

CANS & CES - Usage and Disposal of Surplus Materials
City of York Council
Internal Audit Report 2013/14

Business Unit: Communities & Neighbourhoods,
Responsible Officer: Director of City and Environmental Services
Service Manager: Head of Highways
Date Issued: 18th February 2014
Status: Final
Reference: 10900/002

	P3	P2	P1
Findings	2	2	0
Overall Audit Opinion	Moderate Assurance		

Summary and Overall Conclusions

Introduction

The Hazel Court Eco Depot houses the stores of materials for use by teams such as Highways and Civil Engineering. Some of this material ends up as surplus to its original project's requirements and can therefore be reused or sold.

All metal identified as scrap is sold to one scrap metal merchant, XXXXXXXXXXXX. Total sales since April 2011 have been over £45,000.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that the controls it has put in place to manage key risks relating to the use, storage and disposal of surplus materials are effective.

The audit covered the following risks:

- Storage arrangements for surplus materials at Hazel Court Eco Depot do not prevent loss.
- The usage of surplus materials is not adequately accounted for to allow for monitoring and prevention of waste and theft.
- Value for money is not maximised either through re-use or sale of surplus materials.
- Income due from the sale of surplus materials is not collected in full.

Key Findings

The key findings relate to the arrangements for collection of scrap metal for recycling.

There is a lack of effective controls in place to manage the reuse of surplus materials, particularly within the Blacksmiths store. While a small store is kept of items which could potentially be reused, there is no monitoring of this stock to ensure items are reused wherever possible. Reused materials are not accounted for which could result in under or overstating materials costs on some jobs. However, no finding or actions have been included in respect of these weaknesses because the level of actual and potential reuse of surplus identified through testing is so low it is unlikely to have a significant impact on the service or the authority. The potential impact on job costing will be considered as part of other audit work looking at charging for private works to ensure the full cost of works is taken into account when charging.

Overall Conclusions

It was found that the arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Moderate Assurance.

Area Reviewed: Log of scrap metal collections

**Severity
Probability**

1	Issue/ Control Weakness
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XX

Risk

XX

Findings

[illegible]

XX
XXX.

1.1 Agreed Action

XX

Priority

2

Responsible Officer

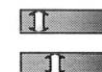
Operations Manager

Timescale

01 May 2014

Area Reviewed: Formal agreement for scrap merchant

Severity
Probability



2 Issue/ Control Weakness

Risk

There is no formal agreement in place with the scrap metal merchant

Lack of clarity of responsibilities and expectations

Findings

There is no formal agreement in place for the skip at the EcoDepot. The skip belongs to XXXXXXXXXXXX scrap merchant and arrangements in place for collection and receiving of income are verbal. This may lead to a lack of clarity over expectations and responsibilities.

Currently all scrap metal is only sold to XXXXXXXXXXXX. The price and service offered by the scrap merchant currently used has not been compared to other scrap metal dealers for best value purposes.

2.1 Agreed Action

Advice will be sought from the Procurement team about undertaking a tendering exercise or a review of other potential scrap dealers for a value for money comparison. A formal agreement will be put in place with the chosen scrap merchant with advice from Legal Services. The formal agreement will specify expectations and responsibilities including payment terms.

Priority

2

Responsible Officer

Operations Manager

Timescale

01 May 2014

Area Reviewed: Invoice processing and document storage

Severity
Probability

11

11

3 Issue/ Control Weakness

Risk

The invoice process currently relies on hard copy paperwork

Delays or errors in raising invoices resulting in potential loss of income to the council

Findings

The average time taken to raise an invoice was 27.6 days with the highest at over 100 days. At the present, the paperwork relating to the sale of scrap is all in hard copy, and it was suggested that use of Documentum could help, as all documents could be available to all members of staff involved without the need for copying and passing on, potentially reducing some delays and storage needs.

3.1 Agreed Action

All invoices will be raised within 7 days from the collection of the scrap metal

Priority

3

Responsible Officer

Operations Manager

Timescale

01 May 2014

3.2 Agreed Action

A shared area will be used to store documents relating to the sale of scrap metal

Priority

3

Responsible Officer

Operations Manager

Timescale

01 May 2014

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

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.

