



Woking Borough Council – Internal Audit Report
**Joint Waste Management - Agreement Administration,
Payments, and Budgetary Control**

July 2023

Final Report

mazars



Contents

01 Introduction	1
02 Background	1
03 Key findings	2
A1 Audit information	5

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Woking Borough Council (WBC), and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit the WBC, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations, and confidentiality.

01 Introduction

As part of the Woking Borough Council (WBC) Internal Audit Plan for 2022/23 (Plan), agreed by the Standards and Audit Committee, we have undertaken an internal audit of the adequacy and effectiveness of managing the Joint Waste Management with four other Authorities at WBC. The agreed focus of this review as on the agreement, payments, and budget monitoring. Further detail on the areas considered as part of our review are set out in Appendix A1.

The fieldwork for this review was completed remotely, and we have obtained all relevant documents requested to complete the review and deliver the agreed scope.

We are grateful to the Head of Environmental Services, the Joint Waste Solutions Head of Operations, for their assistance and support during the audit fieldwork.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

In 2017, five South West London Councils (Elmbridge Borough Council, Mole Valley District Council, Surrey Heath Borough Council, Woking Borough Council and Surrey County Council) (the Authorities) signed an inter-authority agreement (Agreement) outlining the governance and management of waste collection and street cleansing services.

The Agreement sets out how liabilities, rights, duties, undertakings, and responsibilities arising from or out of the Agreement will be shared and managed between the Authorities and provides the terms governing the Authorities' joint working arrangements throughout the term of the Agreement.

The terms governing the Authorities' working arrangements relate to the powers conferred on them by Sections 45 and 55 of The Environmental

Protection Act 1990¹, Section 9EB of the Local Government Act 2000², and Regulation 7 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012³.

The joint authority was created with objectives aligning with those set out in the Surrey Waste Partnership Joint Municipal Waste Management Strategy Revision 2 (2015), which are to:

- Ensure Surrey taxpayers are getting a consistent and value-for-money waste service;
- Amount of waste produced to continue to be reduced, recycled, or reused;
- To increase materials reused, recycled, or composted;
- To protect and enhance the environment for future generations;
- To reduce waste sent to landfill;
- Continual improvement of waste management; and
- Honest communication and mutual partnership between the Authorities.

The Agreement is overseen by the Joint Waste Collection Services Committee (JWCS) and the Contract Partnering Board (JWPB). The Authorities are required to elect a representative to attend and engage in Committee and Board meetings with Joint Waste Solutions (JWS) on behalf of their respective Authorities. These meetings provide an opportunity to review the performance and effectiveness of the scheme's current arrangements. Where opportunity for improvement is identified, the decision-making is made by a simple majority. Therefore, Authorities are responsible for ensuring their representation and contribution to voting.

WBC's responsibility to fulfil the terms detailed within the agreement is overseen by the Head of Environmental Services; though responsibility for waste management at WBC ultimately falls with the appointed service providers, JWS and Amey.

Payments between WBC and the service providers are subject to review before payment, whereby the JWS Contract Management Office (CMO) shall review each invoice received from the service provider and the accompanying breakdown of the charges by the Authority following the

¹ <https://www.legislation.gov.uk/ukpga/1990/43/section/45>

² <https://www.legislation.gov.uk/ukpga/2000/22/section/9EB>

³ <https://www.legislation.gov.uk/uksi/2012/1019/made>

Agreement. The CMO shall verify the service provider's breakdown and, in turn, calculate the total apportionment relevant to each Authority.

JWS and Amey provide performance reporting to WBC. Reports include the presentation of the 14 agreed KPIs, including missed collections, reported waste spillages, and reported waste separation failures, which the Authorities should monitor, per the agreement.

The monthly Amey service reports also present a trend analysis of complaints against WBC's joint waste management and street cleansing service.

Budgeting is performed using two key annual reports. Firstly, the CMO Budget incorporates the agreement's costs, including the governance and overhead costs. Additionally, a Service Provider Budget is produced, incorporating the following;

- Forecasted payments to the Service Provider;
- Any proposed capital expenditure;
- Costs of any agreed variations;
- The costs of the provision of assets;
- Other costs of the joint agreement include the provision and cost of vehicles, assets, and depots.

