

**SPECIAL AUDIT 2002/2003 – WASTE – FINDINGS AND RECOMMENDATIONS**

<b>Rec. No.</b>	<b>Audit Finding</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management Response</b>	<b>Person responsible</b>	<b>Action Date</b>
1	The ownership of the bin stock has now been resolved following talks with the contractor concerned. The result of the discussions was that the Council had over ordered on the bins resulting in an estimated overspend. Once bin stock ownership had been agreed the actual overspend is likely to be around £60,000. Some of this amount could be recovered through selling off the bin surpluses.	<i>Financial managers must implement effective procurement controls to prevent this situation arising in future.</i>	<b>High</b>	Agreed. Arrangements now in place within the Waste Management Section.	Head of Contracts	Implemented
2	The contractor who sold EHDC the bins overcharged the council by £20,800. This amount was recovered through an agreed deduction from an outstanding invoice. However, the council has not yet received a credit note for the amount as the company went into liquidation shortly afterwards. The council retained the money so there is no monetary loss, but we are still endeavouring to get a credit note from the liquidators for accountancy purposes.	<i>Financial management should note this in the accounts at year end.</i>	<b>High</b>	Agreed	Head of Finance	31 <sup>st</sup> March 2003
3.	Despite advertising bins for sale the majority of the bin stock remains unsold. There are a large number of 360L and 120L bins in our refuse contractor's store. Some Councils have expressed an interest but it is thought unlikely large amounts of these sizes of stock will be wanted by the Head of Contract Services. Responsibility for the collection of the stock may be putting prospective buyers off. The current selling process is not working.	<i>Management must take a pro-active approach to marketing the surplus bin stocks Council's in the local area are approached directly.</i>	<b>High</b>	Agreed. All local authorities have been contacted and two national adverts have been placed. As a result there have been sales to 4 organisations, with one pending. 5 Local	Head of Contracts	Mid March onwards

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				authorities have expressed an interest. The next stage is to proactively target these and other specific local authorities as well as waste contractors. An office administrator is about to be appointed, on a short term contract (to 31st July 2003) and one of the responsibilities of that post is to market the sale of the bins.		
4.	The invoices for bins were passed for payment when they did not properly match to orders. Some bins were ordered when there was no budget available and no authorisation to order. Why this has happened has been difficult to determine as some staff involved have since left the Authority. The audit effort concentrated on working towards a solution as this was considered to be the priority rather than find who was to blame for the over ordering of bins and overspending of the budgets.	<b><i>Management controls need to be restated and applied by budget holders.</i></b>	<b><i>High</i></b>	Agreed. I am satisfied that appropriate financial controls are in place. We do need, however, to remind budget holders across the Council, of their accountabilities and the need to follow financial procedures. This will be addressed as part of the Financial Training programme scheduled for this year.	Head of Finance	October 2003

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5.	The contractors claims for payment were behind schedule and this was making it difficult to properly assess the budgetary position. Some of the payment requests had been received but had not been processed because there were disputes about whether or not bins had been delivered, with the result being the invoking of default clauses in the refuse contract. The financial position has taken some time to determine but as of today the contractor claims for payment under the contract are up to date (to end December 2002). The Accounting position has been determined through a great deal of hard work by the team and a quarter 3 forecast has been made. The forecast indicates that £28,000 more will be spent on the contract than was originally estimated.	<i>Financial managers should review the monthly management accounting information and make suitable improvements that assist budget holders awareness.</i>	<b>High</b>	Agreed. Action has been taken within the Contracts Group to ensure accuracy and timeliness of the Contractor's invoices. On a more general note, the review of monthly management accounting information will be undertaken as part of the Finance BVR, supported by financial training as referred to above.	Contractor – Head of Contracts  Review of accounting information – Head of Finance	Implemented  October 2003
6.	There are some areas where agreement will need to be reached with the Waste Contractor. There are disputes regarding the contract itself. When the AWC contract was signed a different copy of the contract was signed to the one that was tendered. The main differences were in the default clauses. The Legal officers are currently working towards a solution. The successful Waste Contractors bid was significantly lower than the next lowest bid and therefore there would be a large increase in expenditure if the Council were unable to maintain relations with the current contractor. The Council considers that the contract amount should be reduced to reflect the reduction in household waste as measured by the weighbridge. The contractor does not agree the figures the Council have produced. There is a risk that by keeping the contractor too tight to his profit margins we could cause the contractor to pull out altogether.	<i>Officers and members must agree a way forward that allows the partner to continue to provide a proper waste collection service that has the full support of the residents.</i>	<b>High</b>	Agreed. There are regular meetings with the Contractor's Managing Director, involving a Corporate Director. A settlement offer is on the table, which is being considered by the Contractor and if agreed, will not affect the current budget levels. It has also been agreed with the Contractor that there should be discussions on the sustainability of the contract, taking	Corporate Management Team	March and April

