



## Kapiti Coast District Council Waste Levy Expenditure Audit Report

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## Waste Levy Expenditure Audit Report

25 November 2013

As part of the Waste Levy Expenditure Programme established by the Ministry for the Environment in accordance with section 88(1) (d) of the Waste Minimisation Act 2008 (the Act); Greg Lydon, Analyst at the Ministry for the Environment; undertook a Staff Led Audit on Wednesday 6 November 2013 to assess whether the Kāpiti Coast District Council (KDC) complies with requirements of section 32 of the Act.

### Objective

To undertake a high level assessment of records, systems, processes and controls to assess the spending of levy money in accordance with the Kāpiti Coast District Council Waste Management and Minimisation Plan (WMMP), the Act and the annual voluntary reporting of waste levy spend to the Ministry.

### Background

Kāpiti Coast District Council are part of the combined 'Councils of the Wellington Region Waste Management and Minimisation Plan 2011 – 2017'. This WMMP includes the following 8 councils:

1. Carterton District Council
2. Hutt City Council
3. Kapiti Coast District Council
4. Masterton District Council
5. Porirua City Council
6. South Wairarapa District Council
7. Upper Hutt City Council
8. Wellington City Council

The WMMP notes that:

*"A key success factor for Wellington as a region will be how efficiently we use the resources we have and how effectively we reduce our environmental harm. Sustainability has become increasingly vital not only to social, environmental and cultural outcomes, but to our economic success also. With this mind the district councils of the Wellington region have agreed to prepare and adopt a joint Waste Management and Minimisation Plan. The plan represents a major step forward, in that, for the first time, all district councils of the region formally commit themselves to work together to promote effective and efficient waste management and minimisation."*

Under the Act, councils were required to develop a WMMP by 2012 which would contain a summary of the council's objectives, policies, methods and funding to achieve effective and efficient waste management and minimisation within the territorial authority's district. The 8 councils recognised that they do not control much of the waste stream in the region, since large volumes of waste are produced and managed by the private sector.

### Audit Findings

#### Outcome in Levy Spend Report:

Between 2009 and 20 April 2012, Kāpiti Coast District Council received \$349,612.05 from the Waste Levy.

In the year ending 20 April 2013; \$138,372.58 had been received and \$16,880.50 was unspent from the previous reporting year (A total of \$155,253.08)

The total annual spend on waste management and minimisation in the 2012-2013 financial year was **\$118,182.65** leaving an unspent amount of \$37,070.43 which will be carried over into the 2013/14 year.

The waste levy was spent on a variety of projects in the 2012/13 year:

**WMMP KC 9 Sustainable communities programme (Council).**

Greenest Street competition, neighbourhood workshops, community group involvement

1. Contribution to neighbourhood sustainability programme; workshops; composting, biodigestion, foodwaste, meetings with resident groups, manual for building sustainable neighbourhoods, greenest street competition, work with resident groups; 30 households reached; 210 attended 14 workshops during the Home and Garden Show (8000 attended the show); cost was **\$29,110**.
2. A summary of applicants to the greenest street competition are reported to the Council Committee in December each year. There are 2 funding rounds each year. The report and minutes of the meeting are sent to the Group Manager. Fund recipients are required to report back to the Grants Allocation Committee on the outcomes of their fund spend. There is a prize giving and media at the Home and Garden show. This comes under Category 3 and 4 of the Waste Levy Allocation Policy (2/9/2011).

**WMMP KC 4 Community Fund for waste minimisation projects**

A waste levy allocation policy for 2010-2013 was adopted by Council on 22 July 2010. Through the Community Fund part of the waste levy funds will be made available annually for waste minimisation projects that will benefit the Kāpiti community.

3. Community projects, waste levy allocation process 2012/13 (1 resident group plus 4 schools/playcentres) 6 households; cost of **\$10,935**

**WMMP KC5 Waste Minimisation Staff**

4. Zero waste education in 3 schools delivered by Simon Calcinaï the Waste Minimisation and Services Officer; plus annual subsidy for 19 'Paper4Trees' schools; 550 school pupils involved; time cost of **\$2,389**

Regional Zero Waste steering group meet every 6 weeks, there is also a Waste Minimisation Operators Group. 1 waste minimisation staff position is part subsidised with levy money (full time): all public education, zero waste education delivery, recycling at all Kapiti events, talks

and workshops (resident groups, childhood centres, RSA etc.), responds to all residents requests for waste minimisation, and KDC in house recycling, Nappy Lady programme. Advertising in community newspapers and also the monthly newsletter on KDC website which reaches 3000 households. Cost **\$45,000** for time spent on all educational actions

**WMMP KC6 Education of Kāpiti residents**

Via local newspapers 3 times a year; via council website and via Sustainable Home and Garden Show. Note linkage to project R9 of the Regional Action Plan .

