

Annual Governance Report

Merseyside Waste Disposal Authority

Audit 2007/08

September 2008



Contents

Summary	3
Financial statements and Annual Governance Statement	4
Value for money	10
Formal audit powers	11
Independence	12
Appendix 1 – Letter of representation	14
Appendix 2 – Errors in the financial statements	18
Appendix 3 – The draft audit report	21
Appendix 4 – Value for money conclusion	25

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.
-

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 3 We expect to issue an unqualified opinion on the financial statements. During the audit, management agreed to amend the accounts for a number of errors we identified. These are detailed in Appendix 2.
- 4 The Authority put in place arrangements to improve the reliability of information provided by Mersey Waste Holding Ltd. However, the arrangements for production of your financial statements, in particular for group accounts, need to be strengthened further.

Value for Money

- 5 We propose issuing an unqualified conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 6 The major procurement exercise remains a significant issue for the Authority. Our review of arrangements continues and we plan to report our findings in our Annual Audit Letter in November. The impact of the procurement exercise on the Authority and Group will remain a key issue for our audit work to support our 2008/09 accounts opinion and VFM conclusion.

Next steps

- 7 We ask the Authority to:
 - consider the matters raised in the report before approving the financial statements; and
 - approve the representation letter before we issue our opinion, conclusion and certificate.

Financial statements and Annual Governance Statement

- 8 The Authority's financial statements and Annual Governance Statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 9 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 10 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Authority's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 11 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
FRS17 reliance on experts	Significant figures relating to pensions disclosures are based on estimates made by the Pension Fund actuary. I work with the Pension Fund auditor to assess the work of the actuary and the impact on the Authority's accounts. Together with the pension fund we identified an issue that has led to an additional disclosure in the Authority's accounts that relates to the valuation of assets.
The introduction of the Revaluation Reserve, which brings some complex accounting issues.	Necessary information on each asset was available, enabling the creation of the Revaluation Reserve for the first time. Our testing did not identify any reporting issues.

Financial statements and Annual Governance Statement

Issue or risk	Finding
Financial instruments - new SORP requirements.	The Authority put appropriate arrangements in place to ensure new accounting requirements were met.
Draft capital finance regulations.	The appropriate capital finance regulations and revised SORP guidance have been applied.
Procurement of waste disposal facilities especially around ensuring good governance arrangements and value for money.	We have considered arrangements in reaching our VFM conclusion and assessed as adequate.
Management of the transition from old to new contracts.	We have considered arrangements in reaching our VFM conclusion and assessed as adequate.
Medium term financial planning and understanding costs as the procurement progresses.	Some procurement costs have been capitalised in the accounts. We have highlighted this accounting practice for consideration by members.
Risk that new provisions and liabilities associated with the major procurement exercise are not properly identified and disclosed.	We targeted our audit work to assess completeness and accuracy of disclosures around provisions and liabilities for the Authority and the group. We identified amendments to disclosure in the Statement of Accounts.
Risk that arrangements for preparing group accounts are not sufficiently robust.	Monitoring arrangements for the financial performance of Mersey Waste Holdings Ltd have been improved. However, we identified a number of amendments to the group accounts.

Draft representation letter

12 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;

- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
 - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
 - you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority where relevant to the fair value measurements or disclosures;
 - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
 - you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
 - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 13** We also seek specific representations on the following issues which we assess as having a significant impact on your financial statements:
- capitalisation of costs relating to the procurement of new waste processing sites costs is in accordance with accounting standards;
 - the Authority has not provided any financial guarantees to third parties;
 - there is no significant pending or threatened litigation other than those already disclosed in the financial statements; and
 - completeness of information contained in the group accounts.
- 14** Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

- 15 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

Table 2 Accounting practice and financial reporting

Issue or risk	Finding
Litigation	The group accounts have been amended to include additional disclosures of claims relating to Mersey Waste Holdings Ltd (MWHL). The process for resolving the claims is outside the direct control of the Authority.
Group Accounts	The audit of group accounts continues to be a challenging task due to the absence of good quality assurance arrangements. There were also delays in the external audit of MWHL. We are waiting for the assurances we need from MWHL's auditors before we can issue our opinion.
Procurement	<p>Fixed assets in the balance sheet as at 31 March 2008 includes £1.8m relating to planning approvals for proposed sites for new waste disposal facilities. This includes expenditure on assets not owned by the Authority but which are intended to result in the purchase of fixed assets.</p> <p>There are plans to capitalise a further £15.5m in 2008/09. We understand this is mainly for land purchase but will include some costs relating to assets not currently owned by the Authority.</p> <p>We are satisfied that appropriate steps have been taken to comply with financial reporting standards. However, members need to be aware of the financial risk that expenditure which does not result in a fixed asset would need to be written off in the future.</p>

Recommendations

- R1** The Authority needs to ensure there is a process to resolve litigation and claims relating to MWHL and to assess the impact on the Authority.
- R2** The Authority needs to improve quality assurance arrangements for preparing group accounts.
- R3** The Authority needs to assess and monitor the financial risks of capitalising procurement costs.

