

Audit Findings (ISA 260) Report for The Merseyside Recycling & Waste Authority

Year ended 31 March 2025

12 February 2026

Councillor Brown
7th Floor, No. 1 Mann Island
Liverpool,
L3 1BP

12 February 2026

Dear Members of the Audit and Governance Committee

Audit Findings for The Merseyside Recycling and Waste Authority for the 31 March 2025

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Elizabeth Luddington

Director
For Grant Thornton UK LLP

Chartered Accountants

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Contents

Section	Page
Headlines and status of the audit	05
Group audit	12
Materiality	14
Overview of significant and other risks identified	17
Other findings	26
Communication requirements and other responsibilities	36
Audit adjustments	40
Value for money	55
Independence considerations	57
Appendices	60

Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Merseyside Recycling and Waste Authority (the ‘Authority’) and the preparation of the group and Authority’s financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to report whether, in our opinion:

- the group and Authority’s financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority’s income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As of this report’s date, we have concluded several areas of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations. The main area on which we have been unable to conclude our work is opening balances, given the disclaimer of opinion issued for 2023/24 and previous years.

Our findings to date are summarised on the following pages. We have identified 14 adjustments to the financial statements and 19 prior year adjustments. Audit adjustments are detailed from page 40. During the course of our work, we have also raised 8 recommendations for management (5 from the financial audit and 3 from our IT audit), which are set out from page 50. Our work is substantially complete, subject to the following outstanding matters:

- receipt of confirmation from Barclays in respect of LOBO loan;
- receipt of updated accounts to finalise our work on right of use assets, contingent assets and liabilities, reserves, EFA, consolidation and cash flows;
- completion of our review of all tracked changes in the updated accounts to ensure they align with our audit conclusions;
- manager and engagement lead final reviews;
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement

Owing to the challenges of undertaking an audit where the previous years audits were subject to backstop-related disclaimers of audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report will contain a disclaimer of opinion. Our draft Audit Report is included in C.

We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our Value for Money (VFM) work, and our detailed findings are set out in the separate Auditor's Annual Report, which is presented alongside this report. As part of this work, we identified a significant weakness in the Authority's arrangements. Accordingly, we are not satisfied that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This significant weakness relates specifically to governance over budget monitoring, in particular MRWA's monitoring and reporting of its financial position during 2024/25.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We identified a significant matter during the course of our work relating to the number and nature of misstatements identified in the financial statements. Specifically, we encountered a significant volume of factual misstatements and disclosure errors, which resulted in:

- multiple prior period adjustments to correct the 2023/24 comparative balances reported;
- in-year adjustments to the 2024/25 financial statements; and
- extensive disclosure amendments, requiring several iterations of the draft accounts to be provided to the audit team throughout the audit process.

Further detail is provided in the ‘Other Findings’ and ‘Audit Adjustments’ sections of our report.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation. For Merseyside Recycling and Waste Authority the last non-disclaimed audit report was in 2017/18.

As a result, for 2024/25:

- we have no assurance over the opening balances for 2024/25;
- no assurance over the in-year movements in the net pension liability and property, plant and equipment; and
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance, therefore our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

On 5 June 2025 the National Audit Office (NAO) published its “Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06” for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will continue to discuss with you our strategy for rebuilding assurance, in the light of this year’s audit, as part of our planning for 2025/26.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The implementation of IFRS 16 has resulted in £0.744m of long-term lease liabilities, £0.115m is included within short term creditors in respect of the lease liability element falling due with the next 12 months and £2.039m right of use assets recognised on the balance sheet in respect of former operating leases. In addition, the PFI liabilities are required to be restated on transition to reflect the indexation of unitary payments since the start of the schemes. The adjustment in respect of PFI contracts' assets and liabilities to reflect the requirements of IFRS 16 has resulted in an overall reduction to the service concession liability of £5.615m and an equivalent reduction in the value of the assets relating to the PFI contracts.

Since this amount is material, management have amended the accounts. This has been included within the adjusted misstatements schedule from page 40.

Group audit

Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Merseyside Recycling & Waste Authority	Yes			Grant Thornton UK LLP	Elizabeth Luddington	●	Audit of the Authority is outlined in this report.
Mersey Waste Holdings Limited	Yes			Group auditor (Grant Thornton UK LLP) performed the work	Elizabeth Luddington	●	Our assessment of this component identified two items which were material for our group audit scoping. Those balances, cash and pensions, are being audited by the group team at the group level.

Key

Scope 1

Scope 2

Scope 3

Out of scope

Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)

Specific audit procedures designed by the group auditor (specific scope)

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

●

●

●

Planned procedures are substantially complete with no significant issues outstanding.

Planned procedures are ongoing/subject to review with no known significant issues.

Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Materiality

Three decorative purple arcs of increasing size, starting from the bottom left and curving upwards and to the right, filling the right side of the slide.

Our approach to materiality

As communicated in our Audit Plan dated 21 May 2025, we determined materiality at the planning stage as £1.141m based on 1.5% of prior year gross operating expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. We have amended our materiality levels from those communicated to you in the Audit Plan. This is due to the 2024/25 gross expenditure being significantly different from the prior year value applied when setting planning materiality.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £1.451m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments and reporting requirements for the financial statements.
- We have used 1.5% of gross expenditure as the basis for determining materiality.
- In addition, we have decreased the percentages used to determine both our materiality and performance materiality levels to reflect the increased risk due to a lack of opening balance assurance due to the disclaimer of opinion on previous years' accounts.

Component Performance materiality

- Group performance materiality has been determined at 50% of materiality which equates to £726.5k.

Specific materiality

- Given public interest in senior officer remuneration disclosures we set a lower materiality level for this area. We design procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality.
- The lower materiality level amounts to £11,558 and the performance materiality is set at a measurement percentage of 50% which amounts to £5,779.

