



Landfill Revenue Collection

For Audit & Risk Committee

November 2017

1. Executive Summary

1.1 Overall Findings and Conclusions

The objective of the Review was met. We reviewed the processes to calculate, collect and record revenues received. We also completed some comparison of revenue to tonnes received, where practical. Generally systems were properly designed and set up and they provided monitoring information for a revenue stream of \$3m.

A particular focus of the review was on cash handling. The controls, for cash handling, in place were as follows:

- ✓ Selection of staff was by using more than one method to verify skills and experience.
- ✓ New staff to the cash handling role, and staff on transfer, had criminal and credit checks completed.
- ✓ Quarterly cash spot checks were in place to ensure that daily cash reconciliations were completed, signed and the money was banked.
- ✓ One Division collected the cash and another Division confirmed the count.
- ✓ There was Manager observation of cash operations.

However, we could not be sure that the cash income collected, at the Awapuni Landfill, weighbridge kiosk, Ferguson Recycling Centre or Ashhurst Transfer Station, was complete. We recommend that Management Team Policy MT 81 Cash Handling is followed more closely, in the following respects, to reduce the risks:

- × More effective cash spot checks (in conjunction with Internal Audit checks).
 - × Put in place single accountability at Ferguson Street (one staff not two handles cash).
- Also:
- × Develop a policy on the use of Closed Circuit TV (CCTV) including when CCTV should be reviewed.
 - × Verify that agency staff have criminal and credit checks completed before the agencies staff are used for cash handling.
 - × Providing clear written instructions for staff on how to handle and bank cash at Ferguson Street following a change to banking procedures.

1.2 Background

This review is scheduled in the approved Internal Audit Plan for 2017/18. See the Terms of Reference in Appendix A for more detail on the agreed objectives, scope and approach for this review.

Rubbish and recycling services were provided for ratepayers by the Solid Waste Division of the City Enterprises business unit by Service Level Agreements controlled by City Networks. 2017/18 - Total External Revenue for 2017/18 was budgeted at \$2.971m with Total Expenses of \$7.250m. (Annual Budget 2017/18 p54). Targeted Rates are set to recover \$5.088m (Annual Budget 2017/18 p 82). 2016/17 - Actual External Revenue of \$3.083m (Annual Report 2016/17p94), excluding rates funding \$3.620m, provided via Service Level Agreements. There was evidence of the increasing efficiency of the operational service and of sustained total External Revenues, despite commodity price fluctuation.

2. Summary of Issues & Recommendations

	Issue & Recommendation	Risk Rating		
		High	Medium	Low
1.	<p>Management Team Policy, MT 81 Cash Handling, not followed in respect to completing cash spot checks</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Make the quarterly surprise cash spot checks completed by City Enterprises Administration Division more effective by regularly following through an observed transaction. b) Complete its own surprise spot checks on a regular basis that includes regularly following through an observed transaction. c) Better communicate MT81, such as by including in MT81 an explanation of the purpose of following transactions. 	✓		
2.	<p>Shared responsibility for cash handling not in accord with Management Team Policy, MT 81 Cash Handling, at Ferguson Street Recycling Depot</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Follow the MT Cash Handling Policy, MT81, regarding single accountability at Ferguson Street. b) Complete the Review of MT81 currently underway. c) Seal bankings, in tamper evident bags, at the end of each day. d) Change the safe combination when staff change and record the names of who know the new combination. e) Ensure that the change in banking procedure is included in the written instructions to staff. 	✓		
3.	<p>CCTV not regularly reviewed</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Complete the CCTV Policy. b) Train managers in the CCTV Policy. c) Schedule regular video reviews. 		✓	
4.	<p>Use of agency staff in cash handling roles - frequency and vetting</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Ensure that agency completes criminal and credit checks for staff to be employed in cash handling roles. b) Fill established positions promptly to save the higher cost of agency staff. 			✓

