



Internal Audit

FINAL REPORT

Refuse & Recycling 2008-09

To: Diane Burrige, Director of Operations

For information: John Mitchell, Interim Chief Executive
Michael Perry, Assistant Chief Executive
Adrian Webb, Interim Director of Central Services
Ron Pridham, Head of Street Services

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Contents	Page
1. Introduction and Scope	2
2. Executive Summary	2
3. Findings and Recommendations	4
4. Action Plan	5

Audit Assurance Opinion	Adequate
Sufficiently robust controls	Yes
Recommendations made	Two
Risk Level 4	None
Risk Level 3	One
Risk Level 2	None
Risk Level 1	One

Report Author: Jonathan C. Smith
Internal Auditor

Reviewed and Issued By: Sheila Bronson
Audit Manager



Internal Audit

FINAL REPORT

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1. Introduction

- 1.1 An audit of Contract Systems (Housing) has been carried out as part of the 2008-09 audit plan. The previous audit of this service was completed in July 2007.

This audit was assessed as risk level **3** as part of Internal Audit's planning approach.

Previous Audit

- 1.2 The previous audit of this service was completed in July 2007. No recommendations were made as the result of that audit.

Scope and Objectives of Audit Work

- 1.3 The scope of and the approach to this audit were agreed with the Chief Auditee, Ron Pridham, Head Of Street Services in the Terms of Reference.
- 1.4 The key areas of possible risk identified at the planning stage of the audit were as follows:
- a) Domestic and recyclable waste is not collected, or the Council's reputation suffers because of poor service;
 - b) Customers are not provided with sufficient bins for waste collection;
 - c) Best Value Performance Indicators are not achieved, or recycling targets not met;
 - d) Vehicles needed to operate the service are not available;
 - e) Insufficient trained and experienced staff are available to deliver the service, or there are no documented procedures, making it difficult to integrate new or replacement staff;
 - f) Staff make incorrect or false reports of time worked;
 - g) Staff are exposed to hazardous waste;
 - h) The Council's aims and objectives are not supported by the service;
 - i) Central Government's requirements are not planned for;
 - j) There is no strategy to promote waste reduction and increase recycling;
 - k) Arrangements to dispose of refuse and recyclable waste are inadequate;
 - l) Customers are not charged correctly for collections of bulky household waste;
 - m) Income from sales of degradable Green Waste Bags and from recycling is not reconciled to stock, or the quantity of recycled materials, or credit for recycled waste is not received;
 - n) The refuse & recycling budget is not monitored and correctly reported to Members;
 - o) Legislation relevant to refuse and recyclable material collection is not complied with;
 - p) Residential customers cannot easily obtain information about collection times, or ways to dispose of their waste, or of options available to recycle waste;



Internal Audit

FINAL REPORT

Refuse & Recycling 2008-09

- q) Customer complaints are not recorded and dealt with properly;
 - a) IT systems do not adequately support the administration of refuse and recycling.
- 1.6 The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

2. Executive Summary

- 2.1 Taking into account the issues identified in paragraphs 2.2 to 2.8, in our opinion the controls within the service as currently laid down and operated provide **Adequate** assurance that risks material to the achievement of the objectives for this service are managed and controlled.

Conclusion on the Adequacy and Application of Controls

- 2.2 Based on the evidence obtained from our testing, we have concluded that the adequacy and application of controls **is** sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the service.

Recommendations

- 2.3 We have made **2** recommendations -
- 0** risk level 4 matters that are fundamental and require immediate attention and priority action;
 - 1** risk level 3 matter that is considered significant that should be addressed within six months;
 - 0** risk level 2 matters that are considered important that should be addressed within twelve months.
 - 1** risk level 1 matter that merits attention and would improve overall control levels.
- 2.5 This report has been prepared by exception. Therefore, we have included in Section 3 (Findings and Recommendations) only those areas with scope for improvement of controls or examples of lapses in control identified from our testing, and not the outcome of all audit testing undertaken.
- 2.6 In addition to the findings described in detail in Section 3, we also found the following examples of good practice in the management of risk achieved through the effective design and consistent application of controls:
- Comprehensive and up-to-date records maintained by the Departmental Coordinator;
 - Two officers are comparatively new starters. Both said, quite independently, how much they had been helped to settle into their roles by comprehensive hand-over notes left by their predecessors;
 - Proactive attempts are being made to achieve maximum revenue from recycling.



