

**AUDITOR'S REPORT TO MEMBERS**  
**WDA/22/16**

**Recommendation**

That:

1. The Auditor's findings attached at Appendix 1 be noted; and
2. Members note the recommendation contained within the auditor's report to further strengthen the Authority's financial and governance arrangements and grant delegated powers to the Treasurer to finalise the proposed action plan.

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## **AUDITOR'S REPORT TO MEMBERS**

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### **Report of the Treasurer**

#### **1. Purpose of the Report**

- 1.1 To present Members with the findings, conclusions and recommendations resulting from Grant Thornton's review of the Authority's statutory accounts and of its arrangements to secure value for money, to enable the auditor to comply with the auditing standard ISA 260 (UK&I).

#### **2. Background**

- 2.1 The auditing standard, ISA 260 (UK&I), and the statutory audit framework requires Grant Thornton, who are appointed by the Audit Commission as the Authority's external auditor, to produce an Annual Report to 'Those Charged with Governance' at the end of the audit (the report is attached at Appendix 1). For Merseyside Waste Disposal Authority the Members of the Authority are 'Those Charged with Governance', although this can be delegated to the members of the Audit and Governance Committee as necessary.
- 2.2 The report covers all the external auditor's responsibilities including the audit of the Authority's statutory accounts as prescribed by professional auditing standards and a value for money conclusion. The report is to be considered before the auditor can formally conclude the audit.
- 2.3 After the ISA260 report has been considered and the Authority's Letter of Management Representation has been provided (should Members approve the proposed letter in this meeting) the auditor will be able to issue the audit opinion and certificate. This will enable the Authority to meet the statutory timetable for publishing the Statement of Accounts by 30 September. At this stage the auditor is proposing issuing an unqualified opinion and certificate.

#### **3. Report to Those Charged with Governance**

- 3.1 Grant Thornton's report is attached at Appendix 1 to this report. The report includes the auditor's opinion in relation to:

**Merseyside Waste Disposal Authority**

**23rd September 2016**

- The Authority's financial statements for 2015-16: and
  - A value for money conclusion in relation to 2015-16.
- 3.2 The Auditor is proposing an unqualified opinion and value for money conclusion.
- 3.3 The auditor has made a recommendation for an improvement to the way the accounts are prepared. Implementing this recommendation will improve the quality of information in the Authority's financial statements.

#### **4. Amendments to the Statement of Accounts 2015-16**

- 4.1 During the Audit process the auditor has highlighted a number of amendments that could be made to the Authority's Statement of Accounts for 2015-16. These amendments have been agreed as they improve the quality of the Authority's financial information.
- Manual adjustments made to balances carried forward from the prior year have now been reflected properly in the CIES, there is no financial impact;
  - Closed Landfill Site provisions, a technical adjustment has been made to reflect the effect of discounted cash flows, there is no financial impact;
  - The value of the Authority's holding in the company was overstated (by £5.1M) as the company underwent a decapitalisation exercise last year, this has been amended, the technical accounting for this amount was under review at the time of writing by the external auditor, but is expected to be a simple technical accounting adjustment.
  - The debtor balance in the accounts may be overstated by £103k, this is being reviewed and may have the impact of reducing income and balances by the same amount if proved to be correct;
  - The creditor balance in the accounts may be understated by £163k which has the impact of reducing the available balances.
  - There are a small number of other minor amendments that have been made as a result of the audit, there are no other financial impacts; and
  - There are a number of minor disclosure issues that have been amended as a result of the audit.

- 4.2 The auditors' work is ongoing – but no further changes are anticipated. The auditor anticipates issuing an unqualified opinion and certificate.

## **5. Risk Implications**

- 5.1 The Authority has a statutory duty to publish audited accounts each year and failure to do so would lead to a qualified opinion by the Authority's external auditor.

## **6. HR Implications**

- 6.1 There are no HR implications associated with this report.

## **7. Environmental Implications**

- 7.1 There are no environmental implications associated with this report.

## **8. Financial Implications**

- 8.1 The Authority's General Fund balance available for supporting expenditure will be reduced by £266k.

## **9. Legal Implications**

- 9.1 In agreeing a statement of accounts and receiving an audit opinion the Authority is able to meet its statutory duty to publish the statement by the 30<sup>th</sup> September 2016.

## **10. Conclusion**

- 10.1 Members are asked to note the recommendation contained within the auditor's report to strengthen the Authority's financial and governance arrangements and grant delegated powers to the Treasurer to finalise the proposed action plan attached to the auditor's report.

The contact officer for this report is: Peter Williams  
7th Floor, Number 1 Mann Island, Liverpool, L3 1BP

Email: [peter.williams@merseysidewda.gov.uk](mailto:peter.williams@merseysidewda.gov.uk)

Tel: 0151 255 2542

Fax: 0151 227 1848

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