



Commercial Waste Follow Up City of York Council Memorandum Report

For: Head of Environmental Services
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Introduction and scope

- 1 An audit report on Commercial Waste Services was issued in December 2021. This work reviewed a number of areas, including; the application process, commercial waste collections, income received by the council, and weighbridge tickets issued by Harewood Whin transfer station.
- 2 The audit found that processes and procedures relating to the above areas appeared to be functioning to a reasonable extent before the Covid-19 pandemic. However during the pandemic, the procedures in place could not keep up with the level of complexity and change caused by the volume of businesses which had to close and then re-open.
- 3 The audit raised six findings in total, mostly relating to the systems used to record commercial waste information and invoicing commercial waste customers. It was also found that waste transfer notes (WTNs) were not being renewed in a timely manner, crew sheets were not being completed accurately, and there was a lack of clarity in responsibilities for the setting of waste charges. The report is included at Annex 1 for reference.
- 4 The purpose of this audit was to provide assurance to management that sufficient progress has been made towards completing the actions agreed in December 2021. The audit also assessed whether the actions taken have been effective in addressing the control weaknesses identified.
- 5 The audit was conducted using a series of methods, including discussions with officers, collation and review of documentary evidence, a system walkthrough, sample testing and data analytics.

Summary of findings

- 6 Of the nine agreed actions in the original report, we concluded that four had been completed in full, with the associated risks and control weaknesses satisfactorily addressed. A summary of each action and whether these have been completed is at Appendix 1.
- 7 Some progress has been made in addressing the weaknesses identified in the original audit report. However, some key issues remain and there are still risks which need to be addressed by management.

Findings

Action 1.1: Lost income compensation

- 8 The highest priority issue in the original audit report was customers not being invoiced correctly over the Covid-19 lockdown periods, starting in March 2020, as the council did not know whether the businesses were operating. This led to a substantial backlog where the Commercial Waste Team were trying to determine which businesses were open and therefore needed to be invoiced. The backlog was still ongoing as at February 2021.
- 9 The first action to address this issue was to apply for funding to cover lost income during the pandemic, under the Government's Income Compensation Scheme for 2020-21. The scheme required councils to fund the first 5% of any shortfalls experienced, with the remaining balance being split 75% Government-funded and 25% council-funded.
- 10 At the time of the original audit, the total shortfall was estimated at £731,400 of which £236,690 would be council-funded and £494,710 would be funded by central Government (this related to financial year 2020-21).
- 11 Working papers were reviewed which included claims made by the council to the Government's income compensation scheme. For the 2020-21 financial year a total of £4.8m was received from the Government. This funding was not apportioned to individual service areas in the accounts. However, we felt sufficiently assured that the shortfall in commercial waste was covered by the total amount received.

Re-testing customer invoicing

- 12 A sample of customers was selected to determine whether invoices were being issued in line with expected timescales. All had been invoiced on time. This shows that invoicing now appears to be 'back to normal' with customers receiving timely invoices for waste collections.
- 13 The invoices were also checked to ensure the amounts matched with the amounts listed on the commercial waste database. In one case, the amount on the database was showing as higher than what was charged on the invoice. Further testing was undertaken to reconcile the waste services database to the debtors system. This is explained further at [29].
- 14 Another issue identified in the original audit was that the customer contracts did not include a break clause to provide for circumstances where businesses have to close and then re-open, such as for renovation, or on a larger scale, a pandemic event such as Covid-19. This meant that when the pandemic hit, customer accounts had to be completely cancelled and then re-started once the team knew the businesses were open again.
- 15 The Head of Environmental Services explained this issue was discussed by managers and the Legal Team, however ultimately it was decided it would not be appropriate to include a break clause.

- 16 During a walkthrough of the Webaspx trade module, the Waste Change Manager indicated the system has the functionality to pause customer contracts if needed. This would stop crews from collecting at that property. It was explained that this function will be used once the system is implemented. Consideration will therefore need to be given as to how invoicing will be stopped if direct integration with the finance system is not in place initially.

