5- APPENDIX 1

The Audit Findings for Merseyside Waste Disposal Authority

Year ended 31 March 2019

6 December 2024

Contents

Your key Grant Thornton team members are:

Andrew Smith
Key Audit Partner
E andrew.j.smith@uk.gt.com

Naomi Povey
Senior Audit Manager
E naomi.j.povey@uk.gt.com

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 those charged with governance (members of The Authority).

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

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 Authority 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.

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 2018/19 is set for 13 December 2024.

The 2018/19 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 2018/19 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 Merseyside Waste Disposal Authority ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 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 group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and 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 June 2019, 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.

Our findings from the work undertaken to date are summarised on pages 5 to 19. We have identified several adjustments to the financial statements that have resulted in a £11.415m 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 C.

It will not be possible for us to fully complete our 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.

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 2018/19 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 2018/19 financial year. The weaknesses identified in our statutory recommendations, issued in November 2021, were present during the 2018-19 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 2018/19 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. The aim of this recommendation was to address the issues which have contributed to the Authority's accounts not being signed off as audited since 2017/18. 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 on page 23 of our report.
Acknowledgements	We would like to express our gratitude for the support extended by those officers within the Authority during a challenging and prolonged audit. The audit presented several issues, included the periods of limited capacity within the finance team as already reported and the required for specialist skills, with the Authority had to commission.

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 have been discussed with management and those charged with governance (members of The Authority).

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 had to alter our audit plan, as communicated to you on 26 April 2019.

Conclusion

Under the Accounts and Audit (Amendment) Regulations 2024, a publication date for the financial statements in respect of 2018/19 has been set at 13 December 2024. The introduction of the backstop date has impacted on your audit.

We have been unable to complete our audit work as on receipt of the final version of the financial statements, the following issues remain unresolved:

- We were unable to satisfy ourselves that the Comprehensive Income and Expenditure Statement has been prepared in accordance with the CIPFA Code, with significant inconsistencies between the narrative report and the financial statements.
- We were unable to satisfy ourselves that the prior period adjustment included in the narrative report meets the requirements of IAS 1.
- We have been unable to satisfy ourselves that the cashflow statement has been prepared in accordance with the CIPFA Code, with material inconsistencies between the movements of the balances and associated disclosures.

We expect our auditor report to be issued as a disclaimer of opinion. In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the Authority). Prior to the signing of the audit opinion, we need the following items from the Council:

- receipt of a signed management representation letter; and
- receipt of a signed and dated revised set of financial statements.

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 on 26 April 2019 .We set out in this table our determination of materiality for Merseyside Waste Disposal Authority.

	Group Amount (£'000)	Authority Amount (£'000)	Qualitative factors considered
Materiality for the financial statements	1,227	1,226	Materiality has been based on 1.7% of the Authority's gross expenditure
Performance materiality	798	797	Our performance materiality has been set at 65% of our overall materiality
Trivial matters	61	61	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties
Materiality for Senior Officer remuneration disclosures	N/A	20	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature

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	Risk relates to
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. Management over-ride of controls is a risk requiring special audit consideration.	We have: • evaluated the design and implementation of 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 We have not identified any significant changes in accounting policies since the prior year. Our testing of high-risk or unusual journals, which focused on those posted after year end and above performance materiality did not identify any matters which require reporting.	Group and Authority
The revenue cycle includes fraudulent transactions 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	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Merseyside Waste Disposal Authority, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Merseyside Waste Disposal Authority. Our audit work has not identified any issues and conclude that it remains appropriate that the risk of fraud can be rebutted.	Group and Authority