Reporting threshold

- We will report to you all misstatements identified in excess of £72k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	1.453m	1.451m	This represents 1.5% of your gross operating expenditure for 2024/25 and reflects the threshold above which users of the financial statements would reasonably expect to be informed in the context of overall expenditure. Headline materiality has been set to reflect heightened public interest and sensitivity given the Authority’s history of disclaimed audit opinions and the use of auditor powers, both of which increase the transparency expectations of users of the financial statements. Accordingly, we have applied a lower headline materiality than would ordinarily be derived solely from a percentage of gross operating expenditure.
Performance materiality	0.726m	0.725m	<p>Performance materiality has been set at 50% of overall materiality (Group: £0.726m; Authority: £0.725m). In determining this level, we primarily considered internal factors that elevate the risk of undetected misstatement:</p> <ul style="list-style-type: none">• the absence of recent auditor knowledge due to audits not being completed since 2017/18;• the implementation of a new accounting ledger; and• the presence of a newly formed finance team and our assessment of the current control environment. <p>Taken together, these factors indicate a higher likelihood of error accumulation and non-detection, warranting a lower performance materiality threshold.</p>
Specific materiality for senior officer remuneration disclosures	-	0.012m	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Based on 2.5% of total Senior Officer expenditure in the 2024/25 audited financial statements.
Reporting threshold	0.072m	0.072m	The amount below which matters would be considered trivial to the reader of the accounts.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 Management override of controls	Significant	↔	✓	Medium	●
Risk 2 The revenue cycle includes fraudulent transactions	Significant risk – rebutted	↔	✗	Low	●
Risk 3 The expenditure cycle includes fraudulent transactions	Significant risk - rebutted	↔	✗	Low	●
Risk 4 Valuation of land and buildings	Significant	↔	✗	High	●
Risk 5 Valuation of net pension liability	Significant	↔	✗	High	●
Risk 6 Implementation of IFRS 16 Leases standard	Other	↔	✗	Medium	TBC
Risk 7 New system implementation	Other	↔	✗	Low	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

● Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified

Management override of controls

Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override of controls is present in all entities.

The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

Audit procedures performed

We have:

- evaluated the design and implementation of management controls over journals;
- analysed the journals listing and established criteria for identifying high-risk or unusual journals. This included selecting journals created by senior management, journals that materially impact the financial outturn, and significant year-end adjustment journals.
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness regarding corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Key observations

Our testing of journals is complete and we are satisfied with the procedures performed.

Having evaluated these judgements and estimates both individually and in aggregate, we have not identified any indications of management bias or material misstatement arising from the exercise of management judgement. However, we have made several recommendations and also report on the significant deficiencies identified through our IT audit work. These are set out on pages 53 and 54 and within the subsection titled 'Action Plan'.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Presumed risk of fraud in revenue recognition</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited.• the culture and ethical frameworks of local authorities, including Merseyside Recycling and Waste Authority, mean that all forms of fraud are seen as unacceptable. <p>Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition, and this is addressed through the responses to risk detailed across.</p>	<p>There have been no changes to our rebuttal assessment as reported in our audit plan.</p> <p>Despite revenue recognition not being a significant risk, we have undertaken the following procedures to ensure that revenue included within the accounts is materially correct:</p> <ul style="list-style-type: none">• Evaluated the Authority’s policy for the recognition of revenue for appropriateness and compliance with the Code 2024/25.• updated our understanding of the Authority’s system for accounting for income and evaluated the design and implementation of associated relevant controls.• Agreed on a sample basis relevant income and year end receivable/income accruals to invoices and cash payment or other supporting evidence;• We carried out testing, on a sample basis, of invoices issued/payments received in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period.	<p>Our audit plan confirmed that it remained appropriate to rebut the presumed fraud risk relating to revenue recognition, and our updated risk assessment did not identify revenue as a significant risk area. Notwithstanding this rebuttal, we performed targeted procedures over material revenue streams to obtain assurance over the completeness, accuracy and classification of income recognised in the financial statements.</p> <p>Through our substantive testing of fees and charges income, we identified a prior period adjustment relating to the Resource Recovery Contract (RRC) annual reconciliation with MERL. This adjustment arose from historic misstatements identified during testing and further details are presented within the subsection ‘Other areas impacting the audit’.</p> <p>Our evaluation confirmed that the results of this testing did not alter our conclusion regarding the appropriateness of rebutting the presumed fraud risk in relation to revenue.</p>

Significant risks

Risk identified

Presumed risk of fraud in expenditure recognition

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.

This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we can rebut the significant risk of fraud in relation to expenditure.

However, we have identified a higher risk of error in the recognition of other service expenses for the completeness of this expenditure stream given the potential loss of corporate memory with the change in senior finance personnel during 2024/25.

Audit procedures performed

Despite rebutting the presumed risk of fraud in expenditure recognition, we have identified a significant risk of error relating to the completeness of expenditure. To address this risk, we have performed the following audit procedures to obtain assurance that expenditure recorded within the financial statements is materially correct:

- evaluated the Authority's accounting policy for expenditure recognition for appropriateness and compliance with the Code;
- updated our understanding of the Authority's system for accounting for expenditure and evaluated the design of relevant controls;
- performed detailed substantive testing over expenditure streams for 2024–25, including sample testing of material expenditure transactions; and
- designed and carried out appropriate audit procedures to confirm that expenditure has been recognised in the correct accounting period.

Key observations

Our audit plan concluded that it remained appropriate to rebut the presumed fraud risk in relation to expenditure, and our updated procedures confirmed this assessment.

Although the significant risk was limited to the completeness assertion, we performed substantive testing over material expenditure streams to obtain assurance in this area.

Our work identified several misstatements relating to the classification and timing of transactions with Halton under the Inter-Authority Agreement, including income incorrectly netted against Other Service Expenses, a timing error resulting in expenditure from 2022/23 being recorded in 2024/25, and contra-expense treatment of prior-year income requiring a prior period adjustment.

Management have updated the accounts to reflect the necessary corrections.

