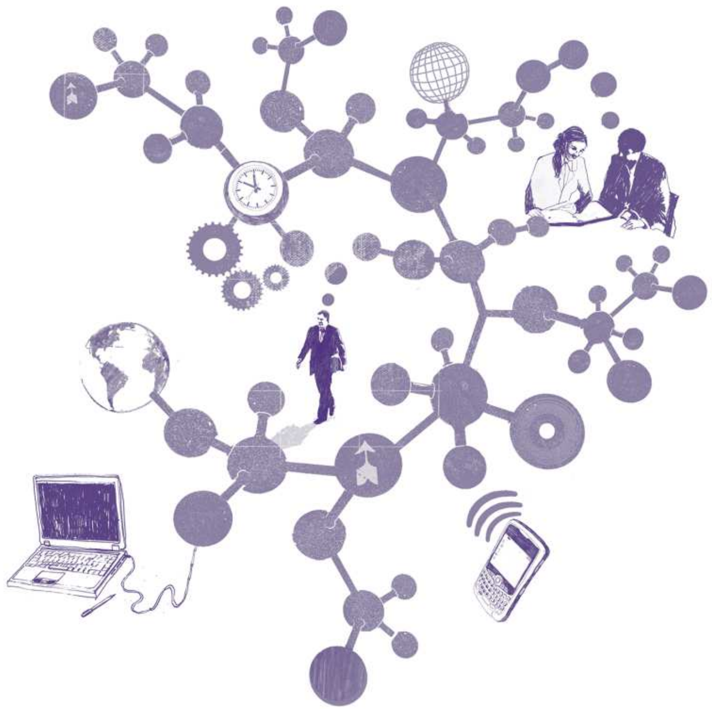
The Audit Findings for Merseyside Waste Disposal Authority

Year ended 31 March 2014

17 September 2014



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Merseyside Waste Disposal Authority's ('the Authority') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan which we presented to the Authority on 25 April 2014.

Our audit is substantially complete although we are finalising our procedures in the following areas

- outcome of the audit of Mersey Waste Holdings Limited;
- obtaining and reviewing the final management letter of representation;
- review of the final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

As part of our audit last year, we identified the need for additional support in relation to capital accounting given the limited capacity available within the finance function. We are pleased to note that the Authority engaged an external consultant to review the fixed asset register and assist with the preparation of the 2013/14 accounts.

Key issues arising from our audit

Financial statements opinion

We have identified four adjustments affecting the Authority's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded a deficit on provision of services of £1,754,000. The in year adjustments totalled £1,424,000, reducing the deficit on provision of services to £330,000. The change mainly arose from an error in the approach adopted to account for a service concession arrangement. This error also affected the brought-forward balances on the General Fund and appropriate amendments have been made to these balances. Overall, the General Fund balance has increased by £2,600,000 as a result of these agreed adjustments. In addition, a provision to recognise the Authority's obligations for the on-going maintenance costs associated with closed landfill sites was created. Whilst the use of a provision for on-going maintenance costs varies across waste disposal authorities, we considered that the Authority's responsibility for restoration and aftercare imposes a clear legal obligation requiring a provision to be created. Following discussions with the Director of Finance, a provision of £11,305,000 was created. This balance will reduce each year based on the expenditure incurred to maintain the six closed landfill sites.

Our work also identified a further adjustment which did not impact on the Authority's reported financial position relating to a misposting , this resulted in a reduction to both income and expenditure of £458,000.

We also identified the need for several adjustments to be made to improve the presentation of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- the Authority has benefitted from engaging support from an external consultant to assist with its closedown processes.
- the overall quality of the financial reporting needs further strengthening. There remains scope for improvement to ensure that the accounts presented for audit are arithmetically accurate, internally consistent and compliant with CIPFA's Code of Practice. We understand that, given the limited capacity within the finance function, the Director of Finance is considering engaging external support for 2014/15 and beyond.

Further details are set out in section 2 of this report.

