



St. Helens Council

# Internal Audit Report 2013/14

## Merseyside Recycling & Waste Authority Waste Contract Arrangements

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## St. Helens Council

### Merseyside Recycling & Waste Authority (MRWA)

#### Waste Contract Arrangements

##### 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

In accordance with the 2013/14 Audit Plan agreed in the Service Level Agreement for 2013/14, a review of the following areas was undertaken:-

1. Verification of the accuracy of the monthly payment to Veolia pursuant to the Waste Management and Recycling Contract (WMRC);
2. Verification of the accuracy of the monthly payment pursuant to the Landfill Contract.

##### 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:

<b>Contract</b>	<b>Actual Costs April to November 2013</b>
WMRC	£13,413,627.00
Landfill 3C Contract (up to 370,000tpa)	£17,481,468.00
WRG	£0.00
Hazardous Waste Contract	£21,992.00
<b>Total</b>	<b>£30,917,087.00</b>

## **1.4 Audit Opinion**

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 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 were made during the review.

## **Control Objectives 2**

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

#### **Waste Contract Arrangements**

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

- 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.

## Findings & Conclusions 3

### Findings

**3.1 Control Objective 1 - To ensure that all contract payments to Veolia are pursuant to the WMRC and 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, (July 2013 and November 2013) and confirmed that all relevant checks had been undertaken and any anomalies identified had been raised with Veolia and appropriate action taken.

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

No recommendations have been made.

**3.2 Control Objective 2 - To ensure that all contract payments to landfill service providers are accurate, legitimate and accounted for appropriately.**

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

A sample of two monthly contract payments (July 2013 and November 2013) was undertaken, and we confirmed that an adequate level of checks to supporting documentation had been undertaken and any discrepancies identified had been raised with the contractor and appropriate action taken.

The Assistant Contract Manager 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.

Finally we confirmed that the contract rates had been applied correctly, calculations were accurate and appropriate authorisation was evident on the documentation.

No recommendations have been made.

## 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 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;

<b>High Assurance</b>	✓	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.
<b>Substantial Assurance</b>		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.
<b>Limited Assurance</b>		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.
<b>Minimal Assurance</b>		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.

No recommendations were made during this review.