

INTERNAL AUDIT REPORT

Waste Service Contracts Follow-Up Report

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This document is a final version.

Powys Internal Audit Services

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Status of this report

This report has been prepared for the internal use of the Powys County Council and its contents are confidential. The work involved in the production of this audit report complies with the principles outlined in CIPFA's Code of Audit Practice and CIPFA Local Government Internal Audit Manual 2005.

1.0 INTRODUCTION

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment. This is done by effectively contributing to the statutory requirement in the Accounts and Audit Regulation 2005 for the Council to maintain sound systems of Internal control.
- 1.2 As part of the Annual Audit plan for 20011/12 a follow up audit of the procedures for Waste Services - Contracts was carried out. The original report was completed 10th March 2011. On this occasion an overall audit opinion of Low Assurance was given indicating that there existed a fundamental failure of key controls and a significant risk of failing to meet service objectives.

2.0 OBJECTIVES

- 2.1 The overall objective of the audit was to follow up the previous audit review of Waste Services - Contracts, review the agreed actions on control weaknesses and ensure these have been appropriately implemented.
- 2.2 A similar follow up review of Waste Management Bring Sites was carried out during August 2011. The original audit, carried out in March 2009 had resulted in an opinion of Low Assurance being given with twelve key areas of weakness being identified. Nine of these twelve weaknesses were found to have been addressed. The remaining three related to contract procurement; at the time of the review it did not represent good value for money to go out to tender before a full analysis of the results of current waste initiatives had been undertaken. It was agreed that these remaining three areas of weakness would be examined during the follow up review of Waste Contracts.

3.0 AUDIT APPROACH

- 3.1 Examine the previous audit report and obtain evidence that progress has been made, systems improved and agreed actions have been appropriately and satisfactorily implemented.
- 3.2 As with all audit reports where an opinion of Low Assurance is given, the findings of the audit report March 2011 were presented to Audit Committee. On 27th June 2011 the Waste Services Manager presented to the Audit Committee a report detailing the action which was being taken to address the weaknesses.

4.0 SUMMARY OF KEY AUDIT FINDINGS

The following summary reflects the audit findings in relation to the implementation of the Action Plan from the March 2011 report. The bold text below is the control weakness previously identified. Agreed Actions relate to those presented to Audit Committee 27th June 2011.

4.1 The current Waste Strategy is “not fit for purpose”

Agreed Action: Prepare Strategy - interim strategy by April 2012, full strategy by April 2013

Audit Finding: A PID document has been drawn up. The whole ethos for Waste and Recycling is to meet Welsh Assembly Government set targets; in the short term 52% recycling and composting by 2012/2013 and in the long term 70% by 2024/25.

The PID document clearly sets out how Waste Services are going to try and achieve this. Project objectives and Project milestones have been set. The project is managed and monitored by the Project Board. Minutes of progress are reported to the Waste Project Board on a monthly basis.

Opinion: Implemented.

4.2 There is no Procurement Plan in place

Agreed Action: Prepare Procurement Plan taking into account future strategy direction - by July 2011

Audit Finding: The previous spreadsheet used to record contracts has now been updated and is an accurate record of all contracts currently operating. The document has proved an invaluable tool in the preparation of a procurement plan. There has been a restructure within Waste Services and the Waste Services Manager now reports directly to the Procurement and Business Manager on all aspects relating to Waste Service Contracts.

Opinion: Implemented

4.3 There is no process map or diagram detailing all the current waste disposal operations in Powys

Agreed Action: Prepare process map which will then feed into procurement plan and Waste Strategy

Audit Finding: A breakdown of all current waste collection processes across the county has been drawn up. This is broken down by area, and details all contractors involved in each of the processes, type of waste, and tonnes collected for 2010/11.

Opinion: Implemented

4.4 Waste Management do not have a current and up to date Contracts Register

Agreed Action: Develop current contract list into contracts register and maintain as controlled document - June 2011.

Audit Finding: The previous spreadsheet used to record contracts has now been updated and is an accurate record of all contracts currently operating. Discussions with both the Waste Service Manager and staff within Procurement and Business identified that a new web based Contracts Register, "Bravo", funded by the Welsh Assembly Government, is being rolled out across the Authority. Waste Services have already entered all their contracts onto this database.

Opinion: Implemented

4.5 There are no documented procedures detailing any aspect of contract management

Agreed Action: Prepare written procedures detailing all aspects of contract management and monitoring - Sep 2011.

