



**INTERNAL AUDIT
FINAL REPORT**

Title: Trade Waste Procedures

Report Distribution

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EXECUTIVE SUMMARY

Introduction

Commercial waste is governed by various legislation, the most important being the Environmental Protection Act 1990 and the Packaging and Waste Regulations 1997. Traders who do not make the necessary provisions and breach their duty of care in respect of their handling of waste may commit an offence under Section 34 of the Environmental Protection Act 1990, for which the maximum penalty upon conviction in a magistrates court is £5,000 or an unlimited fine upon conviction at a crown court.

Gedling Borough Council has a responsibility, as a waste collection authority under the duty of care legislation, to provide waste collection services to traders.

As a waste collection authority the council discharges its duty by providing the service to traders who enter into an agreement that can be terminated by providing 3 months notice. The council faces competition from other organisations and registered companies that also provide a waste collection and disposal service. Agreements are reviewed annually and are based on fixed weekly collection rates (inclusive of VAT) dependant on the type and size of the waste collection container.

The authority has entered into a partnership agreement with Rushcliffe Borough Council to provide debtor facilities. The departments access the system via a secure network link "CITRIX" – Web Interface. Trade waste invoices are generated quarterly and the cycle in place means that the charges are made a month in arrears and two months in advance.

The Rushcliffe debtor system could not cater for different size bins, therefore a programme has been developed which enables the correct charge to be included on the quarterly invoices.

The volume of trade waste collected in 2006-07 was 2,770 tonnes, with a total income for the period of £361,217. The charges for invoices from the Rushcliffe partnership totalled £41,750 (of which an estimated £14,000 is in respect of Trade Waste). Landfill site charges from Nottinghamshire County Council for the period totalled £137,443.

Principal Findings

	High	Medium	Low
Number of recommendations	0	3	2

The detailed findings and associated recommendations are provided in the second part of the report. The medium risk recommendations relate to:

- Undertaking a periodic review of trade waste agreements to ensure these reflect the current standard agreement and charges.
- The introduction of routine management controls and checks to confirm that all debtors are raised and that the correct amount is invoiced.
- Prices for 2nd and subsequent bins should be updated to reflect the current charges.

Assurance Statement

Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

To ensure that Trade Waste customers pay the correct amount for services received and that adequate and effective controls are in place to prevent and / or identify fraud.

Key Risks

The key risks associated with the system objectives are:

- Failure to collect the correct amount of revenue from Trade Waste customers.
- Inadequate management checks / controls to detect / prevent theft / loss of Trade Waste income.
- Theft / misappropriation of revenue collected.

Control Areas

The control areas included within the scope of the review are:

- To establish that adequate and effective procedures are in place for the collection and payment of Trade Waste.
- To confirm that adequate management controls are in place to detect / prevent potential fraud / loss of revenue.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 – Trade Waste Agreements Level of Risk – Medium</p>			
<p>The filed Trade Waste Agreements are given a numerical reference number that identifies the property. If the ownership changes the new agreement with the trader is given the same reference.</p> <p>The file contained some very old agreements that were not in the same format as the current standard agreement. In addition, all cancelled and revised agreements are kept in the same file.</p> <p>A review of the agreements identified that a number of names and addresses were different to the ones entered onto the system. This was predominantly due to the trader being part of a company whose headquarters were at a different location.</p>	<p>Current agreements may not reflect actual contractual and trading arrangements.</p>	<p>All agreements should be reviewed and updated to ensure they reflect the current standard agreement and charges.</p> <p>Action: Dave Parton – Head of Direct Services</p>	<p>Management Comment: The staff have been made aware that they need to be more proactive in ensuring agreements are kept up to date.</p> <p>Planned Corrective Action: Review will be completed for all agreements.</p> <p>Timescale: 30th June 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 – Sundry Debtor Invoices (Routines) Level of Risk - Medium</p>			
<p>Sundry debtor invoices are produced by Rushcliffe Borough Council's debtor system. The majority of trade waste invoices are raised on a quarterly basis, however, invoices can be processed weekly to tie in with the existing cycle.</p> <p>After each processing run the department has a two-day period to agree, amend or cancel incorrect invoices.</p> <p>The department use this opportunity to amend customer invoices to reflect price changes, including additional collections. On occasions the invoice value is amended to zero to allow a revised invoice to be raised at a later date.</p> <p>The department do not undertake:</p> <ul style="list-style-type: none"> • Checks to ensure all invoices are processed and produced. • Control checks on the actual total value to the expected total value. 	<p>Failure to apply adequate management checks / controls to detect inaccurate / incorrect invoices.</p>	<p>Routine management controls and checks should be applied to ensure that all debtors are raised and that the correct value is invoiced as per the current authorised price list.</p> <p>There should be no transactions processed with a nil value, and if this is carried out then the invoice should be retracted and not printed or included in the report.</p> <p>Action: Dave Parton – Direct Services</p>	<p>Management Comment: Business Support Manager needs to set up system whereby instructions given to RBC debtors staff to remove invoices with no amount to pay from dispatch to customers. Likewise identified need to cross check likely total amount with actual amounts being raised on invoices.</p> <p>Planned Corrective Action: Invoices to be retracted. Cross checking system to be introduced.</p> <p>Timescale: Immediately</p>

