



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 17th September 2015

Committee:
West Mercia Energy Joint Committee

Date: Monday, 28 September 2015
Time: 10.00 am
Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

Members of West Mercia Energy Joint Committee

<i>Herefordshire Council</i>	G Powell P Price
<i>Shropshire Council</i>	S Charmley M Owen
<i>Telford & Wrekin Council</i>	L Carter A England
<i>Worcestershire County Council</i>	J Smith A Hardman

Your Committee Officer is:

Emily Marshall Committee Officer
Tel: 01743 257717
Email: emily.marshall@shropshire.gov.uk

AGENDA

1 Apologies for Absence

To receive apologies for absence.

2 Named Substitutes

To receive details of any Member nominated to attend the meeting in place of another Member.

3 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

4 Minutes (Pages 1 - 6)

To receive the minutes of the Joint Committee meeting held on 16th February 2015.

Copy attached marked 4.

5 Supplier Contracts

The Director of West Mercia Energy will provide a verbal update in line with the West Mercia Energy Standing Orders.

6 West Mercia Energy Statement of Accounts 2014/15 and Annual Governance Statement 2014/15 (Pages 7 - 56)

The report of the Treasurer is attached, marked 6

Contact – James Walton (01743 255001)

7 External Audit - Audit Findings Report 2014/15 (Pages 57 - 84)

Report of the External Auditor is attached, marked 7.

Contact: Andrew Davies (0121 212 4000)

8 Internal Audit - Update Reports (Pages 85 - 108)

The reports of the Audit Services Manager are attached, marked 8

8a – 2014/15 Year End Report

8b – Procurement

8c – Finance

8d – Debtors

Contact: Ceri Pilawski (01743 252027)

9 Exclusion of Public and Press

To consider a resolution under Section 100 (A) of the Local Government Act 1972 that the proceedings in relation to the following items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the provisions of Schedule 12A of the Act.

10 Exempt Minutes (Pages 109 - 112)

To receive the Exempt Minutes of the meeting held on 16th February 2015 attached, marked 10.

Contact: Emily Marshall (01743 257717)

11 Distribution of Surplus (Pages 113 - 116)

Exempt report of the Treasurer is attached, marked 11.

Contact: James Walton (01743 255001)

12 Scheme of Delegation (Pages 117 - 124)

Exempt report of the Director of West Mercia Energy is attached, marked 12

Contact: Nigel Evans (01743 231101)

13 Flexible Energy Management Panel - Terms of Reference (Pages 125 - 126)

Exempt report of the Director of West Mercia Energy is attached, marked 13

Contact: Nigel Evans (01743 231101)

- 14 West Mercia Energy Joint Agreement** (Pages 127 - 128)
- Exempt report of the Director of West Mercia Energy is attached, marked 14.
- Contact: Nigel Evans (01743 231 101)
- 15 Supplier and Customer Contracts** (Pages 129 - 132)
- Exempt report of the Director of West Mercia Energy is attached, marked 15.
- Contact: Nigel Evans (01743 231 101)
- 16 Update on the Local Authority Audit and Accountability Act 2014** (Pages 133 - 134)
- Exempt report of the Treasurer is attached, marked 16.
- Contact: James Walton (01743 255001)
- 17 Business Plan and Trading Performance to Date 2015/16** (Pages 135 - 140)
- Exempt report of the Director of West Mercia Energy is attached, marked 17
- Contact: Nigel Evans (01743 231101)
- 18 Flexible Energy Management Panel - Minutes** (Pages 141 - 166)
- The Exempt minutes of the Flexible Energy Management Panel Meetings are attached, marked 18.
- Contact: Nigel Evans (01743 231101)
- 19 Risk Management Update** (Pages 167 - 168)
- Exempt report of the Director of West Mercia Energy is attached, marked 19.
- Contact: Nigel Evans (01743 231101)
- 20 West Mercia Energy Health and Safety Policy** (Pages 169 - 178)
- Exempt report of the Director of West Mercia Energy is attached, marked 20
- Contact: Nigel Evans ((01743 231101)

21 West Mercia Energy Staff Terms and Conditions

The Treasurer will provide a verbal update.

22 Dates of Future Meetings

To agree the dates of meetings for 2016.