Audit Finding: A Waste Services manual detailing all procedures operating within Waste Services has been developed. This will act as an invaluable guide for all new staff and existing staff within Waste Services and should ensure that a consistent approach is adopted.

Opinion: Implemented

4.6 A significant number of contracts are operating without up to date contracts

Agreed Action: Bring all services under contract as per procurement plan in 8.2 - September 2012

Audit Finding: An examination of the Contracts register confirmed that the majority of contracts operating are now doing so with current contracts, albeit extensions have been applied. It was explained that the small number of contracts which appeared to be operating without a current contract related to Civic Amenity sites; the arrangements for these are currently being agreed. Without exception, detailed notes where applicable were recorded alongside the relevant contract.

Opinion: Implemented

4.7 Evidence was not available to confirm that all contracts have been through the due tender processes.

Agreed Action: All future procurement to be fully documented. Filing structure to be revamped to ensure all relevant documentation is maintained and accessible.

Audit Finding: A full review of the filing system has now been carried out. The Waste Services Manager reports directly to the Procurement and Business Manager for all issues relating to contracts. The Procedures Manual contains details relating to contract procurement.

Opinion: Implemented

4.8 **There are no procedures or arrangements in place for the formal monitoring of contracts.**

Agreed Action: Written procedures will be prepared detailing all aspects of contract management and monitoring - September 2011.

Audit Finding: The procedures manual contains sections on Bring Site Monitoring, Civic Amenity Site Monitoring and Waste Transfer Stations. On a weekly basis the Contract Monitoring Team meet to decide which Civic Amenity sites are to be visited. Detailed notes are kept of all visits made. A system is currently being devised to streamline the storage and retrieval of these notes.

Opinion: Implemented

4.9 **A definitive list detailing all contract costs does not exist.**

Agreed Action: This will form part of the Contracts Register - June 2011

Audit Finding: A detailed list of all current costs per tonne has been drawn up detailing the Contractor, service provided, cost, unit measure and materials. The index date for costing has also been recorded.

Opinion: Implemented

4.10 **There are no procedures in place for the updating of the Exemptions and Variation Register.**

Agreed Action: These will be incorporated into the Procedures Manual

Audit Finding: Procedures for Exemptions and Variations to Contracts have been drawn up and are included within the Waste Contracts Procedures. All waste contracts are entered onto the Bravo contract management system, which will provide alerts when contracts need to be tendered. This will either trigger a tendering process or in some circumstances the application for an exemption in line with the Council's Standing Orders.

Evidence was noted relating to the granting of an exemption order in respect of the Civic Amenity Site Contracts.

Opinion: Implemented

5.0 OPINION

The follow up audit review of Waste Services Contracts has identified significant progress in the implementation of agreed actions from the previous audit. A restructure of the service and a complete review of the filing system, together with the introduction of a Waste Procedures Manual have addressed the fundamental shortcomings previously identified.

An overall opinion of **High Assurance** is given, indicating that Key controls exist that are consistently and effectively applied; Service objectives are being achieved.

6.0 THE WAY FORWARD

- 6.1 Internal control weaknesses, risks and agreed actions arising from this audit review are included in the attached action plan.
- 6.2 The Internal Audit Team offer management help and guidance on matters of internal control. However, it should be made clear that the existence of internal audit does not diminish the responsibility of management to maintain effective systems of internal control.
- 6.3 If the opinion of your audit review determines that "Low Assurance" can be gained on the systems of control, the report is sent to the Head of Finance (Section 151 Officer) , the Cabinet Portfolio Member and the chair of the Scrutiny Committee for that Service. In addition, a summary of the key elements of the report will also be reported to Audit Committee for their consideration. Officers may be asked to attend the Audit Committee to explain why the service has failures in internal control and to outline their suggested corrective measures.
- 6.4 Service Managers are responsible for implementing the agreed actions. However, Internal Audit will undertake follow-up visits on all areas with unsatisfactory levels of internal control i.e. where no assurance could be given. During these reviews, we use the completed action plan as a basis for the work to be undertaken and examine the progress on the agreed recommendations. The results of these exercises are also reported to the Audit Committee.

7.0 ACKNOWLEDGEMENTS

- 7.1 The Internal Auditor wishes to thank all of those people who assisted in the production of the audit report. If you would like to discuss this or any related matters in further detail, Please contact Janis Pritchard, Principal Auditor on Ext 6820.