Value for Money conclusion

As the Authority is a "small entity" for the purposes of the VFM assessment, we do not issue a qualified or unqualified opinion. We are required to report by exception if there are matters which indicate that you do not have proper arrangements in place to secure economy, efficiency and effectiveness in your use of resources. We are pleased to report that we have no matters to report.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Our work has identified five control weaknesses which we wish to highlight for your attention. Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
17 September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Authority on 25 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 25 April 2014.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion. Our audit opinion is set out at Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition.	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls.	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions.	Whilst we have not yet completed our detailed review of journals, our audit work to date has not identified any evidence of management override of controls. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • tested operating expenses focussing on amounts paid to the four principal waste contractors engaged by the Authority, including amounts accrued in relation to 2013-14 expenditure at the year-end.	Our audit work identified that a small accrual for £161,000 had been omitted from the accounts. Management have revised the accounts to include this accrual.
Property, plant & equipment	PPE activity not valid	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • tested a sample of capital additions recognised in the Balance Sheet as at 31 March 2014 to confirm these meet the criteria set out in IAS16 and the Authority's accounting policies.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks [continued]

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	Revaluation measurement not correct Property, Plant and Equipment are Impaired	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • reviewed in detail the adjustments made by the Authority to correct errors in the brought forward balance on the Capital Adjustment Account and the Revaluation Reserve • considered the approach adopted by the Authority to ensure it complies with the requirement to ensure the carrying value of its Property, Plant and Equipment is not materially different from its recoverable amount.	We agreed some changes to the note setting out the Prior Period Adjustment to ensure that it clearly set out the adjustments made and the reason for those adjustments.

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Merseyside Waste Holdings Limited	Yes	Comprehensive	None	Full scope UK statutory audit performed by EY. We are awaiting assurances from EY which we expect to receive after they have completed their audit.	TBC.
Bidston Methane Limited	No	Analytical	None	Review of the consolidation journals posted by the Authority and confirmed the adjustments are consistent with Bidston Methane Limited's accounts.	Our audit work has not identified any issues.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of Authority arrangements	Comments	Assessment
Revenue recognition	The Authority recognises revenue from the provision of services when the Authority can measure reliably the percentage of completion of the transaction and assesses that it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.	The Policy adopted is consistent with the requirements of relevant accounting standards and the CIPFA Code of Practice.	Green
Judgements and estimates	Key estimates and judgements include : – useful life of capital equipment; – expenditure on major contracts in Quarter 4; – pension fund valuations and settlements; – PPE revaluations; and – impairments.	We have reviewed the approach adopted by management and are satisfied that the approach adopted to prepare the estimates included in the accounts is sufficiently robust to ensure the accounts are free from material error.	Green
	Page 33 of the accounts states that the Authority revalues it assets on a three-yearly cycle. Accounting standards state that the carrying value of Property, Plant and Equipment in the Balance Sheet should not exceed its recoverable amount.	We recognise that the Authority's assets are highly specialised and, as such, changes in their value may not follow trends in the wider market. Management has obtained assurances from a qualified valuer that it is unlikely that there is material difference between the carrying value of its assets and their recoverable amount. Management have confirmed that they intend to undertake a more detailed desktop valuation exercise in 2014/15 to ensure asset valuations remain up-to-date.	Amber

Accounting policies, estimates & judgements [continued]

Accounting area	Summary of Authority arrangements	Comments	Assessment
Other accounting policies	• We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards. We identified two areas where management had made significant judgments which had not been disclosed within the notes to the statements as required by accounting standards.	The accounting standards disclosed are consistent with relevant accounting standards and the CIPFA Code. Two additional disclosures have been added to Note 2: (i) We requested that management expand its disclosures relating to the Veolia service concession. Our audit identified that Veolia does receive some income from processing third party waste using the assets recognised on the Authority's balance sheet. The revised disclosure notes that management has judged that this income does not materially affect the entries on the Balance Sheet in relating to the service concession. This reflects that the income received is subject to variation and has not been material since the assets became operational; (ii) The Authority has a number of closed landfill sites. The Authority retains responsibility for monitoring these sites in accordance with environmental legislation. We consider the Authority's responsibility for restoration and aftercare imposes a clear legal obligation requiring a provision to be created. Following discussions with the Director of Finance, a provision of £11,305,000 has been created. This balance will reduce each year based on the expenditure incurred to maintain the six closed landfill sites.	● **Amber**

