

East Staffordshire Borough Council

Internal Audit Report 2018/19 Waste Management – Smarter Waste FINAL

August 2018



Bringing public value to life

cw audit
internal audit services

Contents

Section	Page
---------	------

1. What we found in summary	3
2. The context for our review	4
3. What we agreed to do	6
4. Our findings and how management has responded .	7

Appendix 1: Definition of our assurance levels and risk rankings

Appendix 2: Responsibility statements

1. What we found in summary

The audit has identified that the Smarter Waste project was implemented effectively. The recommendation made to Cabinet to acquire two new waste collection vehicles, introduce a new collection route and optimize all other routes was supported by appropriate evidence outlining the need for change. Early indications are that the new routes are delivering on desired outcomes in terms of improving finishing times although the absence of formally identified target benefits prior to implementation of the project presents some difficulty in definitively establishing its success against original expectations. Thus, while raising no major concerns in relation to the implementation of the Smarter Waste project per se, the key recommendation arising from this audit is an opportunity for learning for other projects – that expected benefits should be clearly defined in measurable terms in project initiation documentation. This makes the task of determining whether a project has been a success easier to deliver.

Assurance level

The key issues that management must address

Significant assurance

- We have not highlighted any significant issues regarding the implementation of the Smarter Waste project beyond a general observation for learning purposes for other projects regarding the need to clearly identify measurable target benefits in project initiation documentation.

Individual control objectives

Key control objectives	Level of assurance				
	Full	Significant	Moderate	Limited	No
The recommendation made to Cabinet to procure additional vehicles and employ additional staff was based on documented, accurate evidence of the issues facing the waste collection service and of the benefits that would be gained through increasing the number of collection routes		✓			
Waste collection staff were appropriately consulted about proposed route adjustments, with the risks associated with implementation of new routes (principally, missed bin collections,) being minimised.		✓			

Key control objectives	Level of assurance				
	Full	Significant	Moderate	Limited	No
The public were appropriately advised of the changes in waste collection days to minimise the risk of complaints.	✓				
Monitoring of the outcome of the project's implementation is appropriate and based on accurate data.	✓				

Our assurance level and risk rankings are defined in Appendix 1.

2. The context for our review

General background

An internal audit review of the Council's Waste Management – Smarter Waste project has recently been completed. This review was carried out as part of the 2018/19 internal audit plan agreed by the Audit Committee.

The East Staffordshire Local Plan identifies that the Borough Council will provide for considerable housing growth across the borough over the plan period 2012-2031. The level of growth already experienced since 2012 has placed pressures on the waste collection service. As a result, an increasing number of collection rounds were not being completed within the standard working day, increasing overtime payments and placing a strain on an ageing workforce.

In view of this, and expected further increases in the number of houses in the area, a review of the collection of waste was undertaken using software that optimises each waste round and determines the 'best fit,' taking into account current dwellings and future housing developments.

The result of this review was a recommendation that a project be implemented to create an additional waste collection route (with existing routes revised following consultation with existing staff), with the procurement of two additional waste collection vehicles and the employment of two additional crews, with three members of staff in each crew. This recommendation was accepted by Council Members and the revised collecting schedule was implemented on the 5th of March 2018 following a publicity campaign advising home owners of the adjustments to collection days. The Environment Manager is scheduled to undertake a review of the outcomes of the project after the new routes have been operating for six months, reporting to Council Members in November 2018.

The system

The software package that was utilised to calculate optimum waste collection routes is called RouteSmart. It is widely applied within Local Government organisations for a number of uses including waste collection and street cleaning. The Council has had a license for the software for several years, although this was the first time it was used to conduct a review of all waste collection routes for full optimization purposes. The package draws on data collected by another IT system (Bartec) which records detailed information on a real-time basis on each waste collection round. This allowed forecasts to be made on how collection routes could be optimized to maximize the potential for their completion on time, thus reducing pressure on waste collection staff to work additional hours, which in turn was expected to have an impact in reducing the level of overtime claimed. All routes were optimized based on future housing needs, with the result being that adjustments to all routes and the creation of an additional route (requiring two vehicles and additional staff) was recommended.