Errors in the financial statements

- 16 We identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 17 Management has agreed to adjust the financial statements for the errors identified in Appendix 2. However, because of the amount of adjustments and the size of particular adjustments we are reporting these errors to you. Because there are some sizable amendments you have been asked to re-approve the accounts as they are materially different from those approved by the Authority in June 2008.
- 18 The significant amendments include a number of changes within group accounts and associated disclosure notes, in particular:
- the group debtors note was adjusted by £4m to agree to the group balance sheet;
 - the group balance sheet was amended by £2.097m to correct an error in accounting for intra-group capital and corporate creditors; and
 - the disclosure note was updated to provide a clearer explanation of significant restatements of opening balances.
- 19 A pension fund note has been agreed with the Authority following a finding from the Mersey Pension Fund that assets may not have been valued correctly. The wording below was agreed as an additional disclosure for the Authority and across most Merseyside Councils:
- "Figures of pension assets, prepared under FRS 17 guidelines, were based on 9 months actual performance of the Pension Fund, plus an estimate for the final quarter, representing a combined performance of -3.0%. Final calculations indicated that the actual performance was -1.3%, less an allowance of 0.2% for administration expenses. Pension assets as at 31 March 2008 were therefore understated by some 1.5 to 1.6%. However, as stock markets generally have deteriorated since 31 March 2008, a re-calculation of the asset value has not been considered appropriate."**
- 20 We estimate that the impact of this note is that the assets could increase by £1.1m. This is a significant amount in the Authority's accounts but we emphasise that this is only an estimate which is why we have not sought an amendment to the accounts but have asked for an addition to the disclosure note instead.

The audit report

- 21 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our draft report.

Material weaknesses in internal control

- 22 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Financial statements and Annual Governance Statement

23 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Other matters

24 There are no other matters that auditing standards require me to report to you.

Value for money

- 25** We are required to conclude whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against 12 criteria specified by the Commission. Our conclusions on each of the 12 areas are set out in Appendix 4 for completeness.
- 26** We have also reviewed the Authority's arrangements for the major procurement exercise which is underway. Whilst there are no matters which impact on the VFM conclusion this exercise remains a significant issue for the Authority. We plan to report our findings in our Annual Audit Letter in November.
- 27** Linked to our review of your procurement arrangements we will need to consider the impact of changes relating to Mersey Waste Holdings Ltd. This is likely to be a key issue informing our work to support our 2008/09 accounts opinion and VFM conclusion.
- 28** We have assessed the arrangements of the Authority as adequate in all 12 areas and we therefore propose to issue an unqualified conclusion. However, in reaching this conclusion we identified some weaknesses in arrangements for securing value for money as detailed below.
- 29** The procurement has identified the need for the Authority to acquire strategic assets. As the asset base grows there is an emerging need to introduce an asset management plan to provide a clear framework for managing assets.
- 30** There is scope to strengthen arrangements for identifying related parties to ensure greater transparency as the Authority embarks on a major change agenda which involves high profile transactions with new organisations:
- Declarations of interests from senior officers were not obtained to support the disclosures in the accounts approved by the Authority in June 2008. These were obtained during the course of our audit; and
 - The Authority relies on arrangements within the districts to obtain declarations of interests. These arrangements should be supplemented at Authority level.

Recommendations

R4 Introduce an asset management plan.

R5 Strengthen arrangements for identifying interests of members at Authority level.

- 31** Appendix 3 contains the wording of our draft report.

Formal audit powers

32 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Authority's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Authority to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Authority.

33 We have not and do not propose to exercise these powers.

Independence

- 34 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 35 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 36 We communicate to you:
- any relationships between us and the Authority, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Authority

- 37 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 38 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 3 Audit fees

	Plan 2007/08	Revised June 2008
Financial statements and Annual Governance Statement	29,777	46,477
Value for Money (including BVPP)	17,663	17,663
Whole of government accounts	2,621	2,621
Total Audit Fee	50,061	66,761*

* Final fee to be determined - see paragraph 40 below.

