

## Responses from Management:

Auditor question	Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?</p>	<p>The RRC financial close – which means the Authority has concluded its procurement of long term waste treatment for the next 30 years. This involves the conclusion of a legal challenge in a sum significantly lower than claimed; it will also keep costs down over 30 years, both through the gate price which is banked and the electricity sharing arrangement which is prospective. The finalisation of the procurement de-risks the future meaning the Authority can plan to release the Sinking Fund it has held against procurement risks and seek to use the ‘higher than normal’ General Fund to keep the cost of the levy down over the medium term – now the need for both these higher than normal levels of reserves have gone away.</p> <p>Elsewhere the Authority will complete the re-development of the Burtonhead Road HWRC in February 2014, allowing the closure of Rainford HWRC.</p> <p>Following up on recommendations from audit there has been a technical review of the asset register and the accounting entries that come from the asset register. This has identified a number of historic accounting issues that will be corrected as part of the accounts process for 2013-14, there will be a ‘third’ balance sheet in the accounts for 2013-14 which is part of the statutory requirement where restatement of the accounts is required.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, a review of the whole of the Authority’s asset register and capital accounting has been accompanied by a review of the appropriateness of accounting policies.</p>
<p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>No significant changes that have such an impact</p>

**Chartered Accountants**

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How would you assess the quality of the Authority's internal control processes?	Effective – reviewed as part of the work of PAG annually, and reviewed through the work of IA on a risk based programme – material areas of the Authority’s processes are reviewed annually.
How would you assess the process for reviewing the effectiveness of internal control?	PAG process is based on the CIPFA/SOLACE model, supplemented by review of the recent ‘peer’ review at Mersey Travel to assess whether there are lessons learned – the review process ensures the Authority assesses how well its governance framework operated during the year, and seeks to make improvements where these are recognised to be required. IA meet CIPFA internal audit standards and are up to date with the IPSAS introduced this year.
How do the Authority's risk management processes link to financial reporting?	Financial reporting, through the statements and at a high level through the performance reporting arrangements are embedded in the Authority’s governance arrangements
How would you assess the Authority's arrangements for identifying and responding to the risk of fraud?	Effective – there is an anti-fraud and corruption strategy in place which is communicated to all staff and new members and is updated on a periodic basis. There is also a whistleblowing policy in place. There are very limited opportunities for fraud as there are very few cash based transactions and these are mostly low value. All waste based transactions are subject to review and agreement between client, contractor and are verified as part of the EA’s review of waste data flow
What has been the outcome of these arrangements so far this year?	No frauds reported or suspected this year.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Transactions linked to waste data flow – but the arrangements to support these are adequate.
Are you aware of any potential whistle blowing or complaints by potential whistle blowers? If so, what has been your response?	No such complaints have been raised this year.
Have any reports been made under the Bribery Act?	No
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	All IA reports go to the Authority (all Members). The outcome of the PAG, both the backward looking ‘how did we do’, and the forward looking ‘what do we need to do better’ are communicated to the Authority as part of the annual governance review. All reports are required to have a section in which the potential risks attached to the report and its recommendations are laid out for Members

	before a decision is taken.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Regular Corporate Training on key issues identified by both Management and staff.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	As a relatively small authority there is no specific policy/procedure in place. The Monitoring Officer reviews potential and real claims and liaises with EMT and external legal advisers to ensure effective arrangements are in place, including financial where required.
Is there any use of financial instruments, including derivatives?	Debtors and creditors are regarded as financial instruments and are used at the year end to ensure the accrual of income and expenditure to the correct period in line with normal accounting practices as set out for local government in CIPFA's Code of Practice. However, outside of that 'normal' use of financial instruments, the Authority uses the services of St Helens Council to provide Treasury management of its surplus funds, the Council's stated policy which we follow is prudent and cautious and we would not expect to be any different
Are you aware of any significant transaction outside the normal course of business?	Only those related to the procurement and the settlement of the legal case bought by the losing bidder.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Not during 2013-14
Are you aware of any guarantee contracts?	No – the arrangement between MRWA and MWHL is such that the Authority guarantees the company and its activities – but I am not certain this meets the definition - otherwise no such contracts.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Authority's on notice of any such possible instances of non-compliance?	No
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	The treatment of the Gilmoor MRF and its 'finance lease' arrangements needs to be estimated as the contract does not require the contractor to divulge the detail capital costs etc. Elsewhere the treatment of depreciation relies on estimates by a valuer of the value of assets

	<p>and their remaining lives – over which their values are then depreciated.</p> <p>Pensions liabilities are estimated annually via the actuarial valuations provided by the pension fund.</p>
<p>Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?</p>	<p>Gilmoor MRF estimate is made vs build costs for the procurement – will need to consider uplift for inflation over time.</p> <p>For asset values and lives a professional valuer is employed to provide an independent view of the amounts to include.</p> <p>Pensions valuations are independently provided by the actuary to the pension fund.</p>
<p>Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?</p>	<p>No</p>
<p>Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?</p>	<p>Under public law the Authority would transfer any and all assets and liabilities to a successor organisation or back to central government in the event that the law changed and it were to be disbanded, which tends to make this question somewhat redundant in large parts of the public sector. However, the statutory nature of the revenue raising powers and the statutory duty to budget such that the authority does not plan to spend more than it plans to levy means it is difficult to envisage such a position arising – the income is backed by statute and hence any overspend in one year can be recovered in future years.</p> <p>Management’s view, therefore, is that due to the considerations above the going concern basis is appropriate for preparing the financial statements.</p>