A detailed report was prepared and presented to Cabinet in July 2017 which clearly set out the need for change, highlighting factors such as the percentage of occasions collection rounds were exceeding scheduled completion times, the 58% increase in overtime costs for collection staff between 2013/14 and 2016/17, and expected future increases in housing and, therefore, demand the service. The results of using RouteSmart to calculate new routes were included in the report, with references to the potential positive impact of the new routes, although no formal benefit targets were identified. Detailed costs of implementing the recommendation were also included in the report. Following approval by Cabinet of the recommendation, a project implementation plan was prepared and implemented, with a working group led by the Environment Manager meeting on a bi-weekly basis to monitor and ensure that necessary tasks were being completed.

Waste collection staff were kept fully informed of the project's implementation, with an informal consultation process being followed that involved regular minuted meetings with staff side representatives (formal consultation was not necessary as Terms & Conditions were not being changed but it was nevertheless considered important to keep staff appraised of progress). Staff were provided with an opportunity to comment on proposed new routes and were also spoken to individually when crews were allocated to these routes. A key principle applied to the allocation of staff to the new collection routes was to include at least one member of staff in the crew who had experience of the majority of the route to minimize the risk of missed bin collections in the initial weeks of the route being introduced.

A Communications Plan was prepared and implemented to ensure that residents were aware of the changes to the days on which their waste would be collected. The key elements of this Plan were the fixing of tags to all bins on two occasions (approximately 3 months and then again 2 weeks before the changes were made) and the distribution of new calendars to every household 4 weeks before the changes were made. This was supplemented by press releases, social media notifications and information about the change on the Council's website.

The Environment Manager has some initial post implementation review data in the form of a brief presentation which included some information reflecting on waste collection performance after the project had been implemented for 3 months. The presentation was made to the Deputy Leader (Environment) and provided data on finishing times for the new waste collection rounds and tonnage weights of waste collected, comparing performance from March to May 2018 with periods from 2017/18. As noted above, a more detailed review of the project's implementation and outcome is planned as the Environment Manager has to prepare a post implementation report for Members, which is due to be reported in November 2018. This report provides some suggestions on what that report could include.

3. What we agreed to do

The overall objective in undertaking this review was to ensure, through a process of systems evaluation and compliance testing, that there is an appropriate control framework in place to manage the following key risks and to deliver key system control objectives:

The key risks

The following risks are associated with this matter:

- Poor project implementation could lead to desired outcomes not being met.
- Reporting of waste collection performance could be inaccurate.
- Failures in effective implementation of changes to waste collection routes could lead to the Council missing relevant targets.

System control objectives

- The recommendation made to Cabinet to procure additional vehicles and employ additional staff was based on documented, accurate evidence of the issues facing the waste collection service and of the benefits that would be gained through increasing the number of collection routes.
- Waste collection staff were appropriately consulted about proposed route adjustments, with the risks associated with implementation of new routes (principally, missed bin collections,) being minimised.
- The public were appropriately advised of the changes in waste collection days to minimise the risk of complaints.
- Monitoring of the outcome of the project's implementation is appropriate and based on accurate data.

The results of this review have been discussed with the Environment Manager. Actions to resolve control weaknesses have been agreed where necessary and these are shown in Section 4.

We have delivered this review in accordance with the statements made in Appendix 2.

4. Our findings and how management has responded

System Control Objective 1: The recommendation made to Cabinet to procure additional vehicles and employ additional staff was based on documented, accurate evidence of the issues facing the waste collection service and of the benefits that would be gained through increasing the number of collection routes.

Area	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and when
1.1 Benefits Realisation Targets	Although the report to Cabinet which set out the case for change included some reference to the potential positive impact on finishing times of collection routes of implementing the recommended actions, no formal benefit targets were set. This was despite factors being highlighted such as increasing overtime costs, percentages of occasions collection routes were being completed beyond scheduled finish times and the impact of then current workloads on an ageing workforce. Had measurable targets have been set in these areas it would have been easier to establish at a later point whether the project has achieved desired aims.	Failure to identify measurable benefit targets at the outset of a project increases the risk that the project will not deliver against desired outcomes.	3	The Council should ensure that measurable benefit targets are established prior to the implementation of every project.	This recommendation is accepted in general, although it should be recognised that the waste collection service has to remain flexible to continual change which can affect the demands on the service and the level of resource. Variables such as housing growth, traffic and weather conditions, collection tonnages, etc. all affect the service and may therefore impact on any targets set. The overall targets were achieved.	Chris Ebberley, C&C Manager, and Programme Office Immediate.

System Control Objective 2: Waste collection staff were appropriately consulted about proposed route adjustments, with the risks associated with implementation of new routes (principally, missed bin collections,) being minimised.

