



St. Helens Council

Internal Audit Report 2019/20

Merseyside Recycling and Waste Authority Trade Waste

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St. Helens Council

Merseyside Recycling and Waste Authority (MRWA)

Trade Waste Disposal

1.1 Introduction

An audit review of Trade Waste Disposal was undertaken as part of the 2019/20 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 arrangements, tonnage declarations and recharges to Councils.

1.3 Background

Context

The collection and disposal of commercial (or 'trade') waste is a statutory function of District Waste Collection Authorities (WCAs) and of Waste Disposal Authorities (WDAs), as defined in the Environmental Protection Act (EPA) 1990 and subsequent related legislation.

For its part, MRWA has in place contract arrangements for the handling and disposal of trade waste collected by the District Councils under these statutory obligations. The Waste Management & Recycling Contract (WMRC) with Veolia defines the terms, conditions and specific obligations for exclusivity and delivery of trade waste collected by District Councils into the contracted facilities, obligations which are different for each Council.

At the time of review, a total of 982 tonnes has been stated as delivered as trade waste in 2018/19 by the Councils using the Veolia contract facilities.

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.

The overall opinion below is based on a review of controls within district councils and the MRWA Service as a whole.

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.

1.5 Agreed Action

Actions to address the recommendations made in this report are included in section 4, which has been agreed with the relevant Managers.

Merseyside Recycling and Waste Authority

Trade Waste

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

- 1.** The amount of trade waste which is handled by Veolia is declared and charged for in accordance with the Contract.
- 2.** The amount of waste declared by each Council is justified and can be verified.
- 3.** The amounts recharged to each Local Authority is accurate and appropriate, and late payments are identified and followed up.

Merseyside Recycling and Waste Authority

Trade Waste

The main findings from our review are highlighted below, and our detailed findings and recommendations are included in Section 4.

3.1 Areas of Good Practice

- The Authority has contract arrangements in place which cover the disposal of trade waste.

3.2 Key Areas for Development

- There is currently no assurance given by each district council that arrangements remain the same, that tonnages claimed are reasonable, and no reconciliation is completed at the end of the year to determine accuracy.
- Apart from increases for inflation, the amount charged for trade waste has not been reviewed since 2011/12.

3.3 Recommendation Summary

In order to assist management in using our reports, we categorise our recommendations according to their level of priority, please see section 5 for definitions.

This table details the number of recommendations made for each level of priority.

Low priority recommendations are provided at the exit meeting, and are not included in this report.

Priority	Number
High	1
Medium	7
Low	0

Trade Waste

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
Control Objective 1: The amount of Trade Waste which is handled by Veolia is declared and charged for in accordance with the Contract.				
1	Liverpool City Council (LCC) is not declaring any trade waste though MRWA, the reason given that waste is collected by Liverpool Street Scene (LSS), a wholly owned subsidiary of Liverpool City Council and is not disposed of through Veolia sites. It is not clear whether or not any trade waste collections made by LSS are made on behalf of LCC and there is currently an obligation for LCC to dispose of trade waste through the contract, if collected under the EPA 1990 duties. Therefore, we can not determine whether there is a breach of the Contract.	Liverpool City Council may not be complying with the terms of the Contract.	MRWA should seek to formally clarify with Liverpool City Council their arrangements for the disposal of trade waste in line with the EPA 1990 duties. Priority: Medium	Agreed Action: As per the recommendation Responsible Officer: Assistant Director - Operations Timescale: by 30 th April 2020

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
2.	<p>With regard to St Helens, the Council has a contract in place with a local waste management contractor for the disposal of trade waste. As school waste is also collected in the same vehicle, to account for this, some loads are being taken to the Veolia site at Huyton, as household waste.</p> <p>However, an analysis of disposal data held at St Helens has identified that the number of trade waste loads taken to Huyton increased in 18/19, therefore more trade waste has been disposed of through Veolia. Although this waste will have been accounted for as part of the household tonnages, the full trade waste charge to St Helens will not have been applied. This change in circumstance has not been notified to the Authority.</p>	<p>The Disposal of trade waste materials has not been charged for.</p>	<p>i) The figure for trade waste disposal tonnages through the Veolia site should be obtained from St Helens Council for the period April 2018 to July 2019 and charges adjusted to account for the discrepancy.</p> <p>Priority: High</p> <p>ii) Going forward, the Authority should clarify with St Helens the trade waste arrangements in place, to ensure that contract requirements are being met.</p> <p>Priority: High</p>	<p>Agreed Action: As per the recommendation</p> <p>Responsible Officer: Contract Manager</p> <p>Timescale: By 30th April 2020</p> <p>Agreed Action: As per the recommendation</p> <p>Responsible Officer: Assistant Director - Operations</p> <p>Timescale: By 30th April 2020</p>

