5- APPENDIX 2

Grant Thornton

The Audit Findings for Mersey Waste Disposal Authority

Year ended 31 March 2020

6 December 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and Authority.

Name: Andrew Smith
For Grant Thornton UK LLP
Date: 6 December 2024

1. Headlines

On 30 July 2024, Jim McMahon, the Minister of State for Local Government and English Devolution, informed Parliament about the government's plan to set a backstop date for English local authority audits. The backstop date for financial year 2019/20 is set for 13 December 2024.

The 2019/20 audit has remained ongoing due to significant issues identified in relation to financial reporting capacity and capability which resulted in Statutory Recommendations under section 24 schedule 7 of the Local Audit and Accountability Act 2014 being issued in November 2021. Whilst the Authority has sought additional support to assist with the technical financial reporting requirements, the underlying issue concerning capacity within the finance team has led to fully amend the accounts in line with the CIPFA Code requirements within financial statements.

We have completed most of our audit work. However, the most recent version of the financial statements still contains significant inconsistencies within the financial statements and disclosure notes. In light of the additional work still required to resolve these issues, discussions were held with the Director of Finance to discuss the resourcing implications for both the Authority and the auditors. We determined that it was no longer feasible to complete the 2019/20 audit ahead of the backstop date, leading to a decision to prioritise resources on the recovery of assurance, starting with the audit of the Authority's 2023/24 financial statements.

This table summarises the key findings and other matters arising from the statutory audit of Mersey Waste Disposal Authority's ('the Authority') and the groups financial statements for the year ended 31 March 2020 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We began our year end work in August 2020, and due to the consideration of challenges noted above, this work has been ongoing until September 2024. Although a significant amount of audit work has been completed, the additional work required between now and the proposed backstop date of 13 December makes it unfeasible to fully complete the audit before that date.

As at the date of this report, we have concluded several areas of our audit work. Where our work is concluded we have set out the detail of the work undertaken and our findings in the body of this report.

Where audit work has not yet been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations, along with the key areas which remain outstanding. This is set out in Appendix D

Our findings from the work undertaken to date are summarised on pages 3 to 20. We have identified several adjustments to the financial statements that have resulted in a £7.810m adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendices B and C. Our follow up of recommendations from the prior year's audit are detailed in Appendix

Given that several key audit areas remain outstanding, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. The limitations of scope imposed by the backstop mean that we will be unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. Our draft opinion is attached in Appendix H.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report, if in our opinion, the Authority has made proper arrangement to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	In accordance with the Code, we have assessed the arrangements the Council had in place during 2019/20 to ensure: • Informed decision making • Sustainable resource deployment • Effective working with partners and other third parties We have concluded that the Authority lacked proper arrangements to ensure economy, efficiency, and effectiveness in its use of resources for the 2019/20 financial year. The weaknesses identified in our statutory recommendations, issued in November 2021, were present during the 2019-20 financial year. These weaknesses primarily related to the Authority's financial reporting arrangements, resulting in the inability to publish audited accounts in a timely manner due to limited capacity in the Authority's finance team to accurately address audit misstatements and disclosure issues. Furthermore, the Authority's low levels of general fund reserves at the balance sheet date pose risks to its financial sustainability in the medium term. Consequently, we intend to issue an Adverse Value for Money conclusion for the 2019/20 financial year. While the Council has initiated steps in recent years to address these issues, our concerns have not yet been fully resolved.

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We issued Section 24 Statutory recommendations in relation to Financial Reporting capacity and capability on 19 October 2021 which contributed to the accounts being unsigned over the period. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We have recognised the challenges experienced within the Authority, due the capacity and capability within its own finance team in being unable to resolve the complex financial reporting issue as a significant matter, as detailed in Section X of our report.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a comprehensive audit response was required for Mersey Waste Holdings Limited and an analytical review was required for Bidston Methane Limited; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 26 June 2020.

Conclusion

As highlighted on page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are so extensive that we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out in an Appendix H.

The Authority provided its financial statements for the year ended 31 March 2020 for audit on the 26 August 2020. We commenced our audit of the financial statements that month but were unable to make progress because the Authority did not provide adequate working papers to support the amounts and disclosures in the financial statements. We therefore halted our audit of the financial statements until the matter was resolved. The Authority subsequently provided amended accounts on 5 October 2023. We raised queries with management on the financial statements and supporting records, however they were not able to resolve the outstanding issues. We have concluded that there was no realistic prospect of obtaining sufficient appropriate evidence by 13 December 2024 to enable us to conclude that these financial statements as a whole are free from material misstatement.