	Issue & Recommendation	Risk Rating		
		High	Medium	Low
5.	<p>No process yet to ensure the replacement for System 3000 meets the business needs</p> <p>Management should:</p> <p>a) Before renewing the System 3000, weighbridge software, prepare a business requirements analysis so as to ensure the software addresses the shortcomings of the current system which included interface coding, billing, monitoring and reporting.</p>			✓
6.	<p>Kiosk and software renewal – ‘cashless’ only option should be considered in planning</p> <p>Management should:</p> <p>a) Consider and promote ‘cashless’ options in planning (in the Business Requirements Analysis) for kiosk and software renewal.</p>			✓
7.	<p>Solid Waste should reconcile the weight of the glass it ships to the glass recycler to ensure the accuracy of the sales invoicing</p> <p>Management should:</p> <p>a) Complete a glass, tonnage reconciliation between tonnes of glass shipped and received to ensure the correctness of glass sales invoicing.</p>		✓	
8.	<p>Lack of marketing to new residents about types of rubbish sacks and to the public that the Awapuni landfill does not accept general waste</p> <p>Management should:</p> <p>a) Run an advertisement in the Square Circular that Awapuni Landfill does not accept general waste.</p> <p>b) Change the label on the PNCC sacks to identify the type of refuse it can be used for and in stores to clearly identify the difference between Manawatu District Council (MDC) sacks and PNCC sacks.</p>			✓

