

The Audit Plan for Merseyside Waste Disposal Authority

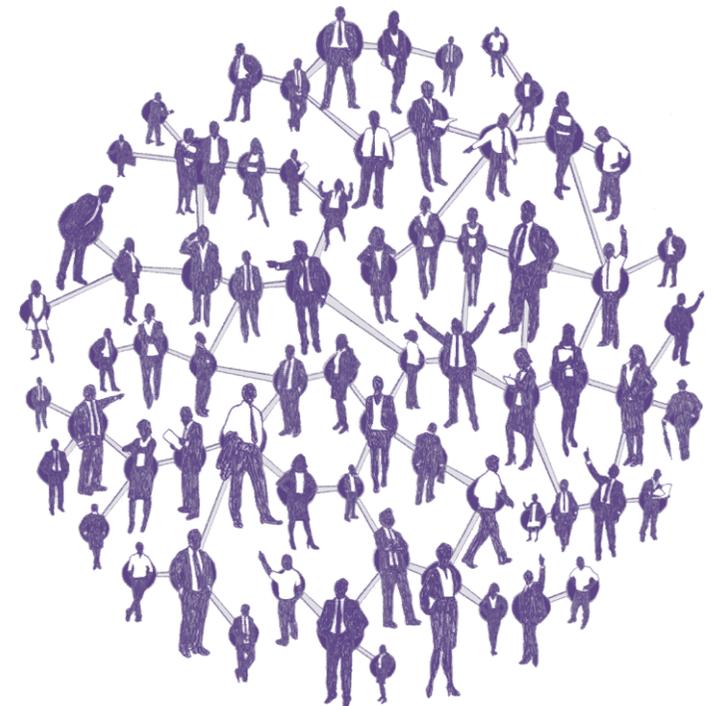
Year ended 31 March 2017

17 March 2017

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Chair and Members of the Authority
Merseyside Waste Disposal Authority
Floor 7, No.1 Mann Island
Liverpool, L3 1BP

17 March 2017

Dear Members

Audit Plan for Merseyside Waste Disposal Authority for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Authority and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Authority's financial statements
- satisfy ourselves the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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 which give a true and fair view.

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. 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. 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. We look forward to working with you during the course of the audit.

Yours sincerely

Jackie Bellard
Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Resource Recovery Contract

The Authority awarded a thirty year contract valued at over £1 billion to Sita Sembcorp UK (SSUK) in December 2013. The contract will see waste transported from the region to a new energy from waste facility and will deliver significant savings to the Authority's partner Councils. The new facility in the North East of England is currently in the commissioning phase and handover is expected during early 2017/18.

Contract staff changes

As a result of retirements, there have been a number of changes in the staff responsible for contract monitoring. This has resulted in the loss of experienced staff and may take some time for the new starters to fully build their knowledge of the Authority's key contract arrangements. Additionally, this may present some challenges to the year end accruals process.

Key challenges

Financial Position

The Authority's revised 2016/17 budget shows expenditure of £71.98 million. This is £3.51 million less than the original budget mainly as a result of underspends on contracts and the delay to the commissioning and commencement of the Resource Recovery Contract. The latest 2016/17 outturn position indicates a further underspend against the revised budget at the year end.

The Authority's reserves have continued to be used over the last few years to avoid any levy increases. This has resulted in the Authority's general reserves falling year on year and at the end of 2015/16 totalled £15.6 million. The latest 2016/17 outturn position indicates £6.39 million will be used from general reserve leaving a balance of £9.2 million at 31 March 2017.

The Authority's budget for 2017/18 was again set without a levy increase at £74.4 million. The 2017/18 budget requires the use of reserves of £8.8 million. If reserves are utilised as planned during the year, the Authority's General reserves will almost be depleted at the year end limiting the Authority's ability to deal with any significant unforeseen events.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect the aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require Authorities to bring forward the approval and audit of financial statements to 31 July by the 2017/18 financial year. In anticipation of this we are planning to complete the 2016-17 audit fieldwork of the Authority's financial statements before the end of July 2017.

Our response

- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will review the Authority's progress in managing its finances including the level of General reserves, as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.
- We will discuss with you your progress in setting a sustainable levy and the progress of the Resource Recovery Contract.
- We aim to complete all our substantive audit work of your financial statements by 31 July 2017.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. 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. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Authority. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Authority. For the purposes of planning the audit we have determined overall materiality to be £1,299k being 1.8% of gross revenue expenditure (£1,294k for Group Accounts). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £65k (£65k for Group Accounts).

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures	£20K, however individual misstatements will be evaluated with reference to how material they are to the other party.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20K

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment 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.

