



Audit Report 2011/12

St. Helens Council

Merseyside Recycling & Waste Authority
Waste Contract Arrangements

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St. Helens Council

EXECUTIVE SUMMARY

Merseyside Recycling & Waste Authority

Waste Contract Arrangements

Scope

Merseyside Recycling & Waste Authority (MRWA) has entered into a Service Level Agreement (SLA) for St Helens Council to provide its annual internal audit coverage for the financial year 2011/12. The work undertaken in this review was agreed with the Director of Finance and covered the following areas:-

1. Verification of the accuracy of the monthly payment to Veolia pursuant to the Waste Management and Recycling Contract (WMRC);
2. To review the work undertaken by MRWA to ensure the accuracy of the WMRC Monthly Report;
3. Confirm procedures are in place to ensure appropriate administration of MWRA's Commercial Vehicle Permit Scheme and that the Scheme is appropriately enforced at the Household Waste Recycling Centres (HWRC's);
4. Verification of the accuracy of the monthly payment pursuant to the Landfill Contract.

This report summarises the findings of the audit work undertaken with a view to providing an assurance that the financial controls in operation are operating effectively.

Background

Waste Management and Recycling Contract

Under the 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 processing facilities;
- ii. Operation of the fourteen HWRC's on Merseyside (and two HWRCs 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. One of these contracts (3C Arpley Contract) is provided by Mersey Waste Holdings Ltd (MWHL). 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 MWRA and Sita UK Ltd for disposal of Cement Bonded Asbestos (Hazardous Waste).

| Annual cost of all the Waste Management Contracts for (April to March) 2011/12 | |
|---|---|
| Contract | Estimated Cost £ Excluding VAT |
| <i>WMRC</i> | <i>17,815,587</i> |
| <i>Landfill 3"C" Contract (up to 370,000 tpa)</i> | <i>15,232,944</i> |
| <i>Landfill Top Up Contract</i> | <i>14,816,053</i> |
| <i>Hazardous Waste Contract</i> | <i>24,824</i> |
| Total | £47,889,408 |

Commercial Vehicle Permit Scheme

A Permit Scheme for commercial-type vehicle users accessing Household Waste Recycling Centres (HWRCs) has been introduced on Merseyside.

A permit must be obtained from MRWA and presented at the HWRC by the site user when delivering household waste in a van or large trailer. Permits are not required if delivering waste in a car or small trailer (less than 2 metres long).

There are two types of permits provided by MRWA:-

Annual Permit

For the delivery of recyclable items of waste from households, such as garden waste, newspapers, magazines, etc. These permits are valid for an unlimited number of visits to a recycling Centre over a 12 month period.

Temporary permit

For the delivery of bulky household waste such as furniture, rubble, scrap metal, televisions, white goods and wood. Up to 12 temporary permits can be issued to a household in a 12month period.

Audit Opinion

In our opinion, appropriate key controls are in place and are operating effectively with regard to the management of the various waste contracts. Testing confirmed that there are appropriate controls in place to ensure that payments made are in accordance with the rates, terms and conditions of the relevant contract.

The review confirmed there were suitable controls in place to ensure the accuracy of the WMRC Monthly Report and the administration and operation of the Commercial Vehicle Permit Scheme.

Although we have made a number of recommendations, these do not represent significant weakness within the existing control framework or indicate that the interests of MRWA and other stakeholders are open to undue risk.

Key Issue

No key issues were identified during this review.

Agreed Action

The recommendations and action plan have been agreed with the Director of Finance.

INTERNAL AUDIT REPORT

Waste Contract Arrangements

1.0 Objectives

To review the controls in place in relation to the following:-

Waste Management & Recycling Contract

1. To ensure that all contract payments to Veolia are pursuant to the WMRC and are accurate, legitimate and accounted for appropriately;
2. To ensure that all contract payments to landfill service providers are accurate, legitimate and accounted for appropriately;

Accuracy of WMRC Monthly Report

3. To review the work undertaken by MRWA to ensure the accuracy of the WMRC Monthly Report;

Commercial Vehicle Permit Scheme

4. To ensure that the Authority's Commercial Vehicle Permit Scheme is correctly administered and operating to agreed terms and conditions stipulated by MRWA.

2.0 Conclusions & Recommendations

2.1 Control Objective – To ensure that all contract payments to Veolia are pursuant to the WMRC and are accurate, legitimate and accounted for appropriately.

2.1.1 This control objective is being met.

2.1.2 At the time of the review, we sampled 20% of the monthly contract payment claims for the financial year 2011/12. The months sampled were April and August 2011 and we confirmed that the claims had been received by the 10th day of the following month, together with all supporting data.

2.1.3 The review noted that the MRWA's Performance Support Officer imports the electronic data into the appropriate spreadsheet and any anomalies are highlighted. All anomalies identified are e-mailed to Veolia for clarification. The Assistant Contract Manger will carry out checks on the accuracy of the claim and will again e-mail any additional queries identified to Veolia for clarification.

- 2.1.4 Testing confirmed that e-mails are being sent to Veolia and that full explanations are received. We noted that the claim is then amended according to the outcome of the queries and, only once all queries have been resolved, will Veolia submit a revised claim for payment.
- 2.1.5 Before payment can be made, the checklist needs to be completed, signed and countersigned to confirm all checks have been completed and the payment is correct. The Performance Report Officer will complete the payment documentation and relevant officers will sign.
- 2.1.6 Testing confirmed that both claims had a completed checklist that had been signed by the Performance Support Officer and countersigned by the Assistant Contracts Manager. We confirmed that the officers who had signed the payment forms were on the approved list and that the payment details agreed to the supporting documentation.
- 2.1.7 Finally we confirmed that the Business Support Manager carries out regular reconciliations of the monthly payment to Veolia to the relevant Financial Information System (FIS) codes. A supporting spreadsheet is maintained to confirm that this is being done.

