

Final Internal Audit Report

South London Waste Partnership (SLWP) – Veolia

September 2021

Distribution: Interim Executive Director of Place
Director of Public Realm
Interim Head of Environmental Services

Assurance Level	Issues Identified	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed 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.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 South London Waste Partnership (SLWP) was formed in 2003 between the boroughs of Croydon, Kingston, Merton and Sutton and provides waste management services through the procurement of complex waste disposal treatment, recycling and Household Reuse and Recycling Centre contracts.
- 1.2 SLWP is governed by an Inter Authority Agreement between the partners. It is managed by a Joint Waste Committee (JWC), which is comprised of the Cabinet / Executive Members from the four boroughs. The JWC is responsible for the strategic management of the partnership, whereas the individual Councils are responsible for the operational management. This committee meets on a periodic basis, with meetings open to members of the public and its minutes published. The JWC is supported by a Management Group, under the leadership of the Strategic Partnership Manager.
- 1.3 Under the SLWP 'Phase A', 'Phase B' and 'Phase C' contracts are in place. The 'Phase A' and 'Phase B' contracts (which are not in the scope of this audit) consist of contracts for Transport and Residual Waste management, Household reuse and recycling centres site management and material recycling, Marketing of recyclates and treatment of green and food waste and the 2012 Residual Waste Treatment Contract (the ERF Contract).
- 1.4 The 'Phase C' contracts consist of Lots 1 and 2. Lot 2 relates to services for Sutton and Merton only and is not in scope of this audit either. The Lot 1 contract is with Veolia and commenced on 1 April 2017, although the service for Croydon did not commence until 4 March 2018 for street cleansing and 1 October 2018 for the new waste collection service. Croydon Council is currently the accountable body on behalf of SLWP for this contract.
- 1.5 The fieldwork for this review was completed during the government measures put in place in response to Covid-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.

2. Key Issues

Priority 2 Issues

An updated Reduction and Recycling Plan (RRP) has not been finalised and agreed despite having been in process since September 2020. **(Issue 1)**

The Waste Service budget holder did not have direct access to MyResources for real-time budgeted financial information. **(Issue 2)**

There was one Priority 3 issue.

3. Actions and Key Findings/Rationale

Audit Area: Legislative, Operational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
2	The Reduction and Recycling Plan (RRP) required by the Mayor of London has now been reviewed, amended negotiated and approved by the GLA. It awaits Lead Member approval but is now a robust representation of the requirements for Croydon for waste reduction, reuse and recycling over the next 3 years across defined priority areas.	<p>In May 2018, London Environment Strategy (LES) proposal 7.2.1.b required all London Local Authorities to produce a Reduction and Recycling Plan (RRP) by 2020. The RRP should set out the key actions for cutting waste and boosting recycling for the period from 2018 to 2022. There is an expectation that the local authorities will monitor and report progress against targets to the Greater London Authority (GLA) at least every six months and that GLA will be given early notice and evidenced reasons where targets will not be achieved.</p> <p>Croydon's RRP was finalised in November 2019. Updates on metrics within the RRP were, however halted in 2020 as, due to major structural changes within management and the impact of Covid-19, it was agreed that the RRP needed revision. Examination of email correspondence between the Recycling and Waste Manager and the GLA dated 29 September 2020 confirmed that the GLA had agreed to the need to revise the RRP for Croydon.</p> <p>Discussion with Recycling and Waste Manager on 8 March 2021 established that revisions to the RRP were almost complete and that it was intended, following formal feedback from the GLA, that the draft would be finalised and receive Mayoral sign off (evidence of sign off was still outstanding at the time of the draft report)..</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Interim Head of Environmental Services</td> <td>October 2021</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Interim Head of Environmental Services	October 2021	Where an agreed RRP is not in place, there is a risk that the Council is not able to properly plan and achieve high levels of waste reducing and recycling performance.
Responsible Officer	Deadline					
Interim Head of Environmental Services	October 2021					