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Risk relates
Valuation of property, plant and equipment The Authority has carried out a revaluation of its asset base on 31/03/19. This valuation informed the basis of valuation of assets recorded in the 2018-19 financial statements after taking into account any impairments, fixed asset additions and disposals and any other circumstances that have significantly affected the valuation of assets since this last revaluation. This represents a significant estimate by management in the financial statements and a possibly complex valuation assessment.	We have: • Reviewed the objective and scope of the work carried out by the valuer. • Evaluated the competence, objectivity and independence of the valuer. • Written to the valuer to confirm the methods and assumptions used. • Tested the completeness and accuracy of the information provided to the valuer. • Determined whether the valuation report adequately documents the work performed by the expert, including the conclusions reached. • Tested the reasonableness of the assumptions used by the valuer. As part of this, considered whether revaluation movements at an individual asset level are in line with industry conditions - this included use of Gerald Eve report or other sources. Where revaluation movements are not in line with expectations, we sought and corroborated explanations from the valuer. • For assets revalued during the year, agreed the revalued amount to the FAR and ensured that the transactions have been accounted for appropriately to I and E or the revaluation reserve. • Ensured valuations have been performed in line with the Code (e.g. valuations basis and use of rolling programme). In testing the reasonableness of the assumptions used by the valuer, we identified an increase of £18.9 million in the valuation of the energy from waste plant in Wilton. Our initial queries resulted in a revised revaluation, which reduced the valuation by £11.1 million from the original revaluation estimate. However, this still results in a significant increase of valuation of £7.7 million The review of the financial statements and associated notes' disclosures in relation to property, plant and equipment identified that these were not in accordance with the Code. The Authority commissioned an external financial reporting expert which identified the following issues in relation to the accounting for property, plant and equipment: • The accounting for depreciation and impairment of fixed assets had not taken into consideration earlier impairments when applying subsequent upward revaluations. This has resulted in an overstatement of depreciation of £2.919m, therefore increasing the closing NBV of property, plant and equipment and reducing the charge to the Comprehensive Income and Expenditure Statement (CIES) by the same amount. • There were errors in the accounting treatment adopted for the Resource Recovery Contract (RRC), which resulted in adjustments of £11,610m to the CIES and the Balance sheet The errors identified have been adjusted for in the financial statements, and details of these adjustments are provided in Appendix B. We have nothing further to report on this matter.	Group and Authority

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Risk relates to
Operating expenses Non-pay expenses on other goods and services (including contract payments) represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We have identified completeness of non-pay expenses as a risk requiring particular audit attention.	We have: • Evaluated the Authority's accounting policy for recognition of no-pay expenditure for appropriateness • Gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls • Carried out expenditure cut-off testing • Carried out substantive testing of a sample of year end creditor balances. Results: • Our testing of the year end accruals has identified that the year end balance was understated by £50,000. • Our testing identified that the creditor's balance was overstated by £146,600 due to the incorrect inclusion of the 2019/20 pension liability We have no further matters to report on this issue.	Group and Authority
PWLB loan The Authority is planning to replace its St Helens BC cash overdraft facility with long term PWLB loans	We have • Reviewed any accounting advice obtained by the Authority and determined whether this is appropriate • Tested whether correct accounting entries have been made, associated disclosures are correct and agreed the year end balances to direct confirmations from the PWLB Results: • PWLB balance has been confirmed with direct confirmation. • Accounting entries in relation to the move from St Helen's overdraft facility to the PWLB loan facility have been reviewed and no issues have been identified. We have no matters to report on this issue.	Group and Authority

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 – £163.675m	Extract from PPE note: "Property, Plant and Equipment are revalued on a three year cycle in accordance with RICS guidance. All assets were revalued at 31st March 2019 by the Authority's valuer, Mr Bernard White (MRICS) of Bell Ingram. The accounting policies provide further information on revaluation and depreciation policies. The significant assumptions applied in estimating the fair values are: • The Authority has good title to the property and that they are not subject to any unusual or onerous restrictions; • No deleterious or hazardous materials nor techniques have been used in the construction of the property from past or present uses • There are no environmental factors which would cause the valuation to alter. The Authority has a relatively small asset base (except for its interests in the PPP contracts) so 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." The total year end valuation of land and buildings was £163.675m, a net increase of £11.915m from 2018/19 (£151.760m).	We have reviewed the valuations as per the valuation exercise at the year end and queried a small number of assets whose values seemed to be significantly outside of our audit expectation based on the indices reported within the Gerald Eve report. We received a response which indicated a significant amendment due to a significant reduction in the asset life of the RRC asset. The change is significant to the valuation of the asset and we have received an appropriate explanation from the valuer. Management have adjusted the financial statements for the significant change in valuation.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments
Net pension liability – the McCloud judgement	The McCloud ruling concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20 December 2018, the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced. Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. However, there remains some uncertainty about the application to LG pension schemes. An appeal from Government against the judgement in the 'McCloud' case has been considered at the Supreme Court, this appeal was lost after the year end and there is no further recourse to appeal.	The legal ruling around age discrimination has implications for other public service schemes where they have implemented transitional arrangements on changing benefits. Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. For example, LGPS introduced a new CARE benefit structure with effect from 1 April 2014 ('the 2014 scheme'). For members who were 10 years or less from Normal Retirement Age on 1 April 2012 (i.e. aged 55 or above), an underpin was provided based on the existing final salary scheme ('the 2008 scheme'). In respect of police, there is an ongoing police case with the employment tribunal in respect of alleged unlawful discrimination arising from transitional provisions in the 2015 Police Pension Regulations. The ruling from the McCloud case impacts on both employer bodies (e.g. local authorities, fire authorities, police bodies, housing associations, education bodies (HE, FE and Academies), charities, companies) and the pension funds where public sector schemes have been impacted by transitional provisions. The Authority instructed its experts to carry out an assessment and has shared the outcome with us. We have reviewed this and agree that the impact on the Authority is not material. As a result, no adjustment has been made by the authority. However, we have agreed that a disclosure is to be made within the financial statements. This issue has been treated as an unadjusted audit misstatement, please refer to page 22 for further details.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments
Debtors and creditors	Extract from the accounting policies: "i) Accruals of Income and Expenditure Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular: • revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority; • revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority; • supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. • Levies received from the constituent authorities are recognised in the year to which they relate and are credited to the surplus / deficit on the provision of services • expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; • where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected."	Many of the year-end debtor and creditor accruals are estimates based on various prior period (month, quarter year etc.) invoices. Some of the contracts involved have a lengthy reconciliation process which are completed typically months after the completion of the audit. Therefore, there was a lack of tangible evidence or detailed workings to support these balances. Our testing as reported on page 9 has identified that the creditor accruals were overstated in the draft financial statements.