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Management Team Policy, MT 81 Cash Handling, not followed in respect to completing cash spot checks</p> <p>Criteria</p> <p>Cash income should be recorded completely and promptly and regularly banked. Spot checks should be completed by managers. MT81 states, 'Managers are responsible for ensuring the proper procedures are being undertaken and transactions are being recorded accurately. One way of verifying this is to undertake regular spot checks on cashier staff, with certain transactions being followed through to make sure the proper procedures are being undertaken.'</p> <p>Condition</p> <p>Cash income was received at three solid waste sites: Awapuni Landfill Kiosk; Ferguson St Recycling Depot; and Ashhurst Transfer Station.</p> <ul style="list-style-type: none"> ✓ Cash reconciliations were completed daily and regularly and promptly. ✓ Cash was counted and reconciled at Front of House and by City Corporate Finance Division. ✓ There was signing of the transfer of cash between sites. ✓ Long serving staff were employed. × The Cash spot checks completed by City Enterprises Administration Division, with advice from Internal Audit, were completed quarterly and to date had not involved tracing observed transactions to the till roll to ensure they were correctly accounted for. × The manager and the supervisor did not complete spot checks in the way suggested in the Policy, although they did regular observations of the operations. <p>Causes</p> <p>Lack of familiarity with, or communication of MT 81 Cash Handling Policy.</p> <p>Consequences</p>	<p>High</p>	<p>Management should:</p> <ul style="list-style-type: none"> a) Make the quarterly surprise cash spot checks completed by City Enterprises Administration Division more effective by regularly following through an observed transaction. b) Complete its own surprise spot checks on a regular basis that includes regularly following through an observed transaction. c) Better communicate MT81, such as by including in MT81 an explanation of the purpose of following transactions. 	<ul style="list-style-type: none"> a) Currently spot checks are undertaken on behalf of and by agreement with internal auditors and reported regularly to Audit & Risk Committee. Happy to amend these audits and processes to any new requirements of Auditors. b) Agree and will implement in tandem with a) and any suggested new processes by Auditors. c) Finance Manager is reviewing the Policy at MT request particularly in regard to the \$ limits for security of cash during transit. <p>Responsibility: General Manager City Enterprises</p> <p>Timing: Before end March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
Lack of assurance that income accurately and completely recorded.			
<p>2. Shared responsibility for cash handling not in accord with Management Team Policy, MT 81, Cash Handling, at Ferguson Street Recycling Depot</p> <p>Criteria</p> <p>'Individual accountability for cash must be maintained throughout all cash handling operations and documented.' (MT81, Cash Handling, 2010). For accountability, training and continuity reasons cash handling procedures should be in writing.</p> <p>Condition</p> <p>a) More than one staff operate the till at any one time</p> <p>Any of five permanent staff, and two staff from staffing agencies, was jointly responsible for cash handling duties at the Ferguson Street Recycling Depot during daily operations. Staff on the rota could enter the sales office if they were working in proximity to the arrival of a customer. Two staff shared responsibility at any one time.</p> <p>b) Banking procedures were at odd with good practice suggestions where changing safe combinations when staff left and the use of a sealed bag for cash were not practiced.</p> <p>c) The banking procedures were not in writing.</p> <p>Causes</p> <p>Practical reasons for dual responsibility for the till due to the nature of how work is organised at the site. The design of the new banking procedure, introduced by the new manager, was not mindful of the requirement of MT81, and the new procedure was not put in writing, in the form of an instruction to staff. There was no information as to when the combination to the safe had</p>	High	<p>Management should:</p> <p>a) Follow the MT Cash Handling Policy, MT81, regarding single accountability.</p> <p>b) Complete the Review of MT81 currently underway.</p> <p>c) Seal bankings in a tamper evident bag at the end of each day.</p> <p>d) Change the safe combination and record the names of who know the new combination.</p> <p>e) Ensure that the change in banking procedure is included in the written instructions to staff.</p>	<p>a) Operationally this is not practical. The level of business doesn't warrant a dedicated cashier.</p> <p>b) Will discuss with Finance Manager who is completing the Policy Review.</p> <p>c) Agree and will implement.</p> <p>d) Agree and will implement. However, only a small number of key staff knows the combination of drop slot safe.</p> <p>e) Agree and will implement.</p> <p>Responsibility: Waste Operations Manager</p> <p>Timing: Before end March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>last been changed. A small number of key staff who knew the combination were able to be identified, one of whom had recently left.</p> <p>Consequences</p> <p>The organisation violates its own Policy and the Council's assets may be at risk.</p>			
<p>3. CCTV not regularly reviewed</p> <p>Criteria</p> <p>In the operation of its CCTV surveillance of the public and staff at Awapuni Landfill and Ferguson Street Recycling Depot, PNCC should comply with the applicable Privacy Act Principles.</p> <p>Senior management had determined that regular review of videos was a desirable control following issues, resolved at the time, at Awapuni Landfill. At the Audit and Risk Committee of 22 Nov 2017 a resolution was passed directing the development of a CCTV Policy.</p> <p>Condition</p> <p>The regular review of videos was not completed. Management were unsure if the proposed reviews or current operations complied with the Privacy Act Principles and protected staff and customer rights to privacy, such as security and storage of video data, and consent to video. The video system at Awapuni Landfill was being upgraded.</p> <p>Further investigation indicated that they did.</p> <p>We were subsequently advised that there is an HR Protocol that governs Security cameras and their use, Employee Information Access Protocol. This set out the location of security cameras at the Civic Administration Building, their access and the storage of data. A storage limit for images from the CAB cameras of three months applied and the images were stored on a separate computer network. Although the specifics of the set up in</p>	Medium	<p>Management should:</p> <p>a) Complete the CCTV Policy. b) Train managers in the CCTV Policy.</p> <p>c) Schedule the regular security video reviews.</p>	<p>a) &b) It has been decided to review the Employee Information Access Protocol to authorise the random review of videos covering staff cash handling. This will take into account the requirements of the Privacy Act and consultation with staff representatives.</p> <p>Responsibility: Human Resources Manager</p> <p>Timing: Before End March 2018</p> <p>c) Agree and will implement the random review of videos for the cash handling sites.</p> <p>Responsibility: Waste Operations Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Solid Waste are not described, they are similar to those at the CAB, such as a separate network, and management confirmed that the general protocol for access to videos via HR applied.</p> <p>Causes</p> <p>There was no prior awareness of the Protocol.</p> <p>Consequence</p> <p>Management intentions may not be followed. There could be a breach of privacy rights.</p>			
<p>4. Use of agency staff in cash handling roles - frequency and vetting</p> <p>Criteria</p> <p>If agency staff cost more than permanent staff then their use should be minimised and permanent replacements appointed quickly.</p> <p>Agency staff appointed to cash handling roles should be subject to the same vetting as permanent staff. The Agency should be requested to provide a proof the vetting was completed.</p> <p>Condition</p> <p>An agency staff had been employed for 5 or six hours a day, at the Awapuni Landfill kiosk, since February 2017. One agency staff was at Ferguson Street and had been employed on and off for the past three years and more in the past year. Agency staff were less economic (based on hourly rates comparison) to employ than permanent staff in these roles, but offered flexibility. We were unable to establish if vetting was completed for either agency staff. No records of vetting were provided to us as proof.</p> <p>Causes</p>	<p>Low</p>	<p>Management should:</p> <ul style="list-style-type: none"> a) Ensure that agency completes criminal and credit checks for staff to be employed in cash handling roles. b) Fill established positions promptly to save the higher cost of agency staff. 	<ul style="list-style-type: none"> a) Standard Terms & Conditions of agency engagements provides that criminal checks have been done. Will consider credit check issue implications and provision. b) Agree the need to fill vacancies promptly, which is imperative for operational needs. The Agency staff employed provides cover for difficult to fill weekend shifts and flexibility to operations. Often agency staff are the best option operationally. <p>Responsibility: General Manager City Enterprises</p> <p>Timing: Completed</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>To provide the necessary flexibility and to share the risks of employing permanent staff.</p> <p>There was no clear responsibility as to who should complete vetting for agency staff in a cash handling role.</p> <p>Consequence</p> <p>Labour costs may be higher than necessary. Un-vetted staff may be employed in cash handling roles.</p>			
<p>5. No process yet to ensure the replacement for System 3000 meets the business needs</p> <p>Criteria</p> <p>When replacing software a Business Requirements Analysis should be completed. This will ensure the replacement software meets the business needs as far as is possible. A request should be raised with IT Business Analysis team who prioritise and facilitate the analysis.</p> <p>Condition</p> <p>We found:</p> <p>a) System 3000 weighbridge software was no longer supported and was due for replacement, which process was just beginning.</p> <p>b) There were some issues with the current systems:</p> <ul style="list-style-type: none"> • The reporting by sales type from Ozone was unhelpful leading management to use System 3000 for reporting purposes, This resulted from: <ul style="list-style-type: none"> – Inconsistent use of the post code categories e.g. plastics in both post codes. – Non-use of the available sub job e.g. food waste. – Unhelpful sub job structure e.g. no distinction between revenue for 	Low	<p>Management should:</p> <p>a) Before renewing the System 3000, weighbridge software ,prepare a business requirements analysis so as to ensure the software addresses the shortcomings of the current system, which included interface coding, billing, monitoring and reporting.</p>	<p>a) Agree and will implement. A request sent to IT 18/10/17 by City Networks.</p> <p>Responsibility: General Manager City Networks</p> <p>Timing: Completed</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>fibre (from cardboard) or from plastics (4 types) or by type of green waste and compost.</p> <ul style="list-style-type: none"> Large Excel spreadsheets with multiple tabs and manual data input were used to support billing calculations, for monitoring, and for Solid Waste Division reporting. <p>Causes</p> <p>The System 3000 had reached the end of its life. The interface between the two systems (Ozone and System 3000) was not effectively set up and had not been reviewed for some years. Neither accounting system, Ozone or System 3000 met the required accounting, monitoring and reporting needs of the Division. As yet no process was planned for the renewal of the software.</p> <p>Consequences</p> <p>The managers used the System 3000, for reporting sales type, rather than the Financial reporting system. Users unfamiliar to this procedure could waste time trying to obtain a sales analysis. Reporting, monitoring and billing use manual input. As the system was old the database had limited storage making archiving necessary. Year on year reporting comparison was not possible.</p>			
<p>6. Kiosk and software renewal – ‘cashless’ only option should be considered in planning</p> <p>Criteria</p> <p>Cashless operations would remove the risks and costs in cash handling at the three solid waste sites. Before replacing the weighbridge software and completing the renewal of the kiosk it would be prudent to consider payment options that reduce or remove cash, currently cash, eftpos and account are the payment options. These could include only admitting preregistered sellers who settle their payments other than at the entry point. Such a method is used by the commercial Landfill run by Gorilla Waste, Auckland. Another option would be to only accept Eftpos or account payments.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Consider and promote ‘cashless’ options in planning (in the Business Requirements Analysis) for kiosk and software renewal.</p>	<p>a) Agree. We encourage Eftpos but the reality is the public expect and need a cash facility. Currently cash accounts for 43 % of revenues.</p> <p>Responsibility: General Manager City Enterprises</p> <p>Timing: In conjunction with the renewal process.</p>

