



St. Helens Council

## **Audit Report 2012/13**

**Merseyside Recycling Waste Authority**

**Waste Disposal Contract – Review of Final Claim 2011/12.**

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## St. Helens Council

### **EXECUTIVE SUMMARY**

#### **Merseyside Recycling Waste Authority**

#### **Waste Disposal Contract – Review of Final Claim 2011/12**

##### **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 period April 2012 to March 2013. An Audit Plan has been agreed with the Director of Finance (MRWA).

As part of the Plan, a review of the Final Contract Claim for 2011/12 has been undertaken, to provide an assurance of the accuracy of the final payment.

##### **Background**

###### *Waste Management and Recycling Contract (WMRC)*

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 Household Waste Recycling Centres (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 MRWA and Sita UK Ltd for disposal of Cement Bonded Asbestos (Hazardous Waste).

At year end Veolia are required under the WMRC 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 WMRC.

The following table details contract values:

<b>Contract</b>	<b>Annual cost of Waste Management Contract 2011/12 Excluding VAT (£)</b>
WMRC	17,810,124
Landfill 3C Contract (up to 370,000 tpa)	15,232,944
WRG	14,816,053
Hazardous Waste Contract	25,260
<b>Total</b>	<b>47,884,381</b>

### **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. Sample testing confirmed appropriate controls are in place to ensure payments made during the year are accurate, legitimate and paid on a timely basis.

However, when we checked the rates applied to the contract for 2011/12, we noted that the Monthly Tonnage Adjustment rate was incorrect. The Assistant Contract Manager confirmed that he had identified this rate as being incorrect in January and had amended the January claim accordingly. However, the following month the incorrect rate had been applied again by Veolia and had subsequently not been identified. This has resulted in an overpayment to MRWA by Veolia.

Prior to agreeing this draft report, the Assistant Contract Manager has met with Veolia and worked through the entire 2011/12 year and agreed a figure of £18,125.43, which will be paid to Veolia.

### **Key Issues**

No key issues were identified during this review.

### **Agreed Action**

There is one recommendation arising from this review and action has been agreed with the Contract Manager and MRWA's Director of Finance.

## INTERNAL AUDIT REPORT

### Waste Disposal Contract – Review of Final Claim 2011/12

#### 1.0 Objectives

To review the controls in place for the final claim payment for the financial year 2011/12, with a view to providing assurance that:-

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

#### 2.0 Conclusions & Recommendations

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

- 2.1.1 This objective has been achieved in the main. However, testing of the claim identified that the Monthly Tonnage Adjustment rate had not been calculated correctly, resulting in an overpayment to MRWA by Veolia. Following the Internal Audit review, the Assistant Contract Manager has met with Veolia staff and has agreed a figure of £18,125.43 be paid to Veolia.
- 2.1.2 In order to verify the accuracy of the final claim, we have relied on initial testing carried out in February 2012, which reviewed two claims. The reason for the reliance on the earlier work is because we had confirmed the accuracy of the monthly bills for April and August 2011, which form part of the final claim.
- 2.1.3 The Monthly Tonnage Adjustment rate was not identified as being incorrect in February 2012, because the adjustment had not been required in the two months sampled.
- 2.1.4 The testing carried out during this review has been around the reconciliation of the March 2012 final claim, as this includes the year-end adjustments and performance amendments.
- 2.1.5 Testing confirmed that the MRWA's Performance Support Officer on receipt of electronic data, imports the data into the Authority spreadsheet and any anomalies are highlighted. All anomalies identified are forwarded to Veolia via e-mail for clarification. Our testing confirmed that the Assistant Contract Manager only signed the claim once all anomalies had been agreed and appropriate amendments made.
- 2.1.6 We checked the March 2012 claim and confirmed that the correct rate had been applied in all but one of the calculations. The Monthly Tonnage Adjustment rate was incorrect and this has had the effect of Veolia under claiming. However, this error in rate was identified by the Assistant Contract Manager in January and was corrected, but subsequently reverted back to the incorrect rate in February.
- 2.1.7 The Assistant Contract Manager confirmed that to address this, the rates used in the 2012/13 spreadsheet for checking monthly claims has been verified by the Contracts Manager.
- 2.1.8 Testing confirmed that all three claims had a completed checklist that had been signed by the Performance Support Officer and countersigned by the Assistant Contract 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

- 2.1.9 The payment certificates within our sample had been subject to the application of the control grid stamp to confirm appropriate checks and certification prior to payment. The Assistant Contract Manager signs and confirms that he has checked and agreed the calculations/payments.
- 2.1.10 Finally we confirmed that the Business Support Manager carries out regular reconciliation's of the monthly payment to Veolia to the Financial Information System (FIS). A supporting spreadsheet is maintained to confirm that this reconciliation is undertaken.
- 2.1.11 As part of the review, we looked at the Creditor and Debtor list for year-end and confirmed figures had been included in these lists for both February and March 2012 monthly claims.
- 2.1.12 We reviewed the figures for March 2012 and confirmed that on a sample basis the creditor and debtor figures included in the lists were appropriate and were accurate. Therefore, we consider that the Contract Manager and his Assistant have provided suitable estimates for the Creditor / Debtor lists.

*Recommendation*

- 1. That the Contract Manager at the start of each financial year verifies that the rates being used in the Contract spreadsheet are correct and verifies any agreed rate changes during the contract year.*

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

<b>Rec. No.</b>	<b>Recommendation</b>	<b>Responsible Officer</b>	<b>Agreed Action and Date of Implementation</b>	<b>Actual Implementation Date</b>
1	That the Contract Manager at the start of each financial year verifies that the rates being used in the Contract spreadsheet are correct and verifies any agreed rate changes during the contract year.	Assistant Contract Manager	31 <sup>st</sup> January 2013	