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Committee and Date

West Mercia Energy Joint
Committee

28th September 2015

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 16 February 2015

In the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

10.00 - 11.24 am

Responsible Officer: Emily Marshall

Email: emily.marshall@shropshire.gov.uk Tel: 01743 257717

Present

Councillor Mike Owen (Chairman)

Councillors Phillip Price (Vice-Chairman), Steve Charmley, Arnold England, Adrian Hardman and John Smith.

1 Election of Chairman

RESOLVED:

That Councillor M. Owen (Shropshire) be elected Chairman for the ensuing year.

2 Appointment of Vice-Chairman

RESOLVED:

That Councillor P. Price (Worcestershire) be elected Vice-Chairman for the ensuing year.

3 Apologies for Absence

Apologies for absence were received from Councillor Bill McClements (Telford and Wrekin).

4 Named Substitutes

There were no substitutes in attendance.

5 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

6 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 22nd September 2014 be approved as a correct record.

7 Supplier Contracts

The Director of West Mercia Energy provided an update on supplier contracts, in line with the West Mercia Energy Standing Orders.

RESOLVED:

That the update on supplier contracts by the Director of West Mercia Energy be noted.

8 External Audit - Annual Audit Letter 2013/14

Mr A. Davies (External Auditor, Grant Thornton), presented the Annual Audit Letter 2013/14, (copy attached to the signed minutes). The key messages, as detailed within the Letter were outlined and it was noted that work had been completed in line with the Audit Plan.

The fee also remained in line with the Audit Plan.

RESOLVED:

That the West Mercia Energy Joint Committee Annual Audit Letter 2013/14 be noted.

9 External Audit - West Mercia Energy Audit Plan 2014/15

Mr A. Davies (External Auditor, Grant Thornton), presented the West Mercia Energy Audit Plan 2014/15 (copy attached to the signed minutes). It was noted that there was no change to the overall audit approach, work planning had not identified any issues that needed to be brought to the attention of the Committee and the fees were in line with the previous year.

During the ensuing discussion it was questioned whether the Audit Fee continued to represent good value for money. In response the Section 151 Officer explained that this point would be taken into consideration and it was a challenge and probity issue that needed to be maintained.

RESOLVED:

That the West Mercia Energy Joint Committee Audit Plan 2014/15 be noted.

10 External Audit - Informing the Audit Risk 2014/15

Mr A. Davies (External Auditor Grant Thornton), presented the Informing the Audit Risk 2014/15 report (copy attached to the signed minutes).

RESOLVED:

That the West Mercia Energy Joint Committee Informing the Risk Assessment Paper 2014/15 be noted.

11 Internal Audit - Finance 2014/15

The Audit Services Manager presented the internal audit report for Finance for 2014/15 (copy attached to the signed minutes). Members noted that there was only one recommendation that required attention and overall the level of assurance was good.

The Committee thanked the Director of West Mercia Energy and his team for their excellent response to the recommendations and congratulated him on the improvements that had been made over the years.

RESOLVED:

That the Internal Audit Report for Finance 2014/15 be noted.

12 Internal Audit - Debtors 2014/15

The Audit Services Manager presented the internal audit report for Debtors for the period 2014/15 (copy attached to the signed minutes). Members noted that the overall assurance level was good and the management response to the one area that required attention had also been good.

RESOLVED:

That the Internal Audit Report for Debtors 2014/15 be noted.

13 Internal Audit - Risk Management 2014/15

The Audit Services Manager presented the internal audit report for Risk Management for the period 2014/15 (copy attached to the signed minutes).

It was noted that whilst there was basically a sound systems of control in place there were weakness identified, therefore the overall assurance level was limited. The Audit Services Manager provided a brief outline of the recommendations that required attention.

RESOLVED:

That the Internal Audit Report for Risk Management 2014/15 be noted.

14 Internal Audit - Audit Plan 2015/16

The Audit Services Manager introduced the report which detailed the proposed programme of audit work for the year 2015/16 (copy attached to the signed minutes). In response to a question, the Audit Services Manager confirmed that the total of 26 days had remained static, although there could be some flexibility throughout the year.

RESOLVED:

That the proposed programme of Audits for West Mercia Energy for 2015/16 be approved.

15 Exclusion of Public and Press

RESOLVED:

That under Section 100(A)(A4) of the Local Government Act 1972, the public be excluded during the consideration of the following items of business on the grounds that they might involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act.

