



## INTERNAL AUDIT REPORT – WASTE SERVICES

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Distribution:	Audit Committee Chief Executive Director of Performance Director of Environmental Services Head of Operations Chief Finance Officer

Carried out in August 2017

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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# 1. Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18. This report summarises the findings arising from a review of the Waste Services which was allocated 10 days.

Weights of all waste materials are obtained by Council for the purposes of completing Waste Data Flow for NIEA and the Environmental Services Department seeks to assure itself, as far as possible, that the tonnages recorded and invoiced accurately reflect the tonnages collected and processed and that the amount of waste being sent to landfill continues to reduce.

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

- Records relating to waste collections and processing, including tonnages (such as weighbridge docketts from operators' sites) are generally complete and weighbridge docketts signed by drivers
- Recycling operators generally provide sufficient evidence against their invoices to enable the Finance section to reconcile the loads detailed on the invoices
- The Council seeks to minimise the amount of waste sent to landfill by encouraging recycling and sending a proportion of its black bin waste for sorting and processing to remove recyclable materials
- 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.
- Council is currently meeting its NILAS targets.

Audit did not identify any findings leading to a priority 1,2 or 3 recommendation.

Risk	Number of recommendations & Priority rating		
	1	2	3
1. 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"	-	-	-
2. 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.	-	-	-

Risk	Number of recommendations & Priority rating		
	1	2	3
<b>Total recommendations made</b>	-	-	-

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.

## 2. 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
- NILAS Targets

Processes to manage the waste collection services and to meet duty of care regulations were not covered within the scope of this audit.

## 3. 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 2016/17 the Council spent approximately £2.3m on the collection of kerbside waste within the area and a further £4.8m 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 60,000 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 some of its black bin waste to a recycling operator to recover as much recyclable material as possible and 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 900 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 £512,616.62 from commercial (trade waste) collections in 2016/17. 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 27<sup>th</sup> July 2017 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 2016/17 was 18,996 tonnes equating to 93.18% utilisation of the 20,296 allocated allowances available for the scheme year.

## **4. Risks**

The risks identified relating to fleet management and agreed with management are as follows:

1. 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”.
2. 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.

## 5. 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
Head of Operations
Operations Technical Managers
Landfill Site Manager
Finance/ Administration Staff

## 6. Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations.

### 6.1 Risk 1 – Maintenance Management

Audit has no findings or recommendations to make in relation to this risk area.

### 6.2 Risk 2 – Waste Performance

Audit has no findings or recommendations to make in relation to this risk area.

## 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.