JWS, as the CMO, reviews budget performance every quarter, performing variance analysis and reviews of the budgets before presenting the findings to WBC and the other Authorities.

03 Key findings

Assurance on the effectiveness of internal controls



Substantial Assurance

Rationale

Based on the scope of our review and testing at the time of our fieldwork, it is evident that WBC have adopted arrangements for managing the joint waste management shared service, consistent with the principles set out

within the Agreement. Examples of where we identified controls operating effectively include the review and timely payment of invoices, performance reporting, and budgetary monitoring.

We have not raised recommendations as part of our work. Upon review of the monthly Amey service reports from July 2022 to February 2023, capturing and reporting the complaints received against the service, it was noted that the way in which complaints are measured at WBC deviates from the other Authorities. However, the Head of Operations at JWS advised that WBC and Surrey Heath have their complaints recorded directly in Amey's IT system (Whitespace). For the other two Authorities, the customer services team at each Authority record complaints in their respective systems. Management advised that work is underway to bring these in line with Surrey Heath and WBC.

Please see Appendix A1 for definitions of our assurance levels and recommendations.

Priority	Number of recommendations
High (Fundamental)	-
Medium (Significant)	-
Low (Housekeeping)	-
TOTAL	-

3.1 Examples of areas where controls are operating reliably

Agreement Administration

- The Agreement defines the roles and responsibilities that the relevant parties must fulfil. These include but are not limited to:
 - The provision of resources necessary to maintain a sustainable waste-collecting and street-cleansing service;
 - Attendance at and engagement with Committee meetings;
 - Asset and depot management;

- Capital improvement; and
- Setting and enforcement of public charges related to waste collection and street cleansing activities.
- Measurements of performance and the 14 KPIs are outlined within Schedule 3 of the Agreement. The schedule defines and provides a target figure each Authority should aim to surpass. Reporting of these measurable requirements is included in the monthly Amey service reports, summarising the JWPB of recycling and each Authority's operational performance.
- For WBC, performance reporting occurs in a six-monthly update to the Overview & Scrutiny Committee by Amey, JWS and WBC's Contracts and Project Support Manager. We reviewed the January 2023 report and noted that it covers key updates and activities relevant to the scheme. They also present the KPI figures specific to WBC performance and forward planning to achieve the objectives set for the upcoming period. The report indicates that several waste tonnages and fly tipping volumes have decreases year-on-year, and recycling has increased by 5.4% for the 12-month rolling period.
- JWS management provided the last three quarterly minute extracts from the JWCS meetings, covering the 2022 Q4 minutes, where reference to the Annual Service Improvement Plan is included. The minutes include the 'Joint Waste Solutions Draft Work Programme for 2022/23'. It discusses the actions and activities to achieve the objectives for the upcoming year, including KPI improvement, increased Container control, and improved service sustainability.
- Additionally, within the 2021/2022 Q4 JWS Boards/Committee reports, the annual service report is documented, providing an executive summary of the joint agreement authority's key achievements, the effectiveness of risk management, financial indicators, KPI data, and the proposed improvement plan for the following financial year.
- Complaints against WBC are assigned to one of nine complaint areas, including missed collections, crew behaviour, and property damage. The monthly Amey service reports are reviewed monthly by JWS and Amey as part of the joint service performance monitoring, aiming to identify ways to reduce the number of complaints received. Between December 2022 and March 2023, WBC received 558 complaints across the nine different complaint areas.

Payments

- We tested a sample of four supplement recharge invoices and one core invoice relating to WBC from a list of 20 core and supplement invoices dating between May 2022 to December 2022. We reviewed the invoices against the Inter Authority Agreement which states that 'the CMO must verify the invoice and corresponding breakdown of the charges before payment'. For the sample of invoices, we confirmed the service provider's (Amey) breakdown of charges was subject to verification by JWS, as the CMO, before payment.
- It was evidenced that for each of the invoices within our sample, the invoice figure was submitted with verifiable backup calculation data to support the final figure. It was subject to reviewal and agreement from both parties involved before settlement.
For example, in the case of the Surrey Core Invoice dated December 2022, the invoice value had been uplifted by 6.71% accordingly with the documented procedure and indexation figure derived from the economy index data of labour earnings, fuel costs, and CPI.
- It was also noted that the partnership share calculation agreed with the guidelines set out within the agreement, where the partnership share is determined as having accounted for the annual activity of each Authority as a proportion of the total joint waste service activity. We were provided with the partnership share calculation to confirm that the process aligns with the that documented in the agreement.

