

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/22/23

Recommendation

That Members:

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

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MRWA UPDATE ON AUDIT RECOMMENDATIONS**WDA/22/23****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 considered 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.
- 2.3 The Authority has been able to identify suitable assistance in the provision of accounts and working papers for the external auditor. Following discussion the Authority was able to appoint one of the larger accountancy firms, KPMG, to provide such assistance as we require to enable us to meet the Auditor's requests.
- 2.4 The Authority has continued to review the supporting information and working papers and was able to provide an extended workbook for KPMG to consider. The workbook contained all the information provided to Grant Thornton, but as the review by KPMG was being carried out remotely it also contained additional information, by way of signposting, to enable KPMG to work through the information with relative ease.
- 2.5 There have been a number of meetings to discuss progress on the work and KPMG have also held discussions with the Authority's 'expert' adviser

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from 2018/19 so that they understand and can follow the work approved by the adviser.

- 2.6 At the time of writing, it is considered very likely that the work being carried out by KPMG will enable the Authority to satisfy the auditor for the 2018-19 accounts. There is some delay in completing the exercise as the summer holiday season is upon us and this has impacted on both sides. However, KPMG have confirmed that they are also making what they say is good progress with the workbook and accounts for 2019/20. As the 2019/20 statements and workbook have been prepared on the same basis as the 2018/19 accounts it is expected that the 2019/20 work will be concluded reasonably quickly after the 2018/19 accounts. There are no new accounting issues to address, once the figures for 2018/19 are confirmed they will inform the 2019/20 work.
- 2.7 It should be confirmed that prior to KPMG's review the Authority had involved CIPFA directly, their overview confirmed that the fundamental accounting issues were clear and agreed. The detailed review by KPMG appears to be confirming this.
- 2.8 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 workbooks and 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.
- 2.9 At the same time the Authority agreed with the Auditor that it would pause in the production of the statement of accounts for 2022-23, which are close to completion. This pause allowed the Authority to devote significant additional time to examining the issues over the earlier statements that have recently been raised by the Auditor.
- 2.10 Once the issues that are under review from 2018/19 and into 2019/20 have been resolved and agreed we will work alongside KPMG to identify a plan that will enable the remaining outstanding accounts statements to be finalised and resolved as soon as possible.
- 2.11 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.

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 will need to be managed.

5. Environmental Implications

5.1 No new environmental implications.

6. Financial Implications

6.1 There will be additional costs arising from the support required to provide the auditor with the information they require, these costs will be reported to Members when the amounts are clear. There is an annual provision set aside to pay for additional year end accounts support and the Authority will look to utilise that in addressing the costs of the support.

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.

The contact officer for this report is: Peter Williams
7th Floor, Number 1 Mann Island, Liverpool, L3 1BP

Email: peter.williams@merseysidewda.gov.uk
Tel: 0151 255 2542
Fax: 0151 227 1848

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.