



Prosiect Gwyrdd Statement of Accounts

2009/10

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Explanatory Foreword

1. Introduction

- 1.1 Prosiect Gwyrdd is a partnership between Caerphilly Borough County Council, the County Council of the City and County of Cardiff, Monmouthshire County Council, Newport City Council and the Vale of Glamorgan Council.
- 1.2 The partnership aims to deliver the best long term, environmental, sustainable and cost effective solution for waste after recycling and composting has been maximised. By all of the authorities working together on a regional basis, the partnership is seeking to maximise economies of scale and provide best value for the taxpayer in an area of service delivery that is complex, emotive and often attracts significant public interest, requiring extensive stakeholder engagement.
- 1.3 The five Local Authority partners signed a formal Memorandum of Understanding in July 2007 to deliver the work required in preparation for a procurement process to find a long-term solution for the treatment of their residual waste. In addition, funding was secured from the Welsh Assembly Government's (WAG's) Regional Capital Access Fund (RCAF), allowing the partnership to move forward and prepare a robust Outline Business Case.
- 1.4 Each of the partners secured approval from their respective Councils in the summer of 2009 to commence a formal procurement. Importantly, following approval of the final partner (Monmouthshire County Council) report on the 30th July 2009, gave rise to the formation of a Joint Committee structure to oversee and deliver the procurement phases of the project, pursuant to the powers in section 101 of the Local Government Act 1972.
- 1.5 As a result, the inaugural accounting year relating to the Prosiect Gwyrdd Joint Committee covers the period **31st July 2009 to 31st March 2010**. However for completeness, Table 2b on page 6 provides details of the transactions that took place during the full financial year i.e. from the 1st April 2009.
- 1.6 The Joint Committee was formed by the five participating councils to carry out the functions set out in the Joint Working Agreement. The Joint Committee supersedes and replaced the 'Members Steering Group' formed under the Memorandum of Understanding between the five partner authorities. Each council has appointed two elected member representatives to the Joint Committee, with the Chairperson being an elected member of the Lead Council. In addition a Joint Scrutiny Committee with representatives from the five participating councils has also been formed with a role to monitor and review the work of the Joint committee.

- 1.7 Table 1 details the Joint Committee's elected membership during the financial year 2009-10.

Table 1: Prosiect Gwyrdd Joint Committee Elected Membership (2009-10)

Elected Member	Partner	Portfolio
Cllr Lyn Ackerman	Caerphilly County Borough Council	Environment & Housing
Cllr Colin Mann	Caerphilly County Borough Council	Resources & Sustainability
Cllr Margaret Jones	Cardiff Council	Environment
Cllr Mark Stephens (Chair)	Cardiff Council	Finance & Service Delivery
Cllr Phil Murphy	Monmouthshire County Council	Finance & Performance Improvement
Cllr Eric Saxon	Monmouthshire County Council	County Operations
Cllr David Atwell	Newport City Council	Highways & Transport
Cllr David Fouweather	Newport City Council	Environment & Community Safety
Cllr Geoff Cox	Vale of Glamorgan Council	Visible & Building Services
Cllr Gordon Kemp	Vale of Glamorgan Council	Finance, ICT & Property

- 1.8 The Authorities have agreed that Cardiff Council will be the Lead Council for the purposes of carrying out the procurement phase of the project. In addition, it has been agreed that all revenue costs associated with procurement will be met equally by the five partnering authorities. However, where appropriate, some costs will be shared on a tonnage basis.
- 1.9 In addition, the Joint Working Agreement clearly sets out the financial remedies available to the committee should any partner decide to withdraw from the partnership whilst the project remains affordable, in terms of their approved Affordability Envelope. The clause sets out a potential liability cap of up to £3m per partner, which will be calculated taking into account the impact of delay and other costs that crystallise to the remaining partners.
- 1.10 The Joint Committee is supported in its work by the Project Board, a fully resourced Project Team and appointed professional Technical, Legal and Financial advisors.
- 1.11 As at the 31st March 2010, the Project was finalising the evaluations of the pre-qualification questionnaires in readiness to close off stage 1 of

the procurement and prepare to seek approval to commence the next stage of the procurement – Invitation to Participate in Dialogue.