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.

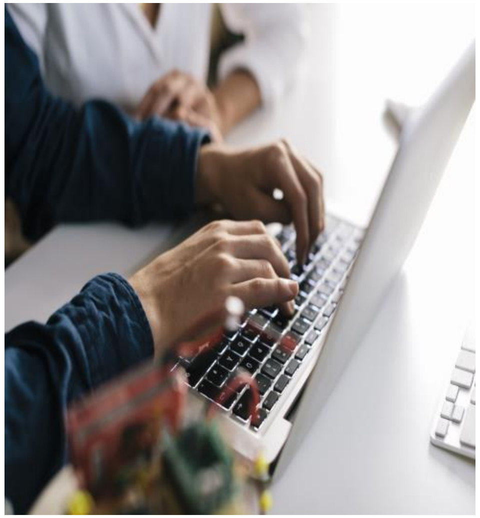
Significant matter	Commentary
Prior year adjustments identified	A prior year adjustment was identified following the review of the capital accounting treatment. The overall impact was below material at £0.195m due to incorrect application of depreciation and impairment in prior years. The financial statements have been restated to disclose the prior period adjustments. The balances which were impacted are as follows: The CIES included an entry of £9.460k credit described as "non current assets charged to the Revaluation Reserve and CAA (Capital Adjustment Account)". This entry is not a requirement of the Code. There was also no revaluation of assets during 2017/18. On review of the accounting entries, it was identified that £9,069k was the repayment of the principal on the liability in respect of the Resource Recovery Contract (RRC) in 2017/18, £243k was the lifecycle cost incurred on the RRC and £140k was an error. The principal repayment should have been recognised as an expense to Environmental and Regulatory Services within the CIES and reduction in the PFI liability, with a corresponding charge (Minimum Revenue Provision) to the CAA and General Fund, adjusted via the Movement in Reserves Statement. Adjustments in total of £2,846k had been made through Note 7 Adjustments between accounting and funding basis under regulations which reduced the General Fund reserves. These entries were not required under the Code and have been adjusted for as part of the prior period adjustment.

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 written to the Chair of the Authority and to management in relation to the risk of fraud. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
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 appropriateness of the accounting policies adopted, which is set out at Appendix G.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



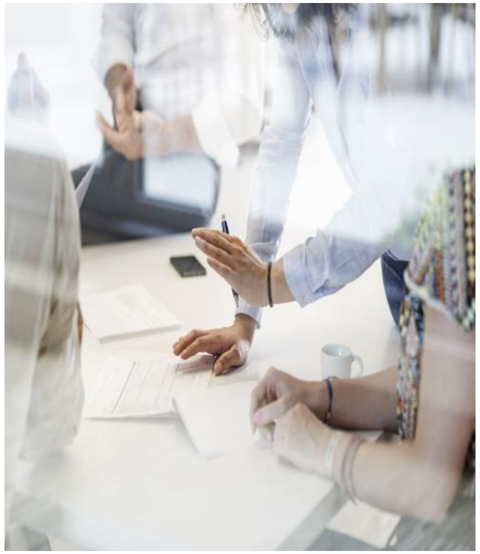
Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a number of confirmation requests to confirm bank, loans and investment balances. This was granted and the requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Management has not updated its accounting policies for IFRS 9 and IFRS 15. A specific representation has been requested from management to explain why they do not consider this to be material to the user of the financial statements.
Audit evidence and explanations/ significant difficulties	The 2018/19 audit has been challenging due to the issues identified in relation to the accounting for the Resource Recovery Contract assets which has resulted in the Authority commissioning external expert advice in order to ensure the financial statements meet the Code and Accounting Standards requirements. In addition to the accounting requirements, difficulties have arisen due to the constraints faced by having a small finance team, with limited resources. This has resulted in delays occurring during the audit period.

