

## **Report to Audit Committee**

**Subject:** Summary of Audit Activity

**Date:** 22<sup>nd</sup> September 2015

**Author:** Service Manager – Audit & Asset Management

### **1. Purpose of the Report**

To summarise the outcome of Internal Audit activity for the period July to September 2015.

The report will highlight all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

### **2. Background**

The report highlights all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

### **3. Summary of Findings**

#### Final Reports Issued

The following reports have been finalised for the period July – September 2014.

- IAR1516-01 Civic Centre Cashiers
- IAR1516-02 (a-e) Leisure Centre Cashiers
- IAR1516-03 Banking

#### IAR1516-01 Civic Centre Cashiers

Unannounced spot checks of the cash held at the Civic Centre were undertaken. There were no material discrepancies found.

#### IAR1516-02 (a-e) Leisure Centre Cashiers

Unannounced spot checks of the cash held at the Council's five leisure Centre's were undertaken. There were no material discrepancies found.

#### IAR1516-03 Banking

The report provided substantial assurance with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. There were no recommendations made within the report.

In addition to the above reviews, the final report from the Trade Waste review has now been issued. The issues raised in the report were highlighted previously to the Committee in June. Due to the nature of the risks highlighted in the report, the level of assurance provided was limited.

A high risk recommendation was made requiring a valid Duty of Care Waste Transfer Note is in place for all trade waste customers.

In addition three medium risk recommendations were made relating to a lack of an up to date Trade Waste policy and supporting procedures and also a lack of effective management information and monitoring particularly in respect of performance and arrears management.

The full report is provided below for member consideration.

#### **Work in Progress**

Audit fieldwork and testing has commenced on the Debtors review.

#### **4. Resource Implications**

To be delivered within existing budgets.

#### **5. Recommendation**

Members are requested to note the report.

## INTERNAL AUDIT

### FINAL REPORT

#### **Title: Waste Income**

#### **Report Distribution**

For Action:	Caroline McKenzie	Service Manager – Waste Services
For Information:	Mark Kimberley	Corporate Director & Chief Financial Officer
	David Wakelin	Corporate Director
	Colleen Warren	Principal Accountant
	Thomas Tandy	KPMG

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Draft Issued: 15 April 2015

Final Issued: 08 June 2015

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# Executive Summary

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## Introduction

An audit of Bulky and Trade Waste was undertaken as part of the approved internal audit periodic plan for 2014/15.

The Bulky and Trade Waste Service is provided by the in house Waste Services Team, led by the Waste Services Manager.

The Council provides a Trade Waste service to business and organisations situated within the Borough. The service is provided to approximately 800 customers which include any kind of business or profit making organisation, charities, shops, colleges, offices, homes for the elderly, hospitals and schools.

The fee charged is based on the size and number of waste containers required and the frequency of collection. Four different bin sizes are available; 240 litres, 360 litres, 770 litres and 1100 litres.

A commercial hazardous waste collection service is not provided, and the Council does not provide a trade recycling collection service to businesses however customers who do not pay disposal costs (such as schools) can receive a recycling collection service as part of the domestic rounds. Any school in Gedling Borough can recycle their paper, cardboard, plastic bottles, tins and cans by requesting a recycling bin.

All Trade Waste customers are required to sign an agreement and a Duty of Care Waste Transfer Note. This is a legal requirement and must be in place before any transfer of waste can take place between the customer and the Council. At the Council the Duty of Care Waste Transfer Note is valid for a year and has to be renewed and signed by each customer annually.

The Trade Waste accounts are maintained on the Civica system and Trade Waste customers are billed quarterly (except for schools which are billed annually). Arrears management for Trade Waste is carried out by a designated member of the Finance Team.

Bulky waste is a one off service for the collection of unwanted bulky household goods. It costs £14 for one item, £17 for up to three items, £22 for up to five items and £33 for up to ten items. The two collection types are:

- Domestic fridges / freezers and electrical items, e.g. television, washing machine, microwave, cooker; and
- Bulky non-electrical items, e.g. mattresses, sofas, carpets, wardrobes, etc.

Payment for this service can be made via the Council's website and through the customer centre.

## Principal Findings

	High	Medium	Low
Number of recommendations	1	3	1

The detailed findings and associated recommendations are provided in the second part of this report.

The High recommendation raised relates to:

- Ensuring that a valid Duty of Care Waste Transfer Note is in place for all trade waste customers.

The medium recommendation raised relates to:

- Lack of a Trade Waste Policy.
- Trade Waste Procedures are not up to date and do not reflect current working practices.
- Arrears management on trade waste customers not always being carried out in accordance to the Council's procedures.

