



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME DEBTORS 2023/24

Assurance Level | Good



Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans (Managing Director) Jo Pugh (Finance Manager)
Auditor(s):	Catherine Young
Fieldwork Dates:	December 2023
Debrief Meeting:	29th January 2024
Draft Report Issued:	19th January 2024
Responses Received:	30th January 2024
Final Report Issued:	1st February 2024

Assurance

Previous Assurance Level	Current Assurance Level	Direction of Travel
Good	Good	No change to control environment

Introduction and Background

1. As part of the approved internal audit plan for 2023/24 Audit Services have undertaken a review of Debtors.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
To review the procedures in respect of the reconciliation and monitoring of the debtors and income system. The audit excludes a review of refunds and write offs.
7. The scope includes a follow up of recommendations made in the 2022/23 audit. Where not implemented fully, these are revisited and the findings included in this report.
8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a √ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - √ The recommendations made in the previous audit have been implemented.
 - √ There are appropriate policies and procedure notes in place for the operation of the system.
 - √ Billing information is verified before invoicing customers.
 - √ There are appropriate arrangements in place to ensure prompt payment of invoices.
 - √ There are appropriate post opening procedures in place for the control of cash and cheques.
 - √ There are appropriate arrangements in place for the collection of Income by Direct Debit.
 - √ All income received is reconciled to the bank account.
 - √ Income credited to suspense accounts is reviewed and cleared in a timely manner.
 - √ Management Information in respect of income is timely and adequate.

Assurance Level and Recommendations

9. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Joint Committee and will inform the

Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

Audit Services can give the following assurance level on the area audited:

Good	There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.
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10. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	0	1	0

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audit	1
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	0

Good progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are repeated in the Exception Report and Action Plan.

Audit Approach

13. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key controls.
 - Follow up of previous recommendations.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided

on request.

15. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Barry Hanson
Head of Policy and Governance

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INTERNAL AUDIT EXCEPTION REPORT FOR WME DEBTORS 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: Billing information is verified before invoicing customers.					
3.1	<p>In the 2022/23 audit the failed invoices report was provided as at the 10th November 2022. This report was compared to the report provided in December 2023. This found that 162 invoices have been outstanding since 2022. The value of these invoices are £136,726 invoices and £63,783 credit notes.</p> <p>This report of 162 invoices was reviewed by officers at WME. This identified that 69/165 could be processed which amount to £44,544. 76/165 require information from suppliers and includes invoices of £24,051 and credit notes of £1,531.</p>	<p>The billing system does not accurately reflect the levels of income and credit notes leading to inaccurate reporting and additional work at year end to establish correct values.</p> <p>The longer that issues are not resolved could lead to more difficulty in establishing the cause of the failure in the event of staff leaving or customers leaving.</p>	1	Requires Attention	Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.

ACTION PLAN FOR WME DEBTORS 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.	Requires Attention	<p>Of the net amount of the 162 invoices of £73k, £61k are on the report as having been credited since the November 2022 report so aren't picked up in the comparison, with the remaining net amount of £12k mainly being credit notes due from suppliers along with other small differences.</p> <p>Invoices and credits that can be offset will be cleared down where possible and the report reviewed and actioned on a 6-monthly basis.</p>	John Morris	June 2024