2. Financial Statements: other communication requirements

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. Material inconsistencies have been identified between the Narrative Report and the financial statements which have not been resolved at the time of writing this report. We plan to issue a disclaimer of opinion in this respect – refer to Appendix H.
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. However, as the Authority does not exceed the threshold, extended procedures are not required. The NAO confirmed in April 2024 that it has concluded the work on the WGA 2020/21. Therefore, no further assurance returns are required from auditors for this year and older years.
Certification of the closure of the audit	We intend to certify the closure of the 2018/19 audit of Merseyside Waste Disposal Authority in the audit report, as detailed in Appendix I.

3. Value for Money

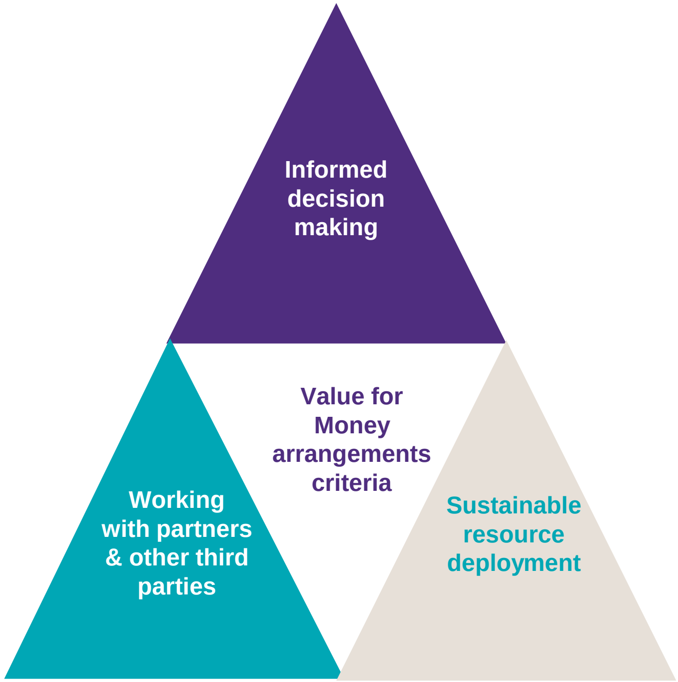
Background to our VFM approach

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 2019 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 dated 19 March 2019.

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 2018/19, focussing on the risk identified in the initial planning concluded during July 2019 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. However, to avoid levy increases over a number of years, continued use has been made of the Authority's reserves to achieve a balanced budget. This has resulted in general reserves falling to £4.5m at the end of 2017/18. The planned use of general reserves during 2018/19 is expected to reduce the Authority's available reserves to £3.9m at 31 March 2019. We understand that a levy increase of 4.9% for 2019/20 has been agreed and further increases (of 3.8% for 2019/20 and 3.4% thereafter) 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 22.

