

Disposal of Scrap Metal – follow up of previously agreed actions

City of York Council

Memorandum

Responsible Officer: AD, Transport Highways and Waste
Service Manager: Head of Operations
Status: Final
Date Issued: 11 August 2017

Where information resulting from investigation and/or audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

1 Introduction and Scope

- 1.1 An audit of disposal of surplus materials, finalised in February 2014, identified control weaknesses in the processes for disposing of scrap metal and the collection of income for this.
- 1.2 These actions were followed up as they became due and a number of changes in processes and responsibility for disposal of scrap materials meant that revised dates were agreed and some actions were superseded by changes in processes.
- 1.3 However, following these changes and continued follow up work, internal audit were not completely satisfied that all the weaknesses had been addressed sufficiently. Therefore, it was agreed that this piece of work would be undertaken to re-test the controls in place under the new processes and identify if any weaknesses remain, where action needs to be taken.

2 Findings

Collection of scrap metal and receipt of income

- 2.1 The original audit found that there were long delays between the collection of scrap metal and the raising of invoices and that there was no record of when collections had been requested and no reconciliation of these collections to invoices raised.
- 2.2 The current supplier used for disposal of scrap metal is L Clancey and Sons ('Clanceys'). Clanceys provide the skip at Hazel Court, which is used to deposit all surplus scrap metal from services based at Hazel Court (highways, streetlighting, building services, vehicle workshop).
- 2.3 When the skip is full, one of the Highways Operations Managers informs the Highways administrative assistant(s) and they contact Clanceys to request collection. Clanceys have been instructed to only accept requests for collection from one of the two administrative assistants and only by email.
- 2.4 Clanceys collect the skip either the same day or next day and submit paperwork to the administrative assistant with the weighbridge ticket and advice note regarding the price to be paid for the scrap metal. The administrative assistant uses this information to raise an invoice, which is sent to Clanceys for payment.
- 2.5 Testing was undertaken on transactions since this new process has been in place (February 2017). This found that all relevant documentation was held on file (email requesting collection, weighbridge ticket, advice note, CYC invoice) and contained all the required information (type of metal, weight, price per tonne). Invoices had been raised promptly for the correct amounts and had been paid by Clanceys in accordance with the invoice terms.
- 2.6 Some testing was carried out on transactions prior to February 2017 and whilst weighbridge tickets and advice notes were provided and invoices raised correctly, there were more time delays between dates materials were weighed and when information was received and no record of when collections had been requested. This suggests the new processes have improved the level of control and the efficiency of the process.

- 2.7 One recommendation was made to the service, that a log should be kept of all collections requested. This would enable it to be identified if a collection had been requested but no corresponding invoice had been received. As the process is now carried out by just two officers there it was not considered that this is a significant risk but it would improve the overall level of control if this simple log was kept.

Procurement of scrap metal company

- 2.8 The original audit found that there was no formal agreement in place with the scrap metal merchant and that no value for money or tender exercise had been conducted comparing different scrap metal merchants to ensure best value was being obtained.
- 2.9 At the time of this re-testing there was still no formal agreement in place with Clanceys, although, the testing above did demonstrate there was greater clarity about the processes and expectations of the council and the merchant.
- 2.10 The Operations Manager recently requested the corporate procurement team to undertake an exercise to obtain quotes from a minimum of 3 local scrap metal merchants and establish whether they could meet the council's requirements in respect of delivery and collection of the skip and prompt payment of money due.
- 2.11 The Corporate Procurement team obtained these quotations and established whether merchants would be able to meet the council's requirements and provided a report to the Operations Manager. This is currently with him for a decision. He will be meeting with Finance in order to make the decision and draw up a formal agreement setting out service expectations, the responsibilities of the council, the merchant and the processes that will be followed.

3 Conclusions and actions taken

- 3.1 The procedures for collection of scrap metal and receipt of income have improved significantly since the original audit and there are no significant concerns.
- 3.2 A log of requests for collections is now being kept, recording dates when collections were requested, the date collected, date advice note received and recording the invoice number raised for the money due.
- 3.3 A procurement exercise has now been undertaken and a new scrap metal merchant appointed. A formal agreement setting out service expectations and responsibilities of the merchant and the council has been completed and signed by both parties.
- 3.4 Tender documentation and records of the decision made has been retained as evidence of the process undertaken and for future reference.
- 3.5 The contract period is for 1 year and a brief annual exercise will be undertaken and documented, to review the price per tonne being received for scrap metal to confirm that the arrangements put in place remain best value.
- 3.6 We are satisfied that all the issues identified by the original audit have now been addressed.