



Contract audit of waste management services

Committee Audit and Standards

Date of meeting 27 August 2021

Date of report 18 August 2021

Report by Acting Chief Executive

1. Object of report

To advise the committee on the findings of a contract audit of waste management services. This engagement was included in the annual Internal Audit plan 2021/2022.

2. Background

SPT seeks to ensure that waste is disposed of with zero waste to landfill and has adopted a flexible and innovative approach to waste management to maximise best value.

The Operations committee at its meeting of 10 November 2017 awarded four lots for waste management services to William Tracy Ltd. (now ENVVA Scotland Ltd.) for a 5-year period, commencing on 17 February 2018.

The Operations committee at its meeting of 10 November 2017 awarded a further lot for confidential waste services to Data Shred Ltd. for a 5-year period, commencing on 9 February 2018. Since the start of this contract there has been a gradual shift towards a paperless office.

A 5-year contract for scrap uplifts commencing on 29 March 2016 was awarded to Daltons Group Ltd. This contract has been extended on a rolling monthly basis until retendered.

The objective of this engagement was to review and evaluate the contract monitoring arrangements in place for waste management services for SPT properties and site locations.

This engagement tested elements of the internal controls and mitigation against SPT6: Security, as identified in the Corporate Risk register.

3. Outline of findings

Engagement testing (June 2021) found that management arrangements were in place for this contract. As at the date of engagement testing, payments made to the service providers were in accordance with the terms and conditions of the contract. The scrap contract is a revenue generating contract. Scrap is uplifted on demand and is generated from Subway infrastructure modernisation works.

Engagement testing found that the volume of waste generated by SPT service delivery areas has significantly reduced since the start of the pandemic in March 2020 in comparison to previous years.

Engagement testing identified a requirement to provide regular refresher training to internal stakeholders to support service delivery and for the contract administrators to maintain an annual schedule of rates to assist in the invoice payment process.

Engagement testing found delays in the administration and billing for scrap uplifts. This contract is subject to a retendering exercise.

There are areas for improvement and these areas have been addressed by three recommendations. Contract management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a contract audit of waste management services. Three recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the internal controls in place.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

Name Neil Wylie

Title Director of Finance

Name Valerie Davidson

Title Acting Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance Manager.

**Reasonable
assurance**

Agreed action plan: Contract audit of waste management services

No.	Recommendation	Priority	Action Proposed	Lead Officer(s)	Due date
1	<p><u>Contract awareness training</u></p> <p>Contract management should provide regular refresher training on roles and responsibilities to internal stakeholders who use/support delivery of the terms and conditions of the contract.</p>	Medium	<p>Contract management will liaise with internal stakeholders who use/support delivery of the terms and conditions of contract(s) to inform them of their roles and responsibilities in this regard.</p> <p>Where the management of a contract changes, a handover process will be undertaken to support the administration process.</p>	Facilities and Contract Officer, Customer Services/ Contracts Manager	September 2021
2	<p><u>Scrap contract</u></p> <p>Contract management should liaise with procurement to review the current scope of the contract and initiate a retendering exercise.</p>	Medium	<p>Customer Standards will liaise with procurement in this regard.</p> <p>The contract will be retendered in accordance with the Standing Orders relating to Contracts.</p> <p>Contract administration workflows will be re-assessed as part of this process.</p>	Facilities and Contract Officer, Customer Services/ Contracts Manager	September 2021
3	<p><u>Contractual payments schedule</u></p> <p>An annual schedule of rates including the application of contractual indexation should be maintained to support the payment of invoices process.</p>	Medium	<p>The schedule of rates will be updated and maintained for the waste management services contract(s).</p>	Facilities and Contract Officer, Customer Services	September 2021

High: A fundamental control that should be addressed as soon as possible;

Medium: An important control that should be addressed within three months;

Low: An issue which is not fundamental but should be addressed within six months to improve the overall control environment.