Assessment

- ● (Red) Marginal accounting policy which could potentially attract attention from regulators
- ● (Amber) Accounting policy appropriate but scope for improved disclosure
- ● (Green) Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
1	A compilation error occurred when producing the Comprehensive Income and Expenditure account. This resulted in expenditure on items classified as Corporate and Democratic Core and Non-Distributed Costs being double-counted. This increased the reported deficit on Provision of Services and reduced the General Fund Balance.	Gross Expenditure reduced by £382,000.	General Fund balance increased by £382,000.	Net expenditure reduced by £382,000.
2	The audit identified errors in the accounting entries the Authority had applied to account for the assets recognised as part of a service concession arrangement with Veolia. The Authority has developed an accounting model which splits payments to Veolia into three main components: payment for services; interest; and reimbursement of capital expenditure. This model follows standard practice. However, the Authority had not applied its model when posting entries in its financial statements. Expenditure relating to the reimbursement of capital expenditure had been charged to the General Fund in error instead of being debited to the Balance Sheet.	Gross Expenditure reduced by £2,379,000 comprising: £477,000 in respect of 2011/12; £942,000 in respect of 2012/13; and £960,000 in respect of 2013/14.	General Fund balance increased by £2,379,000.	Net expenditure reduced by £2,379,000 comprising: £477,000 in respect of 2011/12; £942,000 in respect of 2012/13; and £960,000 in respect of 2013/14.
3	Our work on contract expenditure identified that an accrual for £161,000 had not been included in the accounts. This occurred because the accrual had been omitted from a year-end schedule supplied by the contracts department.	Gross Expenditure increased by £161,000	General Fund Balance reduces by £161,000. Creditors increase by £161,000	Net expenditure increases by £161,000
4	Our work on contract expenditure identified that due to a misposting to the General Ledger gross income and gross expenditure were overstated by £458,000.	Gross Expenditure and Gross Income reduced by £458,000	No impact	No impact
5	The Authority's responsibility for restoration and aftercare imposes a legal obligation requiring a provision to be created for closed landfill sites. Following discussions with the Director of Finance, a provision of £11,305,000 has been created.	Gross expenditure reduced by £243,000 (2013/14) and £283,000 (2012/13). This is offset by an equal MRP charge to the General Fund.	Provision at 31 March 2014 is £10,779,000. The opposite entry is an equal debit to the CAA.	Gross expenditure reduced by £243,000 (2013/14) and £283,000 (2012/13). This is offset by an equal MRP charge to the General Fund.
	Overall impact	**Gross Expenditure reduced by £3,126,000**	**General Fund balance increased by £2,600,000**	**Reduced by £3,126,000**

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. Alongside the changes set out below we also agreed several presentational changes to ensure the accounts were accessible, arithmetically accurate and internally consistent.

	Adjustment type	Value	Account balance	Impact on the financial statements
1	Disclosure	N/A	Note 5 – Events after the Balance Sheet Date	We have agreed with management that an additional disclosure should be added to the statements to reflect the transfer of funds in April 2014 from the Waste Development Fund to the constituent district councils under the terms of the Memorandum of Understanding signed by all parties.
2	Disclosure	N/A	Note 6 - Prior Period Adjustment	Substantial revisions have been made to the note so that it clearly sets out the adjustments made and the reason for those adjustments.
3	Disclosure	£10,125,000	Note 10 – Property Plant and Equipment	Some errors relating to the approach taken to account for plant and equipment at the Huyton New Technologies Demonstration site were identified. This site was sold during the 2012/13 financial year. However, this was not reflected in the Property, Plant and Equipment note which included a gross book value and accumulated depreciation of £10,125,000 in relation to this asset. The note has been restated to entirely exclude this asset. The amendments made do not impact the Net Book Value of assets disclosed in the Authority's Balance Sheet. Additionally, we found that a revaluation reserve balance had been attributed to the asset as at 1 April 2012. Adjustments have been made to write out this balance following the sale of the asset.
4	Disclosure	£1,030,000	Note 10 – Property Plant and Equipment	Note 10 in the draft accounts suggested that no depreciation had been charged. The actual depreciation charge was £1,030,000. This had been shown as an adjusting entry relating to revaluations instead. Depreciation had been correctly charged within the Comprehensive Income and Expenditure Account and adjusted for within the MIRS.