2 Summary of Financial Performance

2.1 The Income and Expenditure Account provides an analysis of the Joint Committee financial performance for the period 31st July 2009 to the 31st March 2010. Table 2a below gives a summary of the 'Actuals' against 'Budgets' analysed using the Chartered Institute of Public Finance and Accountancy (CIPFA) standard subjective groupings.

Table 2a: Income & Expenditure Account (31st July to 31st March 2010)

Original Budget £		Revised Budget £	Actual £	Variance £
	Expenditure			
374,564	Employees	292,229	197,449	(94,780)
27,500	Premises	27,500	7,683	(19,817)
7,491	Transport	6,941	2,460	(4,481)
161,267	Supplies & Services	191,056	269,442	78,386
0	Support Services	0	6,265	6,265
570,822		517,726	483,299	(34,427)
	Income			
(139,655)	WAG Grant	(106,827)	(482,772)	(375,945)
(431,167)	Contributions from Local Authorities	(410,899)	(780,187)	(369,288)
(570,822)		(517,726)	(1,262,959)	(745,233)
0	Total	0	(779,660)	779,660

A summary of the key variances between budgets and actuals are detailed below:

1. Employee costs were lower than budgeted due to delays in recruiting the full Project Team.
2. Premises costs were also lower than budget and again the reason behind this was the delay in mobilising the full Project Team to its permanent accommodation.
3. The Supplies & Services budget resulted in an overspend and this was primarily due to the need to procure additional adviser support to assist with securing WAG funding support, and covering tasks relating to vacant posts.
4. There was no budget approved for Support Services in 2009-10, which resulted in a small overspend during the year. A budget has been approved from 2010-11 onwards in respect of these costs.
5. WAG grant income was significantly higher than initially budgeted due to WAG approving additional grant support for the project towards the end of the year.

6. To assist partner authorities in managing their contributions over the life of the project, the partnership agreed that the original level of contributions budgeted for in 2009-10 should still be paid (see paragraph 2.3 below), irrespective of the fact that WAG approved additional funding late in the year.
- 2.2 For information, Table 2b provides details of the Total (pre and post Joint Committee) Income and Expenditure transactions that took place during the full financial year i.e. from the 1st April 2009 to 31st March 2010.

Table 2b: Prosiect Gwyrdd 2009/10 Total Income and Expenditure

	1st April to 30th July 2009	31st July 2009 to 31st March 2010	2009-10 Total
	£	£	£
Expenditure	162,228	483,299	645,527
WAG Grant	(162,228)	(482,772)	(645,000)
Partner Contributions	(0)	(780,187)	(780,187)
Total Income	(162,228)	(1,262,959)	(1,425,187)
Net Position	0	(779,660)	(779,660)

* Note this table is aggregate of the Income & Expenditure of the pre and post Joint Committee transactions and is for information purposes only.

- 2.3 In addition, it should be noted that the expenditure incurred during the initial accounting period (prior to the Joint Committee being established) was funded fully from WAG Grant. Therefore, the full value of Partner Contributions has been applied to the Joint Committee's accounting period (31st July 2009 to 31st March 2010).

3. Introduction to Accounting Statements

3.1 Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

3.2 Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Joint Committee and the arrangements for the preparation of the Statement of Accounts. The Statement is to be signed by the Joint Committee Chair on behalf of the committee.

3.3 Income and Expenditure Account

This statement is prepared to record the day-to-day expenditure on an accruals basis, on items such as salaries and wages, running costs of the service and income received to calculate the net operating expenditure of the Joint Committee. The statement is based upon UK GAAP (Generally Accepted Accounting Practice).

3.4 Statement of Movement on the General Reserve

This statement shows the movement of the General Reserve Balance and reconciles the surplus/deficit of the Income and Expenditure account to the total movement of General Reserve Balance.

3.5 Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of Prosiect Gwyrdd Joint Committee for the period in question and shows the aggregate increase/decrease in Net Worth.

3.6 Balance Sheet

This statement shows the Prosiect Gwyrdd Joint Committee financial position as at 31st March 2010. Where relevant, it includes the fixed assets, current assets and liabilities of all activities of the Joint Committee together with the balances and reserves at its disposal.

