

**AUDITOR'S REPORT TO MEMBERS****WDA/33/15****Recommendation**

That:

1. The Auditor's findings attached at Appendix 1 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.

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**AUDITOR'S REPORT TO MEMBERS****WDA/33/15****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****25 September 2015**

- The Authority's financial statements for 2014-15: and
  - A value for money conclusion in relation to 2014-15.
- 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 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 2014-15**

- 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 2014-15. These amendments have been agreed as they improve the quality of the Authority's financial information.
- 4.1 The Authority's accounting treatment for the disclosure of the payment to District Councils of the Waste Development Fund, of £28.9M has been enhanced by the addition of a disclosure note at the bottom of the CIES which allows the reader of the accounts to more easily identify the other parts of the accounts where the disclosures may be found.
- 4.2 The Authority's year end procedures require managers to identify payments near to the year-end that should be charged against the 'old' or the 'new' financial year. This accruals process is used to ensure that goods or services are charged to the correct financial period. For one of the invoices at the year-end an accrual was made, and wrongly charged to the old year. Despite an internal check this was not identified as a charge to the wrong year. The effect of this is that too much expenditure was charged to 2014-15 in the CIES, and the General Fund. The audit finding has allowed the Authority to reverse this entry, reducing expenditure and increasing the balance available on the General Fund by £943k. This amendment flows through a number of entries on the accounts.
- 4.3 The auditor reviewed the way the asset that is the Gilmoor MRF was treated in the accounts and proposed that the estimated life of the asset should be reviewed. This review was carried out and has resulted in an amendment to the disclosure note in respect of the estimated long term future liability associated with the asset, reducing the overall liability by

over £1.2M. This technical accounting adjustment has no overall impact on the Authority's balances or Levy at this stage.

- 4.4 The auditor asked for an amendment to Note 10 regarding Financial Instruments which has been discussed and agreed; an explanatory note has been added which confirms that the creditors total also includes short term creditors.
- 4.5 In note 4 of the accounts the Authority showed the impact of the release of a provision regarding a legal settlement of £6.9M, an additional line has been added showing the release of the provision as income to the CIES which reflects the whole of the transaction more fully.
- 4.6 Note 29 on Service Concessions has been amended to reflect a change in the methodology for calculating the unitary charge / service charge elements of the disclosure.
- 4.7 The Auditor has made a recommendation within their report regarding Quality Assurance of year end procedures; this has 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 The Authority's financial position is improved by some £943k as a result of the amendment of previous prudent accounting treatments.

## **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 2015.

## **10. Conclusion**

- 10.1 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

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