



Contract Management - Allerton Park 2018/19

City of York Council

Internal Audit Report

Business Unit: Economy and Place Directorate
Responsible Officer: Corporate Director of Economy and Place
Service Manager: Head of Programmes
Date Issued: 17th July 2019
Status: Final
Reference: 19080/033

	P1	P2	P3
Actions	0	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

City of York Council (CYC) and North Yorkshire County Council (NYCC) are engaged in a joint project to build and use a waste recovery plant at a cost of £1.4bn. The plant has been built on the site that was formerly Allerton Quarry, off the A1 near Knaresborough.

The project is split between NYCC and CYC, with the latter having a 21% stake. The plant will divert waste from landfill sites into a more environmentally friendly treatment and will reduce the amount of waste being sent to landfill to less than 10% of that collected, enabling NYCC and CYC to exceed their targets of recycling 50% of waste by 2020. It is designed to save the councils approximately £250m on household waste treatment costs over the 25-year life of the contract.

The construction and operations of the plant have been contracted out to AmeyCespa, with the site becoming operational in February 2018. The two councils both dispose of their waste at the plant and are looking to collaborate in the management of contracted waste disposal services.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- CYC was provided with assurance that the contract between NYCC and AmeyCespa was being well managed.
- The operational plan to dispose waste at the plant was working effectively.
- CYC made the correct payments promptly to dispose waste at the plant.
- The plans to collaborate with NYCC over waste disposal were appropriate.

Key Findings

The procedures to manage the Allerton Park site were working well, at least in part due to the number of senior managers who were involved and managing CYC's interests. CYC attends three meetings that related to the project so that CYC would quickly become aware of any problems at the site. A Joint Project Board deals with strategic issues, a Project Team Meeting which deals with operational matters and Monthly Operational Meetings where the two councils meet. A review of minutes of these meetings confirmed that they were attended by suitable people and were operating as expected. CYC is the junior partner of the two Councils which means that many of the records relating to the project are maintained by NYCC with CYC having access to these documents when requested.

Key Performance Indicators are reported to the Joint Project Board with failure to achieve targets being reflected as penalty charges in monthly invoices that followed. Invoices are received for the operation of the site with payments being made promptly with reconciliations being done to ensure the amounts that CYC have paid are correct.

The Joint Waste Management Agreement was agreed in 2011 and needs to be updated now that the site has become operational. The likely outcome is that a joint role will be created that will be responsible for the disposal of the waste at both councils. Work has started on this but it will not be completed and agreed until local elections have taken place in May 2019.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1. Updated Joint Waste Management Agreement

Issue/Control Weakness	Risk
The Joint Waste Management Arrangement (JWMA) needs to be updated now that the Allerton Park site has opened.	Disputes occur between the two councils that can't be resolved due to an out of date Joint Waste Management Agreement.

Findings

The existing JWMA between the two councils was agreed in 2011 before construction work at Allerton Park had started. Now that the Allerton Park site has opened the JWMA needs to be reviewed so that it takes into account the new working arrangements.

A draft version of the proposed JWMA was viewed during the audit. This document has not been completed and it contained several comments in the margin by staff from Legal Services that were raising issues or queries with the wording. It is planned to complete and approve the updated JWMA after the local elections in May 2019.

Agreed Action 1.1

The JWMA will be completed with the amendments being signed off by the Council's Executive.

Priority
Responsible Officer
Timescale

2
 Assistant Director
 Transport Highways
 and Environment
 30th November 2019

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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