3.7 Cash flow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties.

3.8 Statement on Internal Control

This statement sets out the framework within which the Joint Committee manages and reviews internal control. It outlines the main components of the system, including the arrangements for Internal Audit.

Statement of Accounting Policies

The Accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2009 – ‘A Statement of Recommended Practice’ (the 2009 SORP), as advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and set-out within the statutory framework established by the Accounts and Audit (Wales) Regulations 2005, as amended.

1. Fixed Assets

2009-10 expenditure includes the purchase of a number of items of office equipment which have been fully charged to revenue.

2. Debtors and Creditors

The revenue transactions of the Joint Committee are recorded on an accruals basis. All known debts due to the Joint Committee as at 31st March 2010 are taken into account, as are all known liabilities for goods received or work carried out by this date. Where there was insufficient information available to provide actual figures, estimated amounts have been included.

3. Stock

Stock has been valued at the lower of cost and net realisable value and relates mainly to Incentivisation vouchers held at 31st March 2010.

4. Value Added Tax (VAT)

The Income and Expenditure Account has been prepared excluding Value Added Tax in accordance with Statement of Standard Accounting Practice (SSAP 5). The Committee is not separately registered for VAT and therefore the net value of VAT incurred is recoverable from HM Revenue and Customs under the umbrella of Cardiff Council's VAT registration.

5. Income

Income is credited to the year to which it relates regardless of when the income is actually received.

6. Allocation of Central Departmental Support

A small element of the Lead Council's Central Departmental Support is allocated to the Prosiect Gwyrdd Joint Committee on a basis of the estimated time spent by staff on supporting Prosiect Gwyrdd. The staff time analysis is reviewed and updated annually in-line with Cardiff Council's policy for charging external bodies, including Joint Committees for central departmental support functions.

7. Retirement Benefits

The Joint Committee does not have the legal power to directly employ staff. Staff involved in Joint Committee activities are therefore employed by a constituent authority. Each constituent authority participates in a defined benefit pension scheme. The joint committee meets the cost of the actual pension contributions and accounts for them in the income and expenditure account. Pension costs are therefore accounted for as if contributions had been made to a defined pension scheme because it is not possible to determine the underlying assets and liabilities in the schemes relating to the staff involved in joint committee activities on a reasonable and consistent basis. Therefore, no liability for future payments of benefits is recognised in the Balance Sheet. The resultant assets and liabilities relating to Prosiect Gwyrdd employees are included within the Balance sheet of the respective employing authority.

8. Government Grants

Revenue grants received are matched to the expenditure to which they relate. Government grants are accounted for on an accruals basis and recognised in the accounting statements when the conditions of their receipt have been complied with and there is reasonable assurance that the grant will be received.

Statement of Responsibilities for the Statement of Accounts

The Prosiect Gwyrdd Joint Committee Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that an appropriate officer is appointed to undertake an administration of those affairs. In 2009-10, this officer was Christine Salter, City and County Treasurer of Cardiff Council who holds the statutory post of Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts for the period **31st July 2009 to 31st March 2010**

Cllr Mark Stephens
Chairman
Prosiect Gwyrdd Joint Committee

Date

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Joint Committee's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2009 ('the 2009SORP')

In preparing these financial statements, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the 2009 SORP.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Finance Officer's Certificate

The financial statements present a true and fair view of the financial position of the Prosiect Gwyrdd Joint Committee at 31 March 2010 and its income and expenditure for the period **31st July 2009 to 31st March 2010.**

Christine Salter
Treasurer to Prosiect Gwyrdd Joint Committee
Cardiff Council

Date

Income and Expenditure Account for the Period ended 31st March 2010

2008/09 £		2009/10 (31.07.09 to 31.03.10) £	Note
	Continuing Operations		
	Expenditure		
0	Employees	197,449	1.0
0	Premises	7,683	
0	Transport	2,460	
0	Supplies and Services	269,608	
0	Support Services	6,265	2.0
0	Net Cost of Services	483,465	
0	Interest Payable and Similar Charges	186	3.0
0	Interest and Investment Income	(352)	4.0
0	Net Operating Expenditure	483,299	
	Income		
0	WAG Grant	(482,772)	5.0
0	Contributions from Local Authorities	(780,187)	6.0
0	Net (Surplus)/Deficit	(779,660)	

