

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Refuse Collection & Recycling
TO: Head of Neighbourhood Services **DATE:** 28 September 2017
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Contract Services Manager
Senior Contract Officer
Portfolio Holder (Cllr M-AG)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2015.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The waste and recycling services contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The new contract was awarded to Sita and commenced in April 2013. Sita UK is the Recycling and Waste Recovery UK division of Suez environment. The current value of the contract is around £2m a year.
- 2.2 Client side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.

3 Scope and Objectives of the Audit

- 3.1 The audit largely followed the standard contract monitoring programme, although the contract award section was not reviewed as the contract was in place at the time of the previous audit. The scope therefore included:
- Service provision and monitoring
 - Contract amendment and variations
 - Finance.
 - Contingency planning and risk management.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in March 2014 is as follows:

Recommendation	Management Response	Current Status
1 Staff should again be reminded of the need to ensure that an appropriate level of detail is recorded on Flare so that anyone else reviewing the case can ascertain exactly what has been done to resolve the issue.	This work is ongoing and has been brought up in regular 1 to 1's with the Contract Officers. This will continue on a regular basis to ensure compliance.	All Contract Officers have been re-trained on Civica by the Civica System Administrator and a review of the codes used by all Officers has been carried out. This was confirmed by review.
2 A review should be performed of the complaints that have not been closed on the system to ensure that action is, or has already been, taken as appropriate to investigate the issues raised.	Due to a recent Service Area restructure, a review of categorising will be carried out shortly.	All Contract Officers have been re-trained on Civica by the Civica System Administrator and a review of the codes used by all Officers has been carried out. See 4.2.14 below.
3 The issues identified in relation to the variation orders are investigated and are resolved as appropriate.	The issues have been investigated and amended variation orders have been issued to the contractor.	Contract Officers raise their own variation orders by using the up-to-date Bills of Quantities and these are then signed off by the Senior Contract Officer and then sent over to the contractor. See 4.3 below.
4 A copy of the performance bond in relation to the contract should be obtained.	The issue is being followed up by the Head of Neighbourhood Services with Legal Services (WCC) who are currently looking into the issue.	This has been completed and the document has been confirmed as signed and is securely. This was confirmed by observation.

4.2 Service Provision & Monitoring

4.2.1 Warwick District Council is a member of the Warwickshire Waste Partnership who established the Warwickshire Municipal Waste Management Strategy. The strategy provides a framework for managing waste in Warwickshire up until 2020 and includes a number of objectives and targets.

4.2.2 The Strategy has been developed jointly by officers and elected members from all six authorities within Warwickshire. In Warwickshire there are five waste collection authorities and one waste disposal authority:

Waste Collection Authorities (WCAs)

- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-on-Avon District Council
- Warwick District Council

Waste Disposal Authority (WDA)

- Warwickshire County Council

4.2.3 At a local level, Neighbourhood Services and the Contract Services team have a Team Operational Plan which includes a number of measures and other references to waste and recycling.

4.2.4 There are a number of specific measures within the Team Operational Plan which are relevant to the provision of this service and which are reviewed on a monthly basis:

- Number of missed refuse collections (also as % of total collections)
- Number of missed recycling collections (also as % of total collection)
- Number of missed green bin collections (also as % of total collection)
- Number and % of missed collections rectified within the contractual timescale
- Number and % of waste containers delivered within the contractual timescale
- Number of rectification notices issued for non-performance
- Number of defaults issued for non-performance
- Number of joint safety checks carried out.

4.2.5 Management of the Refuse Collection, Street Cleansing and Grounds Maintenance Contracts is grouped together. Suez provide the refuse collection services.

4.2.6 The Contract Specification document and appropriate appendices include the full property list which covers the type and frequency of each collection. It also sets out the working times for the contract and this highlights that changes to the collection schedule should be limited and would need approval from the Contract Administrator.

4.2.7 A Senior Contract Officer manages the day to day running of this contract and reports to the Contract Services Manager.

- 4.2.8 Performance standards are also set out in the Contract Specification document. This is supported by agreed method statements that were submitted by Suez, one of which includes a specific section on the "method of ensuring that work is fully completed to the required standard".
- 4.2.9 Contract Officers undertake regular joint inspections with supervisors and management from Suez to identify any problems occurring on the collection rounds. If any issues are highlighted a formal process is in place to rectify these within an agreed timescale. Contract Officers also undertake regular safety checks which feed into the relevant performance measure.
- 4.2.10 Standard forms are retained for each inspection and a sample of joint inspections was reviewed. This confirmed that they had been properly completed and signed off.
- 4.2.11 Liaison meetings are held with Suez every month to discuss the contract. Any performance issues and health and safety issues are covered in these meetings. The meetings are formally minuted and a small sample of these was reviewed. This confirmed that health and safety issues and performance measures are standing agenda items.
- 4.2.12 Customer satisfaction surveys are no longer undertaken. However, feedback is received from the Website Service Manager regarding information and processes available on the Council's website that are relevant to the services provided.
- 4.2.13 Internal Audit established that a website pop up survey is used, provided by SOCITM which is used across local government. The survey collates responses to various questions which are then used to calculate success / satisfaction percentages and benchmark this against other councils that use the same survey.
- 4.2.14 Web statistics are included in central management performance monitoring reports. In 2017 the results for waste customers are as follows:
- 83% found some or all of the information they were looking for
 - 77% were satisfied

As a benchmark the average for all services across all Council websites is around 66% for finding information and 64% for satisfaction.

