

AUDIT COMMITTEE: 2nd April 2019

WASTE MANAGEMENT UPDATE

**REPORT OF DIRECTOR PLANNING, TRANSPORT & ENVIRONMENT
AGENDA ITEM: 5.2**

Reason for this Report

1. This report has been produced in response to the Audit Committee's request for an update on the control environment within the Waste Management function.
2. The Audit Committee has requested this update in respect of its role to:
 - Monitor progress in addressing risk-related issues reported to the committee.
 - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
 - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.

Background

3. Following concerns raised in respect of the operation of Council facilities within Waste, Internal Audit reported potential criminal activity to South Wales Police. Whilst the investigation is ongoing, it would not be appropriate to disclose any specific details of the alleged crime. Internal Audit continue to liaise with the Police and provide information and evidence as required.
4. The Council reserves the right to conduct its own internal investigations and / or to instigate disciplinary proceedings against employees who are the subject of ongoing Police investigations. In accordance with the Council's Disciplinary Policy, Internal Audit led a number of Disciplinary Investigations, which were concluded during quarter 4 of this year, from which recommended actions are being taken forward.
5. Recognising the limited level of information that can be provided to the Audit Committee on the above investigations, the focus of this update is on management assurances on the operation of good governance, internal controls and the management of risk within the Waste Management service.
6. Cardiff Council's Waste Management function has responsibility for a wide and complex range of statutory duties, functions and services, essentially this involves "bringing together place-based services to ensure that Cardiff is able to achieve its Capital City Ambition and to be among the very best in the UK and Europe" to ensure;
 - The streets/highway are clean, well maintained and managed
 - Waste services meet targets for recycling
 - Improved management of productivity, and customer service levels

- New development is of a high quality
- Ensuring value for money, efficient service delivery
- Delivering a range of high profile projects

7. The Waste Management Function is concerned with managing risk at the level of strategy development, operational delivery, and the quality of services to citizens, businesses and visitors to Cardiff. The Waste function currently employs circa 500 staff. The Directorate's Strategic Priorities (SDPs) provide an example of headline actions being delivered by the Waste function during 2018/19 and over the longer term, illustrating the scale and variety of activities provided.

SDP1 - Transforming and improving services:

- Explore and develop a commercial and collaboration strategy for key services

SDP4 - To join up frontline street scene services

- Develop options for long-term regional partnership recycling infrastructure arrangements
- Develop a 'Total Street' delivery Plan
- Achieve Welsh Government recycling targets

Issues

8. The Management Team requires strong assurances on the controls in place across the Waste Management Service to effectively manage and govern our services. Once the matters outlined in the background to this report emerged, the management team within the service has worked to gain confidence on the operation of internal controls across the Directorate. Management assurances are supported by the assurances, and also the advice and guidance from Internal Audit through their independent reviews.
9. The Waste Management Team are developing a robust internal process for managing, monitoring and controlling risks, which are set out below. This process is being developed alongside the Directorate planning and review process.

Directorate Planning & Review process

- Directorate Delivery Plan
- Risk Registers
- Quarterly Performance Reviews
- Directorate Management Team & other supporting meetings
- Project database (CADT)

Waste Management internal review process

10. The Waste Management internal review process is being developed to focus, on three primary areas, namely the management of risk, assurance in priority areas, and the delivery of a strong control environment. The components of each of these areas are set out below for the information of the Audit Committee.

I. Risk Management

11. There is a commitment to delivering strong risk management within the Waste Management Team, and the wider Planning Transport and Environment Directorate. To support and improve the identification and management of risk, the approach involves:

- Increased officer involvement – including working closely with Corporate support such as audit, procurement and finance
- Consideration of audit findings and recommendations in risk reviews
- Action Plan development – to deliver recommendations received (identifying timescales and officer responsibility)

II. Assurance

12. The management team have a number of priority areas for which strong assurance is sought. Project plans are in place to improve confidence around

- Service efficiency and effectiveness (Fundamental Service Reviews)
- Data (Stores/Gatehouse/Bartec)
- Procedures and processes to meet the need of the service
- Asset Management
- Investment in change projects
- Physical Security
- Digitalisation

III. Control Environment

13. To further improve the control environment the following actions are being prioritised:

- Improving financial monitoring and budgetary responsibility – strengthen budget holder and OM approval process but keeping bureaucracy to a minimum.
- External accreditations – requirement for waste management function to demonstrate sound environmental, health, safety and quality practices. BSI audit in place, currently working towards PAS 402.
- Implementation and monitoring of action plans relating to audits

Working with Internal Audit

14. A number of Internal Audit engagements have been delivered in respect of Waste Management this year, some of which have been to provide advice, guidance and ongoing monitoring through consultation types of audit. Additionally we have received and responded to a number of internal audits of an assurance nature. The Audits concluded to date are included in the table below.

Consultation Engagements	Assurance Engagements
Commercial Waste Recycling Centre	Lamby Way Stores
Weighbridge system	Income and banking control procedures (Lamby Way)
	Acting up payments and overtime in Lamby Way

15. These reports have been reviewed by the Directorate and there is a commitment to proactively work on the audit findings and recommendations. Planning, Transport and Environment Management find the use of internal audits instrumental to supporting

improvements relating to poor working practices and lack of processes in service delivery. The management team have worked with the Internal Audit team to identify priorities and scope for internal audits.

Lamby Way Stores

16. Waste Services utilise SAP to manage stock and therefore have good software to support officers to manage stock levels and reconcile costs related to changes in the associated levels. The assurance engagement identifies shortfalls in processes relating to managing and reconciling stock. The senior management team accept and will implement the recommendations from the assurance audit.

Income and banking control procedures

17. Waste Services manage low levels of cash income at Lamby Way but recognise the importance of having processes in place to provide assurance. The reconciliation of stock relating to cash income is important to reduce the risk of fraud or maladministration. The senior management team accept and will implement the recommendations of the assurance audit.

Acting up payments and overtime payments

18. Waste Services operations has significant acting up and overtime payments. Ad-hoc acting up relates to roles where officers cover driving or use of machinery when people are on leave, sick or on break and therefore work at a payment grade different to their employed role. The senior management team accept and will implement the recommendations of the assurance audit and will work with Corporate Resources to agree processes relating to operational requirements.
19. The Directorate is fully committed to improve working practices related to current actions plans, and is fully engaged in audits, which are currently underway or are planned for completion.

Reports Concluding / Pending

20. At the time of reporting, a number of audits are reaching their conclusion, for which we will meet with audit colleagues to fully discuss the findings and any recommendations of draft reports. We will work with the Internal Audit Team to conclude the following audit work for 2018/19.
 - Waste Management Contracts (expenditure and income)
 - Gatehouse Assurance Review
 - Stock Check Observations – Lamby Way Stores

21. We have a productive communication and engagement with Internal Audit colleagues to achieve planned audits in the areas where we need the greatest assurance or support. I am pleased that the Internal Audit Plan for 2019/20 will sustain a focus on areas of Waste Management within my Directorate.

Legal Implications

22. The statutory functions of the Audit Committee include the duty to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements (pursuant to Part 6 Chapter 2 of the Local Government (Wales) Measure 2011). In discharging its functions, the Audit Committee must have regard to all relevant guidance, in particular the CIPFA guidance for Audit Committees.

Financial Implications

23. The financial implications (if any) arising from this report have been contained within the body of the report.

Recommendations

24. That the Committee notes the contents of the report.

Andrew Gregory
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2nd April 2019