Significant risk	Description	Audit procedures
<p>The revenue (income) cycle includes fraudulent transactions</p>	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Waste Disposal Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited as most income is set by levy. • the culture and ethical frameworks of local authorities, including Merseyside Waste Disposal Authority, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Merseyside Waste Disposal Authority.</p>
<p>Management override of controls</p>	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of journal entry processes and selection of unusual journal entries for testing back to supporting documentation. • Review of any unusual significant transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the Authority. We set out below the work we plan to undertake to address these risks.

Significant risk	Description	Audit procedures
<p>The expenditure cycle includes fraudulent transactions</p>	<p>We are also required to consider the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition, especially where the body is required to meet targets (Auditing Practices Board Practice Note 10).</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Expenditure cut off testing. • Testing of completeness of contract expenditure.
<p>Valuation of pension fund net liability</p>	<p>The Authority's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the payroll data sent to the actuary with payroll information system and assurances provided by the auditor of Merseyside Pension Fund. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	Work planned: <ul style="list-style-type: none"> • Walkthrough of operating expenses. • Review of significant cash payments in the period following the financial year end. • Testing of significant accruals, including accruals relating to contract payments made in respect of the final quarter of 2016/17.
Estimates and judgements	Estimates and judgements are used when compiling the financial statements.	Work planned: <ul style="list-style-type: none"> • Review of significant accounting estimates, judgments and decisions made by management.
Valuation of property plant and equipment	The Authority re-values its assets on a rolling basis. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements. A full valuation of property assets was conducted as at 31/3/16.	Work planned: <ul style="list-style-type: none"> ▪ Testing of revaluations made during the year to ensure they are input correctly into the Authority's asset register. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Review of management's processes and assumptions for the calculation of the estimate. • Review the procedures used to confirm the valuations at 31/3/16 have been correctly reconsidered when determining the 31/3/17 valuations.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements.</p>	<p>CIPFA has been working on 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

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

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Waste Levy income
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Other Revenues
- New note disclosures
- Officers' remuneration note
- Leases and service concessions
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Investments (long term and short term)

Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to 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[s]	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Mersey Waste Holdings Limited	Yes	Comprehensive	Incomplete or incorrect consolidation	Full scope UK statutory audit performed by Grant Thornton UK

Key changes within the group:

- None

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for Money

Background

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance 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 as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Authority, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

Our initial risk assessment has been completed and indicates that whilst the Authority continues to face on-going financial pressures, it continues to manage its finances and deliver a balanced outturn position. The Authority's revised 2016/17 budget shows expenditure of £71.98 million which is £3.51 million less than the original budget. The latest 2016/17 outturn position indicates a further underspend against the revised budget at the year end. However, as a result of no levy increases over a number of years, the Authority has continued to utilise its reserves to achieve a balanced budget. The Authority's budget for 2017/18 was set at £74.4 million requiring the use of reserves of £8.8 million. If reserves are utilised as planned during the year, the Authority's General reserves will almost be depleted, limiting the Authority's ability to deal with any significant unforeseen events. We are aware that the Director of Finance continues to discuss the level of General reserves and the need for levy increases with members. We will continue to monitor the Authority's plans.

The Authority is continuing develop arrangements to manage the Resource Recovery Contract (RRC) which is now expected to become operational from early 2017/18. The RRC is a thirty year contract valued at over £1 billion awarded to Sita Semcorp UK (SSUK) in December 2013. The contract will see waste transported from the region to a new energy from waste facility and will deliver significant savings to the Authority's partner Councils. The new facility in the North East of England is now in the commissioning phase and handover is expected during April/May 2017.

We have not identified any significant risks from our initial risk assessment. We will continue to review of your arrangements, including your plans to manage the level of your reserves and levy increases, the progress on the RRC and reviewing your Annual Governance Statement. We will update our assessment during the final accounts audit before we issue our auditor's report.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter. We will agree any additional reporting to the Authority on a review-by-review basis.

We will include our conclusion in our auditor's report on your financial statements.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Authority.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Authority, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

