



# Internal Audit Report

## 2024/25



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SECTOR INTERNAL AUDIT STANDARDS  
NWCAE GROUP FEBRUARY 2018

## Merseyside Recycling and Waste Authority Trade Waste

### Contents

	Section	Page
Executive Summary	1	2
Objectives	2	3
Findings Summary	3	4
Detailed Findings	4	5
Definitions	5	7

### Assignment Control

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### Distribution

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

### Trade Waste

#### 1.1 Introduction

An audit review of Trade Waste was undertaken as part of the 2024/25 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 procedures, 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, Merseyside Recycling and Waste Authority (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.

#### 1.4 Audit Opinion

Internal Audit contribute to the overall governance of MRWA 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** A sound system of governance, risk management control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

#### 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

## Control Objectives 2

### **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. Procedures for the administration of Trade Waste collected by Waste Collection Authorities and disposed of through MRWA facilities are documented, align with the contract, and subject to regular review.
2. Calculations of charges for Trade Waste handled by MRWA at their facilities is done so in accordance with the contractually agreed method.
3. Invoices for Trade Waste charges to local authorities are raised promptly, are properly authorised, and monies owed promptly recovered.

## 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

- Procedures for the administration of Trade Waste collected by Waste Collection Authorities and disposed of through MRWA facilities are documented, align with the contract, and are subject to regular review;
- Local authorities are advised in writing where their trade waste can be tipped;
- Estimated tonnages of trade waste are provided by local authorities in November/December for the next financial year, along with supporting data and the methodology they used;
- Testing confirmed that the calculation performed by the Contract Manager to establish the cost per tonne of residual trade waste and trade kerbside collected recyclable material to be charged to local authorities is performed accurately;
- Local authorities are contacted in the final quarter of the year and provide confirmation there has been no change to their previously stated tonnage submitted in November/December of the same financial year;
- All local authorities are advised in writing of their trade waste charges for the forthcoming year;
- Invoices are raised promptly for payments due from local authorities; and
- Payments received are coded correctly.

#### 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
Critical	0
High	0
Medium	0
Low	1

## Trade Waste

IMPLICATIONS / RISKS	FINDINGS
<b>Control Objective 1: Procedures for the administration of Trade Waste collected by Waste Collection Authorities and disposed of through MRWA facilities are documented, align with the contract, and subject to regular review.</b>	
No procedures for the administration of Trad Waste collected by WCAs and disposed of through MRWA facilities, leading to an inconsistent approach and resulting in errors occurring.	Procedures for the administration of Trade Waste collected by Waste Collection Authorities and disposed of through MRWA facilities are documented and cover all processes; are regularly reviewed and updated; and freely available to all staff who require access.
<b>Control Objective 2: Calculations of charges for Trade Waste handled by MRWA at their facilities is done so in accordance with the contractually agreed method.</b>	
The agreed methodology for the handling of Trade Waste at MRWA facilities is not applied leading to disputes between MRWA, local authorities, and the contractor - Veolia.	<p>MRWA write to each local authority and advises which MRWA facilities Trade Waste should be delivered to.</p> <p>Testing confirmed that each local authority who uses MRWA facilities to dispose of commercial residual and commercial kerbside collected recyclable material had provided an estimate of tonnages for 2024/25 in October 2023, along with data to support the methodology used.</p> <p>The Contracts Manager uses budget forecast information to produce a proposed cost per tonne for residual commercial waste and KCM commercial waste in November and December for the following year. Our recalculation of the price per tonne confirmed that it is being performed accurately.</p> <p>Between May and July 2024, each local authority who used MRWA facilities, to dispose of commercial residual and commercial kerbside collected recyclable material confirmed that there had been no change to the estimation they had provided in October 2023, therefore no adjustments were due.</p>

IMPLICATIONS / RISKS	FINDINGS
	All local authorities were notified of the Trade Waste charges for financial year 2024/25 on 2nd April 2024
<b>Control Objective 3: Invoices for Trade Waste charges to local authorities are raised promptly, are properly authorised, and monies owed promptly recovered.</b>	
Monies owed for Trade Waste handling are not recovered resulting in financial loss for the MRWA.	Testing confirmed that: <ul style="list-style-type: none"> <li>• Invoices were raised promptly throughout financial year 2023/24 and for charges due in quarter one 2024/25;</li> <li>• All invoices had been paid by local authorities when due; and</li> <li>• All payments made had been coded correctly.</li> </ul>

### Assurance Levels

- Substantial** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- Reasonable** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
- Limited** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
- No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### Recommendation Priority

- Critical** Failure to address the risk could potentially lead to catastrophic loss of MRWA services; loss of life; significant environmental damage or major financial loss; with national press coverage and substantial damage to the MRWA's reputation. Remedial action must be taken immediately.
- High** Failure to address the address the risk could potentially lead to failure to achieve organisational objectives, serious injuries, significant disruption to MRWA business or to users of its services, high financial loss, inefficient use of resources, failure to comply with law or regulations, damage to MRWA's reputation. Remedial action must be taken urgently.
- Medium** Failure to address the risk could potentially lead to an impact on operational objectives, moderate injuries, moderate financial loss, moderate breach of law or regulations, moderate reputational damage. Prompt specific action should be taken.
- Low** Matters that individually have no major impact on achieving the service's objectives. Specific remedial action is desirable.