



St. Helens Council

Internal Audit Report 2014/15

Merseyside Recycling & Waste Authority

Waste Contract Arrangements

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Report Prepared by:

Bob Chowdhury	Senior Auditor	Bobchowdhury@sthelens.gov.uk
Barb Aspinall	Group Auditor	Barbaraaspinall@sthelens.gov.uk

Distribution

For Information:

Carl Beer	Chief Executive	Jeff Sears	Contract Manager (WMRC)
Peter Williams	Director of Finance	Neil Spencer	Assistant Contract Manager
Alex Murray	Director of Operations		

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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 appointed St Helens Council to provide its annual Internal Audit coverage for the period April 2014 to March 2015. 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 2014/15 Audit Plan agreed in the Service Level Agreement for 2014/15, 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.

The Greater Manchester Waste Disposal Contract and the FCC Intrim Framework Contract are outside the scope of this audit and will be subject to a separate review in 2014/15.

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 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.

Budget

The following table details contract values:

Contract	Actual Cost April to September 2014
WMRC	12,754,913
Landfill 3C Contract (up to 370,000tpa)	17,687,164
Hazardous Waste Contract	19,439
Total	30,461,516

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.
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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 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.

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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, (April and September 2014) and confirmed that all relevant checks had been undertaken and any anomalies identified had been raised with Veolia and appropriate supporting documentation retained.

During the last 12 months the Contract Section has been working with Veolia to improve the way information is captured and reported and this was evident in the sample tested.

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 during this review.

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 (April and September 2014) 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;

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