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including that from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

2. Financial Statements

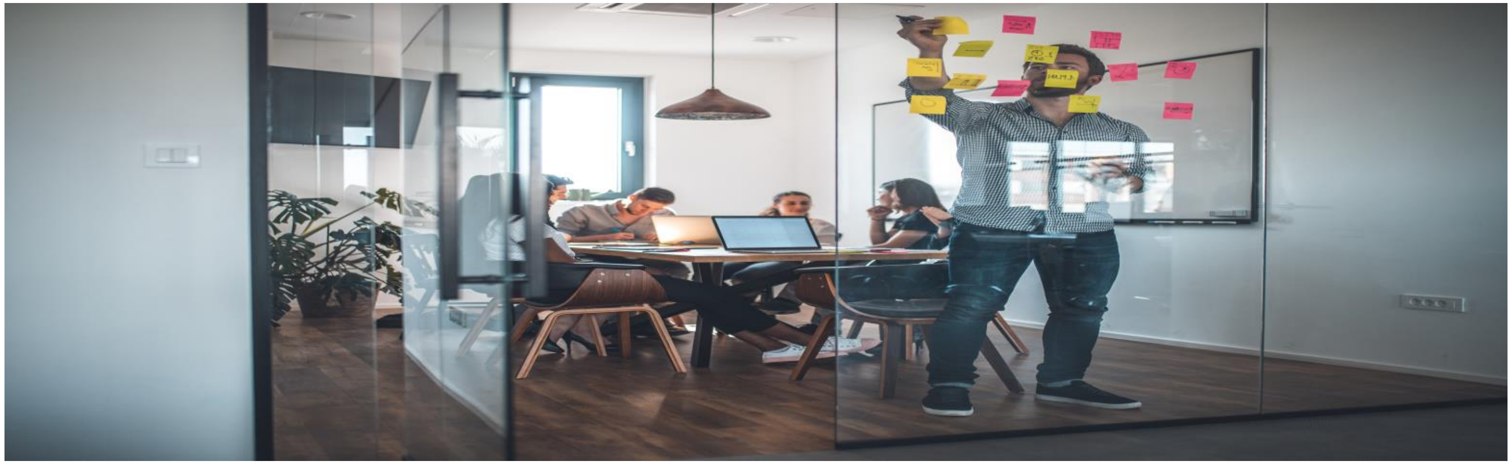
Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in June 2020

We set out in this table our determination of materiality for Mersey Waste Disposal Authority and the group.

	Group Amount (£)	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	1.384m	1.383m	This is based on 1.7% of your prior year gross expenditure.
Performance materiality	0.831m	0.830m	Performance materiality has been set at 60% of the benchmark (gross expenditure reported in the 2018-19 accounts).
Trivial matters	0.0692m	0.0691m	The level of triviality based on 5% of the benchmark (gross expenditure reported in the 2018-19 accounts)
Materiality for Senior Officer Remuneration	-	-	We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be 2% for individual's Senior Officer remuneration disclosed in the accounts.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Results: We found that journals posted into the system are not separately reviewed and approved. The ledger allows posters to authorise their own journals. The Authority state this this is because it was during Covid-19 there was limited availability and connectivity. We noted from out testing that the financial statements had not incorporated transactions in the General Ledger for weeks 66 and 67. These transactions relate to unitary charges for Gilmoss and the Resource Recovery Contract (RRC). The authority stated that Gilmoss Unitary charge is already covered by a manual journal and the RRC unitary charge, although again covered by a manual journal, will be reversed and corrected. However, we cannot confirm if these amendments have been made. We are unable to conclude our work on this area and cannot confirm that we have the appropriate assurances to conclude appropriately.	This is relevant to both the Authority and the Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	We have:. Rebutted the risk and therefore there are no changes to our assessment reported in the audit plan.	This is relevant to both the Authority and the Group
Valuation of land and buildings The Authority revalues its land and buildings annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£362m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding / engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • Tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Results We have no assurances over opening balances due to the prior year audit failing to reach a conclusion and the disclaimer of audit opinion being issued. Therefore, we are unable to conclude on our judgements. Adjustments have been made between the initial version of the accounts provided in August 2020 and the accounts provided in October 2023 however the Authority are unable to track between the two accounts and opening balance restatements have been made.	This is relevant to both the Authority and the Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Impact of the Covid-19 pandemic The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organizations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IASI , particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	In respect of Covid, the main impact would be on the valuation of PPE which has been separately tested within our PPE testing. We noted that management have not noted the valuation uncertainty as a result of the Covid-19 pandemic. No other balances are considered to be affected by Covid significantly.	This is relevant to both the Authority and the Group

