



St. Helens Council

Internal Audit Report 2015/16

Merseyside Recycling & Waste Authority Veolia Systems & Procedures

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20th November 2015



St. Helens Council

Merseyside Recycling Waste Authority

Veolia Systems & Procedures

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 2015 to March 2016. The agreed Internal Audit Plan includes a review of the systems and procedures operated by Veolia for the formulation of the monthly Authority contract payments, 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

As part of the annual audit coverage, Internal Audit review the accuracy of payments made to Veolia under the Waste Management Recycling Contract (WMRC). Further work has been included in the 2015/16 Audit Plan to review Veolia's Systems and procedures to verify:-

1. the information retained by Veolia relating to MRWA's waste and recycling, pursuant to the Waste Management and Recycling Contract;
2. that the weighbridges used by Veolia and the associated third party contractors are regularly calibrated and comply with agreed procedures.

Background

Context

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 process facilities;
- ii. Operation of the thirteen 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.

Source documentation with regard to the WMRC is held at Veolia's Head Office in Bidston. This

includes, Material Consignment Notes (MCN), weighbridge tickets and management information reports. These reports are generated from the Waste Information Management System (WIMS).

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:

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.

1.5 **Key Issues**

There are no key issues arising from this review.

1.6 **Agreed Action**

Actions to address the recommendations made in this report are included in the attached Action Plan, which has been agreed with the relevant Managers.

Control Objectives 2

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

1. Accurate source documentation is held in support of the data submitted by Veolia in relation to the monthly Waste Management and Recycling Contract (WMRC) Claim.
2. Appropriate weighbridge procedures are in place at sites operated by Veolia.

Findings & Conclusions 3

Findings

3.1 Control Objective: Accurate source documentation is held in support of the data submitted by Veolia in relation to the monthly Waste Management and Recycling Contract (WMRC) Claim.

We established that four out of six expected controls under review were in place and working effectively.

However, weaknesses in the design or operation of two controls were identified, and recommendations have been made to enhance the control environment in these areas, as detailed below:

3.1.1 Material Consignment Note (MCN1) Documents

A MCN1 should be completed every time a container/skip is removed from a Veolia run site to confirm what waste is being removed and where it is being delivered to. The document should be signed by the driver and on arriving at its disposal destination, the vehicle should go over a weighbridge and all the relevant information be recorded on the MCN1.

The review has noted that in a number of cases, the MCN1 has either not been returned to Veolia, or in a few cases those returned had not been fully completed.

The MCN1 is used to track waste movement and therefore, it is vital that all sections of the document are completed to ensure an appropriate audit trail for waste and recycling treated on MRWA's behalf.

In line with modernisation across the industry, Veolia are moving away from a reliance on physical paper documentation. Where possible, depending on the supplier, the third party contractor will provide Veolia with the MCN1 reference as part of the electronic report at the end of every month.

Having the MCN1 and weighbridge ticket numbers on the report, will enable Veolia to carry out routine spot checks by requesting the third party contractor to provide the relevant supporting documentation to confirm the accuracy of the monthly report.

Recommendations *The monthly reports provided by the third party contractors must include the MCN1 and weighbridge ticket numbers.*

To ensure the accuracy of these reports, Veolia should undertake regular cross referencing of these reports to the actual tickets to confirm the accuracy of information being supplied.

3.1.2 MCN1/Weighbridge Tickets

When a weighbridge ticket is generated, the third party weighbridge operative should ensure that the ticket is attached to the MCN1 and retained for future reference.

The review has identified that some third party suppliers had not attached the weighbridge ticket to the MCN1.

Both the MCN1 and the weighbridge ticket are required to provide evidence of the weight of the load disposed of with the third party

contractor and provide an audit trail for each delivery.

Recommendation *Weighbridge tickets should be attached to the relevant MCN1 and both documents retained in date/weighbridge ticket order for future inspection by Veolia staff.*

3.2 Control Objective: Appropriate weighbridge procedures are in place at sites operated by Veolia.

We established that three out of four expected controls under review were in place and working effectively.

However, weaknesses in the design or operation of one control was identified, and a recommendation has been made to enhance the control environment in this area, as detailed below:

3.2.1 Weighbridge Tickets

All relevant information should be recorded on a weighbridge ticket and tare weights should be within the agreed timescale stipulated within the WMRC for vehicles using a Veolia weighbridge.

The review has noted that the weighbridges used by Veolia and third party contractors are regularly calibrated and we were provided with the relevant certificates to confirm the date of last test and date of next test.

The review has identified an issue with regard to the tare weights that are being used. One of the third party contractors is using a preset tare weight for each vehicle within the fleet. According to the contractor each vehicle is weighed with half a tank of fuel and an empty skip and it is their view that this means that they do not have to obtain a tare weight every ten days. For consistency it would be good practice for all third party contractors to comply with this requirement as discrepancies may result in a potential overcharge for waste.

Recommendation *All third party contractors should either comply with the agreed 10 day tare weight, or tare after every visit.*

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;

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.

Actions to address the recommendations made during this review are included in the Action Plan attached at Section 4 of this Report.

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Action Plan 4

REC NO.	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION AND PROPOSED DATE OF IMPLEMENTATION	ACTUAL DATE OF IMPLEMENTATION
1	The monthly reports provided by the third party contractors must include the MCN1 and weighbridge ticket numbers. To ensure the accuracy of these reports, Veolia should undertake regular cross referencing of these reports to the actual tickets to confirm the accuracy of information being supplied.	Contract Operations Manager	November 2015	
2	Weighbridge tickets should be attached to the relevant MCN1 and both documents retained in date/weighbridge ticket order for future inspection by Veolia staff.	Contract Operations Manager	November 2015	
3	All third party contractors should either comply with the agreed 10 day tare weight, or tare after every visit.	Contract Operations Manager	November 2015	