Statement of Movement on the Prosiect Gwyrdd Joint Committee Reserve for the Period ended 31st March 2010

2008/09 £		2009/10 (31.07.09 to 31.03.10) £	Note
0	(Surplus)/Deficit for the Period on the Income and Expenditure Account	(779,660)	
0	Net Transfer (to)/from General Reserve	(779,660)	
0	General Reserve Balance Carried Forward	(779,660)	

Statement of Total Recognised Gains and Losses for the Period ended 31st March 2010

2008/09 £		2009/10 (31.07.09 to 31.03.10) £	Note
0	(Surplus)/Deficit on the Income and Expenditure Account for the Period	(779,660)	
0	Any Other Gains and Losses Required to be included in the Statement of Recognised Gains & Losses	0	
0	Total Recognised (Gains)/Losses for the Period	(779,660)	

Balance Sheet as at 31st March 2010

2008/09		2009/10	Note
£		£	
	Tangible Fixed Assets		
0	Operational Assets	0	
0	Land & Buildings	0	
0	Assets Under Construction	0	
0	Vehicles, Plant, Furniture & Equipment	0	
0		0	
	Current Assets		
0	Stocks & Work in Progress	480	
0	Debtors	64,941	7.0
0	Cash in Hand	825,754	
0		891,175	
	Current Liabilities		
0	Creditors	(91,015)	8.0
0	Capital Contribution Unapplied	(20,500)	9.0
0	Net Current Assets	779,660	
0	TOTAL ASSETS LESS LIABILITIES	779,660	
	Represented By:		
	Revenue Reserves:		
0	Joint Committee Reserve	779,660	10.0
0	NET WORTH	779,660	

Cash flow Statement for the Period ended 31st March 2010

2008/09 £		2009/10 (31.07.09 to 31.03.10) £
	Revenue Activities	
	Cash Outflows	
0	Cash Paid to and on Behalf of Employees	197,449
0	Other Operating Cash Payments	195,481
	Cash Inflows	
0	Cash Received from WAG Grant	(417,831)
0	Contributions from Local Authorities	(780,187)
0		(805,088)
	Returns on Investment and Servicing of Finance	
	Cash Outflows	
0	Interest Paid	186
	Cash Inflows	
0	Interest Received	(352)
0		(166)
	Capital Activities	
	Cash Outflows	
0	Purchase of Fixed Assets	0
0	Other Capital Cash Payments	0
	Cash Inflows	
0	Sale of Fixed Assets	0
0	Capital Grants Received	0
0	Other Capital Cash Receipts	(20,500)
0		(20,500)
0	Net Cash Inflow/(Outflow)	(825,754)
	Analysis of Changes in Cash and Cash Equivalents	
0	Net Cash (Inflow)/Outflow	(825,754)
0	Balance as at 31st March 2010	(825,754)

Cardiff Council administers all cash transactions as the Joint Committee does not operate its own bank account. Interest Receivable/Payable is calculated on all Joint Committee transactions during the year.

Notes to the Statement of Accounts

Note 1 - Officers Emoluments

- 1.1 Under the Accounts and Audit (Wales) Regulations 2005, as amended, Local Authorities and Joint Committees must disclose in their accounts the number of officers whose total remuneration exceeded £60,000 (listed in ranges, in multiples of £5,000). For the purpose of this disclosure, remuneration includes Gross Pay, Employer's National Insurance Contributions, Redundancy payments etc., but excludes Employer's Pension Contributions.
- 1.2 During 2009/10, total expenditure on staff was £197,449. Within this, only the project manager received remuneration above £60,000.

Table 3: Officers Emoluments

Remuneration Band	Number of Officers	
	2008/09	2009/10
£70,000 - £74,999	0	1

Note 2 - Support Services

- 2.1 A proportion of central departmental support of Cardiff Council is allocated to the Prosiect Gwyrdd Joint Committee by the most appropriate method for that particular support service, e.g. Staff time, number of licences, number of transactions, number of PC's etc. The information used to allocated Support Service costs is to be reviewed annually.