Misclassifications & disclosure changes [continued]

	Adjustment type	Value of Amendment £'000	Account balance	Impact on the financial statements
5	Disclosures	£351,248,000 (2013/14) £350,128,000 (2012/13)	Note 12 – Financial Instruments	In the draft accounts long term liabilities recognised as financial instruments included the total amount due under the contract with Veolia. Only the amount recognised as a liability on the Balance Sheet should have been included. This only affects the disclosure and not any of the primary statements.
6	Disclosures	£2,723,000 (2013/14) £2,337,000 (2012/13)	Note 12 – Financial Instruments	The Authority had estimated the fair value of its service concession liability. However, in the accounts the fair value of the liability was disclosed as being equal to the book value. There was actually a significant difference between the book value and the fair value, as is typical for service concession arrangements. This only affects the disclosure and not any of the primary statements.
7	Disclosure	£1,746,902	Note 17 – Short Term Creditors	The Authority had not fully analysed its creditor balance. £1,746,902 was reclassified from bodies external to government to other authorities.
8	Disclosure	Various	Note 27 – Related Parties	£1,476,000 of income received from Halton Borough Council had been omitted from the related party transactions disclosure. Recycling credit payments to Wirral Metropolitan Borough Council were overstated by £428,000.
9	Disclosure	Various	Note 29 - Leases	The value of minimum lease payments due where the Authority is the lessee as part of an Operating Lease had been overstated as the amount was disclosed in £000 instead of £s. The amounts disclosed had also been discounted in error. This only affects the disclosure and not any of the primary statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Amber	The Authority invested resources to establish a spreadsheet-based model to produce its financial statements. The expectation was that this model would address some of the inconsistencies which had affected the accounts in previous years. However, our work found that this model requires further improvement and refinement. Numerous manual adjustments had to be made to the figures included in the Trial Balance to produce the balances that formed the basis of the model. Even after these adjustments had been made, we identified some significant imbalances and several instances where manual adjustments were needed to produce the figures to be included in the financial statements. Revisions to the accounts required several iterations to correct internal inconsistencies.	Allow sufficient time as part of the 2014-15 closedown process to ensure that the closedown model is appropriately designed to drive the production of the 2014-15 statements to reduce the need for manual amendments. The 2014-15 model should include the closing Trial Balance and clearly show what amendments to figures in the Trial Balance are needed to produce the primary statements and the reason for those amendments.
2	● Amber	The Authority has included a material long-term provision of £6,972,0000 in its Balance Sheet. The provision relates to funds set aside to reimburse Mersey Waste Holding Limited who made a payment to a landfill operator after joint action was taken against the Authority and the holding company. The legal proceedings concluded in the 2012-13 financial year. The Authority should make arrangements to reimburse Mersey Waste Holdings Limited before 31 March 2015. This will help clarify the respective financial positions of the Authority and the holding company.	Conclude discussions with Mersey Waste Holdings Limited and its advisors to enable the payment to be made before 31 March 2015.