16 Exempt Minutes

RESOLVED: That the Exempt Minutes of the meeting held on 22nd September 2014 be approved as a correct record.

17 Trading Performance to Date 2014/15

The Director of West Mercia Energy presented an exempt report, copy attached to the signed exempt minutes, which detailed the trading performance to date for 2014/14 together with the current predicted final result for the year.

RESOLVED:

That the recommendation contained within the exempt report by the Director be approved.

18 Business Plan and Budget

The Director of West Mercia Energy presented an exempt report by the Chief Executives, copy attached to the signed exempt minutes, which presented to Members the Business Plan and Budget for the financial year 1 April 2015 to 31 March 2016.

RESOLVED:

That the recommendation contained within the exempt report by the Chief Executives be approved.

19 Minutes of the Flexible Energy Management Panel

The Director of West Mercia Energy presented the exempt report, copy attached to the signed exempt minutes, which presented the minutes of the Flexible Energy Management Panel meetings held on 27th August 2014 and 26th November 2014.

RESOLVED:

That the exempt minutes of the Flexible Energy Management Panel be received.

20 Risk Management

The Director presented an exempt report, copy attached to the signed exempt minutes, which presented to Members the updated West Mercia Energy Risk Management Strategy together with the supporting Risk Register.

RESOLVED:

That the recommendation contained within the exempt report by the Director be approved.

21 Joint Agreement

The Director of West Mercia Energy provided an update on the Joint Agreement.

RESOLVED:

That the update on the Joint Agreement be noted.

22 Date of Next Meeting

It was noted that the next meeting of the West Mercia Energy Joint Committee would be held on Monday 28th September at 10.00 a.m., in the Shrewsbury Room, Shirehall, Shrewsbury.

(The full version of Minutes 17 to 21 constitutes exempt information under Category 3 of Paragraph 10.4 of Shropshire Council's Access to Information Rules and have accordingly been withheld from publication.)

Signed (Chairman)

Date:

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Statement of Accounts 2014/15 and Annual Governance Statement 2014/15

Report of the Treasurer

West Mercia Energy Joint Committee

28 September 2015

Purpose

- 1 i) To note the Letter of Representation to be signed by the Chairman and submitted by the Treasurer.
- ii) To consider and approve the finalised Statement of Accounts 2014/15 to be signed by the Chairman and the Treasurer.
- iii) To consider and approve the Annual Governance Statement 2014/15.

Background

- 2 The Letter of Representation, Statement of Accounts and the Annual Governance Statement for 2014/15 relates to the West Mercia Energy Joint Committee.

Letter of representation

- 3 The Joint Committee note the Letter of Representation. See Appendix 1.

Statement of Accounts

- 4 The Joint Committee is asked to consider and approve the updated Statement of Accounts for 2014/15. The statement has been amended since June 2015, for adjustments made as a result of consultation with the External Auditor. See Appendix 2

Annual Governance Statement

- 5 The Joint Committee is asked to consider and approve the Annual Governance Statement 2014/15. See Appendix 3.

Publication of Accounts

- 6 The annual Statement of Accounts 2014/15 will be published on the WME website, shortly after, a public notice of the closure of the accounts will be placed and copies of the accounts deposited with each of the Member Authorities.

Recommendation

- 7 **The Joint Committee is recommended to:**
- a) **Note the Treasurer's Letter of Representation to be signed by the Chairman.**
 - b) **Consider and approve the 2014/15 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2011).**
 - c) **Consider and approve the Annual Governance Statement 2014/15.**

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

28 September 2015

Dear Sirs

West Mercia Energy
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of West Mercia Energy Joint Committee for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Joint Committee and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Joint Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Joint Committee has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Joint Committee's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Joint Committee's needs. We believe that no further disclosures relating to the Joint Committee's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Joint Committee from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Joint Committee involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Joint Committee's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Joint Committee's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Joint Committee's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Joint Committee at its meeting on 28 September 2015.

