review.

1.6 Agreed Action

No recommendations have been made following this review.

Control Objectives 2

Merseyside Recycling & Waste Authority

Waste Management and Recycling Contract and Landfill Contracts – Review of Final Claim 2012/13

To review the controls in place for the final claim payment for the financial year 2012/13, with a view to providing assurance that:

1. Contract payments are accurate, legitimate and accounted for appropriately.

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Findings

Control Objective 1 - Contract payments are accurate, legitimate and accounted for appropriately.

We established that all expected controls under review were in place and working effectively.

As part of the review, we sampled two monthly contract payments, (January 2013 and March 2013) and confirmed that all relevant checks had been undertaken and any anomalies identified had been raised with Veolia and appropriate action taken.

We confirmed that all year-end adjustments performed within the March monthly contract payment were accurate and supported by appropriate supporting documentation.

All payment certificates within our sample had been subject to the application of the control grid stamp to confirm appropriate checks and all had been certified by an authorised officer prior to payment.

No recommendations have been made during this review.

Conclusions

Internal Audit contribute to the overall governance of the Council by providing an opinion on how effectively risks are being managed and the adequacy and effectiveness of internal control in relation to the areas under review. Our opinion is based on the findings of the work performed as described above.

Our overall opinion, following this review is as follows;

| | | |
|------------------------------|---|---|
| High Assurance | ✓ | All expected controls are in place and being applied consistently and effectively and there is a sound system of control designed to ensure the achievement of the service or system's business objectives. |
| Substantial Assurance | | The majority of expected controls are in place but there is some inconsistency in their application. Whilst there is basically a sound system of controls, there may be weaknesses in the design and/or operation of these and recommendations have been made to enhance the control environment further. |
| Limited Assurance | | A number of expected controls do not exist or are not applied consistently or effectively. There are weaknesses in the design or operation of controls that could impact upon achievement of the service or system's business objectives and these may have resulted in the emergence of key issues. |
| Minimal Assurance | | A significant number of expected controls are not in place or there are significant weaknesses in the control system that may put the service or system's business objectives at risk. A number of recommendations have been made and / or key issues identified. |