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	In addition to the contractual disputes over default clauses, the contractor and the Council cannot properly agree additional work that the contractor is claiming. This is because of the poor state of both the Council's and the contractor's records. Work carried out by the Internal Auditor to re-constitute the records has enabled the Council to come to a position from which to negotiate but it is unlikely that this position would stand up under scrutiny should a contractual dispute arise. It is not clear what authorisation there is or financial limits within which the Council is able to negotiate.			regard of tonnage and default issues.		
7.	Residents who already had a wheelie bins were offered options to exchange the bin they had bought themselves either for a composter, a waterbutt or for one green garden waste sack. A stock of waterbutts and composters was ordered. These were not properly recorded as stock and were not properly stored. This has resulted in some damage to the items and some items where parts are missing. (e.g. lids and taps) . The stock has now been relocated and counted and work has been carried out to establish whether the current stock is sufficient to meet the customer demand. Rounds have now been printed and deliveries are taking place. The spreadsheet does not currently show the date the item has been delivered. It is important that there is a record of successful deliveries.	<b><i>Proper management is essential if this problem is to be avoided. The manager must implement an effective administration scheme without delay.</i></b>	<b><i>Medium</i></b>	Agreed. Controls have been put in place to identify outstanding deliveries of water butts and composters. Some additional stock will be ordered, in order to satisfy requests. This should be a neutral affect on the capital budget, due to sales shown in Rec. 3 above.	Head of Contracts	By end of April

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8.	The garden waste sack scheme was based on a renewable annual licence. The cost of the sack included the first year's fortnightly collection service. Some sacks have been given free to those claiming they are on housing benefits. No checks are carried out to ascertain the person is in receipt of benefit. Approximately £54,000 income has been received to date for green sacks. Some of this income will have to be accrued into next year because the 12months starts from the time the sack is purchased. The 12 month period is controlled through attaching a plastic yellow tag with a hole punched in it showing month and year to the green sack. This system of control is not practical to operate, administer or to monitor. The system is also suffering because some sacks have been delivered incorrectly or not at all and some were not properly tagged. Serious consideration should be given to the future of the scheme and how it can be managed. It does not appear to be administratively cost effective to administer the current tagging scheme, particularly as the scheme is flawed by incomplete records of issues and that there is a mixture of free and paid sacks. The scheme is also complicated by the fact that a track needs to be kept of renewal dates.	<i><b>CMT need to consider what they want from the scheme and how they can encourage better take up of the scheme.</b></i>	<b>High</b>	Agreed. A garden waste data base has been developed. Corporate Management Team have agreed that the Council employ somebody to confirm and update this data, by checking details on individual garden sacks, as they are put out by residents. Agreed. The renewal of the scheme is currently being investigated and planned by a group of officers from finance and contracts services, to determine the best way forward, taking into account best practice elsewhere. Agreed. Staff from contracts service and PR and Marketing are working on a marketing plan for Garden Waste, that has already included the use of the next partners edition and a new leaflet	Head of Contracts  Head of Contracts  Waste Reduction Officer	By end of April  By end of June  By early summer and ongoing