Audit Issue	Risk	Recommendation	Management Comment																
<p>Condition</p> <p>Systems at the weighbridge were under review because both the software and the kiosk building were due for renewal. Currently only cash and Eftpos are acceptable payment options for the general public. Research into cash use around the world, completed in 2017, concluded that, half of New Zealanders think that we won't be using cash in ten years' time, and over two-thirds rarely carry cash now. However, payment by cash remained a popular method of payment.</p> <p>Table 1 - 2016/17 Awapuni Landfill Kiosk Sales Analysis</p> <table border="1" data-bbox="304 603 1043 858"> <thead> <tr> <th></th> <th>Amount (including GST)</th> <th>GST</th> <th>Net income</th> </tr> </thead> <tbody> <tr> <td>Account</td> <td>\$843,884</td> <td>\$93,366</td> <td>\$750,518</td> </tr> <tr> <td>Cash</td> <td>\$186,507</td> <td>\$24,319</td> <td>\$162,188</td> </tr> <tr> <td>Eftpos</td> <td>\$247,751</td> <td>\$32,341</td> <td>\$215,410</td> </tr> </tbody> </table> <p>Causes</p> <p>There are doubts about the public acceptability of an Eftpos only service. Cash affords privacy and choice to the payer. The cash Eftpos split for 2016/17 was 43% of recorded transactions were cash and 57% were made by Eftpos. This would appear to be inconsistent with the greater use of cashless options.</p> <p>Consequence</p> <p>If planning does not consider the general trends to cashless an opportunity to reduce the risks in cash handling operations may be overlooked.</p>		Amount (including GST)	GST	Net income	Account	\$843,884	\$93,366	\$750,518	Cash	\$186,507	\$24,319	\$162,188	Eftpos	\$247,751	\$32,341	\$215,410			
	Amount (including GST)	GST	Net income																
Account	\$843,884	\$93,366	\$750,518																
Cash	\$186,507	\$24,319	\$162,188																
Eftpos	\$247,751	\$32,341	\$215,410																
<p>7. Solid Waste should reconcile the weight of the glass it ships to the glass recycler to ensure the accuracy of the sales invoicing</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Complete a glass, tonnage</p>	<p>a) Agree and will implement</p>																

