

Internal Audit Report Waste Treatment Facility

Executive Summary

1. Background

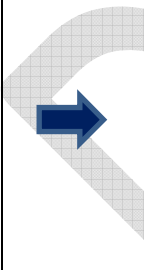
- 1.1 Household waste from Barnsley, Doncaster and Rotherham Councils (BDR) is processed at a newly constructed waste treatment facility located at the Council's Bolton Road Manvers site.
- 1.2 The facility is operated by 3SE, a partnership between Shanks Group plc (a specialist waste contractor) and Scottish & Southern Energy plc, and contracted to treat the residual waste of the three Councils for a period of 25 years.
- 1.3 The site became fully operational in July 2015.

2. Scope and Objectives

- 2.1 The audit will test compliance with contract conditions in accordance with the Project Agreement. The audit will focus on the robustness of the payments process and the accuracy and validity of performance data, focusing particularly on those performance measures that have financial or service delivery implications.

3. Overall Audit Opinion

The overall opinion is: **Substantial Assurance.**

Position	Rating	Definition
	Substantial Assurance	Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk. The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.
	Reasonable Assurance	Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk. There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.
	Partial Assurance	Partial assurance as weaknesses in the design or application of controls put the achievement of the

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Position	Rating	Definition
		<p>service's objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed.</p> <p>Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p>
	No Assurance	<p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse.</p> <p>Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p>

This opinion contributes to Internal Audit's annual assessment of the Council's overall control environment, which in turn contributes to the production of the Council's Annual Governance Statement.

4. Summary of Conclusions

Risk Assurance Objective	Assurance Level			
	Substantial	Reasonable	Partial	No
All agreed recommendations from the previous audit conducted in 2016 been implemented in full?	✓			
Payments made from BDR to 3SE are correct and in line with the contract payment mechanism.	✓			
Outputs from the Transfer station are accurate, adequately recorded and effectively monitored.	✓			
Adequate performance monitoring arrangements are place.	✓			
Barnsley, Doncaster and Rotherham are correctly recharged as per the agreed	✓			

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contract terms/Inter Authority Agreement.				
The BDR Client Team has progressed the 'year-end' calculations in line with the agreed contract terms.	✓			

4.1 The audit has confirmed that the controls and processes in place for the effective management of the BDR waste treatment contract were operating in an effective manner at the time of the review.

5. Limitations relating to the Internal Auditor's Work

5.1 The matters raised in this report are limited to those that came to our attention, from the relevant samples selected, during the course of our audit and to the extent that every system is subject to inherent weaknesses such as human error or the deliberate circumvention of controls. Our assessment of the controls, which are developed and maintained by management, is also limited to the time of the audit and cannot take account of future changes in the control environment.

6. Acknowledgements

6.1 Internal Audit would like to thank all involved for their assistance during this review.