



St. Helens Council

# Internal Audit Report 2016/17

## Merseyside Recycling and Waste Authority Waste Contract Arrangements

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## St. Helens Council

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

#### **Waste Contract Arrangements**

##### **1.1 Introduction**

An audit review of Waste Contract Arrangements was undertaken as part of the 2016/17 Internal Audit Plan. The purpose of the Audit was to provide an assessment of the adequacy of the control environment established, to ensure that objectives are achieved and risks are adequately managed.

##### **1.2 Scope**

To consider the accuracy of contract payments to Veolia and landfill service providers, and to verify whether information obtained from Cognos can be reconciled to the information received from Veolia.

Review of the Resource Recovery Contract (RRC) will be undertaken as a separate review.

##### **1.3 Background**

###### **Context**

The Waste Management and Recycling Contract handles all of the residual, and most of the recyclable material collected by the Merseyside and Halton Councils and well as the waste householders bring to the Household Waste Recycling Centres (HWRC's) within the Authority. Veolia Environmental services are responsible for the management of waste on behalf of MRWA as follows:

1. Operation of four transfer stations including associated transport of waste to disposal points and external processing facilities;
2. Operation of the 14 HWRC's in Merseyside (and two in Halton) including the associated transport of waste to disposal points and making arrangements for the collection of recyclable materials for processing;
3. Operation of two Material Recovery Facilities (MRF's) including associated transport of waste to disposal points and external processing facilities; and
4. Ensuring appropriate payments are made or income received for the processing of waste at end markets.

### *Landfill Contracts*

For the months tested as part of the audit review, MRWA had in place contracts with two landfill service providers, summarised below:

1. 3C Arpley Contract (up to 370,000 p/a) between MWHL and FCC Environmental, accessed via MRWA;
2. Landfill Services Contract (top up to 3C Arpley Contract) between MRWA and FCC Environmental.

At the time of review, discussions with the Contracts Manager found that the RRC contract was due to reach Facility Operation Date (FOD) on 1<sup>st</sup> October 2016. Due to delays in the commissioning process, this did not occur and therefore continued use of the above landfill contracts continued. until the 31<sup>st</sup> January 2017. Since then, an interim contract has been agreed with Suez to manage the proportion of landfill waste, which is not currently being processed at the RRC until this is fully operational.

## **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.

## **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 and 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 Waste Management and Recycling Contract 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.
3. Information generated from the Cognos System agrees to the information electronically forwarded to MRWA from Veolia.

## Findings & Conclusions 3

### Findings

**3.1 Control Objective: 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 internal audit review, October and December 2016 claims were reviewed to ensure that payments to Veolia were appropriate and accurate. Testing confirmed that the claim could be supported by accurate documentation, and that all elements had been calculated in accordance with the Contract. It was evident that any anomalies identified as part of the checking process are queried with Veolia and are resolved before payment is made.

No recommendations have been made.

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

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

As with the Veolia contract, October and December 2016 payments made to the landfill contractors were reviewed as part of the audit. Testing confirmed that payments have been calculated correctly, and payments are appropriately authorised before payment is made.

No recommendations have been made.

**3.3 Control Objective: Information generated from the Cognos System agrees to the information electronically forwarded to MRWA from Veolia.**

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

Testing confirmed that tonnages used as part of the calculations in the payment claims are accurate to the raw source documentation, which is processed by the Cognos system.

In addition, review of the reports which are produced to support the claim were deemed to be accurate, meaningful and produced on a timely basis.

As part of the audit review which was completed in September 2016, a number of issues were identified around training of staff on the operation of the Cognos System. These recommendations are due to be fully implemented by October 2017.

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.