

VALUE FOR MONEY AUDIT UPDATE
WDA/46/24

Recommendation

That Members note:

1. the Auditors' conclusions; and
2. the Authority's progress in responding to the recommended improvement opportunities.

THIS PAGE INTENTIONALLY BLANK

VALUE FOR MONEY AUDIT UPDATE

WDA/46/24

Report of the Chief Executive

1. Purpose of the Report

- 1.1 The Authority's external audit is provided by Grant Thornton. As a part of their work they are required to reach conclusions on the Authority's arrangements for securing Value for Money (VfM) in the way it is organised and provides services.
- 1.2 The Auditor has carried out work in respect of the audit years, 2020/21, 2021/22. And 2022/23. Their detailed report is attached at Appendix 1 to this report and Members are asked to note the conclusions it draws and the Authority's progress in responding to the report.

2. Background

- 2.1 As a statutory local authority MRWA is required to have an external audit performed each year. The authority chose to have the auditor appointed by the organisation Public Sector Audit Appointments (PSAA) and they appointed Grant Thornton as the Authority's external auditor.
- 2.2 In carrying out their responsibilities Grant Thornton are required to comply with the Code of Audit Practice (the Code), which is prepared under the Local Audit and Accountability Act 2014, by the Comptroller and Auditor General. The Code is subject to regular updating. The update from 2020-21 changed the Auditor's approach to the Value for Money part of their audit work.
- 2.3 The new Code came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. As before, auditors are still required to be satisfied about arrangements to secure value for money but the way they report has changed.
- 2.4 Auditors no longer issue a single conclusion on arrangements as part of their opinion on the financial statements. Instead, auditors report significant weaknesses in arrangements when they identify them, and

Merseyside Waste Disposal Authority

20TH September 2024

make recommendations for improvement. They only report on VFM arrangements as part of their opinion by exception, where they have found significant weaknesses. Their main output on VFM is a commentary contained in a new document, the Auditor's Annual Report, covering arrangements for:

- Financial sustainability
- Governance
- Improving value for money

2.5 Where auditors find significant weaknesses in arrangements, they will also make recommendations for improvement.

2.6 The Auditors have recently carried out their review covering a three year period, 2020/21, 2021/22 and 2022/23. Their report on the Authority's arrangements is attached as an Appendix to this report.

3. Findings

3.1 There is an expectation that prior to carrying out audit work in respect of any financial year that the Auditor will present an audit plan to the Authority, so that Members can understand the work to be carried out and the context of that work. We have not been presented with a specific plan for each of the years under review by the Auditor, although that does not impact on the conclusions they have drawn.

3.2 In carrying out their work and reaching initial conclusions the auditor has provided draft findings for the Authority to consider. The initial findings have been reviewed and commented upon by management so that the findings reflect better the Authority's understanding of the conclusions. The sections of the report marked Management Response detail the considered response of management to recommendations that have been made.

3.3 The Auditor's conclusions are drawn across three areas as set out above, Financial Sustainability, Governance and Improving Value for Money.

3.4 In terms of Financial Sustainability the auditor has concluded that there is a significant risk in the Authority's arrangements. The risk arises from the delays in the production and audit of the accounts where we are working alongside the auditor to ensure the statutory recommendations they have already made are separately addressed. The auditor also makes

recommendations about extending the timeframe for the Authority's Medium Term Financial Planning, and we are already considering how best to respond to that recommendation. It will be increasingly important as the Government's Simpler Recycling initiative starts to have an impact, alongside other impacts arising from Extended Producer Responsibility (EPR) and the upcoming Emissions Trading Scheme (ETS). The auditor has also proposed that the Authority formalise the levels of balances it holds in reserve at a level of 5-10% of turnover. We have been doing this for a number of years, but at the lower end of the scale. We are also starting to put funds aside on an Earmarked basis to enable the Authority to meet the costs of the forthcoming procurement. We are responding positively to the Auditor's recommendations.

- 3.5 For the areas of Governance and Improving Value for Money the Auditor has concluded that there are no significant weaknesses in the arrangements identified, but improvement recommendations have been made.
- 3.6 For each of these two areas the Authority has provided a positive response to the recommended actions, either confirming that improvement opportunities had already been identified and work is ongoing to confirm they will be implemented, or to confirm that the recommended actions are going to form part of a considered response to improving Governance and Value for Money.
- 3.7 The Authority's response to the Auditor's conclusions and recommendations is set out in the report that forms the Appendix to this report. We will update Members on progress in responding to the recommendations on a regular basis.

4. Risk Implications

- 4.1 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

5. HR Implications

5.1 No direct implications

6. Environmental Implications

6.1 No new environmental implications.

7. Financial Implications

7.1 The audit fee for the VFM work has not been agreed yet, it is likely to be higher than the fee for a single year's audit work as it has been completed in respect of a three year cycle.

8. Legal Implications

8.1 The Authority is legally required to consider the external auditor's recommendations, whether they are accepted, and what action to take in response.

8.2 The Authority's proposed response is set out in the appendix to this report.

9. Conclusion

9.1 Members are asked to note the Auditor's conclusions and the Authority's progress against the agreed improvement 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.