Our evaluation confirmed that the results of this testing did not alter our conclusion regarding the appropriateness of rebutting the presumed fraud risk in relation to expenditure.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings</p> <p>Land and buildings valuation is an accounting estimate with a high degree of estimation uncertainty and has therefore considered to represent a significant risk in line with ISA 540.</p> <p>Property, Plant and Equipment are revalued on a three-year cycle in accordance with RICS guidance. All assets were revalued at 31st March 2022 by the Authority’s valuer Bruton Knowles. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PPE £308m net book value in the Authority’s revised 2023/24 financial statements) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management’s processes and assumptions used in calculating the estimate, including the instructions issued to the valuation experts and the scope of their work; assessed the competence, capabilities, and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out and to ensure compliance with the requirements of the Code; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; evaluated the valuer’s report to identify assets with significant or unusual movements and/or valuation approaches, and substantively tested these assets to ensure the valuations were reasonable; tested a sample of other asset revaluations made during the year to ensure they were accurately reflected in the Authority’s asset register, revaluation reserve, and the Comprehensive Income and Expenditure Statement; and evaluated the assumptions applied by management for assets not revalued in-year, including how management satisfied themselves that these values were not materially different from current value at year-end. 	<p>Our audit work identified several issues relating to the accuracy and presentation of the Authority’s PPE balances. The opening balances were materially misstated, having been based on the 31 March 2022 valuation and simply depreciated for two years. The Authority has now restated these balances to reflect the desktop revaluation undertaken as at 31 March 2024. We also identified material errors in the closing PPE balances arising from the incorrect accounting for the full revaluation as at 31 March 2025 and the transition to IFRS 16. These balances have been restated to correct the misstatements.</p> <p>In addition, a number of transposition and formula errors were found within the fixed asset register, all of which have been corrected by the Authority. We also noted an immaterial discrepancy between the fixed asset register and the Statement of Accounts in relation to the Revaluation Reserve. We recommend that the Authority investigates and resolves this as part of the 2025/26 financial year.</p> <p>The total impact of the errors above on the PPE balances on the face of the balance sheet was as follows:</p> <p>Opening net book value: understated by £18.956mn</p> <p>Closing net book value: understated by £3.464mn</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability</p> <p>The Authority’s pension fund net liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements. £0.1m at 31 March 2025 after the application of an asset ceiling of £2.3m.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">• updated our understanding of the processes and controls put in place by management to ensure that the Authority’s pension fund net liability is not materially misstated, and evaluated the design of the associated controls;• evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary’s work;• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation;• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;• tested the consistency of the pension fund asset and liability figures and related disclosures in the notes to the core financial statements with the actuarial report;• undertaken procedures to confirm the reasonableness of the actuarial assumptions by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures recommended within that report, including confirming the scope of the actuary’s work and whether the application of IFRIC 14 had been considered; and• obtained assurances from the auditor of the Pension Fund regarding the controls over the validity and accuracy of membership data, contributions data, and benefits data provided to the actuary, as well as over the valuation of fund assets included in the pension fund financial statements.	<p>Our review of the Authority’s processes and controls in respect of pensions, including the instructions issued by management to the actuary, identified no issues. We also did not identify any concerns from our assessment of the competence, capability and objectivity of the actuary.</p> <p>We confirmed the accuracy and completeness of the information provided by the Authority to support the calculation of the pension liability. We challenged the assumptions adopted by the actuary and engaged our auditor’s expert (PwC) to provide independent input on the appropriateness of these assumptions. A detailed assessment of the estimation process for valuing the pension fund net liability is set out on page 32.</p> <p>We reviewed the IAS 19 assurance received from the auditor of the Merseyside Pension Fund and did not identify any issues arising from this review.</p> <p>Our audit work identified several transposition and calculation errors within the draft pensions disclosure notes. These arose due to management misinterpreting certain information provided by the actuary within the IAS 19 schedule. We also noted that some required disclosures had been omitted. Management has corrected these issues in the revised financial statements.</p> <p>Following these amendments, the IAS 19 pension net liability appears to be accounted for and disclosed in accordance with the relevant standards. Nevertheless, we cannot form a view on the in-year movements due to the absence of assurance over the opening position.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Implementation of IFRS 16 Leases standard</p> <p>IFRS 16 Leases is now mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.</p> <p>We have therefore identified completeness of the identification of relevant leases and valuation as a risk.</p>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none">• reviewed the processes and controls established by management to ensure the implementation of IFRS 16 was complete, accurate, and free from material misstatement, and evaluated the design of the associated controls;• reviewed the proposed accounting policy and agreed the disclosures presented in the financial statements to the underlying accounting records and supporting calculations; and• reviewed management’s lease-accounting calculations and assessed the accuracy and appropriateness of the inputs and assumptions applied, including the lease term, discount rate, and annual rentals.	<p>In accordance with the implementation of IFRS 16, the Authority now includes its leases on to its balance sheet. This meant recognising £2.039m of right of use assets (RoUAs) in its PPE.</p> <p>Lease liabilities of £0.744m are now included within the Authority’s long-term liabilities and £0.115m is included within short term creditors in respect of the lease liability element falling due with the next 12 months.</p> <p>Our work in this area is ongoing.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>New system implementation</p> <p>The Authority’s ledger is hosted by St Helens and they have migrated from the previous Financial Information System (FIS) to the new Unit 4 general ledger system during 2024/25. This transition introduces potential risks as the adoption of a new system increases the likelihood of encountering operational and reporting issues that may impact the accuracy and reliability of financial data.</p>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none">• developed an understanding of the new system implementation through discussions with management, including discussions with both IT and non-IT staff members;• obtained an appropriate understanding of the IT general controls in place;• identified potential risks created or heightened by the new system implementation; and• developed and performed appropriate audit procedures to obtain the required assurance in response to the risks identified. Where necessary, the engagement team designed and executed additional or adjusted audit procedures to ensure that the wider audit was not adversely affected.	<p>Several audit findings as summarised below have been raised based on the detailed ITGC assessment conducted by the IT audit team of the Unit 4 IT system and controls operating over them:</p> <ol style="list-style-type: none">1. Data Migration and Chart of Account where it could not be confirmed that the data was fully and accurately migrated from the old systems, which raises the risk of potential data integrity issues2. Report Catalogue testing where the Phase 2 of the project was not accurately captured and updated via tracker.3. Lack of formal sign-off <p>These findings were formally communicated to management in the IT Audit Findings Report issued in June 2025 and are included in the recommendations on pages 54 and 55.</p> <p>Although the control weaknesses noted above were present, the results of our substantive testing and reconciliation procedures did not highlight issues with the transfer of the ledger from the FIS system to Unit 4. Nonetheless, due to the limitations arising from the disclaimed opinion, we cannot provide assurance over the completeness or accuracy of the data migration.</p>

Other findings

Three decorative, curved purple lines of varying lengths and positions, starting from the right edge of the slide and curving towards the left, creating a modern, abstract background element.

Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor View
Our audit has identified a substantial number of prior period adjustments. In addition, the draft accounts already included a significant prior period adjustment in respect of its PFI schemes and MRP calculations but this is discussed separately on the page 30.	<p>Our audit work identified various adjustments to the accounts, which have been processed as prior period adjustments where appropriate (the numbers of the PPAs below correspond to the PPA schedule included within the audit adjustments section).</p> <ol style="list-style-type: none">1. Audit fee disclosures (amounts included within the notes require updating, resulting in an adjustment to the accounts of £0.02m). Therefore, a debit of £0.02m has been recognised in the CIES and a corresponding credit of £0.02m has been recognised in short-term creditors.2. Recognition of an omitted accrual, together with a reclassification of amounts between debtors and creditors where balances previously recorded as debtors would not lead to cash payments (£4.058m); a debit of £4.058m has been recognised in the CIES, with a credit of £2.765m posted to short-term debtors and £1.293m to short-term creditors.3. Income relating to 2022/23 recognised in the wrong period and no corresponding debtor in the 2023/24 accounts (£4.9m). A debit was recognised in CIES and a corresponding credit recognised in short term debtors.4. Loan payment not included in the correct financial year (£0.3m); debit long term borrowing, credit general fund.5. Presentation of borrowings updated to reflect the short-term element appropriately (£0.9m) no overall change in total amounts).6. Opening PPE balances not adjusted for depreciation and revaluation movements resulting in a debit to PPE £25m, credit revaluation of non-current assets on CIES (£33.389m) and debit CIES provision of services £8.185m.7. Provision to be reflected in 2023/24 as well as 2024/25 (£1.9m); debit CIES £1.972m. <p>(continued on the following page)</p>	The accounts have been updated by management to reflect the IFRS 16–related amendments, and an additional disclosure has been included at Note 33. The audit team has reviewed the revised disclosures and the proposed accounting entries to understand the nature and impact of the adjustments. Work is ongoing to confirm that all related changes have been correctly reflected throughout the updated financial statements. A recommendation relating to this matter has been raised on page 52.

