



TITLE OF REPORT Internal Audit Report – Waste Services	DATE 11 March 2020
The Audit Committee	

Linkage to Council Strategy (2019-23)	
Strategic Theme	Annual Internal Audit Plan 2019/20
Outcome	
Lead Officer	Aileen Ruddy
Cost: (If applicable)	n/a

<u>Auditor:</u>	<u>Aileen Ruddy</u>
<u>Distribution:</u>	Audit Committee Chief Executive Director of Corporate Services Director of Environmental Services Head of Operations Landfill Site Manager
	<u>Completed March 2020</u>

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

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Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2019/20. This report summarises the findings arising from a review of the Waste Services which was allocated 8 days.

Through our audit we found the following examples of good practice:

- Recycling operators provide sufficient evidence against their invoices to enable the Finance section to reconcile amounts collected to amounts charged.
- Waste performance is monitored regularly by the Operations Manager and Director of Environmental Services and is reported to Council.
- Data on municipal waste is reported on a quarterly basis via the Waste Data Flow system to the NI Environment Agency.
- The Council met all their NILAS targets for 2018/19.
- Craigahulliar Landfill was audited as part of the Landfill operators audited during the scheme year 2018/19 and Causeway Coast & Glens BC had a District Council Data Audit carried out by the NIEA.
- On target to meet 50% recycling target by Dec 2020. (Achieved over 60% recycling in Q2 19/20.)

2 areas (Priority 2) where controls could be enhanced were noted during this review.

- Contractor Performance Review
- Renewal of the NWRWG tender for Black and Blue Bin Waste Contract

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be ineffective management of the collection of the domestic and commercial waste which may lead to inefficient service delivery.	-	1	2
Invoices for recyclable and non-recyclable waste may reflect incorrect waste tonnage volumes and/or contamination rates (MRF), which may lead to either a loss of income (if the company is under-charged) or reputational damage and potential financial penalties (if the company is over-charged), or increased costs to the Council (if the Council is over-charged) or increased liabilities for the Council (if the Council is under-charged). Inaccuracies in waste reporting may impact negatively under NILAS.	-	-	-
The landfill sites are not managed appropriately leading to non-compliance with NIEA regulations, potential fines to the Council and ineffective use of Council's waste management resources	-	1	-
Waste performance by the Council is not monitored and reported on a timely basis, leading to potential non-compliance with waste regulation and fines for the Council.	-	-	1

Risk	Number of recommendations & Priority rating		
	1	2	3
Total recommendations made	-	2	3

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and will consider the main risks in relation to Waste Services and to review the key systems and controls in place to address these.

The review focused on:

- Waste Tonnage Recording
- Income from and charges for waste management
- Monitoring of third party providers
- Site Security and Access Controls
- NIEA Returns

Background

Waste Collection

Causeway Coast and Glens Borough Council provides a refuse and recycling service to all households within the Borough. The Council also collects bin waste from local businesses for an annual fee, depending on the size of the bin and frequency of collection. The Council is committed to meeting the national recycling targets and continues to search for new innovative ways of improving and increasing recycling activities throughout the Borough.

In 2018/19 the Council spent approximately £3.6m on the collection of kerbside waste within the Borough and a further £5.2m on waste disposal.

The Council operates 11 household recycling centres throughout the Borough. Members of the public may dispose of household waste here free of charge. Small quantities of trade waste may also be disposed of here for a small fee. Causeway Coast & Glens Borough Council engages private contractors (e.g. RiverRidge Recycling & Re-Gen Waste Ltd) to collect and/or reprocess waste deposited at council household recycling centres or bulked up at waste transfer stations.

Domestic Collection

The Council collects waste from approximately 58,000 households within the Causeway Coast and Glens Borough Council area. Black and blue bins are collected on alternate weeks and households are encouraged to use the appropriate bin for disposing of dry recyclable and non-recyclable waste. In order to provide this service, the Council uses a fleet of bin lorries each covering designated routes during week days emptying bins throughout the Borough.

