

The Annual Audit Letter for Greater Manchester Waste Disposal Authority

Year ended 31 March 2017

19 October 2017

John Farrar

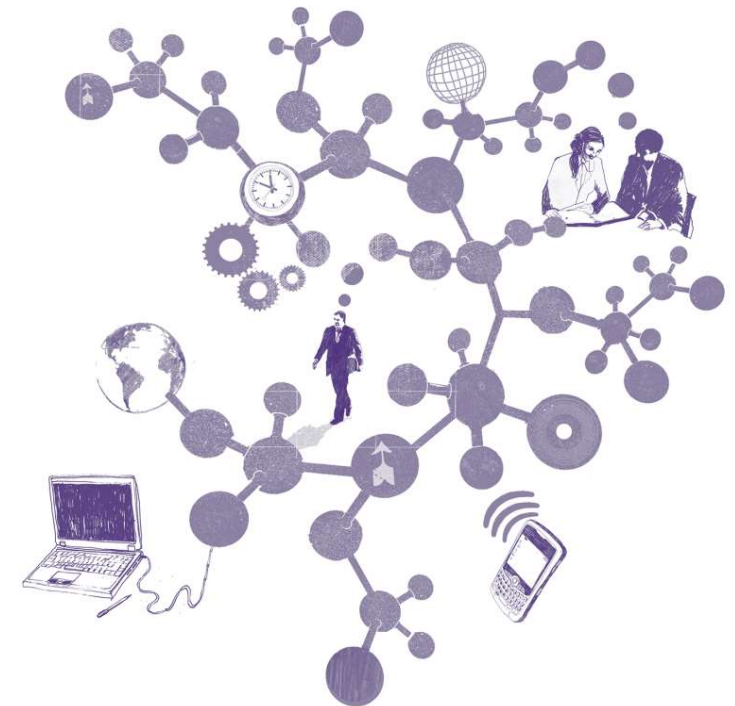
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Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	4
3. Value for Money conclusion	7
Appendices	
A Reports issued and fees	9

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Greater Manchester Waste Disposal Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit and Standards Committee (as those charged with governance) in our Audit Findings Report on 17 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 17 July 2017.

We included an emphasis of matter paragraph in our report on the Authority's financial statements to draw attention to disclosures made in respect of the transfer of the Authority's functions, assets and liabilities to the Greater Manchester Combined Authority from 1 April 2018. This does not affect our opinion that the statements give a true and fair view of the Authority's financial position and its income and expenditure for the year.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 17 July 2017.

Whole of government accounts

We completed work on the Authority's consolidation return following guidance issued by the NAO and issued an unqualified report on 28 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Greater Manchester Waste Disposal Authority in accordance with the requirements of the Code on 28 September 2017.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £2,746k, which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from levies during the year.

We also set a lower level of specific materiality for related party transactions and senior officer remuneration at £20k to reflect the sensitive nature of these disclosures.

We set a lower threshold of £137k, above which we reported errors to the Audit and Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Treasurer and Deputy Clerk are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts – Greater Manchester Waste Disposal Authority

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability was not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the Council's actuary. 	<p>Our work did not identify any issues in respect of the valuation of the pension fund net liability.</p>
<p>Valuation of property plant and equipment</p> <p>The valuation of the Authority's property, plant and equipment as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Reviewed management's processes and assumptions for the calculation of the estimate. Reviewed the competence, expertise and objectivity of any management experts used. Reviewed the instructions issued to valuation experts and the scope of their work Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. Tested revaluations made during the year to ensure they were input correctly into the Authority's asset register 	<p>Our work did not identify any issues in respect of the valuation of property, plant and equipment.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 17 July 2017, in advance of the 30 September 2017 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The Finance Team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit and Standards Committee on 17 July 2017.

In addition to the key audit risks reported above, we identified a small number of disclosure adjustments during our audit that which management agreed to amend in the audited set of financial statements.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We carried out work on the Authority's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 28 September 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We had no reason to exercise our additional powers and duties.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Medium Term Financial Plan and Impact on Operations The Authority has to find significant savings which can only be derived from revisiting the current PFI contract arrangements. The Authority has agreed a medium term financial plan for the five years to 2021/21 which reflects the different way of operating.</p> <p>There is a significant risk that if the Authority does not have proper governance arrangements in place for revisiting the current Contract, or does not have robust financial information upon which to formulate its future cost base, then the necessary savings will not be achieved</p>	<p>We reviewed the governance arrangements put in place by the Authority so that it is in a position to take informed decisions regarding the future of the PFI contract, seeking appropriate professional advice where necessary.</p>	<p>Management has effectively engaged Members throughout the decision making process, providing regular reports to Authority meetings on progress made and the options available.</p> <p>Management’s assessment of the options drew on appropriate technical, financial and legal advice from external sources as a basis for formulating their appraisal of options.</p> <p>Internal Audit were engaged to provide assurances that the decision making process followed the requirements of the Authority’s Constitution.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements in place to support informed decision making.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of the Authority	31,418	31,418	31,418
Total fees (excluding VAT)	31,418	31,418	31,418

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	3 April 2017
Audit Findings Report	7 July 2017
Annual Audit Letter	9 October 2017

Fees for other services and non-audit services

No non-audit or audited related services have been undertaken for the Authority.



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