Action 1.2: Benchmarking against other service providers

- 17 The other agreed action against this finding was to examine back-office processes in relation to invoicing and to conduct a benchmarking review against other service providers regarding their invoicing procedures.
- 18 It did not appear that a formal and documented benchmarking activity has taken place. However, it was explained by the Head of Environmental Services that some discussions took place with Yorwaste and Harrogate Borough Council (HBC). At HBC, the waste system integrates directly with finance to enable more automated processing. The council are looking to follow a similar route once the Webaspx system has been implemented.
- 19 The invoicing process remains the same as when the original audit was completed. Our sample testing on invoices (outlined at [12] above) shows that invoices are now being processed in a timely manner and it appears the team have managed to get through the backlog. The implementation of the Webaspx system should allow for the pausing and re-starting of contracts, which would help to ensure that the invoicing problems experienced previously do not recur on the same scale.

Action 2.1: Transferring tasks to Business Support

- 20 The second finding related to the fact that there was no central management information system (MIS) in place and no reconciliations were being performed between the finance and waste systems.
- 21 The first action to help remedy this issue was to transfer certain tasks, such as issuing duty of care documentation, to the Business Support Team. This aimed to reduce the number of tasks the Commercial Waste Team were expected to complete, thereby, allowing the team to focus on performing reconciliations and testing between the two systems.
- 22 It is understood a meeting took place between the Waste Services Supervisor and Business Support. However, no tasks were transferred between the teams. The Waste Management Technical Officer has been assigned the responsibility of chasing any outstanding duty of care documentation. Given resource pressures, workload and competing priorities there remains a risk this task will not always be completed in a timely manner.
- 23 The Waste Services Supervisor expressed a preference to retain tasks within the team, rather than transferring activities to another team, in order to keep more control over the area. However, our sample testing on

WTNs, explained at [37-38], showed that a number of WTNs have still not been renewed after a expiring a number of years ago. Although the team has taken steps to begin reviewing the status of customers and renewing their WTNs, there are still customers without valid duty of care documents. This shows the team cannot currently keep up with all tasks that need to be completed.

Action 2.2: Implementation of the Webaspx trade module

- 24 The second agreed action related to introducing the Webaspx trade module to allow for an automated MIS to store and organise data in relation to customers and collections. The action had a target implementation date of quarter 2 (by September) 2022.
- 25 The Webaspx system was procured a number of years ago for both the domestic and trade rounds. The domestic side was prioritised first and went live during 2019-20. The trade side has been 'live' and ready to be implemented since this time but has not been progressed due to Covid-19, a lack of resources and a focus on domestic rather than commercial waste. The team has also encountered issues with the supplier and system, such as system speed, within the domestic module. Therefore, a decision was made to delay the implementation of the trade module until the team is confident the system will function as expected. As at January 2023, the trade module has still not been implemented. A new target date of quarter 2, 2023-24 has been suggested.
- 26 It is hoped that once implemented, the system can eventually be integrated with the financial management system (FMS). This would provide for a fully automated process between waste and finance and resolve many of the issues outlined in the original audit report. The system should also be able to assist with instances such as missed collections, route changes and automate the information currently recorded on paper crew sheets.
- 27 We performed two reconciliations between the commercial waste database and a report from FMS as at 11 October 2022. The first aimed to compare the two systems to check all customers were present on both. The results showed that all customers contained on the finance system were also present on the waste database. However, 40 customers were found on the waste database who were not listed on FMS.
- 28 A sample of five was selected to establish the circumstances around why the customers were not listed on FMS. All five were explained. The reasons varied, including: payments being made according to a non-standard schedule (i.e. annually, varying monthly payments); the business closing or joining around the time the reports were requested; non-payment of invoices and the subsequent ceasing of collections. The full report was sent to the Waste Services Supervisor to investigate all 40 customers that were on the waste database and not on FMS.
- 29 The second reconciliation was to check whether the expected invoice amounts listed on the waste database matched with the actual amounts

charged. The analysis showed 61 customers where amounts did not match. The differences ranged from £0.68 to £7,807.50. Two examples were reviewed with the Waste Services Supervisor. In one case it was explained the database had listed 2 bins when the actual collection requirement was 1 bin. Verbal assurance was received that this has now been corrected and that customer requirements would be re-checked. The other difference (£7,807.50) was due to the customer being invoiced on an annual basis. The FMS report received did not show customers who pay on a non-standard schedule. This was the highest figure on the report, with the majority of the differences being between £0-£100. The full list was forwarded to the Waste Services Supervisor to investigate.

