

REPORT TO: Audit and Governance Committee

MEETING DATE: 1 December 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Waste Management

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Waste Management.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Waste Management was undertaken as part of the audit plan for 2015/16.
- 3.2 The main objective of the audit was to ensure that the arrangements in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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|----------------------|------------------------|
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| DATE | 16 November 2015 |

EAST LOTHIAN COUNCIL – INTERNAL AUDIT WASTE MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Waste Management was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has adequate arrangements in place for the provision of waste services.
- A framework agreement is in place for the provision of services for the recovery, treatment and final disposal of waste.

1.3 Areas with Scope for Improvement

- There is a lack of an up to date waste management strategic policy clearly setting out how the Council seeks to meet its legislative, political and social waste management requirements. *Risk – failure to demonstrate planned compliance with legislative requirements and targets.*
- There was a failure to ensure that the Council's contracts register had been timeously updated to reflect current waste management contracts in place. *Risk – inappropriate payments may be made.*
- The existing arrangements in place for the awarding of work to contractors require review. *Risk – breaches of EU Procurement rules and the Council's Corporate Procurement Procedures.*
- The existing informal arrangements whereby individual rates are agreed with contractors on behalf of the Council is considered unsatisfactory. *Risk – irregularities may occur and remain undetected.*
- There was a lack of adequate documentation to support individual rates agreed with contractors. *Risk – lack of a clear audit trail.*
- There was a failure to demonstrate that the cost benefit analysis undertaken of alternative options available for service delivery had been carried out on a consistent and comparable basis. *Risk – failure to obtain best value.*
- There was a failure to ensure that information provided on alternative options was on a like for like basis, to enable a comparative assessment to be made and to support the rationale for recommending a particular option. *Risk – failure to make an informed decision.*

1.4 Summary

Our review of the Council's Waste Management arrangements identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
WASTE MANAGEMENT**

ACTION PLAN

| PARA REF | RECOMMENDATION | GRADE | RESPONSIBLE OFFICER | AGREED ACTION | RISK ACCEPTED/ MANAGED | AGREED DATE OF COMPLETION |
|-----------------|---|--------------|----------------------------|----------------------|-----------------------------------|----------------------------------|
| 3.1.1 | <p>Management should ensure that a detailed Waste Management Strategy is developed to ensure the Council meets its legislative requirements and targets.</p> <p>Management should ensure that the Waste Management Strategy is included in the Council Plan as one of the Council's key strategies and plans.</p> | Medium | Service Manager – Waste | Agreed | | June 2016 |
| 3.2.1 | Management should ensure that the Council's contracts register is updated to accurately reflect the current waste management contracts in place. | Medium | Procurement Team Leader | Agreed | | Ongoing |
| 3.2.2 | Management should ensure that the Council fully complies with EU Procurement rules, Standing Orders and Corporate Procurement Procedures – appropriate action should be taken to ensure that all work is properly tendered. | High | Service Manager – Waste | Agreed | | March 2016 |

| PARA REF | RECOMMENDATION | GRADE | RESPONSIBLE OFFICER | AGREED ACTION | RISK ACCEPTED/ MANAGED | AGREED DATE OF COMPLETION |
|-----------------|---|--------------|----------------------------|----------------------|-------------------------------|----------------------------------|
| 3.2.3 | <p>Management should ensure that the cost benefit analysis undertaken of alternative options for service delivery is carried out on a consistent and comparable basis.</p> <p>Information provided on alternative options should be on a like for like basis to enable a comparative assessment to be made and to support the rationale for recommending a particular option.</p> | Medium | Service Manager – Waste | Agreed | | November 2015 |
| 3.3.1 | <p>The existing informal arrangements in place for agreeing rates with contractors should cease.</p> <p>Management should ensure compliance with EU Procurement rules and Corporate Procurement Procedures.</p> | High | Service Manager – Waste | To be confirmed | | |
| 3.4.1 | Management should ensure that the Landfill Tax charge is separately disclosed from the cost of waste disposal. | Medium | Service Manager – Waste | Agreed | | April 2016 |

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

| Level | Definition |
|---------------|---|
| High | Recommendations which are fundamental to the system and upon which Management should take immediate action. |
| Medium | Recommendations which will improve the efficiency and effectiveness of the existing controls. |
| Low | Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency. |