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. However, to avoid levy increases over a number of years, continued use has been made of the Authority's reserves to achieve a balanced budget. This has resulted in general reserves falling to £4.5m at the end of 2017/18. The planned use of general reserves during 2018/19 is expected to reduce the Authority's available reserves to £3.9m at 31 March 2019. We understand that a levy increase of 4.9% for 2019/20 has been agreed and further increases (of 3.8% for 2019/20 and 3.4% thereafter) 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: • The level of general fund reserve is at £1.985m as at 31 March 2019. This has reduced from £4.5m in PY due to funding the £2.8m deficit. • The planned use of general reserves during 2018/19 was expected to reduce the Authority's available reserves to £3.9m at 31 March 2019 – which means that the authority has used more of the reserves than it had planned. This has brought the level of reserve down to £1.9m – this means that the Authority needs to plan to bring the reserve level back to a sufficient level to deal with unexpected issues, through levy increases and efficiency savings. • The levy increase of 4.9% for 2019/20 has been agreed and further increases (of 3.8% for 2019/20 and 3.4% thereafter) are planned (see authority budget 2019/20). Currently, the authority plans to use no reserve contribution from 2020/21 onwards, which means that there will be a further subsidisation of levy by the authority's reserves in 2019/20. However, this is only limited to a maximum of £1.98m (which is the current general fund balance) – and will completely deplete the reserve. The plan is to use £1.4m of reserves in 19/20 • The Authority has kept the reserve level under review and the June 2019 meeting of the authority received an outturn report on the authority's finances (see attached), where the reserve level was discussed (see extract below). This recognises the lower than planned level of the reserve balance.	Based on the work done, 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. The Authority needs to avoid the use of reserves to fund deficits of income over expenditure and re-build the reserve level back up to a sufficient 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 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 Authority'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 Authority'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 December 2024 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 Authority or 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
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority or Group'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 have complied with the Financial Reporting Authority's Ethical Standard and 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 three recommendations for the group 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
● Medium	**Authority reserves and levy increases** Based on the work done, 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.	The Authority needs to limit the use of reserves in the medium term to fund deficits of income over expenditure through levy increases and/or further efficiency savings. **Management response** 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.
● Medium	**Access to information held by St Helens MBC** Our audit found that information needed from St Helens MBC to compile the financial statements, for example senior officer remuneration, was no available during preparation f the financial statements.	The authority should consider improving communication with St Helens MBC officers to obtain the information it needs. **Management response** We accept the findings and work with the audit team to ensure improvements are made going forwards.
● Medium	**Accounts closedown process and working papers** Our audit found that improvements can be made to both the working papers and the accounts preparation process.	The authority should consider improving the accounts preparation process and working papers, including management review of the draft accounts before 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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Merseyside Waste Disposal Authority's 2017/18 financial statements, which resulted in three recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

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.	This recommendation has not yet been implemented.
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.	This recommendation has not yet been implemented.

Assessment

✓ Action completed

X Not yet addressed

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
The Comprehensive Income and Expenditure Statement (CIES) Net Cost of Service – Environment and regulatory services £75.061m per draft accounts published 30 May 2019 £52.045m asset per final accounts dated 17 September 2024	The impact of the errors identified on the previous pages in relation to accounting for the service concessions and depreciation charge has been reflected in the adjustments made to the cost of service disclosed in the CIES. The overall adjustment has been to reduce the cost of service by £23.016m Our review of the expenditure balance identified that £0.182m of corporate and democratic core costs were incorrectly also included within the environment and regulatory services whereby they had already been disclosed in a separate category within the net cost of services in the CIES. The above adjustment includes the removal of these costs. As disclosed on page 18, there are material inconsistencies between the income and expenditure amounts reported in the Narrative Report and the CIES. Factual and extrapolated unadjusted misstatements Through our testing of a sample of expenditure items, we were unable to obtain sufficient evidence in the case of three items to support the amounts included within the accounts, the calculated extrapolated error is £0.297m. The accounts have not been adjusted for this calculated error. No unadjusted misstatements identified are individually above our determined materiality threshold We were unable to satisfy ourselves that the Comprehensive Income and Expenditure Statement has been prepared in accordance with the CIPFA Code, with significant inconsistencies between the narrative report and the financial statements.
Prior period Adjustment	A prior year adjustment was identified following the review of the capital accounting treatment. The overall impact was below material at £0.195m due to incorrect application of depreciation and impairment in prior years. The financial statements have been restated to disclose the prior period adjustments. The disclosures on the final version of the financial statements do not adequate explain the reasons for the prior period adjustment. We were unable to satisfy ourselves that the prior period adjustment included on the face of the balance sheet and note 33 meets the requirements of IAS 1 and the CIPFA Code.
Cash Flow Forecast	The Cash and cash equivalent balance was incorrectly disclosed on the balance sheet in the draft financial statements as a liability. As a result of the testing performed and confirmation of year end balance received, the balance was adjusted for and correctly disclosed as an asset on the balance sheet. This has led to significant adjustments being required to the Cash Flow Statement and associated Notes. To date we have been unable to gain assurance over the disclosures and there is a lack of consistency between the Cash Flow Statement and Notes. Due to the audit backstop imposed by statute we do not have sufficient time to complete audit procedures in this area. As such we are unable to conclude the Cash Flow Statement is free from material misstatement. We have been unable to satisfy ourselves that the cashflow statement has been prepared in accordance with the CIPFA Code, with material inconsistencies between the movements of the balances and associated disclosures.

