

STATEMENT OF ACCOUNTS 2018-19
WDA/18/19

Recommendation

That Members:

1. Note the changes made to the accounts during the audit;
2. Note the external auditors' report
3. Approve the Letter of Management Representation to the auditor; and
4. Approve the Statement of Accounts for 2018-19

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STATEMENT OF ACCOUNTS 2018-19**WDA/18/19****Report of the Treasurer****1. Purpose of the Report**

- 1.1 The Authority is statutorily required to prepare a Statement of Accounts that complies with proper accounting practices. The Authority is required to approve the Statement of Accounts each year. The Authority's Statement of Accounts for 2018-19 is attached as Appendix 1.
- 1.2 Members' attention is drawn to amendments made to the accounts as a result of the audit of the draft statement that was prepared. These amendments have had a small impact on the financial position of the Authority and contributed to a decrease in the balances.

2. Background

- 2.1 The Statutory framework for the preparation and approval of the Authority's Statement of Accounts is set out in the Accounts and Audit (England) Regulations 2015 and the Local Audit and Accountability Act.
- 2.2 The framework means that this year once again the Accounts had to be prepared in draft and signed by the Treasurer before 31 May. Then, following the audit of the accounts, the accounts are adopted formally by the Authority before the statutory deadline of 31 July at which point an audit opinion is provided.
- 2.3 The Authority has complied with the statutory requirements for 2018-19 and the Auditor is prepared to issue an unqualified Audit Opinion.

3. The Statement of Accounts

- 3.1 The Authority's accounts were prepared under the provisions of the Code of Practice on Local Authority Accounting (the Code) which is prepared by the Chartered Institute of Public Finance and Accounting (CIPFA). The Code that applied for 2018-19 was very similar to that in similar years.
- 3.2 The accounts process has been reviewed and streamlined. This enabled the accounts to be produced and ready for audit before the end of May

2019. This has enabled the auditor to carry out their work with a view to providing their opinion by the 31 July deadline.

3.3 The Statement of Accounts for 2018-19 is at Appendix 1 to this report. Within the accounts the four key statements are:

- The Comprehensive Income and Expenditure Account (CIES);
- The Balance Sheet;
- The Movement in Reserves Statement (MIRS); and
- The Cash Flow

3.4 Each of these statements is regarded by the Code as a principal statement and their order is not significant as each has the same precedence. They are supported by notes to the accounts and are underpinned by Accounting Policies that confirm how key transactions and balances have been brought into the accounts.

3.5 The narrative introduction by the Treasurer of the Authority is intended to provide commentary for users of the accounts on financial performance and stewardship of funds for the year ended 31 March.

4. Key issues

4.1 Since the accounts were prepared at 31st May, a number of amendments and adjustments have been made and agreed with the auditor. These amendments have been agreed as they improve the quality of the Authority's financial information.

4.2 There are a number of significant amendments associated with the valuation exercise which is required in respect of the assets employed by the Authority. During the course of the audit the life of the assets employed for the Resource Recovery Contract has been adjusted so that they reflect the remaining life of the contract. This has had an impact on a number of technical accounting entries in the accounts including the valuation of the RRC asset and the revaluation reserve. The net effect of the technical accounting adjustments was that cost of depreciation in the CIES has increased by £217k, which has reduced the balance on the General Fund from £1,989k to £1,772k. (NB this does not take account of planned proposals to provide additional funds from the Authority's wholly owned company MWHL that is expected to happen during 2019-20).

4.3 Elsewhere a number of amendments and adjustments have been made including:

- The Narrative Statement – to adjust for the above;
- There are a small number of other minor amendments that have been made as a result of the audit, there are no other financial impacts; and
- There are a small number of minor disclosure issues that have been amended as a result of the audit.

4.4 After the Statement of Accounts was prepared but prior to the conclusion of the audit a legal case concerning the pensions of Firefighters and Judges was settled. The McCloud case may have implications for other public sector pension schemes, but that is subject to a further process at Employment Tribunal. In the meantime the Actuary for the Merseyside Pension Fund has given an assessment of the potential impact of this case for MRWA, should it apply. In the case of MRWA the amount required to provide for the outcome will be £131k should it be called for, with an ongoing additional service cost of £23k. These amounts have not been provided for as they are not material and the settlement is not yet certain. A disclosure note has been added to the pensions cost in this respect.

4.5 The auditors' work is ongoing – but no further significant changes are anticipated.

4.6 The auditor anticipates issuing an unqualified opinion and certificate.

5. Letter of management representation

5.1 The auditor seeks representations from Management at the Authority that all matters have been disclosed that should be disclosed and that the assumptions underpinning any accounting matters that are considered to be unusual are declared fully. The Letter of Management Representations attached at Appendix 2 contains the information requested by the Auditor.

6. Auditors' report to Those Charged with Governance

6.1 The Auditors' carry out their work and at the conclusion they provide a report on the outcome of their work to Members, this is the Report to Those Charged with Governance. The report sets out the key risks the auditors consider in respect of the Audit of the Authority's Financial Statements, the work they planned in response to those risks, the outcome

of their work and whether they propose to issue an opinion on the accounts. A version of the report is attached at Appendix 3. It is likely that this version will be updated with a final version of the report.

7. Risk implications

- 7.1 There is a risk that the Authority will fail to comply with the statutory requirements regarding the approval of the statement of accounts. Recognising the changes in the requirements and putting in place new arrangements mitigates the risk.

8. HR Implications

- 8.1 There are no HR implications.

9. Environmental Implications

- 9.1 There are no environmental implications.

10. Financial Implications

- 10.1 The Authority's balances in the General Fund available for supporting revenue costs will be £1,772k.

11. Legal Implications

- 11.1 The Authority will comply with its legal obligation regarding the statement of accounts by approval of the statement. This will allow the Auditor to provide an audit opinion and certificate, enabling the Authority to publish the accounts by the current statutory deadline of 31st July.

12. Conclusion

- 12.1 Members are therefore requested approve the Letter of Management Representations.
- 12.2 Members are requested to consider the Auditor's report.
- 12.3 Members are also requested to approve the Authority's Statement of Accounts for 2018-19.

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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.