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
3	There is currently no formal process for local authorities to declare their trade waste disposal arrangements on a regular basis.	MRWA may not be aware of a council's change in circumstance.	All District Councils should be requested to confirm their arrangements for the disposal of trade waste on an annual basis and to notify MRWA promptly of any amendments to those arrangements during the year. Priority: Medium	Agreed Action: i) District Council trade waste arrangements to be requested by MRWA annually. Responsible Officer: Contract Manager Timescale: By 31 st March 2020 ii) A procedure document to be written covering all MRWA processes with regard to trade waste. Responsible Officer: Contract Manager Timescale: By 30 th April 2020
Control Objective 2: The amount of waste declared by each Council is justified and can be verified.				
4	Of the Councils that provide an estimate of the total number of tonnes of trade waste collected, MRWA do not receive a breakdown of how this figure has been calculated, and so checks to determine whether the estimate is justifiable cannot be completed.	Figures declared by Councils can not be checked and are not currently supported.	A detailed breakdown of how tonnages have been calculated should be provided, to support any declaration of trade waste. Priority: Medium	Agreed Action: Detail of District trade waste collections to be requested by MRWA annually. Responsible Officer: Contract Manager Timescale: By 31 st March 2020

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
5	<p>In some instances, the amount of tonnages which are being claimed year on year have not changed, which suggests that the amount of tonnages being declared have not been reviewed.</p> <p>There is no evidence that each council completes a reconciliation at the end of the year to determine whether the estimate tonnages were accurate. As a result, no additional charge or refund is applied</p>	Estimated tonnages may be materially different from the actual tonnages collected.	<p>Confirmation should be sought from each District at the end of the year to agree the accuracy of estimations and an adjustment charge made where applicable.</p> <p>Priority: Medium</p>	<p>Agreed Action: Detail of actual District trade waste collections to be requested annually.</p> <p>Responsible Officer: Contracts Manager</p> <p>Timescale: By 31st March 2020</p>
Control Objective 3: The amounts recharged to each Local Authority is accurate and appropriate, and late payments are identified and followed up.				
6	Trade waste charges have not been reviewed since 2011/12. Increases in amounts per tonne have been increased in line with inflation, but a full charge review has not been completed.	The amount charged for trade waste may not be appropriate.	<p>A full review of charges should be carried out on an annual basis.</p> <p>Priority: Medium</p>	<p>Agreed Action: Charges to be reviewed annually</p> <p>Responsible Officer: Contracts Manager</p> <p>Timescale: By 31st March 2020</p>

REF.	FINDINGS	IMPLICATIONS / RISKS	RECOMMENDATION	MANAGEMENT RESPONSE
7	The amounts charged for Trade Waste in 2018/19 have not been consistent across the authorities, with one being charged £132.54 per tonne (2017/18 rate), and another being charged £136.52 per tonne.	MRWA have undercharged one council for trade waste.	An invoice should be raised to account for the difference in the rate charged per tonne, for the council which has been undercharged. Priority: Medium	Agreed Action: The calculation has been reviewed and the difference in the total amount is very small. As a result, the Director of Finance has decided to not apply this charge retrospectively and procedures will be introduced to prevent a recurrence of this error. Responsible Officer: Director of Finance Timescale: By 31 st March 2020
8	Invoices are not always raised promptly. For example, the charge for the financial year 2018/19 had not been raised at the time of testing (October 2019).	Income may not be received, and this may go unnoticed.	Invoices should be raised promptly. Priority: Medium	Agreed Action: A procedure document to be written covering all MRWA processes with regard to trade waste. Responsible Officer: Contract Manager Timescale: By 30 th April 2020

Assurance Levels

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.

Recommendation Priority

High	Issues that are fundamental to the system of internal control for the area subject to review.
Medium	Issues where improvements in control are required to reduce the risk of loss, error, irregularity or inefficiency.
Low	Issues that merit attention and would improve the overall control environment.