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Property Plant and Equipment (PPE) £381.7m per draft accounts published 30 May 2019 £361.1m per final accounts dated 17 September 2024	As previously mentioned in the report, the area of Property, Plant and Equipment (PPE) and in particular the capital accounting entries and disclosures has experienced numerous delays and errors. This has led to the Authority commissioning external financial reporting expertise to assist with this area of the accounts. The findings of our work carried out to date are summarised below: **Adjustments made to the draft financial statements by management** Management has made several adjustments to the draft financial statements regarding Property, Plant and Equipment. The net total of these adjustments decreases the PPE balance as reported in the draft financial statements by £20.6m compared to the updated version of the financial statements. These adjustments made to the financial statements, which exceed our reporting threshold, are as follows: 1) Prior period adjustment of £0.195m Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. An error was identified in relation to the depreciation and impairment of fixed assets, resulting in the depreciation being overstated. This is because a number of assets had been impaired in previous years and reversals had been treated as revaluation gains, rather than reversals of impairment. 2) Overstatement of the valuation of the Resource Recovery Asset by £19.953m Through our testing of the revaluations, it was identified that an error in the valuation of the Resource Recovery Asset had occurred which resulted in the remaining useful economic life being reassessed downwards and the valuation being reduced by £19.953m. Management has adjusted for this overstatement by reducing the closing balance of PPE and revaluation reserve by the same amount. 3) Depreciation amendment of £2.919m As a result of the review performed, Management has adjusted the relevant depreciation charge for the assets with the impact being a reduction in the depreciation charge of £2.9m and corresponding increase in the PPE balance. 4) PPE revaluation of £4.581m The surplus on the revaluation of assets was overstated. Management has adjusted the closing balance of PPE to reduce the overall revaluation of PPE by £4.581m and the revaluation reserve within the Unusable Reserves by the corresponding amount. 5) Historical depreciation of £0.284m Note 7 – Adjustments between accounting and funding basis under regulations included a disclosure for historical depreciation of £0.284m, this represents the difference between historic cost and current value depreciation which is accounted for through the revaluation reserve and capital adjustment account and should not be included within Note 7. Management have adjusted for this error. **Factual and extrapolated unadjusted misstatements** No unadjusted misstatements identified are individually above our determined materiality threshold

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Accounting for the Service Concessions (Waste Management and Recycling Contract and Resource Recovery Contract)	As already mentioned on the previous page, the valuation of the Resource Recovery Asset was revised downwards by £19.953m which reduced the closing balance of PPE by the same amount. Further findings in relation to the accounting and disclosures for the Service Concessions are summarised below: <u>Adjustments made to the draft financial statements by management</u> 1) Adjustment to the useful economic life of the RRC asset - £0.206m The useful economic life of the RRC asset was increased to 25 years which resulted in a reduction in the depreciation charge of £0.206m for the year. Management have adjusted the Comprehensive Income and Expenditure Statement (CIES) by reducing expenditure by this amount. 2) Inclusion of the Unitary Charge for the Gilmoss Material Recycling Facility (MRF) - £0.961m The draft financial statements did not include the unitary charge for Gilmoss MRF for the year of £0.961m. Management have adjusted for this in the final version of the financial statements. 3) Adjustment to the Comprehensive Income and Expenditure Account for reversal of lifetime replacement costs relating to RRC - £1.699m Management has adjusted the Environment and regulatory expenditure within the CIES by reducing it by £1.699m due to the reversal of lifetime replacement costs relating to the RRC no longer being recorded separately within non-current assets charged to the revaluation reserve. 4) RRC Statutory overrides - £11.610m The draft CIES includes a line for RRC Statutory overrides of £11.610m. This entry is not required and not in accordance with Code and Accounting Standards requirements. The original entry was disclosed due to the PFI original financial model including an entry for depreciation of £11.610m, however the RRC asset was revalued and the asset life amended after the model was provided. Management have adjusted both the CIES and Capital Adjustment Account to remove the £1.699m RRC Statutory Override. 5) RRC Contract error - £18.884m The draft CIES incorrectly included the amount equal to the principal on the RRC contract of £18.884m within the non current assets charged to the Revaluation Reserve and Capital Adjustment Account. This entry is not required, and management have adjusted the financial statements to remove this amount from both Other comprehensive Income and Expenditure in the CIES and the Capital Adjusting Account. 6) RRC Lifecycle expenditure costs - £0.566m The draft financial statements had omitted the lifecycle capital expenditure costs of bring the RRC into use. Management have adjusted the financial statements to increase the PPE closing balance by £0.566m (additions to PPE in year) and the PFI Finance Lease Liability by the same amount. 7) Note 6 – Expenditure and income analysed by nature The draft financial statements included the aforementioned £11.600m adjustment to the RRC within the interest and investment income category. This disclosure is incorrect, and management have adjusted the financial statements to remove this amount.