Audit Area: Budget Monitoring and Payments to Contractor

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	This issue was addressed on the 20th May 2021 and the budget holder has had this access since that time.	<p>The Council's Financial Regulations, part 17.16 details that, <i>'The Budget Holder is responsible for the financial affairs of the service area. The responsibilities of the role include:'</i></p> <p><i>'17.16.2 ensuring plans and realistic prudent profiled budgets exist for the delivery of the medium term financial strategy and to report year to date variances and forecast outturn adverse or favourable variances immediately they exist;'</i></p> <p><i>'17.16.4 providing appropriate financial information to the Head of Finance and their respective teams in a timely, accurate and appropriate form and level of detail;'</i></p> <p><i>'17.16.12 Budget monitoring via MyResources in a timely manner (as per the timetable issued by the Chief Financial Officer).'</i></p> <p>The Waste and Recycling Manager, the budget holder for the Waste Service, did not have access to MyResources for timely budget information, being reliant on Finance staff to provide access to the budget monitoring information, including expenditure to date. A copy of the Jan 2021 budget monitoring report provided at the time of audit evidenced manager review, with an explanation for variances and a manager end of year forecast position.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Interim Head of Environmental Services</td> <td>Complete</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Interim Head of Environmental Services	Complete	<p>A budget demonstrates where the plan has allocated resources to different areas within the Service. Real-time budgeting information is essential to ensure that the budget holder is aware of their budget position to make informed decision in day-to-day operation.</p> <p>Where budget holder does not have access to their budget on MyResources, there is risk that the budget holder is unable to properly fulfil their budget management responsibilities.</p>
Responsible Officer	Deadline					
Interim Head of Environmental Services	Complete					

4. Priority 3 Issue

Action Proposed by Management	Detailed Finding/Rationale															
<p><u>Audit area: Complaints</u></p> <p>The way in which complaints are managed and administered has been reviewed and updated, with an updated tiered approach in place to ensure timelines are met for all complaint stages. A new corporate complaints system was also recently installed and this has further assisted the process. Weekly updates for outstanding waste complaints is also created and sent to the assigned officers for their attention and action. Complaints by type and number continue to be scrutinised by team to identify localised issues and emerging service risks</p>	<p>The Council has a two stage complaints procedure that is designed to support the effective management of complaints. In line with this procedure, the Waste Service is responsible to respond to stage one complaints, with a response time target of 21 working days to respond to each complaint.</p> <p>An extract from the CRM (Customer Relationship Management) system noted that there were 455 complaints received between January to December 2020 relating to ‘Refuse and Recycling’ where 22 complaints (4.8%) were not responded within the targeted response time.</p> <p>Analysis of the record of complaints received in relation to ‘Refuse & Recycling’ established that the complaints are mainly attributed two major causes, as follows:</p> <table border="1" data-bbox="736 711 1856 986"> <thead> <tr> <th>Stage 1</th> <th>No. of Complaints</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Missed Collection*</td> <td>262</td> <td>58%</td> </tr> <tr> <td>Waste - Collection crew issue behaviour</td> <td>81</td> <td>18%</td> </tr> <tr> <td>Others</td> <td>112</td> <td>25%</td> </tr> <tr> <td>Total</td> <td>455</td> <td>100%</td> </tr> </tbody> </table> <p>(*Missed Collection on general waste, recycling, bin/rubbish, bulky waste, garden waste, clinical missed, sweeper bins and new build)</p> <p>The Corporate Solutions team reports fortnightly to all Services on the number of open cases and overdue response for the complaints received within the Council. Discussion with the Complaint Officer established that the delayed response times in ‘Refuse & Recycling’ could be due to various reasons, such as investigation time or unavailability of officers for example. They also advised that a trend analysis of the type of complaints received for ‘Refuse & Recycling’ were discussed at the monthly Service Improvement meetings with the Waste & Recycling Manager.</p> <p>Complaint management is an essential component to help the Council progress to improvement and better management of its contractor.</p>	Stage 1	No. of Complaints	Percentage	Missed Collection*	262	58%	Waste - Collection crew issue behaviour	81	18%	Others	112	25%	Total	455	100%
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South London Waste Partnership (SLWP) – Veolia 2019-20

When complaints are not effectively managed, there is risk that the Council is not aware of the poor performance of its contractor and a targeted action plan is not being devised. This will eventually lead to poor service being delivered.

AUDIT TERMS OF REFERENCE

South London Waste Partnership (SLWP) - Veolia

1. INTRODUCTION

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- 1.6 This audit is being conducted as part of the agreed Internal Audit Plan for 2019-20.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





3.1 This audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Operational and Management Requirements	0	1	0
Contract Management and Performance Monitoring	0	0	0
Complaints	0	0	1
Budget Monitoring and Payments to Contractor	0	1	0
Management Information and reporting	0	0	0
Total	0	2	1

Definitions for Audit Opinions and Issues Raised

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to issues raised are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of 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 the course of 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 the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in 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.

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