Action 2.3: Review of current service provision

- 30 This action encompassed a number of activities, which were; transferring certain tasks to Business Support, developing a commercial waste billing system, a sales team and robust management. It was explained these would be costed and compared to alternative models for service provision.
- 31 As outlined at [22-23] above, a plan was in place to transfer some tasks to Business Support but this did not go ahead and the Commercial Waste Team are still performing all tasks. This is despite there being a lack of resources within the team and as a result, backlogs in certain areas continue to exist, such as the renewal of WTNs.
- 32 As explained at [25-26], a trade module within the Webaspx system is due to be implemented during quarter 2, 2023-24. It is hoped that in the future, this system can be integrated with FMS which should help with billing and ensure accurate records are maintained in both the finance and waste departments.
- 33 Consideration has been given to introducing a sales team, or a role to oversee sales. This has not been taken forward, however it is still something the team are considering for the future.
- 34 A management restructure within the Place Directorate has begun which will impact upon Waste, Public Realm and Fleet Services. The formal consultation stage ended on 15/09/2022. The new structure aims to separate Commercial Waste and place a greater focus on the service to allow for a more strategic approach to its management. At the same time, links will be maintained between Commercial and Domestic Waste Supervisors to ensure any crossovers are managed appropriately. The restructure should also strengthen support for back-office functions and the introduction of new technology, including the Webaspx system.

Action 3.1: Transfer the issuing of WTNs to Business Support

- 35 The original audit found that WTNs were not being renewed in a timely manner, with some having gaps of over a year. WTNs need to be renewed on time to ensure that businesses are legally disposing of their waste and to demonstrate that businesses and the council are compliant with environmental regulations. The agreed action for this finding was to

transfer the task of issuing duty of care documentation to Business Support.

36 As explained at [22-23] above, the transfer of tasks did not take place as the Commercial Waste Team would like to retain control of this area. Despite this, our sample testing demonstrates that a backlog of WTN renewals still exists and some customers are disposing of waste without valid duty of care documentation.

37 10 customers were selected to ensure they had a valid WTN in place. The testing indicated that half of the sample had not been renewed within the specified timescales, including 2 that expired in 2017 and 2018. It was explained the team are still working towards getting the WTNs up-to-date, and areas such as council departments and libraries are next on the team's list of renewals to send out.

38 The testing shows that there is still a backlog of WTN renewals. The team have made progress in methodically reviewing customer groups and renewing WTNs as part of that process. It is important emphasis is placed on this task due to the potential legal implications of not having a valid WTN in place. It was explained by the Waste Change Manager that once the Webaspx system has been implemented, there will be functionality to run reports which show when contracts and WTNs are coming to an end. This will allow the team greater oversight and more effective and proactive management of the area.

Action 4.1: Cash handling

39 The original audit found that some customers did not have a debtor number, which meant they were not on the finance system (FMS). It was explained these were cash-paying customers and therefore were not being recorded on FMS. A decision was taken to stop collecting income in cash and this was communicated to waste customers in July 2020.

40 When the original audit was finalised in December 2021, processes had already been changed so that cash was no longer being collected and that all customers would be required to have an account on FMS. When customers receive a contract to begin services, a checklist is completed to ensure all required steps are taken. One of these is to create an account on FMS and this box must be ticked to show completion.

41 As explained at [27-28], our testing indicated that 40 customers were not recorded on FMS but were present on the waste database. A sample of these cases was discussed with the Waste Services Supervisor and all had satisfactory explanations. The full report has been shared with the Waste Services Supervisor to investigate further.

Action 5.1: Crew sheet completion / implementation of Webaspx

42 The fifth finding in the original audit report highlighted that crew sheets were not being properly completed. When this was discussed further, it was found that the information is not used or analysed by management as the data is largely available through online systems. This meant crew

sheet information is largely redundant and represents duplication of work. The agreed action to address this issue was the introduction of the Webaspx system by quarter 2, 2022.

