

AUDITOR'S REPORT TO MEMBERS**WDA/38/13****Recommendation**

That:

1. The auditor's findings attached at Appendix 1 to the report be noted; and
2. Members note the recommendations 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.

THIS PAGE INTENTIONALLY BLANK

AUDITOR'S REPORT TO MEMBERS**WDA/38/13****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 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 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.

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:
- The Authority's financial statements for 2012-13: and

- A value for money conclusion in relation to 2012-13.
- 3.2 The Auditor is proposing an unqualified opinion and value for money conclusion and will issue the audit conclusion after this report has been considered by the Authority.
- 3.3 The auditor has made some recommendations for improvements to the way the accounts are prepared. Implementing these recommendations will improve the quality of information in the Authority's financial statements.

4. Amendments to the Statement of Accounts 2012-13

- 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 2012-13. These amendments have been agreed as they improve the quality of the Authority's financial information.
- 4.2 The auditor identified a number of adjustments and amendments to the accounts which have been agreed to ensure the accounts reflect the requirements of the Code of Practice more accurately. These adjustments are technical accounting matters and mostly have had no impact on the Authority's financial position or the Levy on the District Councils. There were some amendments that did affect the Authority's General Fund as a prudent provision had to be made for an amount, which was offset by other changes. The adjustments include:
- Ensuring that the loss on the sale of the investment property at Huyton (the former NTDP) was treated properly in the accounts – the loss was taken to the capital reserves, via the CIES, but does not impact on usable reserves;
 - The revaluation of a class of assets 'assets under construction' was not taken through the CIES and so the adjustment needs to be made. This has a £1.5M impact on balances and corrects an historic accounting position. This is considered a prudent adjustment, a review of the treatment will take place in 2013-14 to confirm that it remains appropriate;
 - An overstatement of a liability to MRDF, which mean that the General fund was credited with an additional £215K;
 - The technical accounting for the asset that is the Materials Recycling Facility at Gilmoor was reviewed and additional entries were made to ensure it reflected the treatment of the asset as an embedded lease more accurately

- There were also a number of disclosure adjustments to help improve the quality of the accounts.

- 4.3 The financial impact of the auditor's changes has changed the level of reserves available to the Authority, but this is offset by the following. The financial position was amended by an improvement in the General Fund arising from the LATS trading position after the year end of over £582k, as the initial estimate of the trade which was made prudently at £20 per tonne provided too much in the accounts when the actual trade was made after the year end at £0.24p per tonne. The overall impact is that the General Fund has gone from £16.9M to £16.1M to reflect the prudent provision made for the changes.
- 4.4 The Auditor has made a number of recommendations within their report; these have been agreed by officers.

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 There are no new financial implications associated with this report.

9. Conclusion

- 9.1 Members are asked to note the recommendations 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, No.1 Mann Island, Liverpool, Merseyside, L3 1BP

Email: 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.