5. Public education: recycling refreshers in local newspaper, radio advertising, levy process advertising, council website information, 'On to It' Newsletter, Home and Garden Show stand; reaches up to 19,500 households, cost **\$5260**

Events recycling bin hoods (240 litre bins) to be used at events in region, used by 8000 visitors to the Home and Garden show, cost of **\$1,905**

**WMMP KC 11 Make the council offices zero waste**

Introduce recycling in the council offices

6. Large new wooden worm farm at new council building January 2013; for 160 staff; construction, educational signage, accessible to the public next to the worm farm is planned for 2013/14 year cost **\$1692**

**WMMP KC 18 Otaihangā Resource Recovery Station**

- Recyclables drop off (free), Recycling and reuse of waste materials  
Contracted to private operator.

7. Renewal recycling drop off wall at Transfer Station; new signage, **\$4,475.65**

Under action KC18 of the WMMP, Kāpiti Coast District Council provides a recyclables drop off. The drop off was a basic set and existed of various open bins with signage and smaller wheelie bins for smaller goods such as light bulbs and batteries. Because of cross contamination in the various bins and questions asked by users; it was decided that from an education perspective and also to have a better recycled product; installation of an appropriate drop off wall with new educational signage next to each slot would improve this service and its outcome. This improvement is deemed to form part of providing this service as listed under KC18.

**WMMP KC 27,28,31 Otaihangā and Otaki Transfer Stations**  
 Recovery of recyclable or reusable materials from waste stream.

8. Swap survey year 3, cost of **\$5,451** (reservation was made of \$10,000 in 2010/11 and \$10,000 in 2011/12, to pay for waste analysis every third year ( in Oct 2013)

**WMMP KC 24 Investigate and set up of drop off point for eWaste in Kāpiti**  
 Note linkage to action R16 of Regional Action Plan

9. Category 2 of Waste Levy Allocation policy; contractor waste minimisation initiatives. Council supports TV and CRT recycling. Subsidises \$10 inclusive of the \$25 recycling fee, residents pay \$10 at the gate. KDC has not joined the TVTB programme. 1,534 units electronic waste - TVs. 1,635 tv's have been received in 2012/13 in total but have not been invoiced for the subsidy to KDC by the operator yet. Otaki TS, Midwest send TVs to RCN. Cost of **\$11,965**

### Total Waste Levy Spend Summary

Education	\$49,599
Services	\$46,692
Infrastructure	\$4,475.65
Research and Reporting	\$5,451
Other	\$11,965

The Kāpiti Coast District Council spends a total of \$2,134,504 on waste services

### Unspent Amount

In 2012/13, \$20,000 was allocated and advertised for the Business/Innovation category of the Waste levy policy process. Out of 3 applicants, one met the criteria and was invited to develop a detailed proposal. However, the applicant withdrew the application. The Grants Committee approved for the money to be used towards further TV-recycling subsidy. The levy money not spent includes this \$20,000 amount and remaining monies of planned actions scheduled for 2013/14. Educational workshops and further development of in house recycling and monies involved have been scheduled using the remainder of the money to be reported on next year.

### Interest

Currently there is \$37,070.43 unspent (there was \$16,880.50 unspent from the previous reporting year).

**Finding** accrued waste levy money should be specifically tracked, including interest earned.

Levy money received but not spent in a financial year must be carried over and must be appropriately documented as such for use in the next financial year within the TA's ledger. Alternatively, it may be treated as an accumulation of levy money over time and accrued to a levy reserve fund.

## Financial Codes and Accounts

The General Ledger Account for waste levy income is 18398660

Account names for expenditure include: Waste Minimisation Officer (GL 18336076), Miscellaneous (GL 18336096), Business and Innovation Fund (GL 18336531), Contractor Incentives (GL 18336197), Community Fund (GL 18336097), SWAP Survey (GL 18336167), Sustainable neighbourhoods (GL 18336234), and Education (GL 18336310).

Matthew McGlinchey is the Acting Group Manager of Finance. The Kāpiti Coast District Council uses NAPIER computer systems software. The waste levy budget is verified at the beginning of the financial year. Electronic Purchase Order (EPO) System, invoices are received from GST registered organisations (for example a school), authorised and checked by two KDC staff members, the invoice is scanned into the system; community groups will have a nominated bank account for payments.

