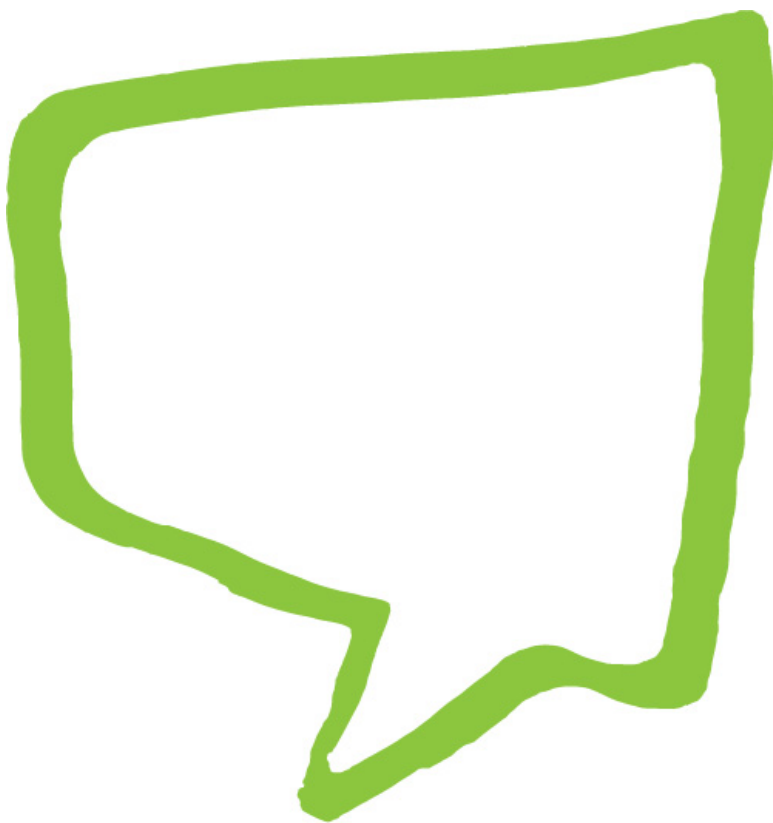


Annual Audit and Inspection Letter

Greater Manchester Waste Disposal Authority

Audit 2007/08

November 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Key messages

- 1 This has been a challenging and demanding year for the Authority in respect of the PFI Procurement and the unexpected delays in closing the deal due to the global credit crisis. Throughout this difficult time officers have reported progress and the potential risks of alternative courses of action, including the risk of legal challenge, in an open and transparent manner to Members. Appropriate expert advice has been sought and followed and we have been kept informed, and our advice sought, at the appropriate times.
- 2 I gave an unqualified opinion on the Authority's accounts on 30 September 2008. The accounts were prepared in a timely manner and to a satisfactory overall standard, supported by good quality working papers.
- 3 The Authority has made proper arrangements, in all significant respects, to secure economy, efficiency and effectiveness in its use of resources and we issued an unqualified value for money conclusion on 30 September 2008.

Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the findings and conclusions from the audit of the Authority.
- 5 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Authority is planning to publish it on its website.
- 7 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Authority's accounts;
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 The Audit Commission did not carry out any inspections under section 10 of the Local Government Act 1999.
- 9 We have listed the reports issued to the Authority relating to 2007/08 audit and inspection work at the end of this letter.

Authority's use of resources

Value for money conclusion

- 10** I am required to issue a conclusion on whether I am satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion and requires the review of the following criteria agreed by the Audit Commission in relation to the Authority's arrangements for:
- setting, reviewing and implementing its strategic and operational objectives;
 - communicating with service users and other stakeholders;
 - monitoring and scrutiny of performance;
 - monitor the quality of its published performance information;
 - maintaining a sound system of internal control;
 - managing its significant business risks;
 - managing and improving value for money;
 - medium term financial planning;
 - ensuring that its spending matches its available resources;
 - managing performance against budgets
 - managing its assets; and
 - promoting and ensuring probity and propriety in the conduct of its business.
- 11** I have concluded that the Authority has adequate arrangements in place in relation to all of the above criteria and I issued an unqualified value for money conclusion.
- 12** To support our value for money conclusion, we followed up our work on performance management to confirm that the Authority has responded to the recommendations we made in previous years.
- 13** We also continued our work in relation to the PFI Procurement.

Performance Management

- 14** A Corporate Plan 2008 to 2011 has been adopted which links to, and complements, the Municipal Waste Management Strategy (2007 to 2030). The Corporate Plan sets out the Authority's vision, key aims, objectives and improvement priorities. Further progress includes a Climate Change Action Plan and the Joint Waste Development Plan with the publication of an Issues and Options Report.

