

# Internal Audit Report



Internal Audit Report  
Housing and Environment  
Recycling Centres  
Assignment No 19 - 09  
January 2020

## Final Report

(Report No. 20/40)

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
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### Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

### Background and Introduction

This audit was carried out as part of the audit plan for 2019/20, which was approved by the Audit Committee on 26<sup>th</sup> June 2019. Audit testing was carried out in September 2019.

The audit review looked at arrangements for recycling centres management of re-saleable goods. This included key areas – security controls; collection and separation of materials for re-sale; permit checks and personnel controls.

The Waste (Scotland) Regulations 2012 require organisations to separate key materials for recycling and the Council plays a primary role in providing collections for household waste and recycling. There are nine manned recycling centres and one weighbridge at Friarton, all accessible by vehicle only.

Recycling centres facilities accept different types of material with conditions for accepting these advertised. Domestic exemption permits are required by householders who access recycling centres using large commercial type vehicles for example. Permits are also required for Perth and Kinross businesses and landlords to dispose of some materials at recycling centres, chargeable by the load or tonne.

Reducing, reusing and recycling materials reduce the Council’s landfill tax costs, minimise the need for raw materials and assist towards achieving the national Scottish Government targets in the Zero Waste Plan<sup>1</sup>. In 2018/19, the Council paid £3,413,080 in landfill tax for a total amount of 38,370 tonnes. Over 10,800 tonnes of material were diverted from landfill to other resource streams including re-sale and re-use of some materials. The Council’s also has community re-use projects with partner organisations for re-useable materials publicised on the website. Income is raised from re-sale of materials like glass and scrap metal. Other separated materials cost to dispose of, such as engine oil, garden waste, light bulbs and tyres, however value in reduction of environmental pollution is achieved through separating and disposing of these.

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<sup>1</sup> <https://www.sepa.org.uk/environment/waste/>

## Scope and Limitations

The audit review included visits to a sample of four recycling centres in September 2019 to observe procedures and controls for recycling materials for re-use / re-sale. Centres visited were Auchterarder, Blairgowrie, Friarton and Inveralmond. The first three sites accept commercial as well as household materials with an appropriate permit for disposing of some materials at no charge. For other materials - general, garden, inert timber, commercial permit holders have to use the Friarton weighbridge at the Depot, not the Recycling Centre and payment for disposal is required in advance. Charges for disposal at other sites are defined by vehicle type and material load size. Income management at Friarton weighbridge was excluded as this may be included within the scope of other internal audit work.

Two unmanned recycling points near one centre were observed as comparators for recycle centre security and re-saleable items.

Testing included interviews with Operatives, Environment Services Managers and the Environment Services Waste Team.

Re-saleable goods include materials donated to Council's recycling areas to be separated, recycled, sorted and processed in such a way that value is preserved in some other form or raw material. For example, cardboard and small electrical goods can be sold on to contractors at a set rate per tonne. Re-saleable materials in the review also include donations to Council re-cycling centres for collection by re-use projects and charity organisations to provide new value.

## Control Objectives and Opinions

A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective [1]: To ensure there are adequate site security controls at recycling centres which accept materials for re-sale
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Internal Audit Comments:
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Security controls varied across sites, but all four visited reported break-ins after staff had locked up. The Inveralmond recycle centre, a new site, has barriers and the Operatives' office at the entrance, with sufficient space for vehicles, including heavy goods vehicles to access as required. This purpose-built centre has more bays for skips if needed, clear signage and security warnings for visitors. Other sites visited had less space for site-planning. One centre has the Operatives' office at the exit and no barrier at the entrance, making the checking process of deliveries entering the site very difficult. At another, the entrance barrier is yards before the Operatives office, so the barrier is kept open. Auchterarder recycle had a double entrance and clear site plan with substantial signage to advise visitors where to donate materials.
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Although manned recycle centre sites had fences, locked entrances and locked areas, all four sites reported break-ins through these perimeter controls, with wire fences scaled or cut through and locks broken with bolt-cutters. Neighbours to sites reported intruders entering centres soon after Operatives had left at end of day to the Council and the police were notified. Locks did not deter intruders from gaining access. Some site perimeters were found to have some security issues.
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For example one site had a lower wall area to neighbouring land with a boundary gap; a high free-standing ladder was positioned near the recycling centre fence making access simple. Site observations confirmed where perimeter wire fences had been cut open by intruders and then patched by the Council.

