

Carlisle City Council

Report to Audit Committee

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Recycling (Performance Information)
Report of:	Corporate Director Finance & Resources
Report Number:	RD.12/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Recycling (Performance Information)

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Recycling (Performance Information) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 3 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

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Appendices attached to report:

- **Internal Audit Report – Recycling (Performance Information) – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Recycling (Performance Information)

Draft Report Issued: 20th April 2022
Director Draft Issued: 06th May 2022
Final Report Issued: 06th May 2022



Audit Report Distribution

Client Lead:	Team Manager – Technical Services
Chief Officer:	Deputy Town Clerk & Chief Executive Chief Executive
Others:	Neighbourhood Services Manager Policy & Communications Manager Technical Officer Policy & Performance Officer
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Recycling (Performance Information). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2 Neighbourhood Services are responsible for the collection of household recycling, this service significantly contributes towards improving the well-being of the people of Carlisle and supports the Council's priority to continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle.
- 1.3 The Council's recyclable waste is processed via a contract with Cumbria Waste Recycling Ltd (CWR). CWR base their prices for recycling credits from the mid-point rates detailed on the 'Lets Recycle Now' website.
- 1.4 This audit review was agreed to specifically review performance standards:
 - SS03: Percentage of household waste sent for recycling including bring sites and household waste and recycling centres.
 - CSE04: Revenue gained from household waste recycling collected.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Team Manager – Technical Services and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Poor service delivery & reputational damage due to failure to report accurate performance data and identify areas of improvement where required.
 - Poor financial performance due to fluctuating income from recycling.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Recycling (Performance Information) provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. Value - effectiveness and efficiency of operations and programmes (see section 5.4)	-	-
Total Number of Recommendations	-	3

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

The audit provides reasonable assurance and the service has worked hard throughout the pandemic and is proactive in finding new ways to improve performance and service delivery and although the recycling market remains volatile income has increased year on year.

The recycling prices for the current contract with Cumbria Waste Recycling Limited (CWR) are based on the 'Lets Recycle Now' Website and are monitored monthly to minimise the risk and maximise recycling income.

Financial monitoring takes place on a regular basis.

At the time of the audit review there was no built in resilience for managing recycling performance to cover staff absence. This should include documenting guidance / procedures for all the tasks undertaken in relation to recycling performance management.

There was no clear calculation instructions / guidance documented for either SS03 or CSE04 performance standards nor was it clear as to how the targets are actually set and recorded.

Quarterly performance goes to Directorate Management Teams, Senior Management Team, Scrutiny Panels & then the Executive. Any underperformance would be discussed with the management team with any relevant comments included within the quarterly performance reports.

Audit successfully reperformed (except for five immaterial anomalies) the calculations for the figures reported in the quarter one performance report for both performance standards. (SS03 / CSE04)

Audit testing also highlighted that the figure used for the last month of quarter one for CSE04 was a projected figure rather than an actual due to unavoidable time delays in receiving the data. There was no note made of this in quarterly performance report.

Service Risks detailed in the Neighbourhood Services Risk Register are monitored on a timely basis.

Comment from the Deputy Chief Executive

This is a helpful audit review highlighting three clear and useful recommendations that will be adopted and acted upon by service managers. The report also notes the strong performance of the team across a range of areas which is welcomed and appreciated.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** Financial monitoring takes place on a regular basis, with regular communication between Finance and Technical Services. No concerns have been identified in relation to the financial performance of the service. Although the recycling market remains volatile income collected has increased annually.
- 5.1.2** The team have relevant job descriptions.
- 5.1.3** A draft Interim Cumbria Joint Municipal Waste Management Strategy has been developed and at the time of the audit review was being presented at each of the seven district Councils prior to consideration by the Cumbria Strategic Waste Partnership and Cumbria County Council (lead authority). The draft interim strategy was considered by Carlisle's Joint Management Team on Monday 25 October 2021. With the pending Local Government Re-organisation, it is likely that this strategy will remain a working brief and is unlikely to be formally approved.
- 5.1.4** Quarterly performance reports are presented to Department Management Teams (DMT), Senior Management Team (SMT), Scrutiny Panels and the Executive. Any underperformance is discussed with the management team with any relevant comments included within the quarterly performance reports. The current year's performance for both CSE04 & SS03 has been improving from the previous year.
- 5.1.5** The end of year (2020/21) performance report stated that the target for SS03 was 50%, which was a nationally agreed target. The actual achieved to the end of February 2021 was 41.4%. The reports stated that the target was yet to be confirmed as local and national targets are under consideration by the UK Government, however the reports do contain a year on year comparison.
- 5.1.6** The end of year (2020/21) performance report stated that the performance target for CSE04 was £490K against actual income of £606K. The Team Manager – Technical Services confirmed that the targets have been calculated monthly as a result of the Covid-19 pandemic.
- 5.1.7** The Council's operational risk register includes two risks specifically in relation to this audit review which have been reviewed on a timely basis. Suitable mitigating actions are in place to manage the risks.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** The Technical Officer provided a copy of comprehensive guidance for the tasks completed when checking monthly recycling and waste information which is received from Cumbria County Council and CWR. It was noted that this guidance was not dated, nor did it have an author or version control number.
- 5.2.2** No further guidance was provided for the tasks undertaken by the Team Manager – Technical Services for the monitoring and management of recycling performance information.
- 5.2.3** At the time of the audit review, it was noted that there were no other team members who could cover the tasks completed by the Technical Officer and Team Manager – Technical Services for recycling performance and as a result there is currently no in-built resilience, to cover staff absence.

