

MRWA UPDATE ON AUDIT RECOMMENDATIONS
WDA/25/23

Recommendation

That Members:

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

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MRWA UPDATE ON AUDIT RECOMMENDATIONS**WDA/25/23****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 Authority has been working with the financial advisers KPMG to ensure the working papers supporting statements of accounts for 2018-18 and 2019-20 are clear and provide a trail through to the statutory statements of accounts which can be followed by the external auditor.
- 2.2 The working papers and statement for 2018-19 and 2019-20 were passed to the external auditor in good time over the summer, and they are under review. The external auditor has recently confirmed that they have almost concluded the audit of 2018-19 and that they are making good progress in the audit of 2019-20's accounts.
- 2.3 We have discussed with the auditor the prospect of the accounts for those two years being taken for approval at the Authority's Audit committee and it is expected that a meeting of the committee will be called for mid-December.
- 2.4 This still leaves the later years to catch up and we are in discussion with the external financial adviser over how to proceed with the catch up. It is likely that during the period between now and the end of the year at least one and possibly two of the subsequent years will be considered by the adviser and then made available to the auditor for their review. This is a positive message and confirms that catching up with the statutory accounts deadline remains a priority for the Authority.

- 2.5 It is worth noting for Members that the external financial adviser has commented that for the statements of accounts and working papers that they have reviewed so far their overall comment is that the numbers in the accounts are in line with those that were submitted for audit some time ago.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 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.
- 2.11 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 latest 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 are completed 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 costs of the support from KPMG are in line with their proposals and our expectations. To date their costs amount to some £44k, which will be funded from amounts set aside for financial support which were not spent in prior years. These costs will continue to accrue as we expect KPMG to continue to provide support until the accounts backlog is cleared.

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.