2. Financial Statements - Observations in respect of other risks (continued)

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Compliance with Code of Practise on Local Authority Accounting in the United Kingdom 2019/20 requirements	In the prior year accounts, the Authority did not update its accounting policies and disclosures for IFRS 9 and IFRS 15	**Auditor view** We have evaluated the accounting policies to ensure that they meet the requirements of the IFRS 9 and 15 and no amendments have been made to the accounting policies and they are not in line with the CIPFA code.
Finance Team's capacity and accounts process	The Authority has a small finance team which in previous years has led to difficulties in responding to our audit queries due to their limited capacity. This coupled with an unwieldy accounts template has meant that it has taken a long time to amend the accounts resulting in a lengthier audit process. We understand that the Authority has updated its accounts template this year, which will hopefully help to speed up the process of amending the accounts for any audit misstatements or disclosure issues.	**Auditor view** We established clear requirements for the working papers, but it was discovered that the papers were interconnected. As a result, updating one paper would override the other. Whilst a revised account template was provided for audit, many of the issues previously identified still remained.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments
Land and Building valuations – £347,669m	Other land and buildings comprises £347,669m, the asset base consists of a mixture of specialised buildings, primarily household waste recycling centres, integrated waste management facilities, materials recovery facilities, waste transfer stations and energy from waste facilities, and closed landfill sites and vacant lots. These are valued on the Depreciated Replacement Cost (DRC) basis at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision The Authority has engaged Bell Ingram to complete the valuation of properties as at 31 March 2020, however no assets were revalued during 2019/20. The Authority has a relatively small asset base for other land and building, it re-values its assets periodically, currently on a three-year cycle, rather than via a rolling revaluation programme. In between periodic valuations, the Authority has extended the appointment of the valuer to provide their views on whether asset values in the interim periods are likely to have changed materially. Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 31 March 2020. Management's assessment of assets not revalued has identified no material change to the properties' value. The total year end valuation of land and buildings was £347,669m, a net decrease of £13.378m from 2018/19 (£361,074m).	In understanding how management has calculated the valuations we have: • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate. • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. • reviewed the level of disclosure in the financial statements to confirm that it is appropriate. • We have conducted an indices analysis using Gerald Eve indices to ensure that assets not revalued were fairly stated. We are unable to conclude that the accounts are unlikely to be materially misstated because of the following issues found: We have no assurances over opening balances due to the prior year audit failing to reach a conclusion and the disclaimer of audit opinion being issued, therefore unable to conclude on our judgements. Changes have been implemented between the initial accounts issued in August 2020 and the accounts issued in October 2023. However, the Authority is unable to reconcile the two accounts, resulting in restatements of opening balances.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments
Minimum Revenue Provision - £12.767m	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The MRP calculation method adopted by the Authority for supported capital expenditure incurred after 1 April 2008 is based on the expected useful life of the relevant assets using an annuity method. For unsupported capital expenditure incurred after 1 April 2008, MRP is based on the expected useful life of the relevant asset of as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure. The year end MRP charge was £12.767m, a net decrease of £7m from 2018/19.	Upon request for supporting working papers, it was discovered that the Authority had overwritten the work paper containing the supporting calculations for the 2019/20 MRP value. However, the Authority managed to reconstruct a comprehensive work paper using the calculations performed by an external advisor as well as KPMG. It was identified that the MRP had been calculated on a reducing balance basis, contrary to the Authority's accounting policy. The working paper provided for audit did not support the MRP provided for in the accounts. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. The Council should continue to consider whether its MRP policy is prudent and has been fully incorporated into the future financial plans of the Council. Due to the disclaimer of opinion being issued on the prior year financial statements, we cannot confirm opening balances.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Financial Information System (FIS)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	N/A

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

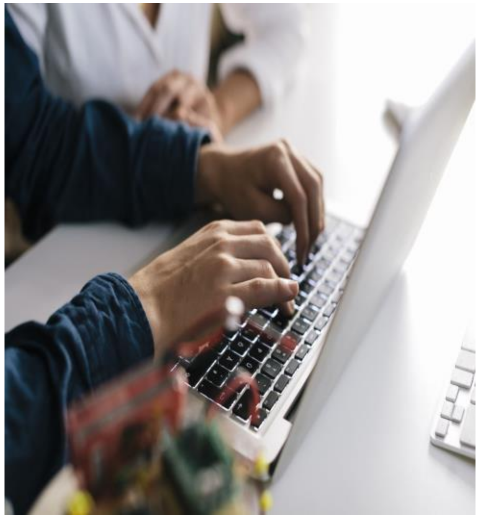
Significant matter	Commentary
Significant events or transactions that occurred during the year	The financial year was impacted by Covid-19 where staff did not have the tools to carry out remote working at the start of the lock down, this impacted the close down of the financial year.
Prior year adjustments identified	Prior year accounts are still un-audited and changes are still being made therefore we are unable to rely on opening balances.
Technical review of the accounts	Due to the authority having issues with capacity and capability we therefore requested a full technical review of the accounts. Our technical review of the accounts identified a number of areas throughout the financial statements where amendments were required.