Note 3 - Interest Payable and Similar Charges

- 3.1 The interest was due and paid in relation to balances held by the Joint Committee through the year on behalf of the 5 Local Authorities. This is the interest earned on the balance invested by Cardiff Council on behalf of the Joint Committee. The average rate of interest for the year was 0.32% in line with the 7 day LIBID (London Interbank Bid) rate.

Note 4 - Interest and Investment Income

- 4.1 The interest was received in respect of WAG RCAF grant balance held by Newport City Council on behalf of the Joint Committee during the year.

Note 5 - WAG Grant

- 5.1 The Welsh Assembly Government awarded a grant totalling £645,000 to the project in respect of the financial year 2009-10.
- 5.2 Of this, £162,228 was used to fully fund the expenditure pre-Joint Committee i.e. 1st April 2009 to 30th July 2009, whilst the balance (£482,772) was fully drawn down and utilised to fund the expenditure from the 31st July onwards.
- 5.3 It is condition of the grant that the full amount approved in any financial year is fully drawn and spent within the year to which the approval relates.

Note 6 - Contributions Received

- 6.1 The Joint Working Agreement provides for contributions towards estimated expenditure for each year to be notified in advance to each authority, and to be made in two half-yearly instalments – (Clause 7.9 of the Joint Working Agreement).
- 6.2 The contribution provided by the 5 Local Authorities for the period to the 31st March 2010 were as follows:

Table 4: 2009/10 Partner Contributions

Authority	2009/2010 (31.07.09 to 31.03.10) £
Caerphilly CBC	(156,112)
Cardiff Council	(155,739)
Monmouthshire CC	(156,112)
Newport CC	(156,112)
Vale of Glamorgan Council	(156,112)
TOTAL	(780,187)

- 6.3 Since the project's inception all partnering Councils have contributed equally to the cost of project expenditure after applying the approved level of grant funding.

Note 7 - Debtors

7.1 Debtors in the Balance Sheet consist of:

Table 5: 2009/10 Debtors

Name/Organisation	£'s
Welsh Assembly Government – 09/10 RCAF grant	64,941
	64,941

7.2 The WAG grant claim is based on retrospective expenditure and therefore, the claim in respect of March 2010 was outstanding as at the 31st March 2010.

Note 8 - Creditors

8.1 Creditors in the Balance Sheet as at the 31st March 2010 were as follows:

Table 6: 2009/10 Creditors

Name/Organisation	£'s
Parson Brinkerhoff	36,466
Pinsent Masons	13,497
Grant Thornton	11,976
Newport CC	2,818
Caerphilly CBC	23,557
Other	2,701
Total	91,015

Note 9 - Capital Contributions Unapplied

9.1 The project agreed Heads of Terms in respect of the 'Optional Site' in the autumn of 2009, and partners paid their respective Year 1 Site option costs on the basis that the full agreement would be signed ahead of 31st March 2010. However, the agreement remained unsigned as at the Balance Sheet date, and these contributions are being held as 'Unapplied' and are repayable on demand. The option agreement was concluded on the 17th May 2010.

Note 10 - Joint Committee (General) Reserve

- 10.1 The Joint Committee (General) Reserve Balance being carried forward as at 31st March 2010 (£779,660), relates to the surplus from the current period as detailed on pages 5 & 6 of these accounts.
- 10.2 The accumulation of a substantial reserve balance is largely in-line with the budget strategy approved by the committee in December 2009. In effect, the reserve consists of amounts relating to an earlier than expected payment of grant by WAG. In addition, partnering authorities agreed to pay their full 2009-10 budgeted contributions, despite the fact that budget monitoring statements clearly outlined the need for a reduced contribution. This was on the basis that any surplus would be held by the Joint Committee and used to reduce the level of contributions required in future years, thereby minimising any future budgetary impact.
- 10.3 The Joint Committee Reserve Balance is an integral element of the sources of funding identified to support the overall Project Budget to the end of the procurement process.