Other areas impacting the audit

Issue	Commentary	Auditor View
Our audit has identified a substantial number of prior period adjustments. In addition, the draft accounts already included a significant prior period adjustment in respect of its PFI schemes and MRP calculations but this is discussed separately on page 30.	<p>8. PFI prior-period adjustment – the accounts presented for audit included this adjustment, see page 30 for more details.</p> <p>9. Levy income misstated between different authorities on the comparative note (no overall change in amounts).</p> <p>10. Incorrect fair values used and corrections required to financial instrument note (disclosure note no financial impact).</p> <p>11. Pensions liability removed from long-term liabilities to be disclosed appropriately (£0.1m no overall change in total amounts. Therefore, a debit posted to long-term provisions, credit to other long-term liabilities.</p> <p>12. Related parties note was not complete (disclosure note no financial impact).</p> <p>13. Deferred income balance to be amended between short and long-term amounts £4.1m but no overall change in total amounts). Therefore, a debit to deferred income (new line added to the Accounts based on separate finding) and a credit to short-term creditors.</p> <p>14. Reclassifications in respect of IFRS15 contract revenue between operating expenditure and revenue (£1m but no overall change in total amounts). Prior-Period Adjustment for Misclassified Income and Incorrect Expenditure Timing Under the Inter-Authority Agreement (IAA), resulting in a (£1.0m) to creditors to reinstate the omitted liability relating to the 2022/23 invoice, and a corresponding £1.0m debit to the Cost of Services in the CIES, correcting the mis-timed expenditure and ensuring it is recognised in the appropriate financial year.</p> <p>(continued on the following page)</p>	Management has updated the accounts to reflect the identified changes, and an additional disclosure has been included at Note 33. The audit team has reviewed the revised disclosures and proposed journal entries to understand the nature and impact of the adjustments. Work is ongoing to assess the updated financial statements in full to confirm that all related amendments have been processed appropriately.

Other areas impacting the audit

Issue	Commentary	Auditor View
Our audit has identified a substantial number of prior period adjustments. In addition, the draft accounts already included a significant prior period adjustment in respect of its PFI schemes and MRP calculations but this is discussed separately on page 30.	<p>15. Missed accrual in respect of RRC contract (£1m)</p> <p>Following on from these adjustments management also identified some further adjustments which are included in the new note 33 of the updated accounts:</p> <ul style="list-style-type: none">- Missed accrual in respect of recycling credits (£0.2m)- Accruals Correction to Match Debtors and Creditors 2022/23 – 2024/25 (£0.9m)- Reclassification of sundry debtors from prepayments (£1.4m but no overall change in numbers)- VAT opening balance correction (£0.9m)- Adjustment to depreciation/revaluation reserve (£3.8m)- Adjustment to Provisions (Removal of Short Term MMI Provision) £0.02m) <p>Some of the prior period adjustments required adjustment in the 2022/23 balance sheet as well and these have been reflected in the updated accounts.</p>	<p>Management has updated the accounts to reflect the identified changes, and an additional disclosure has been included at Note 33.</p> <p>The audit team has reviewed the revised disclosures and proposed journal entries to understand the nature and impact of the adjustments. Work is ongoing to assess the updated financial statements in full to confirm that all related amendments have been processed appropriately.</p>

Other findings – significant matters

Issue	Commentary	Auditor view
Review of prior period adjustment in respect of PFI schemes and MRP calculation following Arlingclose review	<p>Prior Period Adjustment 8 - The Authority engaged Arlingclose (external expert) to assist with the IFRS 16 transition for its PFI schemes. During this process, Arlingclose identified significant shortcomings in the existing IAS 17 accounting including incorrect capital values, omission of third-party funding, inconsistent lease accounting (IRR, inflation adjustments, repayment assumptions), and inappropriate treatment of lifecycle costs. Following Arlingclose's recalculations, the Authority adjusted its prior period PFI liabilities to correct these errors.</p> <p>The restatement reduces Deferred Income by £76.7m, increases PPE by £5.2m, and results in a £59.5m reduction to the opening Capital Financing Requirement (CFR), reflecting the corrected PFI liability position. Related entries are posted through reserves (CAA/RR/General Fund) in line with Code requirements.</p> <p>Because CFR is reduced (driven by the corrected PFI liability), the MRP profile is amended to align with the revised underlying need to borrow. The adjustment therefore lowers the future MRP charge relative to the previously overstated position, with the pattern of charges updated to reflect the corrected liability amortisation and consistent with statutory guidance.</p>	<p>The draft financial statements presented for audit included this prior-period adjustment. The audit team has reviewed the related disclosures and calculations to understand the nature of the restatement and its impact on the financial statements.</p> <p>Work performed to date includes reviewing management's schedules and the outputs of the management expert to understand the basis for the recalculation, the resulting accounting entries (including PPE, the PFI liability and deferred income), and the consequential effects on the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP). Audit procedures undertaken include consideration of the competence and objectivity of the management expert, reconciling key elements of the revised PFI models to the proposed journals, and targeted reperformance of elements of the liability amortisation and deferred income unwinding.</p>

