



Commercial Waste Services

City of York Council

Internal Audit Report 2020/21

Business Unit: Economy and Place Directorate
Responsible Officer: Assistant Director – Transport, Highways and Environment
Service Manager: Head of Environmental Services
Date Issued: 17th December 2021
Status: Final
Reference: 10550/004

	P1	P2	P3
Actions	1	6	2
Overall Audit Opinion	Limited Assurance		

Summary and Overall Conclusions

Introduction

Every business in York has a legal responsibility to ensure that any waste produced is disposed of safely and responsibly. Businesses can apply for waste to be collected by the council, or by another waste collection service. Once the commercial waste has been collected it is taken to the transfer station at Harewood Whin, before being taken to Allerton Park to be either recycled or incinerated.

In York, 1,600 businesses have contracts to have their waste collected by the council. These businesses produce approximately 140 tonnes of waste per month, and the council collects approximately £1.4 million a year from commercial waste collections.

The audit was started during 2019/20, however due to the Covid-19 pandemic, work was stopped in March 2020. The audit was re-started for 2020/21 and in addition to the below, the audit also considered the effectiveness of the measures that were put in place during the pandemic.

Objectives and Scope of the Audit

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

- The process to apply for commercial waste collections was working correctly.
- Commercial waste was being collected promptly and efficiently by the council.
- All income from commercial waste collection and disposal was collected and accounted for.
- Weighbridge tickets from Harewood Whin were being correctly issued to the council.

The audit did not include a review of the processes and procedures at Yorwaste or Harewood Whin.

Key Findings

Overall, it appeared the systems and processes in place were functioning to a reasonable extent before the Covid-19 pandemic. However once the pandemic began, the service failed to keep up with the volume of businesses that had to close at the same time. Customer accounts and invoices were still being reviewed almost a year after the initial lockdown began because the service had not been able to determine whether the business was operating and having its waste collected. This means that the service may not be receiving all income for waste collected during this period, leading to a potentially significant loss of income. This situation may have been made worse by the system of spreadsheets that the service used rather than having a waste management information system in place to record customers and the charges for waste collections. Before the pandemic, the Management Team was aware of issues with the Commercial Waste Service, and therefore requested that this audit take place to establish the scale and complexity of the issues within the service.

The process to apply for commercial waste collections was working correctly, with customers contacting the council before the contracts and Waste Transfer Notes are drawn up. However, we found that the Waste Transfer Notes, a legal agreement demonstrating that each business has a contract to dispose of their waste, were not always being renewed on time.

Commercial waste collections continued to a reasonable extent during the pandemic, however manual crew sheets were still being used and there is no central system in place to manage customers and organise the collections. From our sample, a number of instances were seen where crew sheets were not being properly completed. Automated systems are now in place which should have eliminated the need for the manual crew sheets. Debt recovery is managed by the Finance Team and where a customer is in debt, collections are stopped until the debt is paid. In our discussions with officers in the Commercial Waste Team it was explained this usually prompts payment, however if waste is left on the roadside it has the potential to become an environmental hazard.

Issues were found with commercial waste income being collected and accounted for. Ownership for setting commercial waste charges has not been assigned to a single person and there is confusion over who is responsible. At the time of testing, the shortfall in commercial waste income for 2020/21 was £600,000-£700,000, approximately 50% of normal income. 75% should be returned due to a Government commitment to reimburse local authorities for lost income due to the pandemic. Until July 2020, some income was being collected in cash. However, cash is no longer being accepted by the service and customers who used to pay by cash have been informed of this change. These customers were not being recorded on the finance system, creating potential discrepancies between the data held in Waste and Finance. There is no exact split between the domestic and commercial waste collected. It is the opinion of the Commercial Waste Team that the two areas cancel each other out but it was not possible to confirm this.

We found that weighbridge tickets are being correctly issued to the council. Waste vehicles are weighed upon entry and exit from the disposal site and the net weight is recorded on a weighbridge ticket. The tickets also contain other information such as vehicle registration numbers, the times of entry and exit and driver and operator signatures.

Overall Conclusions

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.

1 Invoicing Customers

Issue/Control Weakness

Customers have not been invoiced for waste collected during lockdown because the service did not know whether the business was operating.

Risk

The council has not collected income from commercial properties whose waste has been collected.

Findings

During the Covid-19 pandemic, many businesses had to close and their accounts had to be cancelled so that no further invoices were sent with the invoicing re-starting once the service knew which businesses were operating again. There is provision in the commercial waste contracts for ending or varying collections but no specific provision for temporarily suspending collections. Although the pandemic was an unanticipated situation, there should be a provision in the contract for a break in waste collections for situations such as the closure of the business premise for renovation.