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are aware that there is no mention in the note of the provision settlement or dividend paid by MWHL to MWDA during 2019/20.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, including specific representations in respect of the Group, which is set out at Appendix H

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for borrowings and bank confirmations. This permission was granted, and request were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Within accounting policies, the following issues were noted and amendments agreed but not adopted by the Authority: AUC - The accounting policy in refers to all assets other than AUC being valued at fair value. This is not in accordance with the Code 4.1.2.31 which requires these classes of assets to be measured at current value. Financial Instruments - The accounting policy requires amendment to reflect the requirements of IFRS 9. Leases – There is no disclosure of the delay to the implementation of new accounting standard IFRS 16 Leases Revenue - The accounting policy and disclosures notes do not appear to reflect the requirements of IFRS 15 revenue from Contracts with Customers. Our work on estimates has already been reported previously in this report and is not repeated here also. With regard to financial disclosures, the number of amendments is significant. This is part down the Authority's own review of mapping for 2019/20, but also the issues arising from our audit work and challenge that have required amendments. In addition, our technical review of the financial statements has identified many amendments to disclosures.
Audit evidence and explanations/ significant difficulties	As previously stated, the capacity of the finance team is limited, and this is reflected in the quality of accounts provided for audit along with supporting working appears. We have encountered issues with the Authority's working papers and supporting evidence. From discussions with the Authority, working papers are interlinked and therefore any changes will supersede the workings. Evidence is also often stored at St Helens Council and therefore isn't always clear and takes a long time to be provided. This is also coupled with the finance team had limited access to complete their work due to the Covid-19 lock down as they had no access to remotely work.

2. Financial Statements: other communication requirements

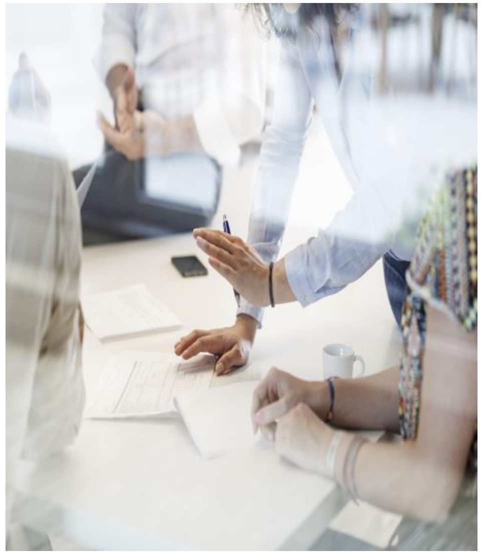
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	The Authority's financial statements have been prepared on a going concern basis. As auditors' we are required to "obtain sufficient appropriate audit evidence about the appropriateness management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). The assessment of going concern must cover a period of 12 months from the date of approval of financial statements and therefore would need to assess the Group and Authority's financial outlook for 2024/25 and 2025/26. The risk that a waste authority would be unable to continue is lower than for many other public sector bodies. However, this does not mean that the concept of going concern in such authorities can be ignored. In recent years, funding has reduced substantially, and many authorities face significant financial challenges. In extreme cases, this could result in material uncertainties about whether an authority is able to continue for the foreseeable future. As we have been unable to form an opinion on the financial statements, we are therefore unable to draw a conclusion in relation to going concern.

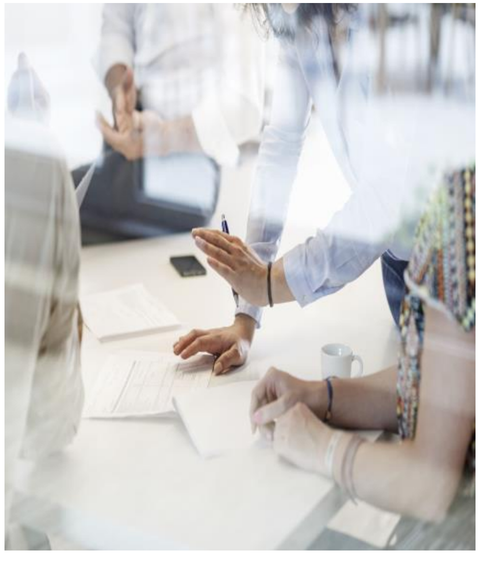
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. • Inconsistencies have been identified and have not been adequately rectified by management. Our work on the Annual Governance statement identified the following: • There is no explicit "opinion on the level of assurance that the governance arrangements can provide“; • There is no reference to issues raised in prior year; • The AGS does not disclose details of behaving with integrity and strong commitment to ethical values; • The disclosure are brief and do not explicitly refer to openness and engaging with individual citizens and service users effectively; • There is no disclosures in respect of defining outcomes in terms of sustainable economic, social and environment benefits; • The Authority needs to expand its AGS to disclose the interventions necessary to optimise the achievement of the intended outcomes; • There is no reference to managing data; • The AGS does not disclose expected details such as public access to meetings and/or minutes. There is no reference to implementing good practice in reporting. There are limited disclosures concerning assurance and accountability. We would expect to see reference to Covid-19 and dealing with the public under the circumstances. In respect of the Narrative Report, unfortunately due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude on our work in this area. The Authority should ensure that for both the Annual Governance Statement the quality assurance processes are in place to ensure the disclosure is compliant with technical guidance to avoid the number of adjustments required. As no amendments have been made, we are unable to conclude in this area.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters, except for on we issued Section 24 Statutory recommendations on 19 October 2021 which contributed to the accounts being unsigned over the period.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Merseyside Waste Disposal Authority, the audit report, as detailed in Appendix H.