- 43 As outlined at [25], the trade module on Webaspx has still not been implemented and a new target date of quarter 2, 2023-24 has been set. This means the paper crew sheets are still being used by crews.
- 44 Crew sheets have 3 parts: Part A (work and break times), Part B (loads and weights) and Part C (mileage and vehicle information). Tachograph cards have been in use since 2018 which shows start, finish and break times through an application called 'Vision.' It also shows if drivers have had any infringements, such as not taking adequate rest periods. An application called 'Masternaut' is also used which shows the routes driven (live and retrospective). Mileage is not currently available electronically, however this will be input into Webaspx once implemented.
- 45 10 days' worth of crew sheets over the past year were reviewed, each covering 2 rounds (20 sheets in total). Only on two out of 10 days were the crew sheets fully documented and all boxes completed. On the other eight days, crews had not completed areas such as mileage, start / finish break times, and load weights. However as discussed above, it was also found that the majority of this information is redundant and not used by management as this can be obtained electronically. Once the Webaspx system is live, there should be no further need for paper crew sheets.

Action 6.1: Confirm responsibilities for setting waste charges

- 46 The final finding related to the setting of waste charges and the fact that there was no clarity over whether management in Waste or Finance were responsible for this process. The agreed action set out that the Head of Environmental Services would work alongside the Finance Manager to set the waste charges from 2022-23.
- 47 There is now an agreed process in place for the setting of commercial waste charges between the Waste and Finance Departments. Ultimate responsibility for setting the charges lies with the Head of Environmental Services, and they are agreed in consultation with the Finance Manager. The charges for the 2022-23 financial year were set as part of the budget process, commencing in December 2021 and went to the Executive Committee on 07/02/22. As at September 2022, the 2023-24 charges were to be reviewed as part of the budget process which was due to commence shortly.

Conclusions

- 48 Overall, although some progress has been made towards completing the actions agreed in December 2021, a number of issues still remain.
- 49 Actions including: receiving Government funding to cover income lost during the pandemic; clarifying the process for agreeing charges; issuing invoices in a timely manner, have been completed. Some benchmarking against other organisations has also been completed.
- 50 Issues remain in other areas, such as implementing the Webaspx trade module and ensuring duty of care documentation is renewed in a timely manner. Testing on areas including invoicing, WTN renewals, crew sheets and reconciliations to check the accuracy of waste and finance databases highlighted similar issues to the original audit. This included WTNs not being renewed on time, crew sheets not being properly documented and inaccuracies between the waste and finance systems.
- 51 It should be noted that the Commercial Waste Team is small in size and does not currently have the capacity to perform all required tasks to a high standard. The team has made progress in beginning to review customer accounts to ensure a valid WTN is in place. However, this is time-consuming and, with limited resources, it is taking a significant amount of time to complete.
- 52 The implementation of the Webaspx trade module has been delayed until quarter 2, 2023-24. It is expected that when this is implemented, many of the issues raised in this report will be resolved. The system should allow for the automation of information currently documented on paper crew sheets, a chance to integrate with the finance system, allowing for accuracy when invoicing customers, and an opportunity to organise and automate customer and collection information which is currently recorded on various spreadsheets and documents. The implementation of the Webaspx trade module should be progressed as a priority and it needs to be ensured that the functionality does address the issues identified in the audit and in this follow up review.
- 53 An action plan has been agreed at Appendix 2 which sets out the remaining actions still to be completed along with a revised timescale for completion.