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Accounting for the Service Concessions (Waste Management and Recycling Contract and Resource Recovery Contract)	8) Note 11 Financial Instruments Management has adjusted Note 11 to disclose the correct carrying value and fair value for the service concession liabilities. This was an overall increase of £2.628m for the carrying value of the liability as at 31 March 2019. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold
Long Term Investments £5.660m liability per draft accounts published 30 May 2019 £5.042m asset per final accounts dated 17 September 2024	The Long Term Investments as included on the Authority's balance sheet relates to the value of its interests in subsidiaries. The draft amount had been increased to disclose the fair value of the interests. This does not meet the Code requirements as such interests are not within the scope of financial instruments and therefore fair value is not appropriate. Management have adjusted the final version of the accounts to reduce the balance by £0.618m to correct disclose the balance at cost. Factual and extrapolated unadjusted misstatements None identified
Cash and cash equivalents £4.613m liability per draft accounts published 30 May 2019 £6.655m asset per final accounts dated 17 September 2024	The cash and cash equivalents was initially disclosed within the current liabilities in the draft financial statements. Following a review of the cash reconciliation and confirmations received from St Helens Council of the Authority's share of the cash balance held by the Council, the cash and cash equivalents balance as amended for by management in the final version of the financial statements is £6.655m (within current assets.) Factual and extrapolated unadjusted misstatements None identified
Minimum revenue Provision (MRP) £12.240m per draft accounts published 30 May 2019 £20.092m asset per final accounts dated 17 September 2024	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 disclosed in the draft accounts (within the Capital Adjustment Account and Note 7 Adjustments between accounting and funding basis under regulations) was understated as it did not reflect the cashflows of the RRC contract. The overall increase required was £7.852m. Management have adjusted the financial statements to disclose the correct increased amount of MRP. Factual and extrapolated unadjusted misstatements None identified

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Capital Financing Requirement	The draft financial statements did not include the full impact of the assets acquired under finance leases . Management has adjusted to final version of the financial statements to restate the opening capital financing requirement and closing capital financing requirement, which also takes into account the amendments made to the MRP above and the inclusion of the PPE additions (lifecycle capital expenditure)previously omitted. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold
Creditors £5.184m per draft accounts published 30 May 2019 £5.184m asset per final accounts dated 17 September 2024	Testing of a sample of creditors identified that the creditors balance was overstated by £0.147m as a result of the incorrect inclusion of pension deficit liability payment relating to 2019/20. Management have not adjusted the final version of the financial statements for this error due it being immaterial. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.
Closed Landfill Provision	Note 7 – Adjustments between accounting and funding basis under regulations included a disclosure for movement in Closed Landfill Provision (CLF) per GT Technical of £0.245m. This adjustment is a valuation adjustment which is accounted for in Other Comprehensive Income and Expenditure (OCIE) within the CIES and should not be included within Note 7. Management have adjusted for this error. Factual and extrapolated unadjusted misstatements None identified
Usable Reserves £2.019m per draft accounts published 30 May 2019 £3.114m asset per final accounts dated 17 September 2024	As previously mentioned in the report, the area of Property, Plant and Equipment (PPE) and in particular the capital accounting entries and disclosures has experienced numerous delays and errors. This has led to the Authority commissioning external financial reporting expertise to assist with this area of the accounts. The impact of the adjustments required for the capital accounting has also been reflected in the reserves movements for which management have adjusted for in the final version of the financial statements. The General Fund balance has increased by £1.095m Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Unusable Reserves £58.185m per draft accounts published 30 May 2019 £35.258m asset per final accounts dated 17 September 2024	As previously mentioned in the report, the area of Property, Plant and Equipment (PPE) and in particular the capital accounting entries and disclosures has experienced numerous delays and errors. This has led to the Authority commissioning external financial reporting expertise to assist with this area of the accounts. The impact of the adjustments required for the capital accounting has also been reflected in the reserves movements for which management have adjusted for in the final version of the financial statements. The Unusable Reserves balance disclosed has reduced by £22.927m Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.
Note 11 Financial Instruments	Management has adjusted the Note in the final version of the financial statements to disclose the balance sheet creditors balance of £5.184m within the current liabilities (previously stated £0.571m). The Service concession liabilities disclosure was also updated to disclose the correct current value and fair value of the liabilities. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.
Note 22 Officer Remuneration	The draft financial statements incorrectly reported the Senior Officer Remuneration in the disclosure note. Management has adjusted the Note with the overall impact being an increase in the total remuneration of £14k. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.
Note 24 Related Party transactions	The draft financial statements incorrectly disclosed the related party transactions with Halton Borough Council as items of expenditure. Management has adjusted the Note in the final version of the financial statements to correctly disclose these as income. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.

