

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/17/23

Recommendation

That Members:

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

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MRWA UPDATE ON AUDIT RECOMMENDATIONS**WDA/17/23****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 has set out that the Authority should be updated at each meeting on the progress being made against each of his recommendations. Members will continue to receive an update on these recommendations as requested, until they are all implemented.
- 2.2 The external auditor has recently confirmed that they consider that a deadline of the end of August 2023 should be sufficient for the Authority to provide auditable statements of accounts for 2018-19 and 2019-20. We are therefore working hard to achieve this deadline.
- 2.3 During the time since the Auditor first made their recommendations one of the key issues facing the Authority has been the auditor's request that additional CIPFA qualified support be obtained to enable the Authority to catch up with the accounts exercises for prior periods, whilst continuing to meet day to day accounting needs. The Authority has followed a number of initiatives with the aim of gaining additional support, these have been reported to Members each time the update has been made.
- 2.4 Following the auditor's latest deadline the search for CIPFA support has continued in earnest with further direct approaches to colleagues locally and across the country to see if there are any CIPFA based resources available. In addition, the Authority has directly approached both

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accountancy employment agencies and the key accountancy firms that are engaged in public sector audit and advice.

- 2.5 The Authority has recently been in discussion with one of the major accountancy firms, KPMG. We can now report that they have agreed to provide suitable accountancy support that will enable us to meet the deadlines set by the auditor and to provide assistance that will enable us to catch up with the outstanding accounting statements.
- 2.6 At the same time the Authority has agreed with the Auditor that it will pause in the production of the statement of accounts for 2022-23, which are close to completion. This pause has allowed the Authority to devote significant additional time to examining the issues over the earlier statements that have recently been raised by the Auditor.
- 2.7 There are a number of technical accounting adjustments that have been proposed by the Authority's advisers. These adjustments have been incorporated into the Authority's statements, and the remainder of the statements are under further review. This process is ongoing but there is growing confidence that the statement currently held by the Auditor can be fully tracked back to the Authority's working papers now that we have a better understanding of the Auditor's issues.
- 2.8 Additionally, CIPFA agreed to provide some review and support that will assist the Authority in providing the external auditor with such commentary and explanation as they are seeking. The Authority, CIPFA and the auditors held a meeting to go through the CIPFA findings and that has helped us to provide the Auditor with more confidence over their requirements for audit.
- 2.9 In addition, 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.
- 2.10 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.

- 2.11 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.
- 2.12 Ongoing discussions have been held with the service provider to ensure that the Authority continues to be represented on the user group for the new system.
- 2.13 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.

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 prospect of additional costs arising from additional support are likely. 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.