Appendix 1 - Summary of progress made by action

Action Ref.:	Issue:	Agreed Action:	Completed? (Y/N)
1.1	Customers have not been invoiced for waste collected during lockdown because the service did not know whether the business was operating.	The council will apply for funding under the Government's Income Compensation Scheme [...] The scheme requires to Council's to fund the first 5% of shortfalls and then will split the balance 75% government funding and 25% council funded.	Y
1.2		The Commercial Waste team will (i) examine and review back office processes for the production of invoices and (ii) benchmark against other service providers regarding their invoice process and timeliness.	Y
2.1	The Waste Service does not have a central management information system and no reconciliations are performed between the records maintained by the Finance and Waste services.	<p>The issuing of duty of care documentation will be transferred from the Commercial Waste Team to Business Support Team. Moving this process will allow the Commercial Waste team to undertake more reconciliations and testing.</p> <p>Management Response: <i>It has been decided that the issuing of duty of care documentation will remain within the Commercial Waste Team. However there is a possibility that further chasing of the documentation could be transferred to Business Support. Further resource has been added to the Commercial Waste Team as part of the recent management restructure. This will be reviewed before assessing whether tasks should be transferred to Business Support to achieve efficiency in processes.</i></p>	N
2.2		<p>The service will review the possibility of transferring crews to use in-cab units through the Webaspx system [...] The system is still in development by the supplier with a target date of quarter 2, 2022.</p> <p>Management Response: <i>The initial target date of quarter 2, 2022 was not met due to the impacts of Covid-19, a lack of resource within the team and a focus on domestic waste. Issues have also been encountered with the domestic module, and so, the team has delayed the implementation of the trade module until these issues have been resolved. It is expected that the trade module will be implemented during quarter 2, 2023-24.</i></p>	N
2.3		The current provision of the service will be reviewed. The transfer of work to the business support team, the development of a commercial waste billing system, a sales team and robust management will be costed and compared to alternative models for the provision of the service.	No longer required

		<p>Management Response: <i>This action was included at the request of the service at a time when expansion of, and investment into, the commercial waste service was a potential option to grow income. Since the pandemic, income has recovered faster than the team initially anticipated. Therefore, this action has been placed on hold and is not considered a necessary step to take at this point in time.</i></p>	
3.1	Waste Transfer Notes are not being renewed in a timely manner.	<p>The task of issuing Waste Transfer Notes will be moved from the Commercial Waste Team to the Business Support Team. This should improve the timelines of renewals.</p> <p>Management Response: <i>As per management response at Action 2.1.</i></p>	N
4.1	Commercial waste income was being collected in cash and the cash-paying customers were not being recorded on the finance system.	<p>Processes have been changed so that no cash is taken/collected and all businesses are required to have an account on the finance system.</p>	Y
5.1	Crew sheets are not being properly completed and the information on the crew sheets is not used or analysed, making them redundant.	<p>The service will review the possibility of transferring crews to use in-cab units through the Webaspx system [...] The system is still in development by the supplier with a target date of quarter 2, 2022.</p> <p>Management Response: <i>As per management response at Action 2.2. Crew sheets are still necessary for attaching round information and tip tickets, however it is anticipated that the implementation of the new system will improve the automation of certain pieces of information currently recorded manually on crew sheets.</i></p>	N
6.1	Ownership for setting commercial waste charges is not assigned to one person and there is confusion over who has responsibility for setting the charges.	<p>The Head of Service will agree the fees and charges in consultation with the Finance Manager. This will be implemented for the setting of charges for 2022/23.</p>	Y

Appendix 2 - Revised action plan to address control weaknesses

Action Number	Issue	Risk	Agreed Action	Priority *	Responsible Officer	Timescale
1	The Waste Service does not have a central management information system.	Income is not collected from customers due to data on the waste and financial management systems being inaccurate.	The service has planned to implement the Webaspx Trade Module during quarter 2, 2023-24. This should ease pressure within the team and help to make certain tasks more efficient, such as reconciling information held on the waste and finance databases and automating crew sheet information.	2	Head of Environmental Services	30 September 2023
	Crew sheets are not being properly completed and the information on the crew sheets is not used or analysed, making them redundant.	Crew workloads are being unnecessarily increased by completing manual crew sheets when the information could be obtained from the automated systems.				
2	Waste Transfer Notes are not being renewed in a timely manner.	Businesses do not have a valid Waste Transfer Note to legally cover the disposal of their waste.	Some resource has been added to the team as a result of the recent management restructure. The impact of this will be assessed before determining whether certain tasks, such as chasing duty of care documentation, should be transferred to Business Support.	2	Head of Environmental Services	30 September 2023

*The priorities for actions are:

- Priority 1: A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
- Priority 2: A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
- Priority 3: The system objectives are not exposed to significant risk, but the issue merits attention by management.

Annex 1 - Commercial Waste Services Audit Report (December 2021)



Commercial Waste
Services - Final Repor