At the start of the first lockdown in March 2020, a decision was made to withhold the first quarter's invoices so the service could determine the status of each business. A letter was sent in April encouraging customers to make contact if they had stopped trading during lockdown or required a change to their collection service. Businesses were sent invoices when it was known they were still operating and invoices were not sent when this was not known. When restrictions were eased in July 2020, the service continued to determine whether each business was open before re-starting their invoices, despite the majority now operating under the relaxed restrictions. For the second and third lockdowns during the winter of 2020/21, the service continued invoicing businesses which had been operating prior to the lockdown.

At the time of the audit in February 2021, the team was continuing to work through the customer database from the start of the pandemic to determine whether businesses were operating and should be invoiced. This means that some businesses have potentially not been invoiced since the start of the first lockdown in March 2020. The council tried to be more flexible and understanding with customers during the pandemic, however this may have inadvertently created more issues in relation to invoicing, and contributed to the backlog of work now faced by the team.

Agreed Action 1.1

The council will apply for funding under the Government's Income Compensation Scheme for 2020/21 and for the extended period allowed in 2021/22. The scheme requires to Council's to fund the first 5% of shortfalls and then will split the balance 75% government funding and 25% council funded.

In 2020/21 commercial waste has suffered a shortfall in income of £731,400 against the budgeted income of £1,435,710. The council must meet £236,690 of

Priority

1

Responsible Officer

Finance Manager

Timescale

31th December 2021

the income shortfall with the remaining £494,710 met through central government funding.

Agreed Action 1.2

The Commercial Waste team will (i) examine and review back office processes for the production of invoices and (ii) benchmark against other service providers regarding their invoice process and timeliness.

The results of this review and benchmarking will be used to determine improvement actions.

Priority

2

Responsible Officer

Head of Environmental Services

Timescale

31st January 2022

2 Waste Management System

Issue/Control Weakness

The Waste Service does not have a central management information system and no reconciliations are performed between the records maintained by the Finance and Waste services.

Risk

Income is not collected from customers due to data on the waste and financial management systems being inaccurate.

Findings

There is no central system in place to manage the Commercial Waste Service. Instead, the team operate using a system of spreadsheets which exposes the service to a higher risk of error, corruption and data loss. Having a management information system in place would ensure data is held in one central location allowing for greater efficiency and effectiveness. At the time of the audit, a project had been started to determine whether the service was profitable enough to invest in a central waste system. However this was put on hold due to the pandemic.

There is no integration between the data held within the Waste and Finance systems. Therefore, customers recorded on the waste spreadsheets used by the service are potentially not being recorded on the financial management system. Workflow sheets are used to document the tasks completed when a new customer is set up. One of the tasks is to set the customer up on both the finance system and the waste spreadsheets. This is the only control in place to ensure customer information is accurate between the two systems. However, no reconciliations are performed by the Finance or Waste services to ensure records are accurate. Previously, a sample of 10 contracts was checked on a weekly basis by an officer in the Commercial Waste Team. However due to time and resource constraints this was not continued.

Agreed Action 2.1

The issuing of duty of care documentation will be transferred from the Commercial Waste Team to Business Support Team. Moving this process will allow the Commercial Waste team to undertake more reconciliations and testing.

Priority

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Responsible Officer

Head of Environmental Services

Timescale

31st March 2022

Agreed Action 2.2

The service will review the possibility of transferring Commercial waste crews to use in-cab units through a trade module on the Webaspx waste management system. Use of this system should help with reconciliation processes.

The system is still in development by the supplier with a target date of quarter 2, 2022.

Priority

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Responsible Officer

Head of Environmental Services

Timescale

31st March 2022

Agreed Action 2.3

The current provision of the service will be reviewed. The transfer of work to the business support team, the development of a commercial waste billing system, a sales team and robust management will be costed and compared to alternative models for the provision of the service.

Priority

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Responsible Officer

Corporate Director of Place

Timescale

31st March 2022

3 Renewal of Waste Transfer Notes

Issue/Control Weakness

Waste Transfer Notes are not being renewed in a timely manner.

Risk

Businesses do not have a valid Waste Transfer Note to legally cover the disposal of their waste.

Findings

Customers are issued with a Commercial Waste Agreement (CWA) and a Waste Transfer Note (WTN) when they register for their waste to be collected. The WTN is a legal document covering the transfer of waste and is generally valid for a period of one year, at which point it should be renewed to ensure compliance. WTNs need to be renewed on time to ensure that businesses are legally disposing of their waste and to demonstrate that businesses and the council are compliant with environmental regulations.

