

EXTERNAL AUDIT - ANNUAL LETTER TO MEMBERS 2017-18
WDA/21/18

Recommendation

That:

1. Members note the contents of the Annual Audit Letter

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Report of the Treasurer

1. Purpose of the Report

- 1.1 To present to Members the Annual Audit Letter and to report the outcome of the 2017-18 audit undertaken by the Authority's external auditor, Grant Thornton.

2. Background

- 2.1 Grant Thornton is appointed as the Authority's external auditor.
- 2.2 The external auditor is required to review various aspects of the Authority's activities in line with the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code) and auditing standards.
- 2.3 Grant Thornton produced an Annual Governance Report which was presented to Members at a meeting of the Audit Committee held on 27th July 2018.
- 2.4 The report considered the auditor's findings in relation to the Authority's Financial Statements and Use of Resources (Value for Money Conclusion) for 2017-18 and the auditor issued an unqualified opinion for each.

3. 2017-18 Annual Audit Letter

- 3.1 Upon completion of the annual audit, Grant Thornton is required to publish an Annual Audit Letter which summarises the outcome of their work and makes specific recommendations for the coming year.
- 3.2 The Chief Executive has now received the Annual Audit Letter for 2017-18 which is attached at Appendix 1.
- 3.3 The 2017-18 Annual Audit Letter reports the Authority's position in relation to the following key areas:
- the Authority's accounts; and

- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.4 As noted above, the auditor has issued an unqualified opinion on the Authority's Statement of Accounts for 2017-18 and is satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.5 The Auditors have commented on adjustments made to the accounts. The most significant of these adjustments arose from a delay in obtaining a valuation for the assets that were included in the Authority's balance sheet in respect of the Resource Recovery Contract which came into operation in September 2017. When the asset valuation was finally received a number of material amendments were made to the balance sheet to reflect the value of the assets and liabilities accurately. These adjustments were technical accounting adjustments and did not impact on the Authority's financial position.
- 3.6 Members are asked to note comments made by the Auditor regarding the accounts process and the Authority's financial position following the audit.
- 3.7 There have been no other significant issues for the Authority arising from the external auditors' work.

4. Risk Implications

- 4.1 The work carried out by the auditor assists the Authority in ensuring that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.
- 4.2 Failure to act upon the suggestions made by the auditor may affect the ability of the Authority in ensuring that such arrangements remain in place.

5. HR Implications

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

6. Environmental Implications

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

7. Financial Implications

- 7.1 As the Resource Recovery Contract represents a very significant set of accounting entries it is important that these are represented accurately in

the financial statements. If the entries in this first year are accurate then for the years that follow the accounting entries are much more likely to be materially correct.

- 7.2 For the first year of the RRC the external auditor has taken more time in auditing the entries than they will be required to take in future years. The Auditor has sought an additional fee to reflect their additional one off efforts this year. The additional fee of £7.5k has been agreed in outline with the Director of Finance, and there is sufficient budget in the audit fee estimate to provide for this cost.
- 7.3 The auditor is not guaranteed to receive this additional fee as they now have to apply to the office of the Public Sector Audit Appointments for approval.

8. Legal Implications

- 8.1 It is a requirement of the Code of Practice that the external auditor's Annual Audit Letter in respect of the audit for 2017-18 is brought to the attention of all Members of the Authority. This report and the Auditors letter, attached at Appendix, meets that requirement as it has been circulated to all Members.

9. Conclusion

- 9.1 Members are asked to note the findings of the external auditor, as presented at this meeting.

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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.