Note 11 - Related Party Transactions

- 11.1 In accordance with FRS 8, the Prosiect Gwyrdd Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.
- 11.2 Prosiect Gwyrdd is managed and administered by the Prosiect Gwyrdd Joint Committee. The Joint Committees terms of reference and powers delegated to it are set out on the Joint Working Agreement dated 12th October 2009.
- 11.3 Cardiff Council is the Lead Procurement Authority for the procurement stage of the project and as such is responsible for the financial and administrative arrangements relating to the committee's affairs.

11.4 Under the terms of the Joint Working Agreements any of the five Local Authority partners may provide support to the committee to assist it in discharging its responsibilities. In the period ending 31st March 2010, the following Related Party Transactions were recorded:

Table 7: Related Party Transactions for 8 Months ending 31st March 2010

Authority	£'s	Related Party Details
Caerphilly CBC	23,557	Staff costs, website maintenance and refreshments
Newport CC	2,818	Committee related expenditure and Roadshow costs
Cardiff Council	457,276	All other Project expenditure
TOTAL	483,651	

Note 12 - External Audit Costs

12.1 In 2009-10 the Joint Committee incurred External Audit costs of £2,500.

Note 13 - Reconciliation of Income and Expenditure Account to Cashflow

Reconciliation of Income and Expenditure Account to Cashflow

2008/09		2009/10 (31.07.09 to 31.03.10) £
£		
0	Income and Expenditure Account (Surplus)/Deficit	(779,660)
0	Depreciation	0
0	Government Grants Deferred	0
0	(Increase)/Decrease in Creditors	(91,015)
0	Increase/(Decrease) in Debtors	64,941
0	Increase/(Decrease) in Stocks	480
0	Increase/(Decrease) in Capital Contributions	(20,500)
0	Financing Items	0
0	Other Items	0
0	Cash (Inflow)/Outflow from Revenue Items	(825,754)

Statement on Internal Control: Prosiect Gwyrdd Joint Committee

Scope of Responsibility

The five Local Authorities had each determined to set up the Joint Committee and proceed with the Procurement by decisions made by their respective Cabinets and Councils. The last such decision was made on 30th July 2009.

The scope of responsibility was to oversee the progress and implementation of the Project, to give the Project Strategic direction and to carry out those Procurement Milestones being matters allocated to the Joint Committee.

The Joint Committee is the key body which oversees the Project and represents the interests of the Councils and its Stakeholders. The Joint Committee is also responsible for monitoring Project progress and managing the political dimensions of the Project.

Each council has appointed two elected member representatives to the Joint Committee, with the Chairperson being an elected member of the Lead Council.

The Joint Committee will also carry out the following functions;

- Provide strategic direction to the Project Board (to include approval of remit for the Project Board and approval of any resourcing issues);
- Act as a representative for each Council's Executive/Cabinet to ensure consistency with individual objectives and visions;
- Monitor Project performance, management and working arrangements (to include the necessary audit and assurance checks);
- Ensure that sufficient resources are committed to the Project;
- Arbitrate on any conflicts within the programme or negotiate a solution to any problems between the programme and external bodies;
- Communicate and provide progress on strategic issues within the Project;
- Promote Partnership working between the Councils.

The Joint Committee is supported in its work by the Project Board, a fully resourced Project Team and appointed professional Technical, Legal and Financial advisors.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The aim is, therefore, to provide reasonable, rather than absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Prosiect Gwyrdd's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Control Environment

The internal control environment supports Prosiect Gwyrdd in establishing, implementing and monitoring its policies and objectives.

The key elements of Prosiect Gwyrdd's internal control environment are described below:-

- **Establishing and Monitoring of the Prosiect Gwyrdd's Objectives**

The Joint Committee's overarching objectives are set out in the Joint Working Agreement, which sets out how the five authorities will work together to deliver the final solution. This includes agreements on the financial commitments of the councils, including making available sufficient internal resources to the project, as well as the liabilities of each council. In essence, the Joint Working Agreement sets out the cost sharing arrangements, anticipated partner contributions and the liabilities that may arise should a partner wish to withdraw from the procurement at any point.