From a sample of 10 cases reviewed, 8 WTNs had not been renewed on time. All had gaps of longer than 1.5 months and 3 had gaps of longer than 6 months. It was explained by an officer in the Commercial Waste Team that the service was behind with renewing WTNs due to the pandemic, however 2 of the cases in the sample had expired before the pandemic started.

Agreed Action 3.1

The task of issuing Waste Transfer Notes will be moved from the Commercial Waste Team to the Business Support Team. This should improve the timelines of renewals.

Priority

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Responsible Officer

Head of Environmental Services

Timescale

31st March 2022

4 Cash Handling

Issue/Control Weakness

Commercial waste income was being collected in cash and the cash-paying customers were not being recorded on the finance system.

Risk

Income is not collected and recorded in a secure manner, which increases the opportunity for fraud to take place.

Findings

At the start of the audit in March 2020, approximately £500-£1,000 of commercial waste income was being collected in cash each month. The cash was collected from the customer and recorded on a spreadsheet before being stored in a safe at Hazel Court. When it was to be banked, it was removed from the safe, counted and checked against the spreadsheet. A paying-in book was completed and the cash was bagged to be taken to the bank. Once banked, a form was completed and emailed to Transactional Services for the income to be allocated to the commercial waste code and for the ledgers to be reconciled. During the Covid-19 pandemic, a decision was taken to stop all cash payments. Letters were sent to customers outlining that they would no longer be able to pay by cash on delivery from July 2020 onwards.

As part of our sample of contracts, we came across a customer who did not appear to have a reference or debtor number. When this was queried, it was explained by the Commercial Waste Team that customers who previously paid in cash were not recorded on the finance system. This meant staff in the Finance Team were unaware of some customers which increased the risk that not all income was being correctly banked.

Agreed Action 4.1

Processes have been changed so that no cash is taken/collected and all businesses are required to have an account on the finance system.

Priority

2

Responsible Officer

Head of Environmental Services

Timescale

Completed

5 Crew Sheets

Issue/Control Weakness

Crew sheets are not being properly completed and the information on the crew sheets is not used or analysed, making them redundant.

Risk

Crew workloads are being unnecessarily increased by completing manual crew sheets when the information could be obtained from the automated systems.

Findings

Crews are expected to complete paper crew sheets at the end of each shift, detailing information such as working times and mileage. 20 crew sheets were reviewed from days throughout 2020. From the sample, there were 7 instances where the drivers and loaders did not properly record their start, finish and break times. There were also 5 instances where mileage was not properly recorded.

Upon discussion with the service, it was established the information on the crew sheets is not used or analysed. Tachograph cards were introduced in 2018 which records information such as crew working times and vehicle mileage as well as whether crews have had any infringements. A new system called Incab shows the routes and times driven and can allow crews to electronically report issues. At the time of the audit, the Incab system had not been fully rolled out. Due to the fact that automated systems have been introduced, continuing to complete manual crew sheets increases crew workloads and creates duplication of information.

Agreed Action 5.1

The service will review the possibility of transferring Commercial waste crews to use in-cab units through a trade module on the Webaspx waste management system. The system is still in development by the supplier with a target date of quarter 2, 2022.

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Responsible Officer

Head of Environmental Services

Timescale

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6 Setting of Charges Ownership

Issue/Control Weakness

Ownership for setting commercial waste charges is not assigned to one person and there is confusion over who has responsibility for setting the charges.

Risk

Accountability and responsibility is not assigned meaning that the process of setting and changing charges becomes ineffective.

Findings

The charges for Waste Services are agreed annually as an annex to the Financial Strategy report. The annex states that commercial waste charges are subject to the service required and customer requirement, however, it does not state which Council Officer has the delegated authority to agree the charges with the customer.

Through initial discussion with the Finance Team, it was understood that the Commercial Waste Team have full autonomy with regards to setting charges and managing customers and that the Finance Team has no input in the setting of charges. However, upon speaking to the Commercial Waste Team, it was stated that charges are set centrally and agreed by Members who have ultimate responsibility for making the decisions. The Commercial Waste team outlined that they could recommend a change in charges however this does not often happen.

We found that there was some confusion within the council over responsibility and accountability for this area. Ultimate ownership over the setting of charges should be assigned to a single person, preferably within the Commercial Waste Team, to ensure there is a clear process in place and a defined point of contact should any queries be asked. There should be an established process in place for setting charges on an annual basis and reviews undertaken where necessary to ensure charges are appropriate.

Agreed Action 6.1

The Head of Service will agree the fees and charges in consultation with the Finance Manager. This will be implemented for the setting of charges for 2022/23.

Priority

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Responsible Officer

Head of Environmental Services

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31st December 2021

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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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