



Trade Waste 2018/2019

FINAL REPORT

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## 1) Executive Summary

### i) Introduction

This audit was carried out as part of the agreed audit plan for 2018/19.

Audit testing has been carried out on the following objectives to ensure that:

- New contracts and Events have been set up correctly for the collection of trade waste bins.
- Customer accounts are cancelled when requested
- There is a consistent approach to charging for one-off events
- Invoices are produced for the payment of trade waste bin collection.
- Income is reconciled from Bartec to the General Ledger

### ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	<b>No Assurance</b>	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
	<b>Limited Assurance</b>	Control weaknesses or risks were identified which pose a more significant risk to the Authority
→	<b>Reasonable Assurance</b>	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	<b>Assurance</b>	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

### iii) Summary of findings

#### **Objective 1: New contracts have been set up correctly for the collection of trade waste bins – Reasonable Assurance**

A copy of the most up to date procedures for the processing of Trade Waste dated November 2018 was obtained and reviewed. This confirmed that there are clear instructions for staff to follow from creating new customer accounts to cancelling an account on Bartec, the Service's Waste Management IT system.

Each new customer is required to sign a contract detailing the type of bin, frequency of collection and price. Once the contract has been completed and signed the information is recorded on Bartec using a unique account number obtained from Civica, the Council's Financial System.

Between the 1/4/2018 and 14/01/2019 there were a total of 114 new accounts opened. A sample of 25 new customers within this period was tested. It was found that

- All contracts had been signed.
- All customers had been set up on Bartec using a unique account number obtained from Civica.

Information within the contract is entered onto Bartec, the pricing structure is automatically uploaded annually onto the Bartec system and the cost of the service stipulated in the contract is attached to the account via a drop down menu.

Testing on the same sample as above found that:

- For 20 out of the 25 cases the signed contract price matched the invoiced amount.
- 2 contracts did not state a price, and 3 had price discrepancies of £18.20, £15.60 and 20p against the Trade Waste Prices list 2018/19
- For 23 of the 25 cases the information on the contract was clear with regards to the type of service provided, for example Trade Waste, Trade Waste Compacted, Chargeable Household Waste, Mixed Hereditament Waste, Trade Cardboard or Trade Mixed Recycling.
- In one case the Contract stated "Waste" but was for Mixed Hereditament Waste, in another case the contract had the type of business "Trade" ticked on the contract but was for Chargeable Household Waste.

The status of the new account has to be set to “In Service” with a start date which automatically populates the Crew’s Workpack for the day. Workpacks are a list of bins that are required to be picked up for that day and are visible to the crews via their in-cab device. All Workpacks are expected to be completed 100% and invoices are generated from these completed bin collections. All new customers had been invoiced.

### **Objective 2: Customer accounts are cancelled when requested - Assurance**

Notification of a cancelled account is required to be made by the customer and evidence of such is stored on the service’s S: Drive.

Between the 1/4/2018 and 14/01/2019 there were a total of 71 cancellations. A sample of 10% (7) was tested. It was found that

- 5 of the 7 tested had a cancellation notification available on file.
- Two notifications were not available; this was due to a change in customer trading details not a cancellation of the service. This was confirmed by reviewing Bartec.

### **Objective 3: There is a consistent approach to charging for one-off Events - Assurance**

An Event is a one off occasion where the customer requests the emptying of bins solely for the period of the event. The service has a pricing schedule spreadsheet which they use to calculate quotes for potential new customers. No collections will be carried out until the customer has formally accepted the price quote.

Between 01/04/2018 and 30/01/2019 there were 23 one off events. A sample of 10% (2) was tested within the period. It was found that

- The pricing schedule spreadsheet had been used to calculate price quotes thus ensuring consistency and transparency of costs
- Acceptance of the quote had been received thereby ensuring a contract exists between CDC and the customer

#### **Objective 4: Invoices are produced for the payment of Trade Waste bin collection and Events - Assurance**

Invoices for one off events are generated after the event has happened. Testing on the same sample of events as above found that invoices had been generated for both events.

Customers with regular collections are invoiced every 4 weeks. A “Billing Information Report” is run before generating the invoices to check accounts have been set up correctly for invoicing e.g. identify accounts that are missing cost centre codes, price lists or collection site addresses. Invoices are generated from information processed on Bartec. A report is downloaded from Bartec and automatically sent to Civica via csv file to produce the invoice generation file. This file is then sent to Arun District Council for printing and invoices are sent to the customers.

Testing on the invoice generation file for October 2018 found

- Invoices had been generated for the period tested
- A billing Information Report had been generated to mitigate the risk of rejected invoices.
- Confirmation had been received from Arun that invoices had been sent

#### **Objective 5: Income is reconciled from Bartec to General Ledger - Assurance**

A copy of the most up to date reconciliation procedures for Trade Waste dated February 2017 was obtained and reviewed. A report is run from Bartec and Civica on all invoices raised within the period. Any differences between the two systems are identified and investigated. Reconciliations are undertaken monthly by the Business Support Lead and signed off by the Business Manager.

Testing on a sample of 2 reconciliations undertaken in the year found that

- Segregation of duties was in place for the reconciliation process
- Reconciliations were signed off

## Overall assurance level – Reasonable Assurance

From the testing carried out Internal Audit can give reasonable assurance that the area is of low risk to the Authority.

### Key for risk rating of exceptions:

Priority Level	Description
<b>Critical Risk</b>	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none"><li>▪ The efficient and effective use of resources</li><li>▪ The safeguarding of assets</li><li>▪ The preparation of reliable financial and operational information</li><li>▪ Compliance with laws and regulations</li></ul> <p>And corrective action needs to be taken immediately.</p>
<b>High Risk</b>	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not “show stopping” but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
<b>Medium Risk</b>	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
<b>Low Risk - Improvement</b>	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>

<b>EX1: New contracts are set up correctly</b>	
<b>Risk rating: Medium Risk</b>	
<b>Findings</b>	
<p>A review was undertaken on the accuracy of the pricing information entered onto the contracts to that invoiced. It was found that</p> <ul style="list-style-type: none"> <li>• For all cases (25 out of 25) the customers were invoiced the correct amount as per the pricing structure 2018/19</li> <li>• For 20 out of the 25 cases the signed contract price matched the invoiced amount. 2 contracts did not state a price, and 3 had price discrepancies of £18.20, £15.60 and 20p against the Trade Waste Prices list 2018/19. In all cases the contract price was lower than that invoiced</li> <li>• For 23 of the 25 cases the information on the contract was clear with regards to the type of service provided, for example Trade Waste, Trade Waste Compacted, Chargeable Household Waste, Mixed Hereditament Waste, Trade Cardboard or Trade Mixed Recycling.</li> <li>• In one case the Contract stated "Waste" but was for Mixed Hereditament Waste, in another case the contract had the type of business "Trade" ticked on the contract but was for Chargeable Household Waste.</li> </ul>	
<b>Risks and consequences</b>	
<p>If the price within the contract is not the same as that invoiced there could be a financial risk to the Authority. The customer could challenge the amount charged and if undercharged could be a loss of income to the council. Also the council could incur additional costs recovering the monies owed especially if court proceedings were initiated.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
<p>The Trade Waste Contract is being reviewed to reduce risk of manual errors and a checking process is implemented on all new Trade Waste Contracts to ensure information is correct at point of customer sign up.</p>	<p>Business Manager - April 2019</p>