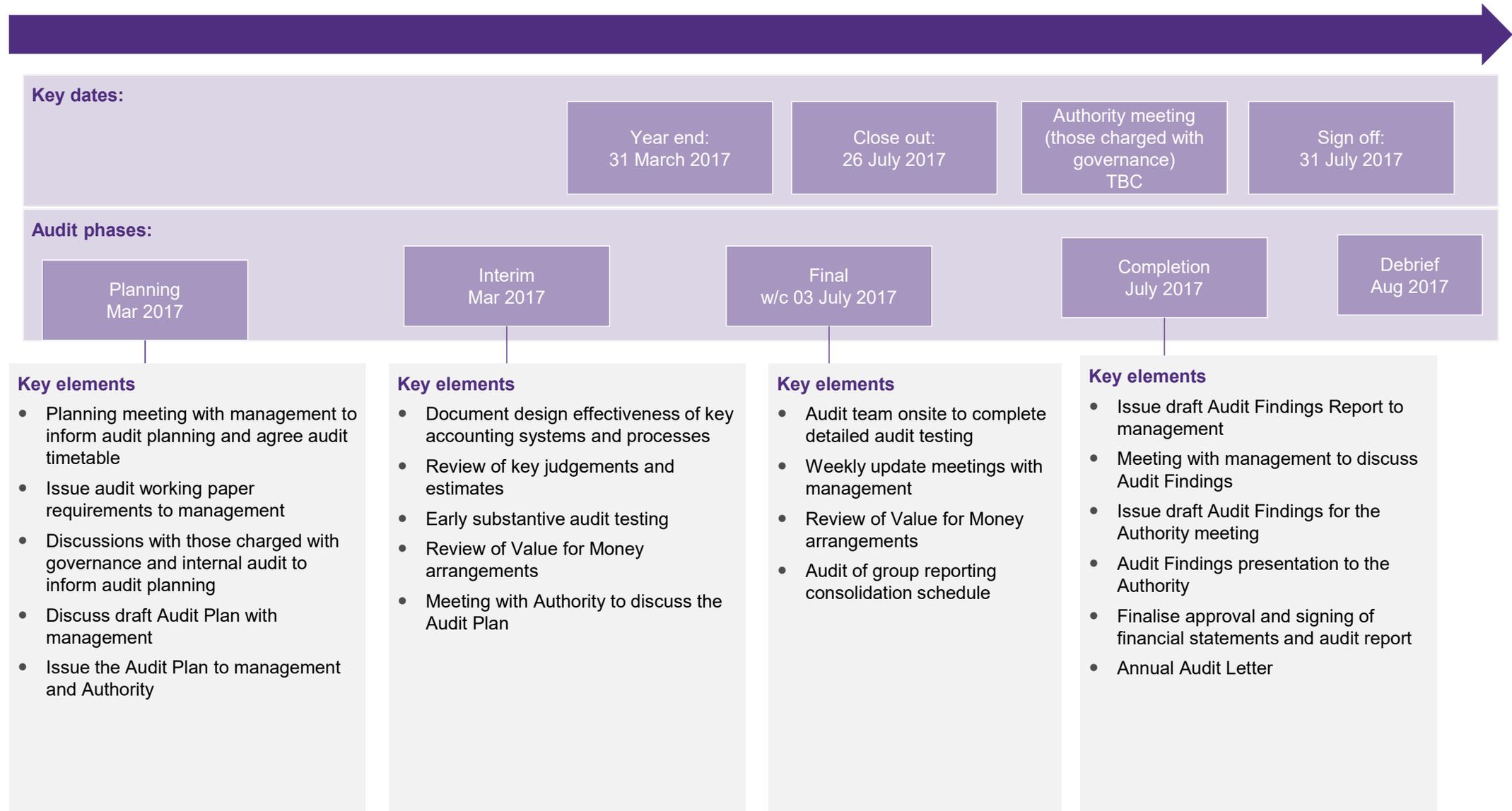
	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also plan to review internal audit's work on the Authority's key financial systems to date.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Authority and that internal audit work contributes to an effective internal control environment.</p> <p>On the basis of the work completed to date, we have not identified any significant weaknesses impacting on our responsibilities.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values. • Commitment to competence. • Participation by those charged with governance. • Management's philosophy and operating style. • Organisational structure. • Assignment of authority and responsibility. • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT (information technology) control environment, as part of the overall review of the internal controls system.</p> <p>IT controls will be observed to confirm whether these have been implemented in accordance with our documented understanding.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We plan to conduct walkthrough tests of the Authority's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	Our work to date has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We plan to review the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p>	Our work to date has not identified any weaknesses which impact on our audit approach.
Early substantive testing	<p>We have conducted early sampling regarding contract completeness testing and testing of levy income. This work remains in progress and no matters have been identified to date.</p>	Our work to date has not identified any weaknesses which impact on our audit approach.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Authority audit	£29,363
Total audit fees (excluding VAT)	£29,363

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Authority and its activities, have not changed significantly
- The Authority will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

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 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.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Merseyside Waste Disposal Authority. The following audit related and non-audit services were identified for the Authority for 2016/17:

Fees for other services.

Service	Fees £	Planned outputs
Non-audit related services	None	None

In addition to the above, we have been appointed external auditor to Mersey Waste Holdings Limited where the Authority has an interest:

Service	Fees £
Audit of Mersey Waste Holdings Limited	12,200

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Authority's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Authority.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), 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.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Authority's key risks when reaching our conclusions under the Code.

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

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.

	Audit Plan	Audit Findings
Our communication plan		
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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, any concerns over quality of component auditors' work or limitations of scope on the group audit, fraud or suspected fraud	✓	✓



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