

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2013-07
 PUBLIC WORKS (PW) AND CORPORATE SERVICES (CS)
 INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES
 FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (NOVEMBER 2014)
1.	<p><u>Procedures</u> There are no formal written procedures to guide Financial Services and Environmental Services staff in updating financial and operational factors such as the discount rate used to estimate the total expenditures, the changes with inflation rates and the used capacity of the landfill when carrying out the calculations for the liability of landfill sites.</p> <p>When written procedures do not exist, employees currently carrying out the process rely on personal understanding and experience which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence such related duties within a short period of time.</p>	<p>That Financial Services and Environmental Services develop, approve and implement comprehensive procedures for calculating the liability for landfill sites. These documents should be reviewed on a regular basis (annually) and be revised, as required.</p>	<p><u>Financial Services (CS)</u> Agreed. Staff will work with Environmental Services to develop a procedure for the annual calculations required. Expected completion – Q4, 2013.</p> <p><u>Environmental Services (PW)</u> Agreed. Staff will develop a procedure for the calculation of annual used landfill capacity. Expected completion – Q4, 2013.</p>	<p>In Progress. Procedures for both CS and PW to calculate the liability for landfill sites have been developed and implemented. The procedures have not been approved by management. Not enough time has lapsed to verify that they are reviewed annually.</p>

Due to re-structuring in Public Works (PW), as of June 9, 2014, the Recycling and Waste Disposal Section that is responsible for Inactive Landfill Sites reports to the Operations Division of PW.

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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them appropriately.

Glanbrook Landfill Liability

1. An assessment of the need for a comprehensive review of capacity at the Glanbrook landfill site has not been undertaken within the past three years. This is contrary to PSAB Section PS 3270.18. Such reviews are important as they are the basis for estimating total capacity and the capacity used. Capacity must be applied consistently so that the liability and results are comparable over time.

It is recommended:

Environmental Services (PW) – That an assessment of the need for a comprehensive review of capacity at the Glanbrook landfill site be performed and documented at least once every three years, beginning in 2013.

Management Response:

Environmental Services (PW) – Agreed. A review will be completed for total remaining capacity in 2013. Calculated capacity will be accurate to the end of 2012. Capacity will then be calculated at least every 3 years going forward.

Follow Up Comment:

Completed. A review of the remaining capacity of the Glanbrook landfill site was completed in February 2014 by an independent consultant.

2. The calculations for the liability of the Glanbrook landfill site used an expected closure date of 2036. The last independent study of when this landfill is expected to close was completed in 2009. The expected closure date has remained unchanged since then even though changes that could potentially impact the closure date have occurred (i.e. collection of extra garbage through the use of garbage bag tags).

It is recommended:

Environmental Services and Financial Services (PW and CS) - That the closure date used in the calculations for the Glanbrook landfill liability be updated in 2013 and reviewed at least once every three years or whenever a significant change potentially impacting the closure date is implemented.

**PW AND CS – INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES
FOLLOW UP – NOVEMBER 2014**

Management Response:

Environmental Services (PW) - Agreed. Landfill closure date will be assessed in 2013 and then at least every two years or when a significant change in the waste management system necessitates a review.

Follow Up Comment:

Completed. The Glanbrook landfill site's closure date was updated in time for the 2013 Financial Statements landfill liability calculation.

3. The Public Sector Accounting Board (PSAB) Section PS 3270.09 requires that all activities related to closing a landfill site be itemized for the liability. The one time closure costs for the Glanbrook landfill (costs calculated as \$2.37 million in 2012) have not been broken-down to indicate individual costs such as final cover and vegetation, drainage control features and monitoring of leachate, water quality and gas recovery.

It is recommended:

Environmental Services and Financial Services (PW and CS) - That the liability for the one time closure costs for Glanbrook be supported with a list of activities and their related costs.

Management Response:

Environmental Services (PW) - Agreed. A detailed breakdown of landfill closure costs will be developed by Q1, 2014.

Financial Services (CS) - Agreed. Closure cost estimates should be supported by a detailed breakdown.

Follow Up Comment:

Completed. The liability for the one time closure costs of the Glanbrook landfill site is supported with a list of activities and their related costs. These detailed costs were used in the calculation of the landfill liability in the 2013 Financial Statements.

4. Post closure care estimates for monitoring and maintaining the Glanbrook landfill when it closes includes a \$5.48 million amount for development of a new section of the Glanbrook landfill. These costs do not pertain to post closure care and should be removed from the liability calculations.

It is recommended:

Environmental Services and Financial Services (PW and CS) - That the \$5.48 million for development of a new section of the Glanbrook landfill site be removed from the liability calculations.

**PW AND CS – INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES
FOLLOW UP – NOVEMBER 2014**

Management Response:

Environmental Services (PW) - Agreed. Staff will work with Financial Services to make this correction.

Financial Services (CS) - Agreed. Only costs relating to post-closure care activities should be included in the post-closure care cost estimate.

Follow Up Comment:

Completed. The costs associated with the development of a new section of the Glanbrook landfill site (\$5.48 million) previously included in the liability have been removed from the calculations.

Landfill Operating Costs

5. The 2012 operating costs to maintain the open and closed landfill sites were \$3.63 million. The cost allocation was \$2.27 million and \$1.36 million for open and closed landfill sites, respectively. There was no documented support for the allocation of these costs.

It is recommended:

Environmental Services - That analysis to support the allocation of operating costs between open and closed sites be maintained.

Management Response:

Environmental Services - Agreed. Support documentation for the allocation of operating costs specific to open and closed landfills will be developed. Expected completion Q4, 2013.

Follow Up Comment:

Completed. Analysis supporting the allocation of operating costs between open and closed sites is maintained.