- 4.2.15 All complaints are logged on Civica and there is a two day target for Contract Officers to respond to these in the first instance. All of these records carry an action diary which shows a clear audit trail for actions taken during the investigation. Internal Audit found that details of the action taken and investigation is being recorded appropriately and fully.
- 4.2.16 Complaints are reported on a corporate basis in the central management performance monitoring reports, under the grouping of Neighbourhood Services. It is not possible to determine the number of complaints in relation to refuse collection.

Risk

Lack of awareness of customer satisfaction or dissatisfaction.

Recommendation

Reporting of complaints should show the number of complaints received for refuse collection and recycling, how quickly they were resolved and whether this was to the satisfaction of the customer.

- 4.2.17 The contract in place allows for penalty charges to be imposed in the event of sub-standard performance. However, there have been no cases where penalty charges have been issued in the current financial year. The current partnership working arrangements ensure that issues are rectified amicably.

4.3 Contract Amendment & Variations

- 4.3.1 Variation Orders (VO) are formally agreed, signed off and authorised in accordance with the pricing from the Bills of Quantities before being passed to Suez and subsequently included in the monthly variable valuation. If these variations are permanent at the end of the financial year they are added to the Bills of Quantities and will become part of the core invoice.
- 4.3.2 Additional works are detailed on VOs if required and if viable. When a request is initially received it is formally assessed and fully documented in an Excel spreadsheet. Once reviewed and approved, the VO is raised in a Word document and the details are automatically uplifted from Excel into the document. The formal VO is pre-signed by the Senior Contract Officer, but he reviews each document prior to issue.
- 4.3.3 Internal Audit obtained a list of all VOs that had been raised during 2017/18 to date. A sample was selected for testing and all were found to have been reviewed and signed.

4.4 Finance

- 4.4.1 The Contract Services Manager is the budget holder and is therefore involved in the budget setting process. The budgets are set in advance of the financial year and in line with the contract amount in the Bills of Quantities. These are allocated to the relevant cost centres to which the service applies.
- 4.4.2 The budget setting process is consistent with the service area planning process and the Fit for the Future Programme with recent years focusing on reductions in budgets and efficiencies.
- 4.4.3 The basis for the budget is the previous year's allocation, with an uplift for inflation. In addition to this, there is liaison with Development Services to assess whether housing developments will increase (or decrease) the number properties (and streets) in the coming year. Where new properties are to be added an additional financial allocation is secured from Finance.
- 4.4.4 The budget for 2017/18 is detailed in the budget book and is £92,300 for Waste Management and £1,867,600 for Waste Collection.

- 4.4.5 The Contract Services Manager meets regularly (monthly) with the relevant Assistant Accountant at which the budget position will be discussed with queries being raised as appropriate.
- 4.4.6 At the start of the year, the Senior Contract Officer sets up a core invoice for the year ahead, based on the approved budget and Bill of Quantities. The annual cost is £2,107,123.70 equating to £175,593.64 each month.
- 4.4.7 The orders and invoices for April and May 2017 were reviewed. This confirmed that the amounts were accurate and in line with expectations.
- 4.4.8 Performance checking is undertaken before the payment of individual invoices to ensure that if works have not been performed to the required standard the penalties can be deducted.
- 4.4.9 Orders are placed on TOTAL (finance system) at the start of the year and are then authorised by a separate authorised signatory depending on the financial amount, printed, saved and delivered on the system and are then passed to the FS team for payment.
- 4.4.10 Payments in respect of chargeable services (i.e. collection of bulky items and provision of waste containers) are generally taken on-line or over the phone, although some will be taken at One Stop Shops. In all instances, this is undertaken in advance of the service being provided.

4.5 Contingency Planning & Risk Management

- 4.5.1 No specific contingency plan document is in place, however a method statement submitted by Suez regarding the timing of operations includes a section on the process for rescheduling work. This covers the main issues that are expected to be encountered, namely inclement weather and road closures and the processes that will be adopted to deal with them. In addition, the method statement A1 – Employees, addresses staff issues.
- 4.5.2 A performance bond is held by WDC and is stored securely in the Document Store. The bond amount is 10% of the annual contract sum (i.e. £209,002.17).
- 4.5.3 Copies of the contractor's insurance are provided on an annual basis and saved in the appropriate IT folder. Certificates are provided for both Employers Liability and Public Liability.
- 4.5.4 The Neighbourhood Services risk register includes a number of specific risks relating to the provision of waste collection and recycling services. These include issues such as service disruption, the loss of the contractor's depot, failure to meet waste regulations and failure to provide appropriate waste disposal sites. This document is a working document within the department, with notes to suggest where further work was required to update the position shown.
- 4.5.5 Suez had also completed a method statement as part of the original tender submission detailing who they thought the risk should be allocated to, along with the mitigation measures that they would implement and any additional

risks that they thought were relevant. Suez also provide copies of their detailed risk assessments for all relevant areas which are saved appropriately and regularly reviewed. Examples were reviewed and were found to be satisfactory.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Refuse Collection & Recycling are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 One minor issue was identified, however, relating to:

- Management reporting of complaints does not identify the number of complaints received for refuse collection and recycling.

6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Refuse Collection & Recycling – September 2017

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.16	Reporting of complaints should show the number of complaints received for refuse collection and recycling, how quickly they were resolved and whether this was to the satisfaction of the customer.	Lack of awareness of customer satisfaction or dissatisfaction.	Medium	Senior Contracts Officer	The performance monitoring reports only show the number of formal complaints at departmental level and not for individual services within each department. There are very few formal complaints received in relation to refuse collection and recycling so it is not thought that this information is required in the reports. Issues raised by customers such as missed collections etc. that do not reach the formal complaint stage are separately monitored with measures being included in the team operational plan.	N/A

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.