CCTV is not installed at all sites however all sites have a body-cam device for Operatives to use for improved personal security. Body-cams were introduced to evidence any sustained or repeated threatening behaviour experienced by Operatives. Although audit observed polite and helpful members of the public visiting sites, Operatives reported experiencing occasional threatening behaviour. Any incidents are noted and those of most concern reported to the Police. Lone working Operatives are at higher risk. All sites had clear warning signs advising a zero tolerance to abusive language or threatening behaviour towards staff.

An Environment Officer reported that thefts appeared to fluctuate in response to changing values of recycled materials. Most popular thefts currently are metal & Waste Electrical and Electronic Equipment [WEEE] with higher value.

Unauthorised access included not only theft but also vandalism. Reporting of materials being removed from skips and left on site or thrown over fences were common and evidence of this was observed during the review. Outside one site, a nearby unmanned recycle point had materials reportedly set alight by vandals.

All recycle centres had fire extinguishers to manage fire risk from flammable recycled materials in storage. However, in the event of a fire, Operatives are trained to call emergency services.

On-sites, some skips with inadequate locks were found to contain higher value materials such as TV screens and small electrical items. There were reports of these items being stolen on a large scale previously.

The office cabins for Operatives all appeared reasonably secured, providing shelter for staff who work long shifts. Nothing of any value was reported to be left in these offices.

All sites had signage advising visitors of site safety, including child safety and awareness of hazards.

Strength of Internal Controls:

Moderate

Control Objective [2]: To confirm separation and collection controls on materials for re-sale are adequate

Internal Audit Comments:

All sites had clear signage advising visitors of where different materials should be separated and placed. There are also hazard warning signs.

Operatives check regularly but cannot sift through all the materials donated to ensure they have been correctly separated into the different material collection areas. Risks at separation and collection stages include inadequate separation and storage areas having insufficient space, with skips becoming overfull.

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Contamination of materials may also occur when the wrong material is left in a skip, and signs and guidance are not followed. Visitors are advised to remove batteries from items donated to skips for example. Lithium batteries are potentially explosive and 9V batteries have exposed terminals which can start a fire. Items were observed lying in open skips that may have had batteries but were too difficult to retrieve and check. Car batteries can also have residual power; these were all found to be stored separately. An Operative was seen to check and remove an appliance from an open skip which still had fuel in it.

Members of the public were observed to offer assistance to Operatives during site visits. For example, they reported contamination in donations of garden waste to an Operative. However, the size and position of the skip was such that it was impossible for this contamination to be safely cleared. Another incident reported that when a small animal was seen to have entered a cardboard skip, the contractor collecting skip contents was notified and the pet was retrieved before materials were processed.

Agreements for recycled materials include clauses and responsibilities if contamination is found when transported to a contractor. When this occurred in December 2018 the Council was required to pay a contamination fee per tonne plus transport costs to dispose of a rejected load instead of receiving income from sale of materials.

Larger items like white goods and collection of re-saleable items are logged in recycle centre site diaries for reference on a daily basis. This data is used to provide information to the national Regulator, the Scottish Environment Protection Agency for annual recycle returns.

Collection by partner organisations were observed and matched to Memo of Understanding agreements, some of which specify collections policy for re-usable items. Timing and regularity of collections of materials are defined; for example, the WEEE materials left in the Re-Use container at Friarton could be accessed by Perth College (WEEE Centre). During the site visits, the PUSH organisation representatives were clearly identifiable as they checked materials to collect and transport off-site.

Strength of Internal Controls:

Moderate

Control Objective [3]: To confirm permit checks and personnel controls at recycling centres managing re-saleable goods are adequate

Internal Audit Comments:

All sites had signage advising visitors of ownership of materials and also requirements needed in the form of permits when donating certain materials.

It can be difficult for Operatives to enforce permit requirements as they do not have access to a complete list of permit holders, but depend upon local knowledge and visitors keeping a copy of their permits in their vehicles. It is especially difficult when the office has closed and cannot be contacted by site Operatives to verify permit queries. Smaller recycle centres have only one Operative working on site and when a centre is busy it is difficult to check all permits.