Area	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and when
2.1 Minimisation of Risks Associated with Implementation of the Project	<p>With all collection routes being reviewed and updated, it was recognized that there was an increased risk of missed bin collections until all crews were familiar with the new routes. To minimize this risk, at least one member of staff who was experienced in the majority of the new route was included in each crew.</p> <p>As expected, there was an increase in the number of bins that were missed when the new routes were implemented. However, the numbers of missed bins have not yet returned to the levels that they were prior to the new routes being introduced.</p> <p>Levels of missed collections are not excessively high (although the Council's target is not being met) and management are identifying actions to improve performance. Hence, we are raising it as an issue in this report primarily for monitoring purposes to enable clearance of the issue to be reviewed during the follow-up audit.</p>	Missed bin collections continue to be experienced at higher levels than expected, leading to dissatisfaction with the service being provided.	4	Continue to monitor missed bin collections, identifying reasons for failures and taking action where necessary to reduce the number of missed bin collections presently being experienced.	<p>Missed bins are monitored on a monthly basis and performance is reported to members each quarter.</p> <p>An improvement plan has been implemented to improve performance levels.</p>	<p>Paul Farrer, Environment Manager</p> <p>In place.</p>

System Control Objective 3: The public were appropriately advised of the changes in waste collection days to minimise the risk of complaints.

We did not identify any specific concerns in relation to the delivery of this control objective.

System Control Objective 4: Monitoring of the outcome of the project's implementation is appropriate and based on accurate data.

Area	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and when
4.1 Post Implementation Review Report	<p>Since a Post Implementation Review report is scheduled for completion and presentation to Members in November 2018, we are not highlighting any weaknesses in the delivery of this system control objective. The purpose of this finding is, rather, to provide some suggestions in respect of subjects it could reasonably include.</p> <p>Drawing on the need for the report to comment on the achievement of desired outcomes, potential areas for inclusion include:</p> <ul style="list-style-type: none"> • Reflection on the impact on finishing times, adjusted if possible for temporary factors such as the bridge closure and delays at the waste disposal centre currently being discussed with the contractor that owns the centre; • Exploring whether it is possible to determine the impact of the project on overtime claims; • Impact on the workload of collection staff (having highlighted the ageing workforce in the original report to Cabinet) 	The review may not include adequate reference to the project's outcomes.	4	Consider the areas highlighted for potential inclusion in the Post Implementation Review report.	Noted.	<p>Paul Farrer, Environment Manager</p> <p>Report due November 2018.</p>

Appendix 1: Definition of our assurance levels and our risk rankings

Opinion	Assessment rationale
No	The audit highlighted weaknesses in the design or operation of controls that have not only had a significant impact on the delivery of key system objectives, they have also impacted on the delivery of the organisation's strategic objectives. As a result, no assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of both system and strategic objectives.
Limited	The audit highlighted some weaknesses in the design or operation of control that have had a serious impact on the delivery of key system objectives, and could also impact on the delivery of some or all of the organisation's strategic objectives. As a result, only limited assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Moderate	The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives. As a result, only moderate assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Significant	The audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. The audit did find some low impact control weaknesses detailed in section four of this report which, if addressed, would improve the overall performance of the system. However these weaknesses do not affect key controls and are unlikely to impair the achievement of the system's objectives. As a result, significant assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Full	The audit did not highlight any weaknesses that would impact on the achievement of the system's key objectives. It has therefore been concluded that key controls have been adequately designed and are operating effectively to deliver the key objectives of the system. As a result, full assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, prevented the system from meeting its objectives and also impacted on the delivery of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that has, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of some or all of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that has, or could, reduce its operational effectiveness.

Appendix 2: Responsibility statements

Disclosure statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it. In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 you are required to disclose any information contained in this report, then you will notify CW Audit Services promptly and consult with us prior to disclosing such report. You agree to pay due regard to any representations which we may make in connection with such disclosure and apply any relevant exemptions which may exist under the Act. If, following consultation with us, you disclose this report or any part thereof, it shall ensure that any disclaimer which we have included, or may subsequently wish to include in the information, is reproduced in full in any copies disclosed.

Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.

General statement

This report highlights findings on an exception basis and does not therefore include detail of controls that the audit found to be operating satisfactorily. Our opinion provides an overall assessment regarding the level of assurance we can provide regarding the controls operating in the system. The review will feed into the Head of Internal Audit Opinion which in turn forms part of the assurance for the Annual Governance Statement. Implementation of recommendations will be monitored by the Audit Committee.