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In addition, it was identified that the trade waste charge list used by officers is not subject to authorisation.			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 – Sundry Debtor Invoices (Specials) Level of Risk - Medium</p>			
<p>After each processing run the department has a two-day period to agree, amend or cancel incorrect invoices.</p> <p>The department use this opportunity to amend customer invoices to reflect price changes or discount. Testing of discount prices on the invoices to the calculated values on the control list maintained for each quarter was found to be satisfactory.</p> <p>It was identified that a number of invoice values did not agree to the charge list. Prices for 2nd and subsequent bins are held on the system and added to the current bin price. It was identified that the prices held on the system are based on 2005-06 charges. As a consequence, a total of 16 customers have been undercharged for the last 2 years.</p> <p>The amount undercharged calculated by Rushcliffe amounts to £326.10.</p>	<p>Failure to collect the correct amount of revenue from Trade Waste customers.</p>	<p>Management should consult with Rushcliffe Borough Council system providers to correct the price for future invoicing and to check all debtors after each run.</p> <p>Consideration should be given to recovering the undercharge.</p> <p>The number of transactions that are listed on the quarterly specials run should be minimised.</p> <p>Action: Dave Parton – Direct Services</p>	<p>Management Comment: Financial advice is that it is not cost effective to recover the undercharge. New system for monitoring and checking has been introduced.</p> <p>Planned Corrective Action: System introduced.</p> <p>Timescale: Implemented</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 – Duty of Care Transfer Notes Level of Risk – Low</p>			
<p>In addition to the Trade Waste Agreement, all traders complete a duty of care transfer note that indicates the type of waste that will be put in the container provided.</p> <p>This transfer note indicates that Gedling Borough Council is a Waste Carrier and a broker.</p> <p>The transfer note should indicate that the council is a waste collection authority only and not a broker.</p> <p>The transfer note is received by the department, and signed by the contract manager. The original copy is returned to the trader, with a copy retained on file. Audit review of these notes identified that the tick boxes to identify the type of waste to be collected was not ticked on 2 out of the 45 transfer notes reviewed.</p>	<p>Incomplete records maintained resulting in potential legislative breach.</p>	<p>The Duty of Care transfer note should be reprinted with the correct title of the authority as a Waste Collection Authority only.</p> <p>The contract manager should ensure that all Transfer notes are completed in accordance with legislative requirements.</p> <p>Action: Dave Parton – Direct Services</p>	<p>Management Comment: In consultation with Legal Services, a full review of the need for separate transfer notes may be required to cover trade waste and special waste removals for which as a WCA, GBC has a responsibility for arranging safe collection and disposal.</p> <p>Planned Corrective Action: Introduce any agreed new documentation.</p> <p>Timescale: 30th June 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 – Monitoring Level of Risk – Low</p>			
<p>The council's Trade Waste Operation is an income generating operation and as such warrants a suitable monitoring process.</p> <p>Currently the operation is monitored under the budget monitoring process, with no particular attention to Trade Waste. Further, the data on Trade Waste is held on multiple documents, which are used to process charges. There is no formal reconciliation between these data sources.</p>	<p>Inadequate management checks/controls to monitor any loss of trade income.</p>	<p>Management should introduce a robust monitoring process to ensure that Trade Waste operations are efficient, effective, and provide value for money.</p> <p>Action: Dave Parton – Direct Services</p>	<p>Management Comment: A budget bid has been submitted that, if successful, will provide a new software package, which will speed up processes and give a clearer picture of income, market share and the overall effectiveness of this service.</p> <p>Planned Corrective Action: Introduce new arrangements subject to a budget bid that has a good business case.</p> <p>Timescale: 30th September 2008</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk