



St. Helens Council

Internal Audit Report 2017/18

Merseyside Recycling and Waste Authority Contract Arrangements

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St. Helens Council

Merseyside Recycling and Waste Authority

Contract Arrangements

1.1 Introduction

An audit review of the Veolia Contract was undertaken as part of the 2017/18 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

The review considered contract payments to Veolia by ensuring all items of expenditure are accurate and verifiable, that income has been appropriately calculated and deducted from the monthly charge, and that information received from Veolia can be reconciled to Cognos.

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

1.3 Background

Context

The Waste Management and Recycling Contract, which deals with over 450,000 tonnes of waste per year, handles all of the residual and most of the recycled material collected by Merseyside and Halton Councils, as well as waste which is brought in to the Household Waste and Recycling Centres (HWRCs) by the public.

Veolia Environmental Services are responsible for the management of waste on behalf of Merseyside Recycling and Waste Authority (MRWA) as follows:

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

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.

Merseyside Recycling and Waste Authority

Contract Arrangements

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

- 1.** All contract payments to Veolia are legitimate, accurate and are appropriately authorised.
- 2.** Income is identified promptly, is accurately calculated and appropriately deducted from the monthly contract payment and, where applicable, invoices to debtors are raised on a timely basis.
- 3.** Data received from Veolia can be reconciled to information gathered from Cognos to confirm accuracy.

Findings

3.1 **Control Objective: All contract payments to Veolia are legitimate, accurate and are appropriately authorised.**

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

A sample of three months payments was selected and all supporting documentation was reviewed to ensure that each element of the payments made to Veolia were correct, agreed rates had been used, and that indexation had been correctly applied.

Testing confirmed that all elements of the contract payments were accurate and were correctly calculated. Appropriate checks have been made before the payments were agreed and discrepancies were clearly identified and investigated with Veolia.

All payments made had been appropriately signed off, and a clear segregation of duties was evidenced.

No recommendations have been made.

3.2 **Control Objective: Income is identified promptly, is accurately calculated and appropriately deducted from the monthly contract payment and, where applicable, invoices to debtors are raised on a timely basis.**

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

For the three months tested, third party guaranteed income was reviewed and recalculated in accordance with the contract, to ensure that income included on the payment summary was correct. Testing found that all income was correctly calculated and applied to the contract payment each month.

In addition, invoices raised to Halton Council were reviewed to ensure that income expected as part of the Waste Management and Recycling Contract is promptly collected. At the time of review, four invoices had been raised for the 2017/18 financial year. At the start of the year, invoices were raised quarterly, and due to changes in staffing, the invoice for Quarter One was only raised and issued to Halton in November 2017. However, since October 2017, invoices are now being raised on a monthly basis, and are processed as soon as possible after the contract payment to Veolia has been checked and approved.

No recommendations have been made.

3.3 **Control Objective: Data received from Veolia can be reconciled to information generated from Cognos to confirm accuracy.**

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

From sample testing, and from review of appropriate documentation, it was clear that the information generated from Cognos could be accurately reconciled to the raw data which is received.

Suitable contingency plans are in place in the Authority so that the monitoring and verification of submissions would continue to be effective, should a member of staff leave.

No recommendations have been made.

Conclusions

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 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:

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|------------------------------|---|---|
| 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. |