- **Performance Management and the Reporting of Performance Management**

The Project Plan includes key milestones to be met which are monitored on a regular basis through quarterly reports to the Project Board. This allows all Members Authorities to track progress against the key objectives, monitor performance against milestones and inform remedial action where required. External quality Assurance is also obtained from the WAG, Partnerships UK Transactor and OGC Gateway Review teams at various stages of the project.

The Stage Plans also include assessment of the key risks and their

mitigations and sets out the challenges and issues for the forthcoming stage.

- **The Facilitation of Policy and Decision Making**

Responsibility for decision making in relation to the functions of Prosiect Gwyrdd are clearly set out in the Joint Working Agreement.

The Joint Working Agreement sets out those matters that are reserved for Council, those matters that can be determined by the Joint Committee and those matters that can be determined by the Project Board.

‘Project Board Matter’ – being a matter which is to be decided upon at a quorate meeting of the Project Board by those present and entitled to vote and any such decision will be binding on all the Councils;

‘Joint Committee Matter’ – being a matter which is to be decided upon at a quorate meeting of the Joint Committee by those present and entitled to vote and any such decision will be binding on all the Councils. For the avoidance of doubt, the Joint Committee may determine that any Joint Committee Matter or any Project Board Matter may be referred back to each Council for decision.

‘Matter Reserved To The Councils’ – being a matter identified as such in the Procurement Milestones or referred to the Councils which will have to be referred to each Council for decision and, for the avoidance of doubt, any such matter will not be dealt with by the Project Board or the Joint Committee (as the case may be) until the matter has been determined by all the Councils. If the Councils fail to reach the same decision in respect of such matter then the matter shall be referred under a dispute for resolution.

- **Compliance with Established Policies, Procedures, Laws and Regulations**

Prosiect Gwyrdd is managed and administered by the Prosiect Gwyrdd Joint Committee under the powers conferred by the Local Government Act 1972, which enables Local Authorities to set up Joint Committees and delegate certain functions to them.

The joint Working Agreement sets out the Terms of Reference of the Committee and those matters which the Joint Committee and Project Board may determine. The Project has the benefit of internal and external legal advice.

- **Identifying, Assessing and Managing the Risks to the Prosiect Gwyrdd's Objectives**

The Project Plan contains a comprehensive risk register that identifies all of the Projects Risks and how they link with the proposed contract risk allocation Matrix. Each partnering authority has also signed off the Project Risk Register and committed to ensure that their own Authority's' risks regarding the project are raised at the Corporate Management level as necessary.

- **The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised**

The five partnering Councils each gave their formal approval to the commencement of the procurement in July 2009. As part of that approval, each Council provided a commitment to support the procurement in terms of making available the necessary resources required to deliver successful outcome to what is a complex an often lengthy process.

The project has in place an approved Project Budget, which details the resources needed over the next 3 financial years, to the end of the procurement.

Project officers are acutely aware of the need to maximise value for money from the approved resources. Therefore, the Project Budget is reviewed at least annually as part of the annual budget setting process, to review the adequacy of existing resources and to review and re-align resources, where appropriate to do so.

All key resource commitments are reviewed on a regular basis, particularly, externally procured support, which is reviewed as part of a regular programme of detailed contract review meetings. All resources are subject to a level of scrutiny and challenge to ensure that the partnership secures continuous improvements and value for money.

The Committee has signed-up to following the Financial, Contract procedure rules and Scheme of Delegations of the Lead Procurement Authority, unless the Project Board, upon consideration of relevant matters, and following legal and financial advice, determine otherwise.

- **The Financial Management of the Prosiect Gwyrdd**

The system of financial management is based on a framework of regular management information, Financial Procedure Rules within the Lead Authority's Constitution and a system of delegation and accountability. The Prosiect Gwyrdd Project budget will be managed within this framework.

Financial Reports in terms of forecasting and budget monitoring will be presented to the Prosiect Gwyrdd Joint Committee at least quarterly, in-line with the requirements of the Joint Working Agreement.

Responsibility for undertaking procurement exercises on behalf of Prosiect Gwyrdd lies with the designated Lead Authority.

Review of Effectiveness of the System of Internal Control

An Internal Control Self Assessment

Much of the work during 2009/10 was focussed on drafting the Joint Working Agreement, putting in place the Joint Committee structure and seeking the relevant approvals necessary to progress the procurement.