Internal Audit

FINAL REPORT

Refuse & Recycling 2008-09

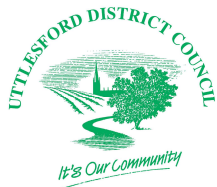
Acknowledgement

2.7 Several staff in Environmental Services staff gave of their time and co-operated with Internal Audit during the course of this review. We should like to record our thanks to all of the individuals concerned.

Audit Assurance Opinion – definitions

2.8

Opinion	Definition
Substantial	Good effective management of risk; no significant recommendations arising. Overall there should be no more than six recommendations of which: none are risk level 4 or 3 recommendations and no more than two are risk level 2 recommendations
Adequate	Sound satisfactory management of risk; identification of some elements of the control framework that merit attention; Marginal identification of deficiencies in the control framework that result in some risks not being managed effectively and must be addressed. Overall there should be no more than ten recommendations of which: no more than one recommendation is at either a risk level 4 or 3 and no more than six are risk level 2 recommendations
Limited	Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention. Overall there should be no more than fourteen recommendations of which: no more than four recommendations are at risk levels 4 and 3 and no more than ten recommendations are at risk level 2
Little	Major controls have failed and/or major errors have been detected. There will be: more than fifteen recommendations or more than four recommendations at risk level 4 and 3 or more than ten recommendations at risk level 2



Internal Audit

REFUSE & RECYCLING 2008-09 FINAL REPORT

3. Findings and Recommendations

No	Expected Controls	Test Results and Implications	Recommendations	Risk * 1- 4
3.1	Income from the bulky waste collections should be reconciled to ensure that it is correctly credited.	<p>Charges for this service were introduced in April 2008. No arrangements have yet been made to reconcile the income to orders for collections.</p> <p>No standard way to record the payment to facilitate accurate reconciliation has been defined. Examples were seen where the payment detail transferred to the Financial Information System was recorded as 'special collection'; or 'Two sofas', making it difficult or impossible to correlate the money received to a particular collection.</p> <p>It was also noted that payments have been variously recorded inclusive of VAT and not.</p>	<p>(a) An Ocella report should be developed to facilitate reconciliations between orders and income received, and responsibility for reconciliation should be assigned to a responsible officer.</p> <p>(b) Discussions should be held with Customer Services to determine the feasibility of recording the Ocella Reference no. in the Cash Receipting system so that they are carried over to FIS. This should permit effective reconciliations between orders for bulky refuse collections and FIS</p> <p>(c) CSC should be asked to record charges made for collections consistently.</p>	3

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Internal Audit

REFUSE & RECYCLING 2008-09 FINAL REPORT

3. Findings and Recommendations

... Continued

3.2	Income from sales of degradable Green Waste Bags is reconciled to stock;	<p>At the time fieldwork for this audit was carried out the reconciliation for 2007-08 had not been completed. We were told that it is usually an annual process.</p> <p>An annual process would make it difficult to resolve discrepancies highlighted by the reconciliation.</p>	Monthly reconciliations of sales to stock should be made.	1
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- * 4. Catastrophic effect - immediate action required. Matters that are considered fundamental that require immediate attention and priority action.
3. Significant impact – action required. Matters that are considered significant that should be addressed within six months.
2. Some impact – action necessary. Matters that are considered important that should be addressed within twelve months.
1. Little or no impact. Matters that merit attention and would improve overall control levels.



Internal Audit

MANAGEMENT ACTION PLAN

REFUSE & RECYCLING 2008-09

4. Management Action Plan

For completion and return by **7 July 2008**

Ref	Recommendation	Risk 1-4	Agreed / Not agreed	Officer Responsible	Officer Comments	Implementation date	
3.1	(a) An Ocella report should be developed to facilitate reconciliations between orders and income received, and responsibility for reconciliation should be assigned to a responsible officer.	3	Agreed	Anne Owen	Working on developing a report arrangement that is not labour intensive. Need to consider tolerance level before prompting a detailed investigation.	1/1/09	
	(b) Discussions should be held with Customer Services to determine the feasibility of recording the Ocella Reference no. in the Cash Receipting system so that they are carried over to FIS. This should permit effective reconciliations between orders for bulky refuse collections and FIS		Agreed	Anne Owen/ Clare Croft			Working with CSC to establish if it is feasible.
	(c) CSC should be asked to record charges made for collections consistently.		Agreed	Claire Croft			
3.2	Monthly reconciliations of sales to stock should be made.	1	Agreed	Anne Owen	New system to be established	1/1/09	

Agreed pp Diane Burridge (Head of Division) Date 24/07/08