- 39 The revised fee includes the supplementary fee of £16,700 agreed in June 2008.
- 40 Since June, we have undertaken additional unplanned audit work to address new risks identified and matters arising during our audit of the financial statements. Our current fee estimate for this additional work is £10,000. We will determine our final audit fee when the audit is complete and report it in our Annual Audit Letter to the Authority in November 2008.

Independence

Our arrangements to ensure independence and objectivity

41 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

Table 4 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none">• do not hold a financial interest in any of our audit clients;• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and• may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none">• the general requirement to carry out work independently and objectively;• safeguarding against potential conflicts of interest;• acceptance of additional (non-audit) work;• rotation of key staff;• other links with audited bodies;• secondments;• membership of audited bodies;• employment by audited bodies;• political activity; and• gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Letter of representation

Letter of Representation (Draft)

Draft management representation letter

To:
Michael Thomas
District Auditor
Audit Commission
The Heath Business and Technical Park
Runcorn
Cheshire
WA7 4QF

Dear Mike,

Merseyside Waste Disposal Authority - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Merseyside Waste Disposal Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2008. All representations cover the Authority's accounts and group accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Appendix 1 – Letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with the financial reporting framework.

The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and appropriately reflect the best estimate of fair value of assets and liabilities required to be disclosed by these standards.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
 - agreements and options to buy back assets previously sold; and
 - assets pledged as collateral.
-

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
 - there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
 - no financial guarantees have been given to third parties.
-

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Procurement costs

I confirm that the capitalisation of procurement costs is in line with the SoRP and other accounting standards.

Appendix 1 – Letter of representation

Group entities

I confirm the completeness of the information disclosed regarding Mersey Waste Holdings Ltd. I have considered the audited accounts for the company for the year ended 30 September 2007 to ensure no additional disclosure is required in the financial statements of the Authority or Group.

Signed on behalf of Merseyside Waste Disposal Authority

I confirm that this letter has been discussed and agreed by the Authority on 26 September 2008.

Signed

Ian Roberts

Treasurer

26 September 2008

Appendix 2 – Errors in the financial statements

Errors in the financial statements

The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 5 Summary of errors and adjustments

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
MWDA					
Creditors / long-term Borrowing	Reclassification of interest costs as borrowing costs rather than creditors.			249	249
FRS 17 - error in information provided by Pension Fund	Disclosure note updated to reflect the nature of the uncertainty.				
Cash Flow Statement	Reduce interest paid £26k. Increase other operating cash payments £26k.				
Cash Flow Statement	Increase government grants £535k. Decrease other operating cash receipts of £535k.				

Appendix 2 – Errors in the financial statements

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Long-term investments disclosure	Additional disclosure required in the notes for the two group companies in order to comply with the SoRP.				
Provisions disclosure	More clarity was required on the disclosure note for provisions.				
GROUP					
Group Contingent Assets and Contingent Liabilities	Additional disclosure note in group accounts needed for a contingent asset of £5,600k and a contingent liability of £2,100k.				
Group Creditors	Group creditors reduced by £2,097k for two errors. Increase Group cash by £1,848k. Increase long-term borrowing by £249k.			2,097	2,097
Group Debtors note	Note updated to include capital debtors of £4,007k.				

Appendix 2 – Errors in the financial statements

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
FRS 17 - Group Pensions figures	Increase net cost of services £186k. Decrease pensions interest cost and expected return on pension assets £186k.	186	186		
GENERAL					
Restatement of group accounts.	Updated disclosure re restatements of prior year figures.				
Presentational errors	There were a number of amendments made to correct presentational errors and typos.				

Appendix 3 – The draft audit report

The draft audit report

Independent auditor's report to the Members of Merseyside Waste Disposal Authority

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Merseyside Waste Disposal Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Merseyside Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Merseyside Waste Disposal Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas
District Auditor

Audit Commission
The Heath Business and Technical Park
Runcorn
Cheshire
WA7 4QF
26 September 2008

Appendix 4 – Value for money conclusion

Value for money criteria

The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources. The Code criteria are shown in the table below.

Code Criteria	Description	Criteria met?
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Yes
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
5	The body has put in place arrangements to maintain a sound system of internal control.	Yes
6	The body has put in place arrangements to manage its significant business risks.	Yes
7	The body has put in place arrangements to manage and improve value for money.	Yes
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes

Appendix 4 – Value for money conclusion

Code Criteria	Description	Criteria met?
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Yes
10	The body has put in place arrangements for managing performance against budgets.	Yes
11	The body has put in place arrangements for the management of its asset base.	Yes
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

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, covering the £180 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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk
