



St. Helens Council

Internal Audit Report 2017/18

Merseyside Recycling and Waste Authority Contract Arrangements

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St. Helens Council

Merseyside Recycling and Waste Authority

Contract Arrangements

1.1 Introduction

An audit review of Waste Contract Arrangements was undertaken as part of the 2017/18 Internal Audit Plan. The purpose of the Audit was to provide an assessment of the adequacy of the control environment established, to ensure that objectives are achieved and risks are adequately managed.

1.2 Scope

To consider the accuracy of contract payments to Veolia and landfill service providers, including year-end adjustments and to verify whether information obtained from Cognos can be reconciled to the information received from Veolia. In addition, interim arrangements, which are in place until full service of the Resource Recovery Contract (RRC) commences, are to be reviewed.

1.3 Background

Context

The Waste Management and Recycling Contract handles all of the residual, and most of the recyclable material collected by the Merseyside and Halton Councils and well as the waste householders bring to the Household Waste Recycling Centres (HWRC's) within the Authority. Veolia Environmental Services are responsible for the management of waste on behalf of MRWA as follows:

1. Operation of four transfer stations including associated transport of waste to disposal points and external processing facilities;
2. Operation of the 14 HWRC's in Merseyside (and two in Halton) including the associated transport of waste to disposal points and making arrangements for the collection of recyclable materials for processing;
3. Operation of two Material Recovery Facilities (MRF's) including associated transport of waste to disposal points and external processing facilities; and
4. Ensuring appropriate payments are made or income received for the processing of waste at end markets.

Residual Waste Contracts

The RRC contract was initially due to reach Facility Operation Date (FOD) on 1st October 2016. Due to delays in the commissioning process, this did not occur and therefore use of interim

residual waste treatment and disposal arrangements were implemented until 31st August 2017. Interim contracts were agreed with Suez to manage the proportion of residual waste, which was not currently being processed at the RRC. At the time of review, FOD was expected to take place on 1st September 2017.

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.

Merseyside Recycling and Waste Authority

Contract Arrangements

To gain assurance that the following control objectives are being achieved within an appropriate framework of control:

1. All monthly contract payments to Veolia are accurate, legitimate, and accounted for appropriately.
2. Year-end adjustments have been properly calculated and accounted for.
3. All landfill and hazardous waste charges are valid, including the interim arrangements in place following the delay in the RRC Facility Operation Date.
4. Information generated from the Cognos System agrees to the information electronically forwarded from Veolia.

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Findings

3.1 Control Objective: All monthly contract payments to Veolia are accurate, legitimate, and accounted for appropriately.

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

A sample of three months was selected and supporting documentation reviewed to ensure that payments made to Veolia were accurate, and that appropriate rates had been applied. In all instances, effective processes have been demonstrated to ensure that payments are reconciled to information obtained from Cognos, and that these calculations are checked by an independent officer before the payment is processed.

No recommendations have been made.

3.2 Control Objective: Year-end adjustments have been properly calculated and accounted for.

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

In order to ensure that year end adjustments are accurate, the payment for March 2017 was reviewed. Testing confirmed that all adjustments have been calculated appropriately, and documentation is held on file to support this.

No recommendations have been made.

3.3 Control Objective: All landfill and hazardous waste charges are valid, including the interim arrangements in place following the delay in the RRC Facility Operation Date.

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

For the period under review, an interim arrangement was in place with Suez, as final FOD had not yet been achieved. It was clear from testing of payment documentation that invoices received have been appropriately checked to ensure that information obtained by MRWA could be reconciled to the amount being charged. Where variances had been found, it was clear that these have been fully investigated and resolved before payment has been made.

In addition, effective controls are in place in the payment of invoices, and a good segregation of duties has been evidenced.

No recommendations have been made.

3.4 Control Objective: Information generated from the Cognos System agrees to the information electronically forwarded from Veolia.

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

Review of contract documentation confirmed that appropriate reports are produced from Cognos on a monthly basis, which supports the contract payment. Testing confirmed that these reports can be checked back to raw data, to evidence the accuracy of the payments which have been made.

No recommendations have been made.

Conclusions

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 relations 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.