Signed on behalf of the Joint Committee

.....
James Walton

Section 151 Officer

Shropshire Council

28 September 2015

.....
Cllr Mike Owen

Chair of the Joint Committee

28 September 2015

WEST MERCIA ENERGY JOINT COMMITTEE
STATEMENT OF ACCOUNTS FOR THE YEAR
ENDING 31ST MARCH 2015

WEST MERCIA ENERGY JOINT COMMITTEE

CONTENTS

	Page Number
Foreword and Financial Summary for the Year 2014/15	2
 Introductory Statements:	
Statement of Responsibilities and Joint Committee Approval	5
 Core Financial Statements and Explanatory Notes:	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
 Auditors Report	

WEST MERCIA ENERGY JOINT COMMITTEE

FOREWORD AND FINANCIAL SUMMARY **FOR THE YEAR 2014/15**

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2014 to 31 March 2015 and shows the organisation's financial position at the year end together with the trading income and expenditure figures that have been produced throughout the period.

West Mercia Energy Joint Committee is a purchasing consortium established as a Joint Committee under s.101 of the Local Government Act 1972 and comprises of four Member Authorities:

- Herefordshire Council
- Shropshire Council
- Telford & Wrekin Council
- Worcestershire County Council

Each Member Authority appoints a number of their Elected Members to serve on the Joint Committee. The Joint Committee is delegated with the operation and management of the organisation and is responsible for the discharge of the functions of the Member Authorities

Following the sale of the stationery division of West Mercia Supplies Joint Committee in April 2012, the West Mercia Supplies name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities. The pension liability was retained fully following the sale of the stationery division. The liability as at 31st March 2015 was £5.361 million, an increase of £1.382 million, from £3.979 million as at 31st March 2014.

In June 2013 the Joint Agreement was updated which involved the change of name of the Joint Committee from West Mercia Supplies Joint Committee to West Mercia Energy Joint Committee, and the change of voting rights. With regards the voting rights each Member Authority now has two votes whereas up to 31st March 2013 Shropshire Council and Worcestershire County Council each had three votes with Herefordshire Council and Telford & Wrekin Council having two votes each.

Professional Advice

Certain professional services are provided for Joint Committee including:

- Financial Advice
The Member Authorities have appointed Shropshire Council as Treasurer.
- Legal Advice
The Member Authorities have appointed Shropshire Council as Secretary.

The Treasurer and the Secretary shall liaise with officers of Member Authorities so that they comply with their responsibilities under s.5 of the Local Government and Housing Act 1989 and s.151 of the Local Government Act 1972.

The Statements

The Foreword and Financial Summary

This section contains a brief review of the year and other general information about the accounts.

Statement of Responsibilities and Joint Committee Approval

This section deals with the financial responsibilities of the Joint Committee and the Treasurer to the Joint Committee and confirms the date when the Joint Committee approved the accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into usable reserves (ie those that can be used to fund expenditure) and other reserves.

Comprehensive Income and Expenditure Account

This account summarises the annual income and expenditure of the trading operations to show the organisation's net surplus for the year.

Balance Sheet

This sets out the financial position of the Joint Committee as at the year end 31 March 2015.

The Cash Flow Statement

This summarises the inflows and outflows of cash arising from the day to day transactions of the organisation.



A Financial Summary - The Year 2014/15

Total turnover during the year amounted to £70,258 million, an increase of £5.886 million over the previous year's total. The net profit realised from trading operations for the year was £1.910 million having reserved £0.039 million for profit related pay.

A General Fund balance of £2.567 million was brought forward from 2014/15. Of this, £1.824 million was distributed to Member Authorities during the financial year. After adjusting for all distributions, the year end General Fund balance at 31 March 2015 is £2.673 million.

The net liabilities of the Joint Committee stood at £2.663 million as at 31 March 2015 (£1.397 million at 31 March 2014). This position is reflective of the pension liability which was retained fully following the sale of the stationery division in 2012.

The Joint Committee's retirement benefits liability increased by £1.382 million (from £3.979 million to £5.361 million) during the financial year 2014/15.

Further Information

For further information about the Joint Committee's Statement of Accounts, please contact:

J Walton
S151 Officer
Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
Shropshire
SY2 6ND

Tel 0345 678 9000

STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Energy Joint Committee

West Mercia Energy Joint Committee 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 organisation, that officer is the Treasurer to the Joint Committee. Day to day financial management is the responsibility of the Director. The Director is also responsible for:
 - i. keeping proper accounting records, which are up to date.
 - ii. taking reasonable steps for the prevention and detection of fraud and other irregularities.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- to approve the Statement of Accounts.

