

AUDIT REPORT 23'016

DOMESTIC REFUSE COLLECTION

Executive Summary

The annual audit plan for 2022/23 provides for an audit review to be undertaken of the arrangements for the collection of refuse materials from domestic properties. Local Authorities have a statutory duty to provide this service in accordance with the Environmental Protection Act 1990. Moray Council collects refuse at approximately 46,000 domestic properties at the cost of £3.1 million per annum.

The scope of this audit was to review systems and procedures to ensure the most effective and efficient use of resources is made for collecting domestic waste. The audit also reviewed the arrangements for disposing of recyclable waste with analysis of the Financial Management System noting this was provided at a cost in excess of £880,000 per annum. This included disposal of plastic, glass and biodegradable waste, in addition to paper / card, aluminium and steel cans for which the Council receives regular payments from recycling contractors.

The audit was carried out in accordance with Public Sector Internal Audit Standards (PSIAS).

The areas identified for management attention include the following :-

- Incorrect accounting was noted in the treatment of Value Added Tax (VAT). The audit found that no VAT had been declared to HM Revenue and Customs (HMRC) for income received from the recycling of paper since September 2020. This amounted to £85,284 of VAT, which requires a disclosure notice and an expected interest penalty charge payable to HMRC. The service has been advised of the documentation that should be provided to the Payments Section to ensure the future proper accounting for VAT.
- The Council has an agreement with a contractor for the recycling of plastic. The audit noted there was an expectation this would generate income for the Council from regular payments made by the contractor for the plastic provided for recycling. Unfortunately, the Council has received no payment due to quality issues in plastics submitted. A review should be undertaken of current systems for the recycling of plastic to determine whether improvements can be made to existing operations.
- The Council receives payments from the aluminium and steel cans provided to a recycling contractor. However, it was found there is no contractual agreement between the Council and this recycling contractor for cans disposal. The service should formalise these arrangements.

Recommendations

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Service operations are planned to achieve best value principles.						
5.01	Consideration should be given to exploring software applications that could assist the process and provide value for money opportunities in the determination of operational routes and the resources required.	Low	Yes	As a service we have made initial enquiries with suppliers of route optimisation software and have received one demonstration with another booked for January. Following this we will review to confirm the best value for money option. We will liaise with Head of Service to determine feasibility against budget constraints.	Waste Manager	31/05/2023
Key Control: Staffing requirements are carefully assessed based on operational needs and payments made to staff are appropriately controlled.						
5.02	Documented business continuity plans should be agreed to ensure continuous delivery of services in the	Medium	Yes	The service has been liaising with the Business Continuity & Risk Management	Waste Manager	31/01/2023

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
	event of any disruption in meeting operational requirements.			Officer and has drafted an initial business continuity plan. This was returned after review on 23/11/22 for further considerations.		
5.03	Officers should be reminded to ensure timesheets are carefully checked prior to authorisation, and supporting documentation is completed accurately before being passed to the payroll service for payment.	Medium	Yes	Team Leaders have advised all staff of the need to fully complete timesheets with all relevant information. Process has been reviewed and timesheets are being checked by Waste Operations Officer before forward to Admin where there is a double check of the timesheet summary for Payroll. Accountancy now have sight of Payroll data submissions to check assigned cost centres.	Waste Manager	Implemented

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Vehicle costs borne by the service are accurately calculated and allocated based on service requirements and resource planning.						
5.04	Consideration should be given to the apportionment of vehicle and transport costs to the green waste collection cost centre to enable further budgetary control of all elements of the domestic refuse collection service.	Low	Yes	Historically the same vehicles were used for residual waste and biowaste on a weekly rotation. Since implementation of alternative collection frequencies vehicles are assigned to collection of biowaste therefore specific vehicle costings will be allocated to green waste budget lines.	Waste Manager	31/01/2023
Key Control: Disposal of recyclable materials collected from kerbside is controlled by formalised contractual arrangements with approved external contractors and all payments made in line with contractual terms.						
5.05	Management should review current arrangements for plastic recycling to determine whether improvements can be made to decrease haulage costs and achieve higher quality submissions that could	Medium	Yes	Quality considerations / standards have changed within the industry since tender and complexities also exist in the operation of the Materials Recovery Facility by a third sector organisation.	Waste Manager	31/01/2024

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
	generate additional income for the Council.			The national Deposit & Return Scheme (DRS) will be live from 16/8/23 and is expected to capture up to 90% of the materials currently processed. The early impact of DRS will be evaluated and a review of plastic recycling arrangements then undertaken.		
5.06	A contract should be agreed between the Council and a third sector organisation for providing a rediverting and recycling of waste service. The agreement should include the rates payable and service specification.	Low	Yes	Agree there is a general lack of formal documentation between the Council and third sector organisation to determine appropriate diversion rates. This will need to be taken forward with support from Procurement colleagues, with either a contract or service level agreement to be implemented.	Waste Manager	30/04/2023

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.07	Supporting documentation should be provided of VAT applicable income received by the Service to the Payments Section to ensure proper accounting arrangements can be followed in compliance with HMRC regulations.	High	Yes	This has now been resolved with self-billing invoices being sent to Payments on receipt to ensure VAT is accounted for. Payments have now received all outstanding self-billing invoices and have processed the required VAT adjustments.	Waste Manager	Implemented
5.08	Documented agreement should be undertaken to formalise arrangements for recycling aluminium and steel cans.	Medium	Yes	Discussion has taken place between Council and the current reprocessor with a view to formalise arrangements through an extension of the terms of the Dry Mixed Recyclates contract. Options will be reviewed with Procurement colleagues whilst being mindful of the imminent implications of the introduction of the	Waste Manager	30/04/2023

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
				Deposit & Return Scheme.		