In addition to sending waste to landfill, the Council sends a percentage of its black bin waste to a recycling operator to recover as much recyclable material or Refuse Derived Fuel (RDF) as possible in order to reduce the amount being sent to landfill.

The Council uses 3 waste transfer stations, based at Aghanloo, Limavady (leased from a local business), Craigahulliar (owned) and Crosstagherty, Ballymoney (owned) to temporarily dispose of blue bin waste and some black bin waste before it is transferred for permanent disposal at Craigahulliar landfill site or a recycling facility.

All black bin collections from amenity sites for all Council areas go to RiverRidge for processing. Ballymoney black bin waste is taken to Crosstagherty waste transfer station where it is stored before being collected by RiverRidge for sorting. Limavady black bin waste is delivered direct by Council to RiverRidge. Coleraine and Moyle black bin waste is taken direct by Council to Craigahulliar Landfill Site.

Ballymoney blue bin waste is taken to Crosstagherty waste transfer station, Limavady blue bin waste is taken to Aghanloo waste transfer station, Coleraine and Moyle blue bin waste is taken direct to Craigahulliar waste transfer site. All blue bin waste is collected by Re-Gen Waste Ltd who separates and sorts the waste.

Commercial Collection (Trade Waste)

The Council provides a bin collection service for approximately 730 businesses within the Council area. Commercial waste collections are charged on an annual basis and are paid for at the beginning of each financial year. Council received income of £378,029 from commercial (trade waste) collections in 2018/19. All trade waste customers are required to sign an agreement and a Duty of Care Waste Transfer Note. This is a legal requirement and must be in place before any transfer of waste can take place between the customer and the Council. At the Council the Duty of Care Waste Transfer Note is valid for a year and has to be renewed and signed by each customer annually. An initial letter is sent out to businesses using the existing bin collection service in January each year, requesting confirmation that they wish to continue with the service for the following year. An invoice is also attached to the letter for completion. For those businesses that do not respond by April with the appropriate payment, a reminder is sent indicating that bins will no longer be collected unless payment is received immediately. On receipt of payment, the Council issues the commercial user with a trade waste sticker for placing on the bin. The trade waste stickers are a different colour and shape each year to allow for easy identification by the bin collection crews. Crews are instructed to empty only those bins that have the correct sticker attached. Businesses are charged based on the number and size of bins and frequency of collection.

Bin lorry crews are provided with a list of businesses who have not paid their annual bin collection fee for the coming year (and who therefore do not have the appropriate sticker) and are instructed only to collect bins with the correct sticker from the third week in April.

Waste Tonnage Recording and Waste Performance

Recycling and the reduction of waste transferred to landfill is a key objective for the Council. Waste Data Flow is the web-based system for reporting municipal waste data to the Northern Ireland Environment Agency. Councils report data on municipal waste on a quarterly basis via the Waste Data Flow (WDF) system. These returns are statutory and provide details of the weight of each waste stream transferred from each waste management site to the end destination.

The NILAS Regulations came into operation in Northern Ireland in 2005. The regulations place a statutory responsibility on Councils, in each scheme year, to landfill no more than the quantity of Biodegradable Municipal Waste (BMW) for which they have allowances. If the annual limit is exceeded this may result in financial penalties of £150 per exceeded tonne as per the Landfill Allowances Scheme (Amendment) Regulations (Northern Ireland) 2005. The Scheme facilitates the transfer and borrowing (with restrictions) of allowances between Councils which promotes a flexible and partnership-working arrangement.

Data on waste tonnage is important in enabling the Council to meet the NILAS reporting requirements on municipal waste (via the Waste Data Flow system) and for enabling the Council to ensure that it is invoiced correctly for non-recyclable waste transfer/invoices correctly for recyclable waste.

