



# Internal Audit Report 2021/22



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SECTOR INTERNAL AUDIT STANDARDS  
NWCAE GROUP FEBRUARY 2018

## Merseyside Recycling and Waste Authority Waste Management and Recycling Contract

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### Assignment Control

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### Distribution

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## Merseyside Recycling and Waste Authority

### Waste Management and Recycling Contract

#### 1.1 Introduction

An audit review of Waste Management and Recycling Contract with Veolia was undertaken as part of the 2021/22 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 compliance with the payment mechanism for both income and expenditure, and contract monitoring.

#### 1.3 Background

In 2009, Veolia were awarded a 20-year Waste Management and Recycling Contract (WMRC) with a value of £640 million by the Merseyside Recycling and Waste Authority (MRWA) on behalf of the Merseyside and Halton Waste Partnership. Veolia treat the waste and recycling from around 600,000 homes across Merseyside and Halton, through the management and operation of the following facilities:

- Waste and recycling is delivered to the Materials Recovery Facilities and Waste Transfer stations from homes across Merseyside and Halton through council-led kerbside collections. Veolia also operate 16 household waste recycling centres across Merseyside and Halton, which are available for all residents to deposit and recycle their household waste;
- Veolia also provide waste education and help residents minimise the amounts of waste they produce; and
- Educational visits and community engagement projects designed to minimise specific waste streams.

#### 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:

##### 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.

## Control Objectives 2

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

#### **Waste Contract and Recycling Contract**

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

1. To confirm that contract payments are in accordance with the Payment Mechanism, and are accurate, legitimate, and appropriately accounted for.
2. Income is identified promptly, is accurately calculated, and is appropriately deducted from the monthly contract payment.
3. To ensure that appropriate and effective contract monitoring arrangements have been established and enforced.

# Findings Summary 3

## Merseyside Recycling and Waste Authority

### Waste Management and Recycling Contract

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 Payment Mechanism is applied consistently and accurately, and robust processes are in place to ensure that rates and indexation is applied correctly;
- Income is properly calculated and is taken into account before payments are made; and
- Contract performance is monitored on an ongoing basis, and failures are reported and checked consistently.

#### 3.2 Key Areas of Development

There are no key areas for development.

#### 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	0
Medium	0
Low	0

**Assurance Levels**

<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.

**Recommendation Priority**

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