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of PPE £371.6m at 31 March 2025	<p>Property, Plant and Equipment are revalued on a three-year cycle, in line with the authority’s policy and informed by relevant RICS guidance. All assets were revalued per a desktop revaluation at the 31st March 2024 and then a full revaluation at 31st March 2025 by the Authority’s valuer Bruton Knowles.</p> <p>Assets are carried in the balance sheet using the following bases:</p> <ul style="list-style-type: none">• current value, at existing use (EUV) <p>Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.</p> <p>Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.</p> <p>It should be noted that the environmental condition of closed landfill sites makes them unmarketable and a nominal value of £1 is attributed to them.</p>	<p>The Authority’s accounting policy on valuation of land and buildings is included in Note X of the Accounting Policies.</p> <p>Key observations</p> <p>The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. We have:</p> <ul style="list-style-type: none">• assessed the qualifications, skills and experience of the Valuer and determined the service to be appropriate;• reviewed the underlying information prepared by the Authority and supplied to the Valuer and considered it to be complete and accurate; and• concluded that the Valuer prepared their valuations in accordance with the RICS Valuation - Global Standards using the information that was available to them at the valuation date in deriving their estimates. <p>Our review noted that the valuer’s calculations were based on the assumptions and evidence available at the time.</p> <p>Our audit work did identify some issues, see page 22 for more details.</p>	<p>No overall conclusion has been reached this year, as we propose a disclaimer of opinion.</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																								
<p>Valuation of net pension liability - Local Government Pension Scheme (LGPS)</p> <p>The Authority’s LGPS pension fund net liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements. £0.1m at 31 March 2025 after the application of an asset ceiling of £4.2m.</p> <p>For the group, the net liability totals £0.2m after the application of an asset ceiling of £5.9m</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>(continued)</p>	<p>The Authority uses Mercer to provide actuarial valuations of the Authority’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation at 31st March 2022 was completed in 2023. Small changes in assumptions can result in significant valuation movements in the net pension liability/surplus. There has been a £0.011m net actuarial loss during 2024/25.</p> <p>For the group, the net actuarial loss arising from the LGPS liability totals £0.002m</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed management’s expert; assessed the actuary’s approach taken - detailed work undertaken to confirm reasonableness of approach; used the work of PWC, as auditor’s expert, to assess the actuary and assumptions made by the actuary – see below considerations of key assumptions in your pension fund valuation: <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.80%</td><td>5.70% - 5.90%</td><td>Reasonable</td></tr> <tr> <td>CPI inflation</td><td>CPI/CARE revaluation 2.6% Pension increases 2.7%</td><td>2.60% - 2.70%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>4.10%</td><td>3.10% - 5.20%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy - Males currently aged 45/65</td><td>22.1/20.8</td><td>21.13.2 20.82.0</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>25.2/23.5</td><td>25.26.1 23.54.3</td><td>Reasonable</td></tr> </table>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.80%	5.70% - 5.90%	Reasonable	CPI inflation	CPI/CARE revaluation 2.6% Pension increases 2.7%	2.60% - 2.70%	Reasonable	Salary growth	4.10%	3.10% - 5.20%	Reasonable	Life expectancy - Males currently aged 45/65	22.1/20.8	21.13.2 20.82.0	Reasonable	Life expectancy – Females currently aged 45/65	25.2/23.5	25.26.1 23.54.3	Reasonable	<p>No overall conclusion has been reached this year, as we propose a disclaimer of opinion.</p>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.80%	5.70% - 5.90%	Reasonable																								
CPI inflation	CPI/CARE revaluation 2.6% Pension increases 2.7%	2.60% - 2.70%	Reasonable																								
Salary growth	4.10%	3.10% - 5.20%	Reasonable																								
Life expectancy - Males currently aged 45/65	22.1/20.8	21.13.2 20.82.0	Reasonable																								
Life expectancy – Females currently aged 45/65	25.2/23.5	25.26.1 23.54.3	Reasonable																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Continued from overleaf	Continued from overleaf	<ul style="list-style-type: none">assessed the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Merseyside Local Government Pension Scheme;undertook a reasonableness test of the Authority’s share of LGPS pension assets and assessed the reasonableness of movement in the estimate; andassessed the adequacy of disclosure of estimate in the financial statements.	No overall conclusion has been reached this year, as we propose a disclaimer of opinion.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of net pension liability – Citrus Pension Fund (formerly Local Authority Waste Disposal Company scheme – LAWDC)</p> <p>The Group's Citrus pension fund net asset, as reflected in its balance sheet as the net defined benefit pension asset, represents a significant estimate in the group financial statements. This totals £0.25m at 31 March 2025.</p> <p>The pension fund net asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p>	<p>The Group uses Hymans Robertson to provide actuarial valuations of the Group's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was at 1st April 2024. Small changes in assumptions can result in significant valuation movements in the net pension liability/surplus. There has been a £0.044m net actuarial gain during 2024/25 in relation to this scheme.</p>	<p>As the Group's share of assets and liabilities are £1.578m and £1,478m respectively at 31st March 2025, the estimate would need to be inaccurate by close to 100% to result in a material misstatement to the Group Financial Statements, which we considered was highly unlikely.</p> <p>As such ,the Citrus Pension scheme net asset was not considered a significant risk to our audit and consequently our work performed on this estimate was less extensive as compared to our work on LGPS.</p> <p>We have:</p> <ul style="list-style-type: none"> assessed management's expert; assessed the actuary's approach taken - detailed work undertaken to confirm reasonableness of approach; assessed the completeness and accuracy of the underlying information used to determine the estimate, undertook a reasonableness test of the Group's share of Citrus pension assets and assessed the reasonableness of movement in the estimate; and assessed the adequacy of disclosure of estimate in the financial statements. 	<p>No overall conclusion has been reached this year, as we propose a disclaimer of opinion.</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. MRWA relies on St Helens MBC’s Unit4 ERP system for all financial processing under a shared services arrangement. As MRWA does not operate its own IT environment, the design and effectiveness of IT general controls (ITGCs) within Unit4 are critical to financial reporting. Testing of these controls covering access management, change control, and data migration was performed by the IT Audit team as part of the St Helens audit, with additional reporting provided for MRWA. The work was carried out at St Helens, where the system is hosted and managed. For MWRA, we did not perform separate IT testing other than to review the new system implementation. The recommendations raised from that review are included on pages 53 and 54.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4	ITGC assessment (design and implementation effectiveness only)	<div><div></div></div> Amber	<div><div></div></div> Amber	<div><div></div></div> Green	<div><div></div></div> Not in scope	Management override of controls

IT system	Event	Result	Related significant risks / risk / observations
Unit 4	New system implementation	<div><div></div></div> Deficiency Noted	We observed that there were no specific approvals obtained for milestones during the project implementation. The testing results for reporting were not accurately captured.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none">• We have previously discussed the risk of fraud with the Audit and Governance Committee and we have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	<ul style="list-style-type: none">• We noted some missing related party transactions. This was a disclosure error only and the accounts have been updated accordingly.
Matters in relation to laws and regulations	<ul style="list-style-type: none">• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	<ul style="list-style-type: none">• A letter of representation has been requested from the Authority, see B. We have included a representation in respect of the Prior Period Adjustments.
Confirmation requests from third parties	<ul style="list-style-type: none">• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All confirmations have now been returned with positive confirmation (just awaiting Barclays LOBO confirmation).
Disclosures	<ul style="list-style-type: none">• Our review identified several material omissions and misstatements within the financial statements. A number of amendments were subsequently made to enhance the clarity and transparency of the disclosures and to strengthen compliance with the relevant reporting requirements. Further detail is provided from page 44.
Audit evidence and explanations	<ul style="list-style-type: none">• All information and explanations requested from management continue to be provided.
Significant difficulties	<p>We identified a significant matter during the course of our work relating to the number and nature of misstatements identified in the financial statements. Specifically, we encountered a significant volume of factual misstatements and disclosure errors, which resulted in:</p> <ul style="list-style-type: none">• multiple prior period adjustments to correct the 2023/24 comparative balances reported;• in-year adjustments to the 2024/25 financial statements; and• extensive disclosure amendments, requiring several iterations of the draft accounts to be provided to the audit team throughout the audit process.• Further details are set out on pages 27 to 30 and in the audit adjustments section of our report.

Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Authority and the environment in which it operates• the Authority’s financial reporting framework• the Authority’s system of internal control for identifying events or conditions relevant to going concern• management’s going concern assessment. <p>However, as this year’s audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>As noted, because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p> <p>In addition, our Auditors’ Annual Report, presented alongside this report, identified one significant weaknesses in respect of the Authority’s arrangements.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Further detailed work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Merseyside Recycling & Waste Authority in the audit report, as detailed in C, due to not having received confirmation from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Auditor General.</p>

Audit adjustments

Three decorative purple arcs of varying sizes and curvatures are positioned on the right side of the slide, extending from the bottom towards the top right corner.

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Property Plant & Equipment – Opening Balances understated (Please refer to PPA6 on Page 27) , IFRS 16 transition incorrectly accounted for, year end valuation incorrectly accounted for		PPE 3,464 Unusable Reserves (3,464)		
Audit Fees Correction (2023/24 Fees Accrued into 2025/26)	Provision of services (107)	Creditors 107		
RRC Debtor Correction - Incorrect Recognition of Debtor Arising from MERL Reconciliation Accruals		Debtors (1,700) Creditors 1,700		
JICR Provision Correction to account for earlier recognition	Provision of services (1,972)	Provisions 1,972		
Note 28 (Retirement Benefits) contains inaccuracies when compared with the IAS 19 reports. For 2024/25, benefits credited to the CIES are shown as £1,946k versus £1,746k in the IAS 19 report due to incorrect transposition and an omitted experience-loss line. For 2023/24, the note shows £286k compared with £541k in the IAS 19 report, as the return on plan assets is missing and some actuarial lines appear reversed	TBC	TBC	TBC	TBC

Audit adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Fees and charges				
Missing Halton 2022/23 Annual Reconciliation Accrual Reversal	CIES Provision of services (997)	Creditors 997		
MRDF recognition of Short-Term element		Short-term borrowing 1,727		
		Long term borrowing (1,727)		
Update 1 Year Lease Liability (IFRS 16)		Creditors (5,824) Other long-term Liabilities 5,824		
Depreciation Charge - As a result of the understatement of closing and opening NBV, the depreciation charge was understated by 620k	TBC			
Accruals Correction to Match Debtors and Creditors 2022/23 – 2024/25	CIES Provision of services 430	Creditors (430)		

Audit adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Correction of PFI Lease Liability Remeasurement		PPE (1,393) Unusable Reserves 1,393		
RRC Debtor Correction		Creditors 1,700 Debtors (1,700)		
WMRC Debtor Correction		Creditors 1,312 Debtors (1,312)		