Audit Issue	Risk	Recommendation	Management Comment
<p>Criteria</p> <p>Solid Waste should reconcile the weight of the glass it ships to the glass recycler because invoicing uses the weight dockets from the recycler for sales invoicing.</p> <p>Condition</p> <p>Glass is collected by Solid Waste Division from three sources: the domestic glass street collection from residents; from the commercial collections from establishments such as bars; and from public drop off. The glass is taken from the collection and dropped off at Awapuni Landfill or to a freight depot ready to ship to the recycler in Auckland by road or rail A reorganised process (mid October 2017 start) will see the majority of the glass shipped to Auckland from the Awapuni Landfill, rather than mainly from the freight depot.</p> <p>Containers are weighed before shipping by rail from the freight depot, or from Awapuni Landfill. No reconciliation was performed between the weight of glass shipped (as recorded on despatch) and the weight of glass received by the recycler. The latter dockets are sent to PNCC and used for sales invoicing. There was full recovery of glass with near zero wastage.</p> <p>Reasonableness checks were used by the Manager.</p> <p>Causes</p> <p>Staff said that completing the reconciliation had been attempted but had proved too difficult.</p> <p>Consequences</p> <p>There was no assurance that weighing, and billing based on the weight stated by the recycler, was correct</p>		<p>reconciliation between tonnes of glass shipped and received to ensure the correctness of glass sales invoicing. If necessary seek advice from the Unit Management Accountant (Grant Jensen) on setting up the reconciliation).</p>	<p>recommendation. This is currently being investigated. Current procedures do have checks and verification of weight.</p> <p>Responsibility: General Manager City Enterprises</p> <p>Timing: Before end March 2018</p>
<p>8. Lack of marketing to new residents about types of rubbish sacks and to the public that the Awapuni landfill does not</p>	<p>Low</p>	<p>Management should:</p>	