Internal controls [continued]

	Assessment	Issue and risk	Recommendations
3	● Amber	The majority of the Authority's expenditure consists of payments to waste development contractors. Management encountered difficulties when asked to produce ledger prints which demonstrated that the total expenditure in the ledger agreed back to the total amount of expenditure per the invoices received from the contractors.	Establish a control spreadsheet which is updated during the year to reconcile invoices approved for payment to amounts recognised in the General Ledger.
4	● Amber	CIPFA has been encouraging local government bodies to review their statements to make them more accessible to stakeholders. The Authority's accounts contain a significant number of notes with nil disclosures and there are some notes where the presentation could be enhanced to clearly present the Authority's financial performance and position.	Undertake a review of the financial statements to identify non-material notes and disclosures that could be omitted in future.
5	● Amber	The Group Accounts contained numerous errors and the working papers provided insufficient evidence that the correct intra-group adjustments had been made. Consequently, significant revisions to the Group Accounts working papers were required to enable us to audit the Group statements. We understand that these issues arose given the tight timescales for the preparation of the Group accounts.	Ensure the closedown timetable allocates sufficient time for the quality control checks to include the Group Accounts. When preparing the working papers, the intra-group adjustments should be fully referenced within the supporting working papers.

Assessment

● (Red) Significant deficiency – risk of significant misstatement

● (Amber) Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	• A letter of representation has been requested from the Authority. • In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates relating to Property, Plant and Equipment.
4.	Disclosures	• Our review found that a number of changes to disclosures were required. These are set out on pgs. 16-17.
5.	Matters in relation to related parties	• We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	• Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

Scope of our review

No specific VFM criteria are issued for "other" bodies such as Waste Disposal Authorities. Guidance sets out that auditors must review the Authority's Annual Governance Statement, the work of the Audit Commission and other regulators and carry out any local risk based work as appropriate.

Other work

We did not identify any issues in our review of the Authority's Annual Governance Statement and there were no reports from the Audit Commission or other regulators regarding the Authority during the year.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance published by the Audit Commission, we are satisfied that there are no matters we need to report regarding the arrangements the Authority has put in place to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Authority audit	39,150	39,150
Total audit fees	**39,150**	**39,150**

Fees for other services

Service	Fees £
None	Nil

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. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Make arrangements for a desktop valuation of non-current assets to be undertaken during the 2014-15 financial year.	Medium	Agreed	Director of Finance – February 2015
2	Revise the spreadsheet used to produce the financial statements and ensure that it clearly demonstrates how the entries in the accounts are derived from the Trial Balance.	High	Agreed – including review of year end use of trial balance and closedown spread-sheet	Director of Finance – March 2015
3	Conclude discussions with Mersey Waste Holdings Limited to ensure the amount provided by the Authority in respect of legal costs can be paid over to the holding company by 31 March 2015.	High	Agreed to hold discussions	Director of Finance – March 2015
4	Provide a control spreadsheet as part of the final accounts working papers which traces major contract expenditure by supplier and invoice number back to the ledger.	Low	Agreed	Business Support Manager – March 2015
5	Review the financial statements as part of a post audit review to identify if there is further scope to reduce the length of the statements and the number of disclosures for 2014-15.	Low	Agreed to continue the process – albeit limited by statutory disclosure requirements	Director of Finance – March 2015

Appendix A: Action plan [continued]

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
6	Review the arrangements to compile the schedule of accruals at the year-end to ensure accruals are included for all major suppliers.	Low	Agreed – although it must be stated here that the exclusion of a particular accrual was for a one off reason which is clearly understood by the auditor and is unlikely to recur.	Business Support Manager – March 2015
7	Ensure the closedown timetable allocates sufficient time for the quality controls checks to include the Group Accounts.	Low	Agreed	Business Support Manager – March 2015

Appendix B: Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYSIDE WASTE DISPOSAL AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Merseyside Waste Disposal Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. 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 2013/14.

This report is made solely to the members of Merseyside Waste Disposal Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Director of Finance and Auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of Merseyside Waste Disposal Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Appendix B: Audit opinion (continued)

Matters on which we report by exception

We report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission *in* October 2013, we have considered the results of the following:

our review of the annual governance statement.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of Merseyside Waste Disposal Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool L3 1PS

xx September 2014