On 28th November 2019 Council received confirmation from the Northern Ireland Environment Agency, NILAS Monitoring Team that the total amount of BLACMW sent to landfill by Causeway Coast & Glens Borough Council, for the scheme year 2018/19 was 14,356 tonnes equating to 79.01% utilisation of the 18,170 allocated allowances available for the scheme year.

Risks

The risks identified relating to Waste Management and agreed are as follows:

1. There may be ineffective management of the collection of domestic and commercial waste which may lead to inefficient service delivery.
2. Invoices for recyclable and non-recyclable waste may reflect incorrect waste tonnage volumes and/or contamination rates (MRF), which may lead to either a loss of income (if the company is under-charged) or reputational damage and potential financial penalties (if the company is over-charged), or increased costs to the Council (if the Council is over-charged) or increased liabilities for the Council (if the Council is under-charged). Inaccuracies in waste reporting may impact negatively under NILAS.
3. The landfill sites are not managed appropriately leading to non-compliance with NIEA regulations, potential fines to the Council and ineffective use of Council's waste management resources.
4. Waste performance by the Council is not monitored and reported on a timely basis, leading to potential non-compliance with waste regulation and fines for the Council.

Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area

- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Director of Environmental Services
Head of Operations
Operations Technical Manager
Landfill & Compost Manager
Operations Manager West Coleraine
Operations Manager West Limavady

Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

6.1 Risk 1 – Management of collection of domestic and commercial waste

Recommendation – Harmonisation of waste collections
<p>a) Observation- Audit noted that work planning for domestic waste collections is operating differently for each supervisor area. Coleraine and Ballycastle collection run routes are performed by the same refuse waste team, whereas in the Limavady and Ballymoney areas collection run routes are rotated on a weekly basis.</p> <p>Audit were informed that the Council are currently undertaking a route optimisation exercise. The objective of this route review is to harmonise and identify efficiencies within the area of refuse collection.</p>
<p>b) Implication- In the absence of harmonisation and route optimisation value for money may not be achieved if the exercise is not given high priority and progressed at the earliest opportunity.</p>
<p>c) Priority Rating- 3</p>
<p>d) Recommendation- Audit recommends that these processes should be streamlined to ensure that the service is delivered on a consistent basis across the Borough.</p>

The route optimisation exercise should be progressed as a matter of urgency.

e) Management Response-

Route Optimisation is currently ongoing. The aim is to balance runs across the Council area and achieve available efficiencies. All data has now been collated and revised runs are currently being considered. This project will result in a consistent approach to domestic refuse collection across the Council area.

Responsible Officer & Implementation Date- June 2020

Head of Operations

6.2 Risk 1 – Management of collection of domestic and commercial waste

Recommendation – Contractor Performance Management

a) Observation-

Contractor performance management ensures better relationships between contractual parties, enforces compliance and reduces exposure to risk. Audit noted that the contract management procedures in place are not clearly documented to ensure that managers monitor third party service providers e.g. Regular monitoring forms not completed for each contractor, performance review meetings with contractors should be documented and site visits to contractor locations recorded.

b) Implication-

Council may be exposed to reputational and financial risk if contractors are not in compliance with contractual and statutory obligations.

c) Priority Rating-

2

d) Recommendation-

Audit recommends that contract management guidelines are developed and documented by Council staff to assist in the management of waste contracts.

- Audit recommends that a quarterly monitoring form is completed to confirm all conditions of the contract have been complied with.
- Audit recommends that staff should attend site visits to contractor locations to ensure the expectations of the contract are being complied with. These should comprise a mixture of both planned and surprise visits. Documentation should be maintained as evidence of this visit having taken place and the elements that have been reviewed during the visit.
- Audit recommends that contractor performance review meetings be scheduled with the main contractors and should be held with smaller contractors on a less frequent basis.

e) Management Response-

Contract performance issues are dealt with informally or as a collective through the North West Region Waste Management Group. Operational issues with contractor performance are raised by managers or transfer shed operators. The Ops Technical Manager records

and checks diversion and recycling rates which are reported through Waste Data Flow. The NIEA are the responsible authority and regulator for end destination of waste streams. The NIEA and Council are in communication regarding waste licence breaches or suspensions that may affect contract performance. Management will formalise and record regular meetings with contractors including increasing site visits.