Audit Issue	Risk	Recommendation	Management Comment
<p>accept general waste</p> <p>Criteria</p> <p>The services available at the Landfill should be effectively communicated to the public to avoid them travelling for a service that is not available. Council rubbish sacks should be clearly labelled on the packet and in stores.</p> <p>Condition</p> <p>a) At least one vehicle a day (estimated by staff) arrives at the Awapuni Landfill expecting to drop off general waste, but this service is not offered at Awapuni Landfill.</p> <p>b) Some residents could be confused about which Councils' rubbish sacks to purchase and to what use they should be put (green or general) and may result in fly tipping outside the Transfer Stations if the incorrect bag is purchased.</p> <p>Cause</p> <p>There was little marketing of Solid Waste activities (based on dollar value) carried out. However, the bags were different colours and the bundles were labelled. Shop displays may not always be as clear as they could be.</p> <p>Consequences</p> <p>Confusion and fly tipping.</p>		<p>a) Run an advertisement in the Square Circular that Awapuni Landfill does not accept general waste.</p> <p>b) Change the label on the PNCC sacks to identify the type of refuse it can be used for and in stores to clearly identify the difference between Manawatu District Council (MDC) sacks and PNCC sacks.</p>	<p>a)&b) are not significant issues from an operational perspective or the Terms of Reference. Will discuss with City Networks. PNCC sacks are green and MDC blue.</p> <p>Responsibility: Waste Operations Manager</p> <p>a) We have recently revamped our website and there is lots of information out there. We will put an advertisement in the Square Circular.</p> <p>b) Disagree. This information is on the back of the rubbish sacks and this is sufficient.</p> <p>Waste & Recycling Engineer, City Networks.</p> <p>Timing: Before end March 2018</p>

Appendix A

1. Objective and Scope

The objective of this review was to review of the processes used at the landfills to calculate, collect and record revenue. If possible, this was to include some analysis between the Revenue and the Tonnes of waste collected.

Definition

Landfills – Awapuni Landfill and Ashhurst Transfer Station, e-waste Ferguson Street.

Scope of the work

Any matter that was, or could be, related to the audit objectives.

Indicative work areas

Aspects of the following indicative work areas were included: all sources of revenue at the land fill (green waste, SLAs, black sacks, liquid waste, mixed recycling, metals, glass) physical security, fraud risk, review of video, black sacks controls, legal risk – offers for sale, processes at kiosk, database and receipting application, banking, pricing, costing, marketing, daily reconciliations, privacy law compliance – videos, aspects of Health and Safety law compliance, Sundry Invoicing for landfill, e-waste, Management Team Policy compliance including cash handling.

2. Approach

We collected and evaluated the material from interviews and documents in the indicative areas relating to controls, risk management and governance. Our analysis of controls was based on comparison of the condition of our sample against the criteria, the causes of the condition found and the consequences, if left unaddressed.

3. Limitations of Approach

We carried out this audit in compliance with the International Standards for the Professional Practice of Internal Auditing. We relied on the information provided by staff we interviewed, supported where possible by cross checking, observation and documentation. All of our findings falling within scope are reported and assessed as Low to High risk using professional judgement supported by our assessment framework. In addition, those matters that were identified as requiring management action, but outside of the scope, were reported to management for completeness.

4. Findings Significance Guide

High	A weakness where there is substantial risk of loss of funds, impropriety, poor value for money, or failure to achieve organizational objectives. Such risk could lead to an adverse impact on business. Remedial action must be taken urgently.
Medium	A weakness in control which although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.