## 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.

Areas of good practice include:

- An up to date list of charges is in place for the collection of Trade and Bulky Waste. This is updated on an annual basis and is approved by the Portfolio Holder for Environment.
- Fees and charges are determined based upon all costs relating to the service and an inflationary increase is applied each year.
- A Service Plan is in place for Waste Services which includes actions relating to improving the efficiency of Trade and Bulky Waste activities.
- All customers are required to sign a Trade Waste Agreement which outlines the service to be provided and is signed by the customer.
- For all refunds, a form is completed by the Waste Services Team and is authorised by the Waste Services Manager before being passed to Finance for processing.
- The Council issues a letter to all Trade Waste customers in February each year notifying them of the increase in charges. A Duty of Care Waste Transfer Note is also sent for completion with this letter.
- Customers are able to pay for bulky waste collections on the website or through Customer Services.
- When a payment is received for a bulky collection an automated email is received by the Waste Services Team. On receipt of the email arrangements are made for the collections to be made.
- Grace periods are not offered for trade waste and the only discount that is offered is on multiple bins.

- Regular arrears management reports are provided to the Waste Services Team to enable them to either arrange for the bins to be collected or for the service to be stopped until payment is made.

# Introduction

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## Objective & Scope

The purpose of the audit review was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

The objective of the area under review was to ensure that the provision of Bulky and Trade Waste Services within the Borough is adequate and well controlled and that all income due to the Council is received and accounted for.

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

- Trade Waste Strategy (including Bulky Waste).
- Policies and procedures.
- Charging policies and schedule of rates (including review and authorisation).
- The allocation of discounts, grace periods, etc.
- Operational efficiency and effectiveness (including the use of automated processing).
- Income collection and reconciliation.
- Compliance with Health & Safety legislation.
- Allocation of income and budget monitoring.
- Management information and reporting.

The following limitations to scope of the audit were agreed when planning the audit:

- We will not provide assurance that all aspects of Health and Safety are complied with.
- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.
- Testing will be on a sample basis only based on transactions during this financial year.

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 Authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

## 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
<b>Recommendation 1 - Trade Waste Policy</b> <b>Level of Risk - Medium</b>			
<p>We were informed by the Waste Services Manager that a Trade Waste Strategy / Policy is in place.</p> <p>However this was put in place some years ago and has not been subject to regular review. We were also not provided with a copy for review to confirm this contains the appropriate information.</p> <p>As a copy was unable to be provided, this also indicates that the policy is not readily available for all staff to access and refer to as appropriate.</p>	<p>There is a risk that up to date guidance is not in place for staff leading to incorrect processing in relation to trade waste.</p>	<p>The Trade Waste Policy should be reviewed to ensure this contains up to date information regarding the Trade Waste Service. This should be disseminated to all the relevant staff and retained in an accessible place. A review cycle should be established to ensure the policy is reviewed on a regular basis.</p> <p><b>Action: Caroline McKenzie – Service Manager – Waste Services</b></p>	<p><b>Management Comment:</b></p> <p>We used to have a waste strategy/policies but these have not been updated for some time. I was not aware that the auditors hadn't received a copy of our commercial and industrial waste policy.</p> <p><b>Planned Corrective Action:</b></p> <p>Will revisit waste strategy and review any waste policies and update as necessary.</p> <p><b>Timescale:</b></p> <p>30<sup>th</sup> September 2015</p>



Observation	Risks	Recommendation	Management's Response
<b>Recommendation 2 - Procedures</b> <b>Level of Risk - Medium</b>			
<p>A review of the Trade Waste procedures in place found that these include guidance on requests for Trade Waste sacks, a service no longer provided by the Council, as all business customers are now provided with bins for the collection of trade waste.</p> <p>It was also noted that there were no documented procedures for Bulky Waste.</p>	<p>There is a risk that complete and up to date procedural guidance is not in place for the staff leading to incorrect processes being followed.</p>	<p>Trade Waste procedures should be updated to reflect current practices, and to specifically include:</p> <ul style="list-style-type: none"> <li>• Updated procedures around no longer using Trade Waste sacks;</li> <li>• To include procedures for the administration of Bulky Waste should be documented.</li> </ul> <p><b>Action: Caroline McKenzie – Service Manager – Waste Services</b></p>	<p><b>Management Comment:</b> We do still have sacks for some customers who cannot have bins. Procedures for bulky waste are on our help centre which customer services use and service support staff use, however procedures embedded but not updated for some time.</p> <p><b>Planned Corrective Action:</b> Will review and update Trade Waste procedures.</p> <p><b>Timescale:</b> 30<sup>th</sup> September 2015</p>