Recommendation 1 – Guidance should be documented for all tasks relating to recycling performance information and should include relevant records management metadata (review date, version control and author).

- 5.2.4** The spreadsheet used by the Policy & Performance Officer which records the performance indicator definition information was reviewed. This highlighted that there was no guidance documented for the setting / recording of targets or calculation methodologies for each of the performance indicators reviewed. (CSE04 & SS03)

Recommendation 2 – Guidance should be documented in relation to targets and the calculation methodologies used for each of the performance standards reviewed.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Audit testing involved recalculating the two performance standards CSE04 and SS03 for the first quarter of 2021/22, including checking information back to source documentation - daily recycling gate weighing tickets, monthly bring site & garden waste data from CWR, monthly waste data provided by Cumbria County Council, information from the Let's Recycle website, CWR contract, Recycling Solutions, Oxfam, British Heart Foundation, Financial Services, and the Salesforce system.

5.3.2 Audit recalculated performance for the first quarter one of 2021/22 for SS03 (Percentage of household waste sent for recycling – including bring sites, this now includes household waste and recycling centres at Bousteads Grassing and Brampton). Testing identified five small anomalies in the figures, details of which were provided to the Technical Services team. Overall, these anomalies are of no material significance. Testing also noted that spot checks of the gate weighing tickets was not recorded on the spreadsheet in April 2021.

5.3.3 Audit successfully reperformed the calculations for the first quarter of 2021/22 for CSE04 (Revenue gained from household waste recycling collected). This testing identified that the figures used in the last month of the quarter was a projection rather than the actual figure. This is unavoidable but was not mentioned in the quarterly performance report.

Recommendation 3 – A note should be included in the quarterly performance report when reported figures include projections rather than actuals due to unavoidable time lags.

5.3.4 It was not possible to reperform the calculations for the CWR handling charges which are recorded on the monthly material spreadsheet as the original part of the CWR contract was not made available during the audit review.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 The Council's recycling income is obtained via a contract with Cumbria Waste Recycling Ltd (CWR). CWR base their prices from the mid-point on the rates detailed on the 'Lets Recycle Now' website. These rates are monitored monthly to minimise the risk of unknown fluctuations in a volatile market and maximise the recycling income received.

5.4.2 Audit testing confirmed that the rates used by the Council for April, May & June 2021 agreed to the rates on the 'Lets Recycle Now' website.

5.4.3 The CWR contract was originally for 5 years with an option to extend for 2 separate 12 month periods. The Team Manager – Technical Services confirmed that the contract will be extended for an additional two years in light of the Local Government Re-organisation when a decision can be made as to the best way forward.

- 5.4.4** The Neighbourhood Services Service Plan 2021-2022 includes an objective 'to develop a 'dashboard to highlight key service performance at a ward level'. This objective aims to help monitor how the service is performing, the key issues and successes will be shared with residents, officers, and Councillors as relevant to drive service improvement. At the time of the audit the Policy & Performance Officer confirmed that he is working with Service Transformation Officer to streamline the data and produce an operational dashboard which will include data quality checks.
- 5.4.5** The Technical Services team have been proactive in reviewing the scheme of fees and charges, with the approval of the Executive, with the aim of supporting waste reduction and to encourage recycling. This has also increased income received.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: Guidance should be documented for all tasks relating to recycling performance information and should include relevant records management metadata (review date, version control and author).	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	Most of this has already been completed. There is just the Waste Data Flow procedure left to complete.	Team Manager – Technical Services	30/06/22
Recommendation 2: Guidance should be documented in relation to targets and the calculation methodologies used for each of the performance standards reviewed.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	The existing guidance will be reviewed and updated to provide greater clarity on targets and the calculation methodologies used for each of the performance standards.	Policy & Communications Manager	30/09/22

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3: A note should be included in the quarterly performance report when reported figures include projections rather than actuals due to unavoidable time lags.	M	Inaccurate assurances over current performance, as management unaware of extent of estimation in place.	Figures that are estimates or projections, or include a component of either, will be marked with a footnote in the Quarterly Performance Reports.	Policy & Communications Manager	06/05/2022

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).