Responsible Officer & Implementation Date- Immediate
Operations Technical Manager – April 2020

6.3 Risk 1 – Management of collection of domestic and commercial waste

Recommendation - Weighbridge

a) Observation-

It was noted that there is currently no weighbridge on site at the Council leased site of Aghanloo. Currently lorries leaving the site are weighted at a third party weighbridge.

b) Implication-

In the absence of a weighbridge there is a risk that incorrect quantities may be recorded for the amount of waste dumped.

c) Priority Rating-
3

d) Recommendation-

Audit recommends that a weighbridge be installed on the Aghanloo refuse site, in conjunction with weigh in and weigh out dockets to ensure controls are in operation.

e) Management Response-

Council use when required a third party weighbridge near Aghanloo transfer shed. Consideration will be given to the installation of a mobile weighbridge at the transfer shed.

Responsible Officer & Implementation Date- April 2020
Head of Operations

6.4 Risk 2 – Maintenance Management

No findings.

6.5 Risk 3 – Landfill Site Management

Recommendation – Procurement of Recycling Contract

<p>a) Observation- Audit understands that Causeway Coast and Glens use the North West Regional Waste Management Group as expertise in the area of waste management procurement. It was noted that the contract in respect of black bin waste (residual waste) has expired and Council are currently in the process of renewing this contract.</p> <p>Audit also notes that blue bin waste contract was due for an extension period at end of March 2020. However, the contractor has recently indicated that due to the end market problems in the Asian Countries they will not be extending the contract. NWRWVG are therefore proposing to re-tender this contract also.</p>
<p>b) Implication – There is a risk that value for money is not being achieved and Council are in breach of its procurement procedures.</p>
<p>c) Priority Rating- 2</p>
<p>d) Recommendation- Audit recommends that this contract is renewed at the earliest opportunity.</p>
<p>e) Management Response- New tender documents are currently being drafted by the NWRWVG for the residual contract.</p>
<p>Responsible Officer & Implementation Date- Director of Environmental Services – June 2020</p>

6.6 Risk 4 - Waste Performance

Recommendation – Controls over CCTV
<p>a) Observation- It is noted that the Council do not currently have a policy or procedures in respect of the use of CCTV at the various Council locations. It is understood that CCTV is in operation at all Council depots and Civic Amenity sites. However some services areas do not currently have the IT access to dial in remotely to observe footage.</p>
<p>b) Implication – Controls in operation may not be fully utilised.</p>
<p>c) Priority Rating- 3</p>
<p>d) Recommendation- Audit recommends that Council develop a corporate policy around the use of CCTV policy. Audit would recommend that all managers and supervisors seek to ensure that they have access to CCTV recordings and random spot checks of CCTV installed in</p>

all Council locations. All such checks should be documented and recorded in a log as evidence of these inspections.

e) Management Response-

CCTV policy is currently being drafted and will be issued to SLT and unions before being presented to Members for approval. Target date for full approval is May 2020.

Responsible Officer & Implementation Date-
Director of Environmental Services – June 2020

Final

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Summary of Key Controls Reviewed