2.2 Control Objective - To ensure that all contract payments to landfill service providers are accurate, legitimate and accounted for appropriately.

- 2.2.1 Sample testing confirmed this control objective is being met.
- 2.2.2 From the two months tested, we confirmed that an adequate level of check to supporting documentation is performed on a monthly basis and evidence retained.
- 2.2.3 The review confirmed that any discrepancies are highlighted and forwarded for clarification. On receipt of clarification, the claim will be adjusted appropriately and the supporting documentation retained on file.
- 2.2.4 As part of the Assistant Contract Manager's role, he is responsible for monitoring the monthly tonnage for each contract via a tonnage spreadsheet. We confirmed that suitable controls are in place to ensure that the most beneficial option for the disposal of waste to landfill is obtained.
- 2.2.5 Finally we confirmed that contract rates had been applied correctly, calculations were accurate and appropriate authorisation was evident on the documentation.

2.3 To review the work undertaken by MRWA to ensure the accuracy of the WMRC Monthly Report.

- 2.3.1 This control objective is not being fully met.
- 2.3.2 Discussion with the Contract Manager confirmed that MWRA undertake numerous activities toward ensuring the accuracy of the Monthly Report including:
- ↳ Checking Veolia's compliance against the WMRC Performance Mechanism;
 - ↳ Checking Veolia's compliance against the Contractor Self Monitoring System;
 - ↳ Checking Veolia's compliance with Payment Mechanism;

- ↳ Checking Veolia's compliance against other WMRC Schedules;
 - ↳ Checking Veolia's compliance against the WMRC Service Delivery Plans;
 - ↳ Sample checking 50 Material Collection Notes for recyclable materials leaving the HWRC's during a month and confirming their accuracy;
 - ↳ Regular Client/Contractor meetings &
 - ↳ Completion of various monthly, bi-monthly and quarterly reports.
- 2.3.3 MRWA officers undertake site visits to all facilities and in doing so may audit any aspect of the WMRC service. MRWA's officers are not evidencing audits made against the Contractor Self Monitoring System for site based key performance indicators. They do not have standard checklist sheets to record what has been observed, but tend to make hand notes of any issues that are identified. Issues identified will be discussed at the Transfer Station and rectified on the day.
- 2.3.4 As part of the review, we accompanied a MRWA Officer during a site visit at Bidston HWRC and observed a number of checks undertaken whilst on site. However, these checks were not evidence at the site. We were unable to confirm that all checks had been carried out, as no standard checklist sheet is in operation and the MRWA officer only records visits when an issue has arisen.
- 2.3.5 In order to verify accuracy of the information provided by Veolia to the Authority on the HWRC's recycling process, the MRWA Officer will carry out a 50-sample check against Material Collection Notes generated at the HWRCs. We confirmed that this is being undertaken as part of the monthly checks carried out to confirm accuracy of monthly claim.
- 2.3.6 We reviewed a sample of reports produced by the MRWA Officers and confirmed the accuracy of information. We noted that the reports are sent to the District Councils and presented at the Authorities Board.

Recommendations

1. *That a set of Contract Section procedures are produced and reviewed on a regular basis.*
2. *To supplement the procedures, a log will be introduced to record date and time of all site visits.*
3. *Any non-compliance identified should be formally recorded and followed up in accordance with the procedures.*

2.4 To ensure that the Authority's Commercial Vehicle Permit Scheme is correctly administered and operating to agreed terms and conditions stipulated by MRWA.

- 2.4.1 This control objective is being achieved.

- 2.4.2 We confirmed that MRWA are currently providing two types of permit subsequent to approved applications:-
- ↳ Annual Permit for the disposal of recyclable waste at a HWRC;
 - ↳ Temporary Permit for the disposal of bulky household waste at a HWRC.
- 2.4.3 A designated team within the MRWA's Contract Section are responsible for processing permit applications, providing advice and dealing with queries related to the Scheme. If a permit is issued, the details are recorded within the permit database and the appropriate permit and literature sent out to the member of the public.
- 2.4.4 As part of the review, we tested the permit database and confirmed that suitable controls are in operation. We noted the database can search by name, address or vehicle registration and checks confirmed that no-one had obtained more permits than they were entitled to.
- 2.4.5 During the review we visited Veolia's Merseyside Head Office and sample checked a number of Recycling Assistants Training files and confirmed that in all cases the Recycling Assistant had been on a Permit training course.
- 2.4.6 As part of the review we visited Bidston HWRC and observed the Recycling Assistants. We noted that all vans / vehicles with a trailer longer than two metres were stopped and the permit checked / stamped.

3.0 Action Plan**Merseyside Recycling & Waste Authority**

| Rec. No. | Recommendation | Responsible Officer | Agreed Action and Date of Implementation | Actual Implementation Date |
|----------|---|----------------------------|--|----------------------------|
| 1 | <i>That a set of Contract Section procedures are produced and reviewed on a regular basis.</i> | Assistant Contract Manager | 1 st September 2012 | |
| 2 | <i>To supplement the procedures, a log will be introduced to record date and time of all site visits.</i> | Assistant Contract Manager | 1 st September 2012 | |
| 3 | <i>Any non-compliance identified should be formally recorded and followed up in accordance with the procedures.</i> | Assistant Contract Manager | 1 st September 2012 | |