Observation	Risks	Recommendation	Management's Response
<b>Recommendation 3 - Website</b>  <b>Level of Risk - Low</b>			
<p>A review of the GBC website found that it provides information on the Trade Waste service and includes a link to the Trade Waste and Recycling leaflet.</p> <p>A review confirmed that as from July 2013 the Council ceased to provide a recycling service to trade customers and this is documented on the Council's website.</p> <p>It was identified that this Trade Waste and Recycling leaflet was updated in December 2013; however, the link on the website has not been updated and still takes readers to the previous leaflet which includes information on recycling.</p>	<p>There is a risk that up-to-date information is not being provided on the Council's Website in relation to the Trade Waste Service.</p>	<p>The information provided on the Council's website should be reviewed and updated to ensure that the most up to date information is provided to the Council's customers.</p> <p><b>Action: Caroline McKenzie – Service Manager – Waste Services</b></p>	<p><b>Management Comment:</b></p> <p>An oversight which should have been addressed last year.</p> <p><b>Planned Corrective Action:</b></p> <p>Email sent to the Communications team to correct 9<sup>th</sup> March 2015.</p> <p><b>Timescale:</b></p> <p>Immediate</p>

Observation	Risks	Recommendation	Management's Response
<b>Recommendation 4 - Duty of Care Waste Transfer Note</b> <b>Level of Risk - High</b>			
<p>The Waste (England and Wales) Regulations 2011 require that all collections are covered by a valid Duty of Care.</p> <p>Testing was carried out to confirm that a valid Duty of Care note was in place for each customer.</p> <p>For a sample of 15 new customers it was confirmed that a valid Duty of Care note was in place.</p> <p>For a sample of 15 existing customers, it was noted that in three cases a valid Duty of Care was not in place.</p> <p>For a sample of 15 schools, it was noted that:</p> <ul style="list-style-type: none"> <li>• In four cases a valid Duty of Care was not in place.</li> <li>• In three cases, collections had been made without a valid Duty of Care being in place, e.g. 'valid from' dates are recorded as 1st April 2014 however the Duty of Care was not signed until May, June and October 2014.</li> </ul>	<p>There is risk of the Council incurring financial fines/penalties where a valid Duty of Care note is not in place when collections are made.</p>	<p>A complete review should be undertaken to ensure that a valid Duty of Care Waste Transfer Note is in place for all customers.</p> <p>A monitoring system should be put into place to ensure that all customers have completed and signed and dated a valid Duty of Care Waste Transfer Note before the expiry of the previous note.</p> <p><b>Action: Caroline McKenzie – Service Manager – Waste Services</b></p>	<p><b>Management Comment:</b></p> <p>Control measure in place to ensure information returned but not being used. Will investigate and take necessary action.</p> <p><b>Planned Corrective Action:</b></p> <p>Instruction given to ensure checked on a weekly basis and followed up. Also in future will amend paperwork to include a deadline date.</p> <p><b>Timescale:</b></p> <p>30<sup>th</sup> June 2015</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 5 - Management Information</b></p> <p><b>Level of Risk - Medium</b></p>			
<p>No management information is produced for monitoring the Trade Waste Service. We found that no information relating to performance to analyse the service and identify potential improvements is undertaken.</p>	<p>There is a risk that monitoring information is not produced for Trade waste and as a result monitoring of arrears management is not carried out at management level as well as monitoring on success or effectiveness of the services provided.</p>	<p>Management information including arrears management and general performance analysis reports should be produced on a regular basis. These should include a set of agreed KPIs / metrics to monitor on-going performance.</p> <p>The Arrears Management reports should be monitored by the Waste Services Team Leader each month.</p> <p><b>Action: Caroline McKenzie – Service Manager – Waste Services</b></p>	<p><b>Management Comment:</b></p> <p>The agreement spreadsheet has data on such as number of bins, bin sizes and customers. There is also a marketing spreadsheet for information. This information is updated regularly and used for quarterly budget monitoring and budget preparation. The staff who work on Trade Waste monitor and manage their side of the arrears report on a weekly basis before producing the rounds for the following week. Trade waste has also been separated on the financial management system.</p>

			<p><b>Planned Corrective Action:</b> To review the current array of performance management, marketing and financial data and assess the need for additional/amended reports to support management decision making. The review will include the appropriateness and use of arrears management reports and processes as outlined above in rec 5.</p> <p><b>Timescale:</b> 30<sup>th</sup> September 2015</p>
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# Annex A

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## Risk & Assurance - Standard Definitions

### Audit 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 to the risks 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 Chief Financial Officer, External Audit and, where applicable, the relevant Corporate Director.

A synopsis of the audit report is provided to the Authority's Audit 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 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, Service Manager - Audit & Asset Management on telephone number 0115 9013850 or via e-mail to [vince.rimmington@gedling.gov.uk](mailto:vince.rimmington@gedling.gov.uk)