3. Value for Money

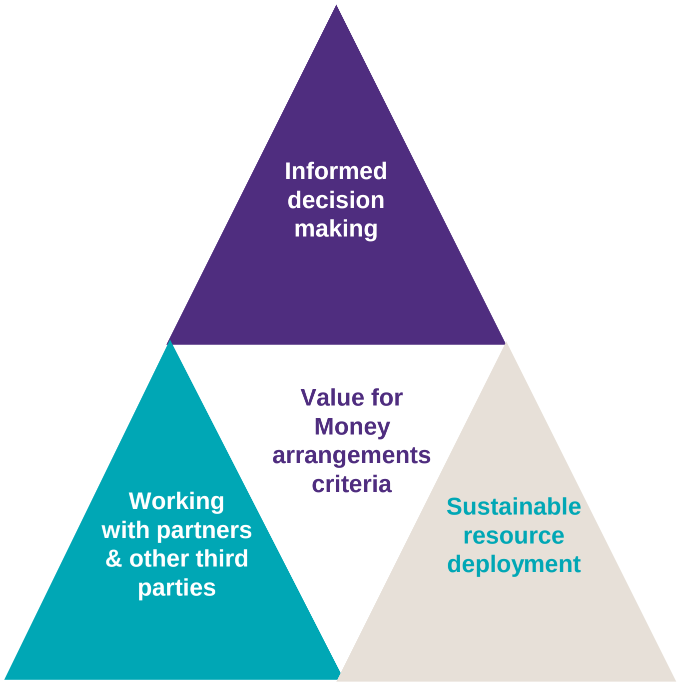
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single 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."

This is supported by three sub-criteria:



Risk assessment

We carried out an initial risk assessment in March 2020 and identified a significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan in May 2020.

We have continued our review of relevant documents up to the date of giving our report and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

The work on the VFM conclusion for 2019/20, focussing on the risk identified in the initial planning concluded during July 2021 and while our assessment was focussed on the arrangement in place in that year, under the NAO guidance we were required to consider events since the end of the year that would give further insight into the arrangements.

As you are aware we issued Statutory Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014 in October 2021 as a result of the issues identified relating to the inadequate financial reporting arrangements at the Authority.

In light of the Statutory Recommendations raised, it remains appropriate that we should give an 'adverse' conclusion which says that your arrangements overall are inadequate.

3. Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- The Authority continues to operate under significant financial pressures but has continued to manage its finances to deliver a balanced outturn position. Over a number of years, the Authority has continued to use it reserves to achieve a balanced budget, rather than increase levies considerably. However, it has acknowledged that this is not sustainable over the medium to long term due to the falling reserves balances. The Authority has planned to include a reserve contribution for 2019/20 of £1.4m and levy increase of 4.9% and further increases of 4.4% for 2020/21 and 3.3% for 2021/22, without reserves contributions are planned.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on page 23.

Overall conclusion

Based on the work we performed to address the significant risks, we are not satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources and expect to issue an Adverse Value for Money conclusion for the 2018/19 financial year.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

Due to the protracted nature of the audit, we have maintained regular review and engagement with officers and management of the Authority.

Under the Code of Audit Practice 2020, which has applied since the 2020/21 financial year (now superseded by the Code of Audit Practice 2024), we are required to report significant weaknesses promptly, rather than waiting for all the audit work to be completed, as a result members have received reports on the value for money work carried out separately since 2020/21 and therefore it is not intended to provide further detail here. The latest position has been reported in the Auditor's Annual Report on 22 November 2024.

3. Value for Money

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Authority reserves and levy increases The Authority continues to operate under significant financial pressures but has continued to manage its finances to deliver a balanced outturn position. Over a number of years, the Authority has continued to use it reserves to achieve a balanced budget, rather than increase levies considerably. However, it has acknowledged that this is not sustainable over the medium to long term due to the falling reserves balances. The Authority had planned to include a reserve contribution for 2019/20 of £1.4m and levy increase of 4.9% and further increases of 4.4% for 2020/21 and 3.3% for 2021/22, without reserves contributions are planned.	As part of our audit we: • reviewed the Authority's financial position, in particular the level of general reserves; and • reviewed the proposals for levy increases over the medium term. We found that: • Whilst we have been unable to conclude on the financial statements and gain assurance over the closing general fund reserves balance, from the work performed to date, there the general fund balance has not reduced from the prior year reported draft balance. The final version of the financial statements shows an increase of £4.059m for the general fund balance • The levy increase of 3.4% for 2020/21 has been agreed, with a proposed increase of 1.4% for 2021/22 and 1.7% for 2022/23. Unlike in the prior year, the Authority did not have to use general fund reserves to achieve a balanced budget and was able to increase the general fund balance as stated above. This was in line with the agreed budget at the start of the year.	Based on our findings, we conclude that the Authority has taken proactive measures to address the budget deficit and the strain on the general fund reserve by seeking to increase the levy. However, the sensitivity of this issue in local politics and the composition of the Authority with representatives from local councils have made it challenging to achieve the goal of raising the levy to a break-even level. As a result, a stepped approach was implemented, leading to the Authority breaking even in 2019/20 and no longer relying on reserves to achieve this balance. Moving forward, it is crucial for the Authority to ensure it has the capacity to avoid using reserves to fund deficits and to rebuild the general fund reserves to a sustainable level.
Statutory Recommendation - Financial Reporting capacity and capability The Authority has a very small finance team, which has been unable to resolve some of the complex financial reporting issues with the number of amendments required to the financial statements considerable.	We have been unable to completed our 2018/19 and 2019/20 audits due to material non-compliance with the Code requirements. In addition to the financial reporting issues identified, there is also a significant financial control weakness due to the absence of the cash reconciliation between the cash figures provided in the financial statements and the cash shown on the Authority's ledger. The Authority is reliant on the financial system provided by a service provider. We understand that the Authority does not have the access rights to make changes to the ledger coding structure to one that is more reflective of the Authority's activities. As a consequent, a significant number of manual adjustments to the ledger are required during the closedown of the accounts and preparation of the financial statements.	The overall impact of the incorrect accounting treatment could result in the Authority failing to meet its statutory duty to set a balanced budget if its reserve levels have been overstated and the general fund reserve falls into a deficit balance. Failure to produce robust and accurate financial statements in a timely manner is a weakness in the arrangements of the Authority and risks non-compliance with its statutory duties.

4. Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
Statutory recommendations	**Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014** On 19 October 2021, we concluded that it was appropriate for us to use our powers to make written recommendations under section 24 of the Act due to inadequate arrangements at the Authority to prepare reliable financial statements and supporting working papers for audit purposes. This is primarily due to a lack of capacity within the Authority's small finance team to prepare accounts that fully meet the requirements of the Code of Audit Practice and respond to audit requests in a timely manner. The Authority management have accepted the recommendations and have provided management responses, with proposed actions in place to address the recommendations.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or Group that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or Group.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 9 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Significant effect on financial statements	Lack of consistency of disclosures between Single Authority Financial Statement and the Group Financial Statements We have identified multiple issues where the single entity accounts do not agree to the individual group accounts. The authority are aware that the Group Consolidation is incorrect however no amended accounts have been provided to reflect a correct consolidation. Therefore, we have no assurances over group accounts.	We recommend that the group accounts be consolidated correctly based on the single entity accounts provided. **Management response:** We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	Journals authorisation process Our work has identified an issue with management override of controls where journal posters are allowed to authorise their own journals regardless of the value.	We recommend that there is an approval process in place to ensure that journals are appropriately approved. **Management response:** We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	Annual Governance Statement non - compliance with the Code Our work on the Annual Governance Statement (AGS) provided for audit identified that in many places the AGS was not code compliant. There is specified guidance that sets out the disclosure required which should form part of the quality assurance checks the Authority performs on this statement.	We recommend that the Authority should ensure the Annual Governance Statement presented in the draft financial statements has been subject to adequate quality assurance arrangements and is in accordance with specified guidance. **Management response:** We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	Review of the draft financial statements prior to publication Effective quality assurance processes were not in place for the production of the financial statements in 2019/20 as there were many errors and inconsistencies within the draft financial statements presented for audit.	Ensure that effective quality assurance processes are in place for the production of the draft financial statements and that they are subject to thorough review and stand back procedures prior to submission for audit. **Management response:** We accept the findings and work with the audit team to ensure improvements are made going forwards.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Significant effect on financial statements	<u>Lack of third party evidence to support transactions</u> There were instances when we performed substantive testing the Authority was unable to support our sample items with third party evidence.	We recommend that all transactions are to be supported with third party evidence. Management response: We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	<u>Lack of underlying support for the Pensions Disclosure Notes</u> When undergoing testing on the Pensions note, we were unable to reconcile the majority of entries back to the Mercers report for both the group and single entity accounts.	We recommend that the Pensions note is reconcilable to the actuarial report provided by Mercers. Management response: We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	<u>Inconsistencies within the financial statements between the Movement in Reserves Statement and disclosure notes</u> Our work on the Movement In Reserves Statement(MIRS) identified many inconsistencies when carrying out the consistency checker where the checker tracks the accounts to ensure consistency between notes.	We recommend that the notes to the accounts remain consistent, and amendments should be made to rectify these errors. Management response: We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	<u>Transactions within Other Service Expenditure incorrectly recorded</u> Our work on Other Service Expenditure found in four circumstances that transactions were incorrectly analysed as expenditure but were actually income. Cumulatively, these four transactions are above materiality and have not been amended.	We recommend that transactions are reviewed before they are posted so that the correct analysis is applied. We also recommend this amendment is made due to its material status. Management response: We accept the findings and work with the audit team to ensure improvements are made going forwards.
Significant effect on financial statements	<u>Accounting policies non - compliance with the Code</u> Some accounting policies, as referenced on page 19, are not in line with the CIPFA code.	We recommend that a review of the accounting policies is carried out to ensure compliance with the CIPFA code. Management response: We accept the findings and work with the audit team to ensure improvements are made going forwards.

