

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/06/22

Recommendation

That Members:

1. Note the Authority's progress in response to audit recommendations

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Report of the Chief Executive

1. Purpose of the Report

- 1.1 Members are reminded that the external auditor's report in November 2021 included statutory recommendations for the Authority to respond to.
- 1.2 One of the recommendations was that Members receive a report on progress against the other recommendations until agreed actions were implemented, this report responds to that recommendation.

2. Update

- 2.1 The external auditor recommended that the Authority review the capacity available to support the statutory accounts production processes, specifically referring to CIPFA qualified support. The response to this proposal is ongoing.
- 2.2 Further discussions have now taken place with agencies and in particular with a contractor who has provided occasional financial support to the Authority in the past. That contractor who is now also the Chair of CIPFA's Local Authority Accounting Panel (LAAP) has confirmed that there is a significant shortage of CIPFA qualified people available to support local authorities. He has been asked directly whether he has any availability to support the Authority, he has confirmed that he is already at capacity and will be unable to help in the short to medium term.
- 2.3 In order to identify where additional help may be best directed the tasks required to support the production of the statement of accounts are being process mapped. This will then enable us to specify the additional support required and then to go to the market to seek quotes for the provision of financial support, either from accounting firms or from sole traders.
- 2.4 As previously reported one of the Authority's staff has been given the opportunity for professional development and is currently in an early stage of training with CIPFA with a view to completing their accountancy training as a fully qualified CIPFA accountant. It is expected that the combination

of the additional targeted support and the additional CIPFA qualified member of staff will contribute towards providing the additional resilience that the Authority needs to be better placed to support the production of the Financial Statements.

- 2.5 The auditor had identified that the cash reconciliation in the accounts production was incomplete. Working with the service provider, we are satisfied that the cash reconciliation provided to MRWA and reviewed by MRWA and the auditor is sufficient to satisfy the requirement for the bank reconciliation to be reviewed. The auditor will review the bank reconciliations provided and will provide their view in due course.
- 2.6 The auditor noted that the systems used by the Authority to support the production of the accounts needed to be reviewed. The Authority has asked to be a part of the service provider’s working group to enable it to work with the provider so that the particular requirements of the Authority, which may be different from the service provider’s requirements, may be reflected in the revised financial information system. It is likely that the implementation of any changes or a new system will take up to 18 months.
- 2.7 The discussions over how the Authority engages with this exercise have been held up due to staffing changes at the service provider. However, ongoing discussions have been held with Internal Audit to ensure they make representations on our behalf to ensure that the Authority continues to be represented on the user group for the new system.
- 2.8 Separately the complex spreadsheet used to support the accounts production has been reviewed and much simplified, so that the production of the accounts and the support for the auditor are made easier to follow.
- 2.9 The auditor has set out that the Authority should be updated at each meeting on the progress being made against each of his recommendations. This report forms the first of those updates; Members will continue to receive an update on these recommendations as requested, until they are all implemented.

3. Risk Implications

- 3.1 The following risks have been identified in relation to the development and implementation of the Authority’s corporate planning processes:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
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Failure to respond to statutory recommendations	1	5	5	The Authority will respond positively to the auditor's recommendations
Statements of accounts uncorrected errors, risks of balances being misstated	3	4	12	Ensuring that actions arising from the auditor's recommendations will ensure this risk is mitigated.

4. HR Implications

- 4.1 Directing the work of either seconded or contract staff may need to be managed.

5. Environmental Implications

- 5.1 No new environmental implications.

6. Financial Implications

- 6.1 It is likely that some additional costs may arise as additional resources are allocated to support the production of the accounts.

7. Legal Implications

- 7.1 The Authority is legally required to consider the external auditor's recommendations, whether they are accepted, and what action to take in response.
- 7.2 The Authority's proposed response is set out in this report.

8. Conclusion

- 8.1 Members are asked to note the Authority's progress against the agreed recommendations.

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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.