Risk	Control issues
<p>There may be ineffective management of the collection of domestic and commercial waste which may lead to inefficient service delivery</p>	<ul style="list-style-type: none"> • Collection run routes have been prepared to ensure the waste management services provide an efficient and effective service • Waste collection schedules are prepared and provided to the waste collection teams in advance of the collection run to ensure waste is collected from all required routes • Records maintained detailing both the collection and non-collection of trade waste bins
<p>Invoices for recyclable and non-recyclable waste may reflect incorrect waste tonnage volumes and/or contamination rates (MRF), which may lead to either a loss of income (if the company is under-charged) or reputational damage and potential financial penalties (if the company is over-charged), or increased costs to the Council (if the Council is over-charged) or increased liabilities for the Council (if the Council is under-charged). Inaccuracies in waste reporting may impact negatively under NILAS</p>	<ul style="list-style-type: none"> • Record maintained of weights of private haulier lorries or Council vehicles (as appropriate) arriving in to and exiting from the waste transfer station • Record maintained of weights of Council or private haulier lorries arriving in to and exiting from the landfill site • Record maintained of weights of Council/private haulier lorries coming in to and exiting from the recycling sites • Dockets regarding both recyclable and non-recyclable waste transferred are signed by the lorry driver and the weighbridge operator • The list of recyclable and non-recyclable waste transferred is matched to dockets retained by the Council • Discrepancies in the weights from the transfer station and weights unloaded at landfill/recycling sites are identified and investigated • The relevant Council staff satisfy themselves that any discrepancies are resolved and amounts charged per tonne on the invoice are correct as per the agreed rates per the contract prior to payment being made • The amounts charged by private hauliers per tonne for waste transportation are correct and at the agreed rates per the contract • Invoices from private hauliers are accompanied by sufficient supporting evidence of waste transferred • In the case of mixed/dry recyclables, checks are made to agree contamination rates advised by the recycling company
<p>The landfill sites are not managed appropriately leading to non-compliance with NIEA regulations, potential fines to the Council and ineffective use of</p>	<ul style="list-style-type: none"> • There is a clear management agreement in place for the operation of the landfill site • There are detailed operating procedures in place in relation to the landfill site • landfill sites are regularly inspected by NIEA in line with NIEA's assessment of risk at each site

Risk	Control issues
<p>Council's waste management resources</p>	<ul style="list-style-type: none"> • Health and safety and environmental management at each landfill site are inspected by NIEA and/or other specialists • Recommendations or requirements arising from regular NIEA (or other) inspections are implemented in a timely manner • Capacity at each of the landfill sites is monitored on a regular basis and plans put in place in a timely manner to activate new cells • There are clear plans in place regarding the future closure of the landfill sites and the works required to comply with legislation in this area • Council has set aside sufficient funds to cover the works required to close its landfill sites when they reach capacity • Council and senior management receive regular reports on the operation of landfill sites • There is a waste management strategy that covers usage of both landfill sites within the broader context of waste management by the Council • Council seeks to make best use of both landfill sites (both in terms of economy and effectiveness of waste management)
<p>Waste performance by the Council is not monitored and reported on a timely basis, leading to potential non-compliance with waste regulation and fines for the Council.</p>	<ul style="list-style-type: none"> • Implementation of the Joint Waste Management Plan (council specific activities) is monitored by the Head of Waste and Recycling. • Implementation of the Joint Waste Management Plan (council specific activities) is reported to the Environmental Services Committee • A Council specific medium-term waste management strategy is in place. • Progress of the Council specific medium-term waste management strategy is reported to the Environmental Services Committee • Monthly information is received from each Council waste site and is input into the Waste Data Flow system. • Information on waste data and statutory targets is regularly monitored by the Head of Waste and Recycling. • Information on progress against statutory waste targets (such as NILAS) is reported to and monitored by the Council on a regular basis • Council is meeting its NILAS targets.

Appendix III: Points for the Attention of Management

Minor Management Point 1: Legibility of signatures on invoices.

A selection of Contractor invoices received from various Recycling Contractors were selected for audit testing. Audit noted that amounts were agreed to weighbridge dockets, calculations checked and signed for approval. In some instances it was noted that signatures were not always legible. With the introduction of the electronic purchase order system in year, signatures will be replaced with electronic approval mechanism. In the interim period supervisors should ensure the legibility of their signatures.

Management Response: Noted. Electronic Purchase Order system will resolve issue.