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The current list of commercial permit holders includes contractors with addresses out-with the Council area that may be working in the area or nearby. Allowance is also made for some people in specific neighbouring areas to apply for a Perth and Kinross Council domestic permit. Neighbouring Councils have similar recycling centre processes with different opening hours and permit costs.

Operatives reported noting details of any suspicious activity; they do not investigate these.

There is currently one weighbridge in the Council area. The alternative method for estimating weights of recycled loads brought in sites is by size of van / trailer. Waste Team advised that plans are underway to improve on this by procuring a second weighbridge facility in the future.

The Re-Use container at Friarton has a sign visible at the entry point saying '*This container is for donation only. Removal of items from this container will be considered theft*'. Cases were reported of unauthorised people taking donations out of the Friarton re-use container, before being stopped by Operatives. Observations from site visits to Friarton found that the site was too busy for Operatives to see all who entered the Re-Use container and removed materials. Not all the re-use partner organisations were found to have a commercial permit to dispose of materials found to be unacceptable later than a specified time in the agreement.

Strength of Internal Controls:	Moderate
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## Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of The Environment Service staff during this audit.

## Internal Audit Report

### Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

B Renton, Executive Director, Housing & Environment

K McNamara, Depute Director, Housing & Environment

M Butterworth, Head of Environmental & Consumer Services, Housing & Environment

N Taylor, Direct Service Manager, Operations, Housing & Environment

P Garden, Assistant Operations Manager, Housing & Environment

L Simpson, Head of Legal and Governance Services

External Audit

### Authorisation

The auditor for this assignment was N Duncan. The supervising auditor was J Clark.

This report is authorised for issue:

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J Clark

Chief Internal Auditor

Date: January 2020

## Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	<a href="#">Security, vandalism and theft</a>	Medium
2	<a href="#">Hazards for personnel</a>	High
3	<a href="#">Higher value and re-use materials</a>	Medium
4	<a href="#">Contamination and value</a>	Medium
5	<a href="#">Weighbridge and loads</a>	Low
6	<a href="#">Permits and income</a>	Low

## Appendix 2: Action Plan

## Action Point 1 - Security, vandalism and theft

All manned sites visited reported break-ins. These involved vandalism and thefts. Perimeter fences are breached or cut open, materials removed from skips and stolen or scattered across sites and thrown over fences.

It was reported that neighbouring premises had commented and reported to police there had been unauthorised entry at Friarton, Blairgowrie & Auchterarder once the centre had closed for the day. Not all recycle sites have close neighbours with visibility. CCTV is installed at most sites and other evidence confirmed break-ins and unauthorised entry. Body cams are offered to Operatives working on-site.

## Management Action Plan

1. In order to improve security measures, the Service will review the option of having an Operative with authority to visit all sites as required to assist with any need for support, particularly for single manned sites

2. The Service will review the frequency of uplifts of the most valuable materials for resale from recycle centres to ensure they are carried out as regularly as possible to reduce the potential of theft.

Risk/Importance:	Medium
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	1. April 2020 2. February 2020
Required Evidence of Completion:	Evidence of reviews

## Auditor's Comments

Satisfactory

## Action Point 2 - Hazards for personnel

Re-saleable materials can be hazardous. Flammable materials were reported to have been set alight in unmanned skips and had caught fire at other sites. Fire controls varied across recycle centres; Operatives all reported having fire extinguishers on site and were advised to call Emergency Services when fire occurred.

There was a general awareness of chemical hazards at sites visited; some materials for resale contain chemicals, for example car batteries and light bulbs. When they leak, there is a risk of irritation or harm to people and these materials are stored separately. However, they were found near containers which contained flammable material.

An Operative reported that he had once checked a vehicle bringing materials to the recycle centre for disposal in bags and found it contained asbestos, so refused access to the vehicle.

Operatives and visitors to recycle centres were advised of most hazards as many signs were found on site advising of these. However, no sign warned of insect hazards; wasps were seen in bottle-banks and food packaging skips.

Whilst Operatives reported having had health and safety training, some had completed this some time ago.

## Management Action Plan

1. The Service will review signs and controls for managing other risk areas on site such as chemical spills, risks from broken light bulbs and insect bites/stings
2. The Service will ensure basic training for Operatives on first aid every year and will review all first aid boxes on site to ensure they are correctly stocked.