Variable Expenditure

- We selected five variable invoices from a population of nine, dating between May and September 2022 and confirmed the service provider's (Amey) breakdown of charges was subject to verification by JWS, as the CMO, before payment.
- It was evidenced that for each variable invoice within our sample, the invoice figure was submitted with verifiable backup calculation data to support the final figure. It was subject to reviewal and agreement from both parties involved before settlement.

Budgetary Control

- As the CMO, JWS undertake budgetary exercises and control on behalf of WBC. We reviewed the 2022-23 Q3 Budget and Finance Report from March 2023, which set out the financial position and

performance for the financial year and the projected outturn for the 2022-23 financial year. It was noted that investigation and explanation of deviations is undertaken, as the report included a variance analysis of the overall projected underspend of £235,986, broken down into the following five justifications:

- The Salaries budget is projecting an underspend of £94,974 due to several vacant posts, as well as staff joining on lower salary points than previously budgeted for;
- The Team budget is projecting a £29,570 underspend as of decreased expenditure on training, travel budgets, and parking expenditure, resulting from the COVID-19 pandemic and the significant increase in employees operating in working from home conditions;
- The Support budget has a projected underspend of £8,787 due to a reduction in the charges against JWS for financial support from Surrey Heath;
- The Legal budget is projecting an underspend of £49,000, resulting from delays concerning the forecast work on contract improvements, with conversations still being conducted at a high level between directors. Therefore, the works have not progressed as anticipated, ensuing an underspend for the financial year which should equal out in the budget for the upcoming financial year; and
- The Communications and Engagement budget is projecting a £51,036 underspend. Largely comprising of a £44,000 underspend on round changes that have not gone ahead as planned, a £10,000 underspend on BAU materials, a £4,500 underspend on events, and an £11,464 overspend on service guide distribution costs, increased as a result of current economic climate conditions.

A1 Audit information

Audit Control Schedule	
Client contacts:	Mark Tabner: Head of Environmental Services Jo Chauhan: Head of Operations, JWS
Internal Audit Team:	Graeme Clarke: Partner Juan Fosco: Manager Will Bennett: Auditor
Finish on-site / Exit meeting:	27 April 2023
Draft report issued:	21 June 2023
Management responses received:	26 June 2023
Final report issued:	5 July 2023

Scope and Objectives

The overall objective of this internal audit is to provide Members, the Chief Executive, and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the agreement administration, payments, and budgetary controls regarding the Joint Waste Agreement with JWS.

In conducting our review, we considered the following areas:

- Agreement Administration;
- Payments;
- Variable Expenditure; and
- Budgetary Control.

Testing was carried out on a sample basis by a member of the Internal Audit Team. Our work is limited by the information which we are privy to throughout the audit fieldwork. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the internal control framework. Testing was performed on a sample basis. As a result, our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The Framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the Framework of governance, risk management and control.

Limited	There are significant weaknesses in the Framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the Framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
Priority	Definition	Action required
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.

Low (Housekeeping)	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.
--------------------	---	--

Statement of responsibility

We take responsibility to Woking Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound internal control system and preventing and detecting fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management’s responsibilities for applying sound management practices.



This report is confidential and must not be disclosed to any third party or reproduced in whole or part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.



Contacts

Graeme Clarke

Partner, Mazars

graeme.clarke@mazars.co.uk

Juan Fosco

Manager, Mazars

juan.fosco@mazars.co.uk

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 95 countries and territories worldwide, we draw on the expertise of 47,000 professionals – 30,000 in Mazars' integrated partnership and 17,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

*Where permitted under applicable country laws

www.mazars.co.uk