Audit adjustments

Misclassification and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Accruals of Income and Expenditure	The accounting policy does not include the required disclosure regarding revenue from contracts with service recipients. Given the significance of this revenue stream to the Authority, this disclosure is required under the Code.	✓
Accounting Policies – Pension liabilities	The accounting policy for pensions does not include any narrative explaining the asset ceiling and how this is accounted for, this disclosure is required under the Code.	✓
Accounting Policies - Defined benefit scheme	The accounting policy for the defined benefit pension scheme does not include the required disclosure explaining the nature of the Authority’s unfunded pension benefits.	✓
Accounting Policies - Property, Plant and Equipment	The policy does not specify that asset values are updated for desktop revaluations. This is a required element of the Authority’s approach to revaluation and should be reflected to ensure clarity and compliance.	✓
Prior Period Restatements	The accounts have been updated to include additional detail on the restatements made to prior-period balances. These restatements are explained further in the section ‘Other Areas Impacting the Audit’ within this report. The accounts have been updated to reflect these changes and a new note has been produced to reflect these changes – note 33.	✓
Presentation/Disclosure changes	Several minor typographical errors have been identified throughout the financial statements, including page references, hyperlink updates, incorrect totals, and rounding differences. A number of minor amendments have been suggested to management from our financial statements’ presentation and internal consistency review.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 7 Adjustments between accounting and funding basis under regulations	Our review identified an inconsistency between the Movement in Reserves Statement (MiRS) and the related disclosure in Adjustments Between Accounting and Funding Basis Under Regulations (Note 7). The amount of £310k shown as the reversal of items relating to capital expenditure debited or credited to the CIES does not reconcile to the corresponding statutory adjustment in Note 7.	✓
Note 17 Provisions	During our reconciliation work within provisions, we identified that the net pension liability has been presented within long-term provisions. This classification is not consistent with the CIPFA Code requirements. Section 3.4.2.62 of the Code specifies that the Balance Sheet should include a separate line for other long-term liabilities, which comprises the net pensions liability, deferred liabilities, and any other long-term liabilities.	✓
Group pensions disclosures	The Group's pension disclosures are incomplete and contain inconsistencies. The financial statements do not describe the nature of the LAWDC pension scheme or the risks it presents to the Group, nor do they outline the risks arising from MWHL's participation in the LGPS, as required by the CIPFA Code. In addition, key CIPFA/IAS 19 disclosure requirements have been omitted, including the expected employer contributions for 2025–26 and the weighted average duration of the defined benefit obligation. We also note an inconsistency between the accounts and the IAS 19 schedule: the accounts state that the LAWDC scheme was last fully revalued in 2015, whereas the Hymans IAS 19 schedule references a full revaluation in 2024.	✓
Note 16 Short Term Creditors	The 2024/25 creditors note requires amendment to ensure consistency with the Statement of Financial Position, as Note 16 currently understates creditors by £18,700. The variance arises because VAT and credit-card suspense balances have been included in the SOFP total but omitted from the note disclosure. The financial statements should be updated so that Note 16 fully reconciles to the SOFP and includes all relevant suspense account balances.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 6 Expenditure and Income Analysed by Nature	<p>Our review of Note 6 (Expenditure and Income Analysed by Nature) identified classification errors. The Note includes items that do not represent IFRS-based income or expenditure, specifically:</p> <ul style="list-style-type: none"> • Provision for repayment of debt (£4,603k), which is a statutory adjustment and should be presented through the Movement in Reserves Statement; and • Transfers to earmarked reserves (£10k), which do not form part of the Surplus/Deficit on Provision of Services and should instead be disclosed separately in a reserves movement note. 	✓
Note 22 Officer Remuneration	The accounts do not include a statement confirming that no exit packages, redundancies, or termination benefits occurred in 2023/24 or 2024/25. While disclosure is not required under the CIPFA Code when no such transactions take place, it is considered good practice to include a clear statement for transparency.	✓
Note 28 Retirement Benefits	Our work found that the note contains several disclosure inaccuracies and omissions. The MPF triennial valuation is incorrectly described as having taken place in March 2023 rather than 2022, and the note refers to the PPS Act 2013 as requiring recognition in the next triennial valuation despite this having already been incorporated in 2019. In addition, required CIPFA disclosures - specifically the expected employer contributions for 2025/26 and the weighted average duration of the defined benefit obligation - have been omitted.	✓
Note 9 Levy Income	During our review of Note 9, we identified a variance in the 2023/24 levy income disclosure between the amounts reported in the Authority's accounts and those reported by the member authorities. While the overall total was correct, the allocation across member authorities was misstated. Management has been informed and agreed that an amendment will be made to ensure the note accurately reflects the correct apportionment.	✓
Note 18 – Pensions Reserve	We identified an inconsistency between the amount disclosed as remeasurements of the net defined benefit liability/asset within the Pensions Reserve (Note 18) and the corresponding remeasurement figure reported in the Retirement Benefits disclosure (Note 28). The reserve records a balance of £13k which does not agree to the IAS 19 disclosures presented in Note 28.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 11 Financial Instruments	<p>Our review of Note 11 identified several deficiencies in the Authority's financial instruments disclosures, resulting in non-compliance with the requirements of the CIPFA Code and IFRS 13:</p> <ul style="list-style-type: none">the narrative disclosure for the Barclays LOBO loan was insufficient;the fair value of loans was calculated using premature repayment rates, despite the narrative stating that fair value is based on new loan rates, which is also the Code's requirement; andcash and cash equivalents were not included within the financial instruments disclosures.	✓
Note 24 Related party transactions	<p>Our review of Note 24 identified a number of deficiencies in the current related party disclosures.</p> <ul style="list-style-type: none">the draft note did not include an adequate narrative explaining the nature of the Authority's transactions with its five constituent district authorities;the disclosure was incomplete and did not capture all material related party transactions undertaken during the year.our review of year-end supporting schedules also identified receivable balances due from related parties, as well as payable balances relating to recycling credits and IAA-related costs, which are not currently disclosed.	✓
Movement in reserves statement	<p>Our review of the 2024/25 Movement in Reserves Statement (MIRS) identified that opening balance adjustments have been incorrectly presented. The MIRS includes two adjustment lines - a prior year restatement and an adjustment relating to the implementation of IFRS 16 - within the opening balances for 1 April 2024. Neither item should be reflected as an opening balance movement in the 2024/25 MIRS.</p> <ul style="list-style-type: none">IFRS 16 Implementation Adjustment: This represents an in-year adjustment arising from the initial application of the standard and should therefore be shown within the 2024/25 movement in reserves, not as an opening balance restatement.Prior Year Restatement: This restatement has already been processed and reflected within the 2023/24 comparative MIRS. As a consequence, it should not appear again in the 2024/25 MIRS as an opening balance adjustment.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
During our review of the fixed asset register and test of accounting property, plant and equipment, we identified an unadjusted misstatement relating to the revaluation reserve. A balance of £409,256 is recorded within the reserve but cannot be traced to any existing asset or supporting record.	409	(409)		409
Overall impact of current year unadjusted misstatements	409	(409)	0	409

Impact of prior year adjustments

The table below provides details of misstatements identified by both the client and us during the 2024/25 audit which impacted on previous years and have been adjusted for in the final set of 2024/25 statement of accounts.

Impact on primary statements	Disclosure Only																					PPA 19 Adjustments	Expected
	23/24 as per original accounts	PPA1	PPA 2	Non-Exchange Grant Income	PPA3	PPA4	PPA5	PPA6	PPA7	PPA8	PPA9	PPA10	PPA11	PPA12	PPA13	PPA14	PPA 15	PPA 16	PPA 17	PPA 18 IFRS 16 Adjustment	carried forward from 22/23 changes	revised position	
CIES																							
Surplus on continuing ops	59,403	19	4,058	-	1,180	-	4,948			8,185	1,972					997		1,157				69,663	
Levy income	-	78,893																				- 78,893	
Financing and investment income	17,799																					17,799	
Revaluation of NCA	-							-33,389														- 33,389	
Pension movements	1,805																					1,805	
	114																					- 23,015	
Balance Sheet																						-	
Long-term assets	308,450							25,205		5,194								2,654	-	3,576		337,927	
Inventories	22																					22	
Short term debtors	6,521	-	2,765		4,948											-	1,643	934			2,766	10,761	
Cash	6,879																					6,879	
ST Borrowing	-						-	998														- 998	
Short term creditors	-	24,258	-	19	-	1,293									-	4,174	-	997	1,643	-	1,157	10,125	1,162
ST provisions	-	197																26				- 171	
LT provisions	-	4,272							-1,972				102									- 6,142	
LT borrowing	-	38,676				334	998															- 37,344	
Deferred income	-									- 76,698					4,174							- 72,524	
Other LT liabilities	-	175,725								55,593			-	102				-	10,125		4,871		130,359
	78,744																					78,744	

Action plan – Financial Audit

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Medium</div></div>	<div><div>1. Journal Controls</div><div>Our review identified that there is currently no journal approval hierarchy in place within journal templates meaning templates can be filled and submitted to St Helens for posting without any formal approval/review process. . This means</div><div>The absence of a formal approval process increases the risk that inappropriate or erroneous journal entries may be posted and remain undetected.</div></div>	<div>We recommend that the Authority adds approval controls to Journal templates being submitted to St Helens.</div> <div><div>Management response</div><div>It is not considered practical for the Authority to instigate a separate approval process for journals, especially given it has such a small finance team. The controls put in place to undertake reconciliations together with the preparation and review monthly financial reports will identify any material, inappropriate journals.</div></div>
<div><div>●</div><div>Medium</div></div>	<div><div>2. Reconciliations</div><div>Our audit work identified that reconciliations were not always performed during 2024/25. Reconciliations are an important financial control, ensuring the accuracy of the financial data. We also recommend that management at MRWA ensure they are comfortable with the controls in place at St Helens over key business processes.</div></div>	<div>We recommend that management ensure regular reconciliations are performed to help mitigate any financial risks associated with discrepancies, fraud or mismanagement. We also recommend ensuring interface/control account reconciliations are completed, reviewed, and retained to MRWA’s timetable, with documented sign-off.</div> <div><div>Management response</div><div>The change to a new financial system in 2024⁵ impacted upon the ability of the Finance team to undertake regular reconciliations. Monthly reconciliations commenced in May 2025 and have continued throughout the current financial year.</div></div>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan – Financial Audit