D. Summary of audit and issues identified (by exception)

Financial statement area	Summary of work to date and findings
Note 28 – Defined benefit pension scheme	The draft financial statements did not include all of the updated IAS 19 actuarial valuation disclosures as required by the Code. Management has adjusted the final version of the financial statements to disclose the correct value of £0.424m (previously stated (£7k)) for the reversal of the net charges made to the Surplus of Deficit on the Provision of Services. This impact of this is an increase in the net charge to the general fund of £0.290m. McCloud case – pension liability - As reported on page 11, the impact of the McCloud case on the Authority's pension liability has been assessed as £0.242m. Management has elected not to adjust the liability for this amount due to it being immaterial. Factual and extrapolated unadjusted misstatements No unadjusted misstatements identified are individually above our determined materiality threshold.
Accounting Policies	The following issues have been identified during the audit in relation to Accounting Policies: • the financial statements do not report the asset lives used by the Authority • accounting policies and disclosures have not been updated for IFRS 9, whereby financial asset categories are still disclosed under IAS 39 • accounting policies and disclosures have not been updated for IFRS 15 A specific representation was requested from management to explain why they do not consider this to be material to the user of the financial statements.

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 £25,610. 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	£25,610	£25,610
Additional audit fees for additional audit work undertaken at PSAA rates	-	£42,790
Total Authority audit fees	**£25,610**	**£68,400**
Audit of Mersey Waste Holding ltd	£10,200	£10,200
Total audit fees (excluding VAT)	**£35,810**	**£78,600**

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

Birmingham

[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 2019

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 or the year ended 31 March 2019 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 2018/19 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:

The Authority and Group 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 2018/19 ("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. The Authority does not have its own bank account. All transactions are done through St Helen's Council bank account and these are posted to a specific general ledger code allocated to the Authority. The Authority's bank balances have been confirmed to ensure the correct year end balance has been used in the balance sheet.

viii. A number of year-end accounts payable and receivable balances are based on estimates due to the relevant reconciliation process taking place later in the year. We confirm that we are satisfied with the estimates and assumptions in relation to accounts payable and accounts receivable balances.

ix. For the Knowsley and Wilton RRC assets, we changed the asset life from 31 in the prior year to 24.5 years as at 31 March 2019. This has resulted in a significant change in the valuer's original valuation at the year end. We confirm that we are satisfied with the valuation assumptions used in relation to the RRC assets and the related accounting entries, especially the useful economic lives of the assets concerned.

x. 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.

xi. 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.

G. Management Letter of Representation

xii. 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.

xiii. 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.

xiv. 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.

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

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

xvii. The prior period adjustments disclosed in Note 33 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xviii. We have updated our going concern assessment and cash flow forecast. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that [current and future sources of funding or support will be more than adequate for the group and Authority's needs We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements

Information Provided

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

xx. 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.

xxi. 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 2019 of 30 September 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 2019 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.

G. Management Letter of Representation

Annual Governance Statement

xxii. 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

xxiii. 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……………………………..

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 the 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 2019, 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, the Group Movement in Reserves Statement and Notes to the Group Financial Statements. 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 2018/19 (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 matters 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 2019 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 2019 as a whole are free from material misstatement. 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 2019 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 that the Comprehensive Income and Expenditure Statement has been prepared in accordance with the CIPFA Code, with material inconsistencies between the narrative report and the financial statements;
- We were unable to satisfy ourselves that the prior period adjustment included on the balance sheet and in note 33 meets the requirements of IAS 8 and the CIPFA Code; and
- We have been unable to satisfy ourselves that the cashflow statement has been prepared in accordance with the CIPFA Code, with material inconsistencies between the movements of the balances and associated disclosures.

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 matters 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 '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 matters 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 matters 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 in the Statement of Responsibilities for the Statement of Accounts, 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 2018/19, 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 and 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 are 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 2019.

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 2019

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.

H. Disclaimer of Audit opinion

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Merseyside Waste Disposal Authority for the year ended 31 March 2019 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

[x] December 2024