

Annual Audit and Inspection Letter

November 2007



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Greater Manchester Waste Disposal Authority

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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 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.
- 2 The report is addressed to the Authority. In particular, it has been written for members, but is available as a public document for stakeholders, including members of the community served by the Authority.
- 3 The main messages for the Authority included in this report are:
 - I have given an unqualified audit opinion and unqualified value for money (VFM) conclusion for 2006/07;
 - I have given an unqualified opinion on both the Authority's best value performance plan, and its Whole of Government Accounts submission; and
 - Our view is that both financial and operational performance is good.
- 4 Waste Disposal Authorities are excluded from Comprehensive Performance Assessment (CPA), and the Authority is therefore not subject to a formal Direction of Travel assessment. The letter does not therefore include a formal assessment of how well the Authority has progressed through a Direction of Travel report.
- 5 In my Annual Governance report which I presented to you on 28 September 2007, I made eight recommendations in respect of the findings and conclusions from the work we undertook in reviewing your arrangements to secure economy, efficiency and effectiveness. I am pleased to note that, at your October 2007 meeting, you agreed an action plan to address my recommendations.

Recommendation

<i>Recommendation</i>
<i>R1 Implement the recommendations from the Annual Governance Report to further enhance the good level of performance already achieved.</i>

Purpose, responsibilities and scope

- 6 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 and from any inspections undertaken during the year.
- 7 I 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. I have made recommendations to assist the Authority in meeting its responsibilities.
- 8 This letter also communicates the significant issues to key external stakeholders, including members of the public. I 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.
- 9 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.
- 10 The Audit Commission carried out no inspections under section 10 of the Local Government Act 1999 during the year.
- 11 I have listed the reports issued to the Authority relating to 2006/07 audit at the end of this letter.

Financial performance

- 12 Last year we reported that the revenue balance of £840,000 at 31 March 2006 was below the £1 million minimum requirement recommended by the Treasurer and that the Authority planned to increase the balance to £2 million by 31 March 2007. We are pleased to report that the revenue balance at 31 March 2007 had increased to £2.756 million.
- 13 The Authority's most recent budget monitoring report, covering the six months to 30 September 2007, shows a £1.371 million underspend. However, advisors' fees are £632,000 over budget. We understand that officers are working to produce more reliable estimates for the expected overall advisors' costs and that this will be reported to members at a future Authority meeting.

Authority's use of resources

Value for money conclusion

- 14 As your appointed auditor I am required to conclude whether I am satisfied 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 conclusion and requires us to review the following criteria agreed by the Audit Commission in relation to the Authority's arrangements for:
- establishing strategic and operational objectives;
 - determining policy and making decisions;
 - ensuring that services meet the needs of users and taxpayers, and for engaging with the wider community;
 - monitoring and reviewing performance, including arrangements to ensure data quality;
 - ensuring compliance with established policies, procedures, laws and regulations;
 - identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
 - managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body and for ensuring compliance with the general duty of best value; and
 - ensuring that the audited body's affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption.
- 15 I concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources. I also made eight recommendations aimed at developing the arrangements further. I am pleased to note that, at your October 2007 meeting, you agreed an action plan to address my recommendations.
- 16 I have summarised some key aspects of your performance management arrangements in paragraphs 17 - 20 below.

Performance management

- 17 The Authority has adopted a revised Municipal Waste Management Strategy (2007-2030) that includes a more challenging target to arrest the increase in municipal waste arisings. The strategy is supported by key policies, action plans, objectives, targets and a Joint Waste Development Plan. The Authority has also set more challenging targets for Greater Manchester Waste Limited (GMWL) prior to its sale to the PFI contract provider. These arrangements provide a framework for achieving the Authority's objectives and targets for landfill diversion and waste treatment. The critical importance of completing actions by the agreed timescales cannot, however, be underestimated to minimise additional costs.

Procurement

- 18 The Authority has made significant progress with the procurement process for its long-term waste treatment and disposal facilities with commercial and financial close for the PFI contract expected by December 2007. The appointment of the preferred bidder followed the evaluation of Best and Final Offer submissions that looked at the technical, financial, workforce and contractual proposals that reflect the best combination of cost and quality. As a result the Authority and its partner will provide a network of facilities and a range of technical solutions for the handling and treatment of waste.
- 19 The Authority is taking action to achieve value for money through procurements for green waste, pulpables, landfill capacity and refuse derived fuel. This approach is resulting in increased landfill diversion rates and achieving efficiency review targets. The amount of household waste landfilled reduced in 2006/07 by 11,426 tonnes, from 811,973 tonnes to 800,547 tonnes. This equates to a saving of £236,166 on landfill tax. The Authority used 75.5 per cent of its landfill allowance (820,739 tonnes) with 620,044 tonnes of biodegradable municipal waste landfilled.

Governance

- 20 The Authority has responded positively to our recommendations and has developed counter-fraud and whistleblowing policies as well as strengthening its approaches to asset and risk management. These developments will provide further assurance relating to the governance of the Authority.

Best value performance plan

- 21 My work in respect of the Authority's 2006/07 best value performance plan (BVPP) was reported on 15 December 2006, and identified no matters arising and no recommendations were made.

Audit of the accounts

- 22 As your appointed auditor I issued an unqualified opinion on the Authority's accounts on 28 September 2007.
- 23 There were a number of changes to the Statement of Recommended Practice (SORP) in 2006/07 which had a significant impact on the financial statements. Nevertheless, the Authority has continued to prepare its accounts in a timely manner and to a good overall standard. The accounts were again supported by good quality working papers and finance staff were accessible and supportive throughout the audit.
- 24 I did not identify any significant errors although some adjustments, none of which affected the outturn figures, were required to the financial statements.
- 25 Before giving my opinion, I presented the Annual Governance Report to the Authority on the main issues arising from the 2006/07 audit.

Whole of government accounts

- 26 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including waste disposal authorities. The Authority is required to submit a 'consolidation pack' to the Department for Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 27 I issued an unqualified opinion on the WGA consolidation pack on 1 October 2007.

Service inspections

- 28 No service inspections were undertaken during the year.

Closing remarks

- 29 I have discussed and agreed this letter with the senior officers of the Authority. I will present the letter at the Authority meeting on [date].
- 30 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 and inspection plan	May 2006
Performance management arrangements	August 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Regularity memorandum (covering interim and final accounts work)	October 2007
Annual audit and inspection letter	November 2007

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

Clive Portman
District Auditor and Relationship Manager

November 2007