- 15 These arrangements continue to provide a robust framework for achieving the Authority's objectives and targets for landfill diversion and waste treatment as it moves towards monitoring performance following commercial and financial closure of the PFI contract.
- 16 Communications and marketing, including stakeholder engagement, have been strengthened to support the achievement of the Authority's aims and objectives.
- 17 Less municipal solid waste continues to be sent to landfill. In 2007/08 791,700 tonnes of such waste was land-filled compared with 853,900 tonnes in 2006/07. Increased diversion avoided the payment of almost £1.5 million in additional landfill tax. Recycling and composting of household waste increased from 25.72 per cent to 29.27 per cent, and recycling performance at the Authority's household waste centres achieved 47 per cent.
- 18 The Authority continues to strengthen its asset management and risk management arrangements. Capacity has been enhanced to progress the PFI contract. We anticipate that these developments will provide further assurance relating to the governance of the Authority.

Procurement

- 19 At the beginning of 2008 it was envisaged that the procurement of the long term waste treatment and disposal facilities would reach financial close by 31 March 2008. However, because of the global credit crisis the preferred bidder has been unable to secure funding from the banking sector.
- 20 The Authority has made concerted efforts to assist the preferred bidder, whose responsibility it remains, exploring a range of options, to reduce future delays and costs. It has also lobbied extensively given the importance of the project to the regional economy.
- 21 Throughout this difficult time officers have reported progress and the potential risks of alternative courses of action, including the risk of legal challenge, in an open and transparent manner to Members. Advice has been sought from the Department for Environment, Food and Rural Affairs (Defra), government advisers and its own advisers, Solicitor and Treasurer, as appropriate.
- 22 Currently, it is hoped that the required funding will be secured in the near future and provided the project remains within the affordability envelope, it is planned that the project will reach financial close shortly before Christmas. We will continue to review the Authority's arrangements as it proceeds with the procurement.

Best Value Performance Plan

- 23 I reported my work in respect of the Authority's 2007/08 best value performance plan (BVPP) on 21 December 2007. There were no recommendations.

Audit of the accounts

- 24 As your appointed auditor I issued an unqualified opinion on the Authority's accounts on 30 September 2008.
- 25 Before giving my opinion I reported to the Special Purposes Committee on 26 September 2008 on the issues arising from the 2007/08 audit.
- 26 The accounts were amended to include an accounting policy and accompanying notes relating to financial instruments as required by the 2007 Statement of Recommended Practice (SORP).
- 27 The group accounts were amended to include a statement of total recognised gains and losses, cash flow statement and notes.
- 28 The accounts were prepared in a timely manner and to a satisfactory overall standard, supported by good quality working papers. None of the amendments affected the surplus for the year or the reserves carried forward.

| Recommendations | |
|------------------------|--|
| R1 | Review annually the format of the accounts to ensure that they include relevant disclosures as required by the SORP. |
| R2 | Ensure that draft financial statements presented for audit include all relevant statements required by the SORP even if draft or estimated figures are used. |

Financial performance

- 29 The Authority achieved a £1.816 million surplus for the year 2007/2008 compared with a forecast surplus of £0.421 million. This resulted in the Authority carrying forward a revenue reserve of £4.572 million at 31 March 2008.
- 30 The increased surplus was mainly due to reduced contractor payments as improved recycling rates resulted in the Authority using less expensive waste disposal processes.
- 31 The latest budget monitoring report shows a £0.155 million underspend against the £44.552 million budget for the six months to 30 September. Advisers' costs remain a significant financial pressure and Members have asked for a separate Advisers' Cost Monitoring report to be presented at the Authority meeting on the 5 December.

Whole of government accounts

- 32 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a consolidation pack to the Department of Communities and Local Government (DCLG) and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 33 I issued an unqualified opinion on the whole of government accounts consolidation pack on 1 October 2008 in accordance with the timetable set by DCLG. There are no matters which I wish to bring to members' attention.

Closing remarks

- 34 We have discussed and agreed this letter with the Authority's senior officers. We will present the letter at the Authority meeting on 23 January 2009 and we will provide copies to all Authority members.
- 35 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 1 Reports issued

| Report | Date of issue |
|---|----------------------|
| Audit plan | May 2007 |
| Report to those charged with governance | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Regularity memorandum | November 2008 |
| Annual audit letter | November 2008 |

- 36 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

Jackie Bellard
District Auditor
November 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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