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Medium</div></div>	<p>3. Related parties</p> <p>Our testing found some missed declarations. Completeness of declarations where members interests were outdated or missing entirely. Currently declarations of interest at the authority are only completed when a new member joins and they are reminded to update if there are any changes, as well as declaring any interests before each meeting. In addition, our audit work noted adjustments to the related parties disclosures.</p>	<p>The Authority acknowledges the need to update the processes surrounding declarations, therefore we have made three recommendations:</p> <ol style="list-style-type: none">1) Ensure completeness of declarations, where a member or director is also director of another entity, for example MWHL and any subsidiaries.2) Ensure all declarations include a question on spouses as this was missing from the senior officer declarations.3) Complete declarations annually rather than only when there is a change of circumstances. <p>Management response</p> <p>We will continue to send a declaration to all Members in June, those not returned will be followed up with a further request for completion. In addition to this, we will establish a further protocol to ensure each Member completes their declaration annually.</p>
<div><div>●</div><div>Low</div></div>	<p>4. Service Level Agreement for St Helens</p> <p>We noted the most recent SLA during the audit related to 2022/23 and was not signed by either party. The Authority should ensure SLA is updated on an annual basis and signed by both parties. The absence of a signed agreement may raise concerns regarding the clarity and enforceability of the arrangement. We note that a signed agreement for 2025/26 was finalised in January 2026.</p>	<p>We recommend the Authority agree a service level agreement with St Helens on an annual basis.</p> <p>Management response</p> <p>The SLA with St Helens for 2025/26 was signed on 27th January 2026. Efforts will be made in future to complete this much earlier in the financial year, if not before.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan – Financial Audit

Assessment	Issue and risk	Recommendations
<div><div></div><div>Medium</div></div>	<p>5. Amendments to the accounts.</p> <p>We noted a high level of adjustments, including prior year adjustments, during the audit, in terms of disclosures and financial adjustments to the draft version of accounts that were provided for audit.</p>	<p>We recommend management reviews its year-end process and ensures there is sufficient review time built in that the quality of the first draft is sufficiently high that there are less adjustments required during the audit.</p> <p>This will also better support the Section 151 Officer in discharging their statutory responsibility to certify that the accounts present a true and fair view, as set out in the Statement of Responsibilities.</p> <p>Management response</p> <p>The accounts preparation for 2024/25 was impacted by the fact that no audits had been undertaken since 2018/19 and that preparation of the 2024/25 required significant adjustments to those prepared in respect of prior years. The Authority now has a sound basis for the preparation of the 2025/26 accounts. The Authority has also established strong budget monitoring arrangements in 2025/26, including regular review with the Finance team at St Helens to identify any anomalies within the financial ledger.</p> <p>Senior officers are confident that this, together with appropriate internal review of the draft accounts themselves, will minimise the level of audit adjustments that are required in future.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan – IT Audit

The following are recommendations raised by the IT team as part of the review of Unit 4 implementation

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Medium</div></div>	<p>6. Data Migration and Chart of Accounts</p> <p>We could not confirm that the data was fully and accurately migrated from the old systems, which raises the risk of potential data integrity issues.</p> <p>Furthermore, during our review, we observed that the migration of the Chart of Accounts (COA) was not fully completed in a timely manner by the time the system went live. Several placeholder accounts were established to facilitate journal entry postings and ensure continuity in financial processing.</p>	<p>To support a successful and controlled data migration process, the Authority should have a:</p> <ul style="list-style-type: none">• A clearly defined data migration strategy• A structured data cutover approach• A comprehensive data cleansing approach• Documented data reconciliations by entity, financial period, and data type <p>Management response</p> <p>Agreed for any future system implementations</p>
<div><div>●</div><div>Medium</div></div>	<p>7. Report Catalogue testing</p> <p>During our review, we noted that the testing performed during the Phase 2 of the project was not accurately captured and updated via tracker. Hence, we were not able to confirm the appropriateness and completeness of testing performed.</p> <p>Also, no formal sign off was obtained.</p>	<p>Management should ensure that testing result are captured and approved by appropriate personal.</p> <p>Management response</p> <p>Agreed, noted for future projects</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan – IT Audit

Assessment	Issue and risk	Recommendation
<div><div>●</div><div>Low</div></div>	<p>8. Lack of formal Sign-Off</p> <p>As part of our IT audit procedures over the new system implementation, we noted that formal sign-off and documented approvals were not obtained for several critical project milestones.</p>	<p>Management should ensure formal sign offs are obtained for key milestones and key documents are retained.</p> <p>Management response</p> <p>Agreed, noted for future projects</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024/25. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified one significant weakness in arrangements. Our Auditor's Annual Report is presented alongside this audit findings report.

Independence considerations

Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority or group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

Total audit and non-audit fee

Audit fee – PSAA Scale fee	£166,059	(Non-audit fee) £0
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The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

• Scale fee	£166,059
• New System implementation	£5,000
• IFRS 16	£2,500
• Overruns in respect of adjustments to the accounts	£5,000
• Total fees per above	£178,559





This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Management letter of representation

We have requested a letter of representation from management. The letter is included separately within the Audit Committee agenda and therefore not attached here.

C. Audit opinion

Independent auditor's report to the members of Merseyside Recycling & Waste Authority

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Merseyside Recycling & Waste Authority (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Movement in Reserves Statement, and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20245.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 7 August 2025, we issued a disclaimer of opinion on the Authority and the group's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority and Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority and group's opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. Similarly, we have not been able to obtain assurance over the Authority and group's closing reserves balance of £139 million as at 31 March 2025, also due to the uncertainty over their opening amount.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20245, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

C. Audit opinion

Opinion on other matters required by the Code of Audit Practice

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20245, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

C. Audit opinion

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On 29 May 2025, we identified a significant weakness in the Authority’s governance arrangements. This was in relation to the Authority’s financial ledger system hosted by St Helens Council, and which transferred to a new system on 1 April 2024. We noted that the transition to the new financial ledger system has interrupted the regular reporting of budget variances on a quarterly basis in 2024/25, which indicated a weakness in governance arrangements. We recommended that the Authority must, as a matter of priority, work with St Helens Council to resolve the coding issues that have arisen following the implementation of the new ledger system. This has impacted the Authority's ability to monitor and report budget variances effectively during 2024/25.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

C. Audit opinion

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Merseyside Recycling & Waste Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature**]**

Elizabeth Luddington, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date**]**



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