The only significant issue that has arisen during the year was a delay to the procurement timetable approved by Prosiect Gwyrdd partnering councils. This issue will be considered in detail during 2010/11, to ensure all procedures and processes are working as intended.

Project Management Assurance Statement

The Senior Responsible Officer (SRO) and Project Manager have acknowledged their roles and responsibilities in operating and maintaining the Project's systems of internal control, through the assessment and completion of a Management Assurance Statement.

In addition, the Project Board which consists of senior officers responsible for the Waste Management function within the 5 partnering authorities have both reviewed and endorsed the assurance statement as at 31st March 2010. Project Board were also encouraged to identify any "new" issues for inclusion in the significant internal control issues 2009/10.

External Audit and Inspection

External Audit is provided by the Wales Audit Office (WAO). The Office of Government Commerce (OGC) Gateway Review teams will provide independent reviews at various stages of the procurement.

Other sources of Assurance

As part of the Memorandum of Understanding signed between the Welsh Assembly Government (WAG) and the Partnership, the project is assigned a dedicated Transactor (seconded from Partnerships UK). In addition, the project has access to a number of other project officers from within the Waste Procurement Project Office (WPPO) in WAG. The Transactor is a member of the Project Board and has a key role in terms of monitoring progress and providing assurance. In essence, the Transactor acts as a 'critical friend' ensuring that the project is progressing effectively and that decisions are consistent with the terms and condition previously agreed with WAG as part of the funding agreement.

The Project also shares information with other projects in Wales and obtains lessons learnt from projects in England that have already delivered partnerships and residual waste contracts.

Each partnering authority's s151 and Monitoring Officers are entitled to attend Joint Committee meetings, should they feel this is necessary at any point during the procurement.

Significant Internal Control Issues

Significant issue

Delays to the Procurement timetable approved by Prosiect Gwyrdd partnering Councils in the summer of 2009.

Action implemented

Revised budget to meet updated timetable approved by Joint Committee with relevant financial and legal implications clearly documented.

Monitoring

The Joint Working Agreement provides for relevant matters to be reported to the Joint Committee so that the same can be monitored and reviewed. In addition, the above Actions have been assigned to Lead Officers, and will be regularly monitored and considered further as part of the annual assessment of the Statement on Internal Control.

Statement on Internal Control 2009-10

The Section 151 Officer to the Prosiect Gwyrdd Joint Committee and the Project Board are content that the process followed has been robust and has ensured the engagement of Prosiect Gwyrdd partnering Councils.

A Review of Effectiveness will be developed and undertaken in 2010/11 to maintain continuous improvement in the system of internal control.

On the basis of this process we certify that we approve the Statement of Internal Control for the period 31st July 2009 to 31st March 2010.

Date: _____

Councillor M Stephens
Chair, Prosiect Gwyrdd Joint Committee

Date: _____

Stephen Davison
Senior Responsible Officer, Prosiect Gwyrdd

Independent Auditor's Report to the Members of the Prosiect Gwyrdd Joint Committee

I have audited the accounting statements and related notes of the Prosiect Gwyrdd Joint Committee for the period 31 July 2009 to 31 March 2010 under the Public Audit (Wales) Act 2004.

The Prosiect Gwyrdd Joint Committee's accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Reserve, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Prosiect Gwyrdd Joint Committee in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of the Responsibilities* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes 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 accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 of the financial position of the Prosiect Gwyrdd Joint Committee and its income and expenditure for the period.

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of

the Committee's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit Practice issued by the Auditor General for Wales, 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the accounting statements and of whether the accounting policies are appropriate to the Committee'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 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 accounting statements and related notes.

Opinion on the accounting statements of the Prosiect Gwyrdd Joint Committee

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Prosiect Gwyrdd Joint Committee as at 31 March 2010 and its income and expenditure for the period then ended.

Certificate of completion

I certify that I have completed the audit of the accounts of the Prosiect Gwyrdd Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Date: October 2010

Electronic Publication of financial statements

The maintenance and integrity of the Prosiect Gwyrdd website is the responsibility of Caerphilly County Borough Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since they were initially presented on the web site