

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/08/25

Recommendation

That Members note:

1. the Authority's progress in response to audit recommendations; and
2. the Government's position on respect of the approach to audits across local government.

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WDA/0825

Report of the Chief Executive

1. Purpose of the Report

- 1.1 Members are reminded that the external auditor's report in November 2021 included statutory recommendations for the Authority to respond to.
- 1.2 One of the recommendations was that Members receive a report on progress against the other recommendations until agreed actions were implemented; this report responds to that recommendation.

2. Update

- 2.1 The Authority has been working with the financial advisers KPMG to ensure the working papers supporting statements of accounts for 2018-19 and 2019-20 are clear and provide a trail through to the statutory statements of accounts which can be followed by the external auditor. KPMG's view was that the statements they had reviewed were an accurate representation of the Authority's financial position.
- 2.2 During the Autumn the Government issued a direction that statements of accounts that were unaudited should be concluded with the Auditor issuing a Disclaimer of Opinion. This approach was to address the multiple years of outstanding audits across the whole of local government.
- 2.3 The consequence of this for MRWA was that at the Authority's Audit Committee held on 6th December Members approved four sets of accounts including those from 2018-19, 2019-20, 2020-21, and 2021-22. These accounts were then provided to the auditor together with a Letter of Management representation for each. The Auditor subsequently issued a disclaimer of opinion for each of the statements of accounts which concluded the audit work and closed the accounts
- 2.4 This still leaves the later years, 2022-23 and 2023-24 to catch up and we are in the process of completing the statements so that they may be put on deposit and subsequently subject to a similar process as outlined above.

Merseyside Waste Disposal Authority

7th February 2025

The preparation and prospective audit disclaimer of opinion is all with the intention that by the time the accounts for 2024-25 are prepared the statements will be available for the auditor to carry out their work and to finalise the 'catch-up' on the accounts. This will enable the new finance team to start their work from a clear and balanced position that the auditor is able to agree.

- 2.5 Separately and as previously reported one of the Authority's staff has been given the opportunity for professional development and is currently in an early stage of training with CIPFA with a view to completing their accountancy training as a fully qualified CIPFA accountant. It is expected that the combination of the additional targeted support and the additional CIPFA qualified member of staff will contribute towards providing the additional resilience that the Authority needs to be better placed to support the production of the Financial Statements.
- 2.6 The auditor had identified that the cash reconciliation in the accounts production was incomplete. Working with the service provider, we are satisfied that the cash reconciliation provided to MRWA and reviewed by MRWA and the auditor is sufficient to satisfy the requirement for the bank reconciliation to be reviewed. The auditor will review the bank reconciliations provided and will provide their view in due course.
- 2.7 The auditor noted that the systems used by the Authority to support the production of the accounts needed to be reviewed. The Authority has been working closely with the service provider and their new accounting system is in place and is being implemented at the Authority. The new system, provided by AGRESSO, UNIT 4, will make it simpler to track transactions and to summarise accounts, both for the annual statutory financial statements and for in year management accounts. The transition to the new approach has been taking place over recent weeks and should be fully in place before the Authority's budget setting process commences in full.
- 2.8 Separately the complex spreadsheet used to support the accounts production was reviewed and much simplified, so that the production of the accounts and the support for the auditor are made easier to follow.
- 2.9 The auditor has set out that the Authority should be updated at each meeting on the progress being made against each of his recommendations. This report forms the latest of those updates; Members will continue to receive an update on these recommendations as requested, until they are all implemented.

3. Risk Implications

3.1 The following risks have been identified in relation to the development and implementation of the Authority's corporate planning processes:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Failure to respond to statutory recommendations	1	5	5	The Authority will respond positively to the auditor's recommendations
Statements of accounts uncorrected errors, risks of balances being misstated	3	4	12	Ensuring that actions arising from the auditor's recommendations will ensure this risk is mitigated.

4. HR Implications

4.1 Directing the work of either seconded or contract staff may need to be managed.

5. Environmental Implications

5.1 No new environmental implications.

6. Financial Implications

6.1 No new financial implications.

7. Legal Implications

7.1 The Authority is legally required to consider the external auditor's recommendations, whether they are accepted, and what action to take in response.

7.2 The Authority's proposed response is set out in this report.

8. Conclusion

8.1 Members are asked to note the Authority's progress against the agreed recommendations.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.