C. Follow up of prior year recommendations

We identified the following issues in the audit of Merseyside Waste Disposal Authority's 2018/29 and 2017/18 financial statements, which resulted in these recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations as shown in the table

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	As part of preparing its routine working papers each year, Merseyside Waste Disposal Authority should liaise with St Helens MBC to ensure its cash position is agreed with the corresponding balances included by St Helens MBC in their accounts at the year end. Our audit found that information needed from St Helens MBC to compile the financial statements, for example senior officer remuneration, was not available during preparation of the financial statements.	We issued a statutory recommendation in November 2021 due to our concerns over the Authority's finance teams capacity to address this issue. While the Council has initiated steps in recent years to address these issues, our concerns have not yet been fully resolved.
X	There is a need for the Authority to carefully consider the adequacy of current reserves to cater for unforeseen events, and whether they should be increased.	The Authority has monitored its reserve level throughout the year and has implemented levy increase for the year, including further agreed increases to gradually stop reliance on the reserves to fund budget deficit. However, further work is still needed to rebuild reserves to a more sustainable level.
X	Management should consider any additional ways to further strengthen its arrangements for accounts preparation and review to further reduce any amendments required to the draft accounts going forward.	We issued a statutory recommendation in November 2021 due to our concerns over the Authority's finance teams capacity to address this issue. While the Council has initiated steps in recent years to address these issues, our concerns have not yet been fully resolved.
X	For the Authority reserves and levy increases, we conclude that the authority has proactively sought to increase the levy to manage the budget deficit as well as the pressure on the general fund reserve. As this increasing of levy is a very sensitive political issue locally, and the authority is made up of representatives of the local councils, it's difficult to achieve the aim of increasing the levy to a break-even level. This has resulted in a stepped approach, leading to a plan to break-even by 2020/21, making 19/20 the last year of dependence on the reserves to break even. However, the Authority not only needs to stop relying on reserves, but also build the reserve level back up to a healthy level.	Management responded that the Medium-Term Financial Strategy is designed to ensure that the Levy and the Authority's expenditure are more closely aligned and that a prudent level of reserves is maintained. However, further work is still needed to rebuild reserves to a more sustainable

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments – 2019/20 Primary Statements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020 .

Comprehensive Income and Expenditure Statement

The Authority has amended the accounts from the first version provided for audit in August 2020 due to errors they identified within this version of the accounts. The net impact of this was that the 'Total Comprehensive Income and Expenditure' has been amended from version one -£5.975m to version two provided in October 2023 at -£9.642m. This is due to the following amendments:

- **Surplus/Deficit on Continuing Operations** – The net position as at version one was £75.510m and the net position as at version two is £59.451m, this is a decrease of £16.059m. This is wholly due to the changes made within the Environment and Regulatory Service line.
- **(Surplus) of Deficit on Provision of Services** – The net position as at version one was -£0.417m and the net position as at version two is -£8.225m, this is a decrease of £7.754m. This is due to decrease in Financing and Investment Income and Expenditure of £4.823m and also RRC Statutory Overrides has been reclassified because the original financial model included a journal for depreciation, but the RRC assets were revalued and the asset life amended after the model was provided, therefore this entry is not required and a correcting journal has been actioned.
- **Other Comprehensive Income and Expenditure** – The net position as at version one was -£5.558m and the net position as at version two is -£1.417m, this is an increase of £4.141m. This is due to a number of reasons as follows:
  - A reclassification of Non-Current Assets charged to the Revaluation Reserve & CAA of -£3.891m because the transaction is in relation to the RRC MRP and the MRP charged to the CAA of which neither should be passing through the OCIE as it is purely for revaluations, therefore this entry is not required and a correcting journal has been actioned.
  - A reclassification of Revenue Provision Charged to CAA not charged to GF of -£3.724m because this is in relation to the depreciation charged for the RRC along with the MRP which neither is a remeasurement therefore this entry is not required and a correcting journal has been actioned.
  - Revaluation of closed landfill site provision has decreased by £0.179m, this is because the charge s misstated because the calculation includes the use of the provision when the OCIE entry should only be the change in the value of the provision, which is a £233k increase. i.e. £233k credit to OCIE compared with the existing £54k. Therefore to correct, the entry in OCIE should increase by £179k to £233k, with a matching credit in CAA to replace the existing £54k debit.
  - A decrease of £1.522m of the Remeasurement of Pension Liability this is due to a difference in the OCIE and Pension Reserves which showed that the OCIE was understated.

However, due to the 2018/19 accounts not been complete, we have no assurances over opening balances and therefore can place no assurances on the overall balances.

