

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/19/22

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 has been moved forward.
- 2.2 After a number of discussions with local authorities and individual contractors over the availability of CIPFA support it has been recognised that there is little additional capacity in the informal marketplace to support the Authority. To that end a tender specification was drawn up which set out the Authority's requirements for support to enable it to meet the external auditor's requirements. The specification was shared with the external auditor for comment prior to finalisation. The tender was advertised towards the end of April and sought contract support to enable the audit processes to be concluded.
- 2.3 When the tender specification was made available for review there were over 130 expressions of interest. However, when the closing date for the receipt of tenders was reached, no tenders had been received. This means that the Authority was unable to make any suitable appointment using that route.
- 2.4 Following this failure to appoint the external auditor has been consulted once again to see if they have a view that might help with the provision of additional support services. The auditor's view was that there may be

reasonable grounds for hoping that a direct approach to professional bodies including CIPFA and the larger accountancy firms may provide more of a way forward. To that end the Director of Finance has sought assistance from more than one source over identifying the best contacts within the firms of accountants and at CIPFA as well as other local government support organisations. From those initial contacts there will be a discussion over the appetite for providing support and the likely costs of that support. Members will be advised of the recommended approach when the options available become clearer.

- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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.

2.10 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
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 The tender specification as advertised set out that additional costs of up to £30k may be required to support the accounts processes. This amount is already budgeted for as contractor support, as the Authority will require such support on different issues from time to time. The prospect of additional costs arising from the failure of the tender exercise cannot be discounted, additional cost burdens are more likely from a direct approach for support. Should that be the case then Members will be advised.

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.