Risk/Importance:	High
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	1. September 2020 2. March 2020
Required Evidence of Completion:	1. Evidence of reviews 2. Schedule of first aid training and confirmation of review of first aid boxes

## Auditor's Comments

Satisfactory

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### Action Point 3 - Higher value and re-use materials

Waste Electrical and Electronic Equipment (WEEE) currently achieves a higher re-sale value and has been the target of thefts. Copper wire on materials donated to small electrical open skips has also been targeted.

All four recycle centres sites visited have WEEE Skips which are easy to access and remove material from. The lock at front is effectively redundant as they are insecure. One site has the skip very close to perimeter fence, making access easy.

High value materials are also left at unmanned recycle points.

The Re-Use container at Friarton was reported to have been accessed by unauthorised personnel and Operatives were aware of the need to monitor this.

### Management Action Plan

The Service will review security of skips at recycle centres containing higher value materials, especially skips with tvs, circuit boards & copper cables, and strengthen skips for WEEE and small electricals with metal containers which are better for locking as resources permit.

Risk/Importance:	Medium
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	September 2020
Required Evidence of Completion:	Evidence of review

### Auditor's Comments

Satisfactory

## Action Point 4 - Contamination and value

Operatives check but cannot sift through all donated materials to reduce contamination before collection for processing and re-sale elsewhere. Contamination can include the wrong material left in skips; black bags left in garden waste skips; batteries and even fuel left in small items donated to skips and containers.

In addition to the health and safety risks, there are risks to the quality of recycled materials for re-sale when contamination occurs that cannot be rectified. Contaminated loads have resulted in the Council paying the Service Provider a contamination fee per tonne and disposal costs of a full load, rejected in entirety.

## Management Action Plan

1. The Service will review the resources in place and if more is needed for ensuring contamination of materials is minimised and best value for recycled materials is achieved.

2. The Service will review signage of terms and conditions and responsibilities for not contaminating materials taken to recycle centres as required.

Risk/Importance:	Medium
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	May 2020
Required Evidence of Completion:	Evidence of reviews

## Auditor's Comments

Satisfactory

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### Action Point 5 - Weighbridge and loads

There is currently one weighbridge in the Council area. The alternative method for estimating weight of recycled materials brought into sites that do not have a weighbridge is to estimate loads by van / trailer size.

The Waste Team advised that plans are underway to improve on accuracy for identifying weights of materials by procuring a second weighbridge facility.

### Management Action Plan

The Service will continue to progress plans to procure a second weighbridge to assist in identifying material loads brought to recycle centres and a more accurate measure of income due to the Council.

Risk/Importance:	Low
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	September 2020
Required Evidence of Completion:	Evidence of plan

### Auditor's Comments

Satisfactory

## Action Point 6 - Permits and income

Access to the full list of all current Permits is not available to Operatives on site. It can be difficult for an Operative to challenge permits particularly at single manned sites when they are busy or when the office is closed. Operatives reported keeping logs of unusual activity but do not investigate these.

Furthermore, the detail in agreements on collections of re-saleable materials varied. Memoranda of Understanding were found for some organisations, which specified procedures and responsibilities for donated materials later found to be unacceptable for re-use / re-sale. For example, the PUSH agreement states that items collected from the Re-use container and later found to be unacceptable are the responsibility of that approved organisation, with the exception of WEEE. WEEE materials can be returned within one week without charge and disposed of in the appropriate skip. Memoranda of Understanding were not found for Home Economics and Perth College. Therefore responsibilities when recycle items are found to be unsuitable after collection are not consistently documented. A check confirmed that some of these organisations did not have a current commercial permit with the Council.

## Management Action Plan

If Memoranda of Understanding documents for the two organisations cannot be located, the Service will review and draft revised ones accordingly. These will include reference to the procedures when donated materials are found to be unsuitable and if a permit is needed to return these into the recycle process.

Risk/Importance:	Low
Responsible Officer:	N Taylor, Direct Service Manager, Operations
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	September 2020
Required Evidence of Completion:	Evidence of Memoranda of Understanding for two organisations with details of returns process as required.

## Auditor's Comments

Satisfactory