

Regaining Assurance Strategy for Merseyside Recycling and Waste Authority

9 June 2026



Merseyside Recycling and Waste Authority
Mann Island
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9 June 2026

Dear Kris

Regaining Assurance Strategy for Merseyside Recycling and Waste Authority

This report sets out our plan to rebuild audit assurance at Merseyside Recycling and Waste Authority (the Authority) following the disclaimer of opinion issued under the statutory backstop for the years ended 31 March 2025, 31 March 2024, 31 March 2023, 31 March 2022, 31 March 2021, 31 March 2020, and 31 March 2019. This plan has been agreed with management and will be communicated to the Ministry of Housing, Communities and Local Government (MHCLG) in July 2026. Our audit plan contains a high-level update on the authority's latest audit report and strategy for regaining assurance. This report gives further detail on the strategy to regain assurance.

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.

Elizabeth Luddington

Director
For Grant Thornton UK LLP

Chartered Accountants

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Key messages

Audit Report

We anticipate our audit report will be modified.

Following disclaimed audit reports for the years 2019/20 to 2024/25, we do not expect to be able to support a fully unmodified opinion on the 2025/26 financial statements. Our audit focus will be on build-back as well as 2026 in-year transactions and closing balances, with sign-off targeted for 30 November 2026. Subject to completing the build-back work our opinion would most likely still be modified on an except-for basis in respect of the prior year pensions figures but this should then naturally be resolved during 2026/27.

Authority

Delivery depends on the Authority

Successful build-back requires high-quality draft accounts, comprehensive working papers, timely audit access and continued focus on internal controls. We have discussed and agreed the strategy and trajectory for rebuilding assurance with the Section 73 Officer. The fee will be agreed and reported to the Audit Committee in due course. £49,956 of Section 31 grant funding has been provided to resource the work.

Trajectory

Two-year plan to unmodified by 2026/27

Aligned to NAO LARRIG guidance, with phased build-back of assurance over opening balances, reserves, property and pensions across the 2025/26 and 2026/27 audits.

MHCLG capacity assessment

We have assessed the Authority as Category A

An assessment is required by 31 July 2026 covering build-back timing, opinion trajectory and key risks. More detail is available on page 6.

Background

What and why

As part of the regaining assurance process we are engaging with MHCLG and PSAA as key stakeholders in monitoring and supporting the agenda across the sector.

MHCLG and PSAA have made a joint request for us to provide information for each body subject to the build-back process. The requested information includes a capacity assessment for each body, to be produced with input from both the audit team and the audited body.

The assessment is intended to give MHCLG and PSAA a more granular understanding of: progress of build-back work to date; planned timing of future work; the year in which a qualified opinion and an unmodified opinion are likely to be achieved; key audit risks; the audited body's capacity to support the build-back; and any significant constraints, including restrictions on the auditor's capacity.

Process

The following pages set out our response.

The information will be used by MHCLG to:

- Better understand the nature and impact of key risks and constraints on the build-back process
- Identify and/or evaluate any significant problems that would benefit from further policy intervention and develop appropriate solutions.
- To develop reliable estimates of the overall cost and timescale of the build-back process and support the review of the build-back grant funding model in autumn 2026.
- To support the government's stewardship of local authorities (including in relation to Local Government Reorganisation) and other bodies by identifying bodies for which an ISA-compliant build-back is unlikely to be possible by the end of 2027/28 and the reasons for this.

Overall assessment and key risks

Under the MHCLG capacity assessment framework, we have provisionally assessed this audit as Category A. The framework categorises audits as follows:

A

Capable of an ISA-compliant approach within the build-back period, relatively straightforward.

B

Capable of an ISA-compliant approach, but with significant operational difficulties.

C

Not capable of an ISA-compliant approach by 2027/28 due to major systemic problems.

D

Not capable of an ISA-compliant approach by 2027/28 due to practical constraints (adequate systems in principle).