KDC staff can access the Financial reports in a 'read only' mode, to see what invoices have been paid from separate budgets, they can check EPOs, and can notify the Finance Department if mis-coding or incorrect amounts. EDOC files, filing system numbers, invoices scanned as PDFs. The computer server is offsite, backups systems are very good, emails are archived after 3 weeks, financial records are kept for 7 years.

**Finding:** interest on unspent waste levy funding: agreement from Matthew McGlinchey that interest from the waste levy fund should be ring-fenced and kept for waste minimisation.

Any budget variances are tracked and checked. Systems and controls are good, only the finance team can access the General Journal; payments are double signed; monthly check of balances are carried out and unusual variances (for example a human error with the coding) are picked up.

In the finance team, entries are tracked by operator name. Records on the Council network are backed up every evening.

The Kāpiti Coast District Council is audited by Ernst and Young Ltd annually.

## Planning and Reporting

Council structure – governance; Pat Dougherty is the Chief Executive; the Group Manager of Infrastructure Services is Sean Mallon, Nienke Itjeshorst is the Solid Waste Services Manager and Simon Calcinai is the Waste Minimisation and Services Officer

The Waste Levy Allocation Policy was updated on 2 September 2011. Its objectives are to ensure the optimal and transparent allocation of the national waste levy fund and to increase the range scale and number of waste minimisation activities.

## **Key Finding**

1. Accrued waste levy money should be specifically tracked, including interest earned.

The Kāpiti Coast District Council can demonstrate for the purposes of tracking and reporting on levy expenditure, that there is a clear audit trail through the financial tracking and reporting process i.e.

- The 'Councils of the Wellington Region Waste Management and Minimisation Plan 2011 – 2017' sets out a clear rationale for identified priority spend areas.
- Spending of levy funds is clearly identified in the Kāpiti Coast District Council Annual Plan and Annual Report and this is aligned with the LTP budget.
- The Council provides in its Annual Report an overview of waste management and minimisation activities.
- In the year ending 20 April 2013; the \$118,182.65 annual waste levy spend is part of the total annual spend on solid waste management and minimisation in the 2012-2013 financial year which was \$2,134,504.
- The Kāpiti Coast District Council is audited annually; the last audit by 'Ernst & Young' Ltd was of the financial statements in the 2011/12 Annual Report; this audit opinion is dated 4 October 2012.
- Levy income is coded specifically in the General ledger (GL 18398660)
- Levy income is specifically coded to waste minimisation.
- Project coding is accurate and there are good accounting controls.
- Council has appropriate internal auditing processes

## **Recommendations**

1. Any new waste minimisation projects that will be funded by the waste levy in future would have a cost benefit analysis undertaken first and would be closely aligned with the 'Councils of the Wellington Region Waste Management and Minimisation Plan 2011 – 2017.
2. Any new waste minimisation projects must be formally approved in each case by an appropriate resolution of the Kāpiti Coast District Council or a delegated committee.
3. These decisions should be recorded in the Kāpiti Coast District Council Minutes and the funds authorised would be released through the appropriate channels.
4. Smaller projects that are within Waste Staff funding delegation powers, should have a clear authorisation process; for example a memo to the Solid Waste Services Manager, authorisation to the Group Manager of Infrastructure Services, and a record of approval to spend waste levy funds.
5. New waste minimisation projects should be reported to the Kāpiti Coast District Council in a council report or as part of a monthly/quarterly reporting regime.
6. An analysis should be undertaken of waste minimisation projects annually (including current projects) to show the tangible outcomes of the waste levy spend.
7. Any accrued waste levy money should be specifically tracked, including interest earned.

## **Conclusion**

In my opinion, based on the work described in this report and the evaluation criteria set out in the Objective section above, the Kāpiti Coast District Council is currently complying with section 32 of the Waste Minimisation Act 2008. The assessment of the records, systems, processes and controls showed that the spending of waste levy money is in accordance with the Waste Management and Minimisation Plan, the Act and the annual voluntary reporting to the Ministry.

## **Acknowledgment**

I wish to place on record my appreciation of the assistance and cooperation received from Nienke Itjeshorst the Solid Waste Services Manager; Simon Calcinai the Waste Minimisation and Services Officer and Matthew McGlinchey the Acting Group Manager of Finance.

## **Report Clearance**

The contents of this report have been discussed with Nigel Clarke, Senior Analyst Monitoring, Evaluation, Compliance and Review, from the Ministry for the Environment.

Greg Lydon

**Analyst, Waste Operations**

25 November 2013

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## **References**

1. Councils of the Wellington Region Waste Management and Minimisation Plan 2011 – 2017 (71 pages).
2. Kapiti Coast District Council Annual report 2011 – 2012 (198 pages).