D. Audit Adjustments – 2019/20 Primary Statements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020 .

Balance Sheet

The Authority has amended the accounts from the first version provided for audit in August 2020 due to errors they identified within this version of the accounts. This is due to the following amendments:

- **Property plant and Equipment** – This has increased by £0.251m, this is because of an opening balance restatement of £0.880m, an adjustment of £0.416m due to an overcharge of depreciation and an adjustment of £0.726m due to a correction of adding in missing capital expenditure.
- **Long Term Investments** – This has increased by £0.084m, this is because of an opening balance restatement of £0.618m and an adjustment of £0.702m In order to increase the investment to its recoverable amount.
- **Cash and Cash Equivalents** – This has increased by £5.051m, following the review of the cash reconciliation and the adjustments required to the opening balance.
- **Other Long Term Liabilities** – This has decreased by £1.734m, following the review of the accounting for the service concessions.
- **Usable Reserves** – This has decreased by £1.039m.
- **Unusable Reserves** – This has decreased by £2.623m.

Therefore, total reserves has decreased by £3.662m.

Movement in Reserves

The Authority has amended the accounts from the first version provided for audit in August 2020 due to errors they identified within this version of the accounts. This is as a result of capital accounting and financial reporting review that was carried out by the external expert and KPMG.

E. Fees

Audit Fees

PSAA set a scale fee for the year of £22,610.   In our audit plan, we estimated the fee would be £27,110. Given the unusual circumstances surrounding the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year.

Audit Fees	Proposed fee	Final fee
Authority audit as per the Audit Plan	£27,110	£27,110
Additional audit fees for additional audit work undertaken at PSAA rates	-	£18,490
Total Authority audit fees	**£27,110**	**£45,600**
Audit of Mersey Waste Holding ltd	£10,200	£10,200
Total audit fees (excluding VAT)	**£37,310**	**£55,800**

Non- Audit Fees

There were no fees for other services. No non-audit or audit related services have been undertaken for the Authority.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Grant Thornton UK LLP

Royal Liver Building

Liverpool

L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Merseyside Waste Disposal Authority

Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Merseyside Waste Disposal Authority and its subsidiary undertakings, Mersey Waste Holdings Ltd and Bidston Methane Ltd for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.

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

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Authority financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]Authority has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions .

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

G. Management Letter of Representation

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.

xvii. On 30 July 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 31 March 2020 of 13 December 2024. The new National Audit Office Code which was approved on (date) also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2020 by the statutory backstop date. This includes the following:

a. providing you with:

i. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;

ii. additional information that you have requested from us for the purpose of your audit; and

iii. access to persons within the Authority via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:

i. management;

ii. employees who have significant roles in internal control; or

iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority at its meeting on 6 December 2024.

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………..

Signed on behalf of the Authority

H. Disclaimer of Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Authority and Group with a disclaimer of audit opinion

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

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Merseyside Waste Disposal Authority (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, and notes to the financial statements, including a summary of significant accounting policies, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, and the Group Movement in Reserves Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 (the 'CIPFA Code')

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or the Group's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2020 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, we identified the following areas where the Authority has not maintained adequate books and records:

- we were unable to satisfy ourselves over the completeness of the journals population and the adequacy of the journal review and authorisation process;
- we were unable to satisfy ourselves that the impact of Covid 19 has been considered in relation to the valuations of the Authority's land and buildings assets;
- we were unable to satisfy ourselves that the accounting policies adopted are fully in line with the CIPFA Code.

Due to the significance of these matters, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. We have concluded that their impact could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matter required by the Code of Audit Practice

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

H. Disclaimer of Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 10 November 2021 we made four written recommendations to the Authority under section 24 of the Local Audit and Accountability act 2014 in relation to its financial reporting capacity and capability. We recommended that the Authority should:

- Increase the budget available to support the capacity and capability of the finance team allowing the Authority to:

- resolve prior year account issues and support future accounts preparation;
- improve financial reporting processes, including quality control and oversight; and
- improve the responsiveness to audit requests and queries.

- Implement a cash reconciliation control.
- Evaluate options for creating a ledger coding structure that is more reflective of the activities of the Authority.
- Report progress against the action plan to full Authority at every meeting.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

H. Disclaimer of Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, because of the significance of the matters described in the basis for adverse conclusion section of our report, we’re not satisfied that, in all significant respects Merseyside Waste Disposal Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

In considering the Authority’s arrangements for securing efficiency, economy and effectiveness in its use of resources, we identified the following matters:

In 2021, we issued a statutory recommendation due to concerns about the Authority's finance team's capacity to accurately amend the 2018/19 financial statements for identified audit misstatements and disclosure issues. These challenges arise from the small finance team, consisting of only two individuals. Consequently, the Authority has struggled to fulfil its financial reporting duties by publishing audited accounts in a timely manner. This situation creates risks for the Authority, as the lack of accurate financial statements increases uncertainty over the reliability of the reported reserves position, potentially impacting financial resilience and decision-making.

Additionally, we found that the Authority has low levels of general fund reserves, posing a risk to its financial sustainability. We recommended increasing reserves to enhance financial resilience.

These matters are evidence of weakness in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

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

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Merseyside Waste Disposal Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited . Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Andrew Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

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