Principal factors supporting our assessment

Technical challenges

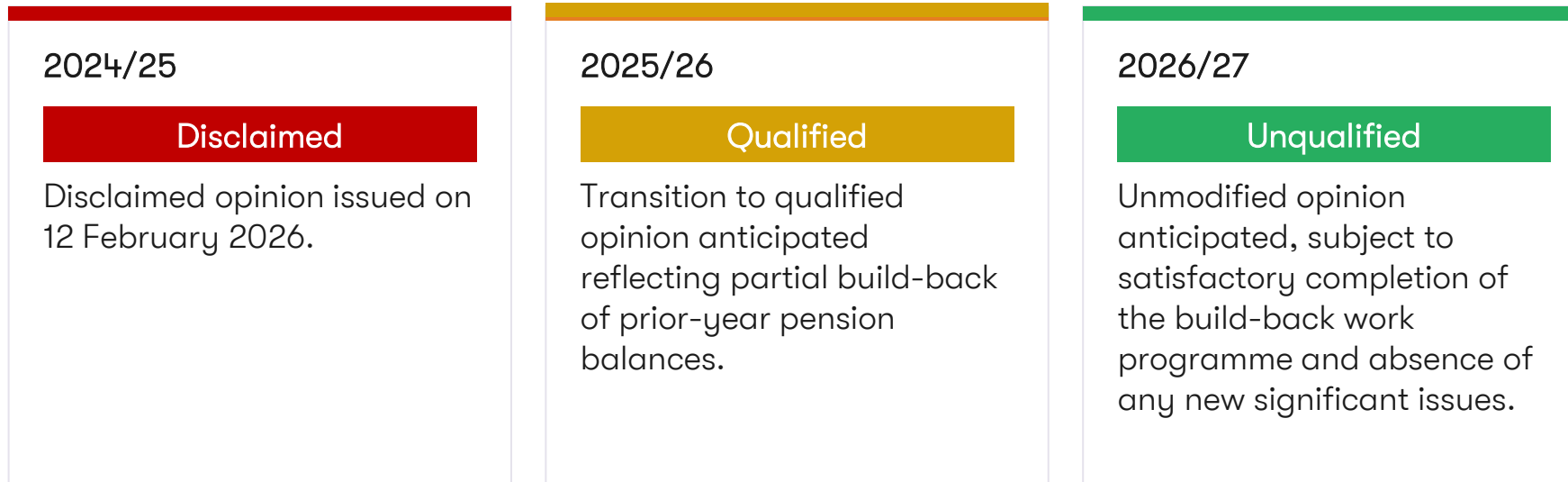
Full in-year assurance obtained during 2024/25 with closing balance assurance on all areas bar reserves and pensions. Pension fund triennial revaluation processed during 2025/26 will provide additional assurance, although the corresponding amounts may still lack sufficient assurance. Reserves work required as part of build-back with the intention to perform this work during 2025/26.

Audited body capacity

Although some of the historical drivers of the backstopped accounts were due to timeliness and quality of draft accounts, control environment and finance team capacity the change in finance team during 2024/25 meant draft accounts were published on time and we were able to complete an audit for 2024/25.

Expected audit report trajectory

Our planning estimate of when our audit report is expected to transition from disclaimed to qualified, and from qualified to unmodified, is set out below. These are planning estimates only; they cannot be taken as a commitment or guarantee as to the opinion eventually issued for a given year.



What the opinion types mean

Unmodified/unqualified (clean): the financial statements give a true and fair view, in all material respects.

Qualified ("except for"): true and fair, except for one or more identified areas where we could not obtain sufficient evidence or where we disagree with the accounting treatment.

Disclaimer of opinion: we could not obtain sufficient evidence to form any opinion — effectively, no audit assurance.

Build-back work programme

The table below summarises when we plan to undertake build-back work for each audit area. It is consistent with the information we will submit to MHCLG within the capacity assessment by 31 July 2026.

Audit area	Timing and approach
Statutory reserves	Staged substantive testing across 2025/26 audit, aligned to NAO LARRIG.
Property assets	Full revaluation performed and audited in 2024/25, appropriateness of prior year balances and reserve entries to be reviewed during 2025/26
Pension deficit / surplus	2025/26 audit onwards – reliance on IAS 19 actuarial reports for current year; build-back of prior-year movements.
Long-term debtors and creditors	Detailed review of PFI model covered during 2024/25, appropriateness of prior year balances and reserve entries to be reviewed during 2025/26.
Working balances (cash, receivables, payables)	Largely covered through 2024/25 and 2025/26 testing of in-year transactions and closing balances.
Other audit work (journals, payroll, grants, disclosures)	Substantively covered each audit year from 2024/25 onwards.

We will refresh this timetable and provide updates in subsequent Audit Progress or Findings Reports if material changes arise.

Regaining assurance example

The below is a simplified illustration of how our build back work programme might build assurance over the coming years' audits:

2025/26 audit process

	24/25	25/26	
CIES	A	G	No assurance over the opening 24/25 position
PPE	A	G	Assurance gained over valuations at 31/03/25 but not on in-year movements.
Pensions	R	A	Assurance gained over 2025 actuarial process – disclaimer on pensions in 2024/25
Other assets & liabilities	G	G	Elements may require >1 year to gain assurance
Reserves	R	A	Full programme of regaining assurance work performed, however we have not fully regained assurance over the balance sheet – disclaimer on reserves in 2024/25

2026/27 audit process

	25/26	26/27	
CIES	A	G	Assurance over transactions in both years
PPE	A	G	Rolling valuation programme complete
Pensions	A	G	Assurance over balances at both year-ends
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	A	G	Full programme of regaining assurance work performed

R	No assurance
A	Partial assurance
G	Adequate assurance

Next steps and timetable

The key milestones in the regaining assurance programme are set out below.

April 2026

Completion of 2025/26 interim audit work and risk assessment.

30 June 2026

Submission of draft 2025/26 financial statements.

31 July 2026

MHCLG capacity assessment submitted, with Authority's comments where available.

October and November 2026

Completion of the 2025/26 build-back work programme.

30 November 2026

Issue the audit report for the year ended 31 March 2026.

31 January 2027

2025/26 backstop date for publication of audited financial statements.

2026/27 audit

Target year for return to unmodified opinion, subject to satisfactory progress.



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