Responsibilities of the Treasurer to the Joint Committee

The Treasurer to the Joint Committee, with support from the Director, is responsible for the preparation of West Mercia Energy Joint Committee Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to provide a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this Statement of Accounts the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- applied the concept of 'going concern' by assuming that Joint Committee's services will continue to operate for the foreseeable future.

The Treasurer to the Joint Committee has also to:

- ensure proper accounting records are kept, which are up to date;
- take reasonable steps for the prevention and detection of fraud and other irregularities.



APPROVAL OF THE STATEMENT OF ACCOUNTS

Treasurer to the Joint Committee

In accordance with the Accounts and Audit (England) Regulations 2011 I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the West Mercia Energy Joint Committee at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Treasurer to the Joint Committee
(James Walton)

Joint Committee Approval

In accordance with the Accounts and Audit (England) Regulations 2011 I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31 March 2015.

Chairman of the
West Mercia Energy Joint Committee
(Cllr M Owen)

Date:

MOVEMENT IN RESERVES STATEMENT

AS AT 31 MARCH 2015

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into usable reserves (i.e. those that can be used to fund expenditure) and other reserves. The gain or (loss) for the year shows the true economic cost of the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Usable Reserves		Total reserves	
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	
		Note 19	Note 20	
	£000	£000	£000	£000
Balance at 31 March 2014	2,567	-3,979	15	-1,397
Net gain for the year	86	-	-	86
Other comprehensive income & expenditure	-1,352	-	-	-1,352
Total comprehensive income & expenditure	-1,266	-	-	-1,266
Transfer to/from Earmarked Reserves	1,372	-1,382	10	-
Increase/(decrease) in year	106	-1,382	10	-1,266
Balance at 31 March 2015	2,673	-5,361	25	-2,663

Earmarked Pensions Reserve

The Earmarked Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

Joint Committee Capital Adjustment Account

The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if in accordance with statutory provisions.



MOVEMENT IN RESERVES STATEMENT (CONTINUED)

AS AT 31 MARCH 2014

	Usable Reserves			Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	
		Note 19	Note 20	
	£000	£000	£000	£000
Balance at 31 March 2013	2,222	-4,611	21	-2,368
Net gain for the year	276	-	-	276
Other comprehensive income & expenditure	695	-	-	695
Total comprehensive income & expenditure	971	-	-	971
Transfer to/from Earmarked Reserves	-626	632	-6	-
Increase/(decrease) in year	345	632	-6	971
Balance at 31 March 2014	2,567	-3,979	15	-1,397



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

This Statement shows the accounting income and cost in the year of providing services in accordance with generally accepted accounting practice.

	Notes	2014-2015 £000	2013-2014 £000
INCOME			
Turnover	5	-70,258	-64,372
Less cost of goods sold		68,349	62,515
Gross profit		-1,909	-1,857
Other trading operation income		-748	-665
Gross Profit		-2,657	-2,522
OPERATING EXPENSES			
Employees	8	589	598
Pension impact (IAS19)	17	-144	-125
Premises		26	23
Supplies & services		54	51
Central departmental & technical support	9,10	71	76
Provision for bad debts		-6	-4
Depreciation		13	11
Total Operating Expenses		603	630
SURPLUS OF SERVICES		-2,054	-1,892
Financing and investment income and expenditure	7	144	164
NET OPERATING SURPLUS		-1,910	-1,728
Distribution to Member Authorities		1,824	1,452
NET GAIN FOR THE YEAR		-86	-276
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	17	1,352	-695
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		1,266	-971



BALANCE SHEET

AS AT 31 MARCH 2015

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

31 March 2014 £000		31 March 2015 £000	Notes
15	Plant & equipment	25	11
<u>15</u>	Long term assets	<u>25</u>	
9,388	Short term debtors	10,714	14
4,977	Cash and cash equivalents	5,584	15
<u>14,365</u>	Current assets	<u>16,298</u>	
-11,798	Short term creditors	-13,625	16
<u>-11,798</u>	Current liabilities	<u>-13,625</u>	
<u>2,567</u>	Net current assets	<u>2,673</u>	
-3,979	Other long term liabilities	-5,361	17
<u>-3,979</u>	Long term liabilities	<u>-5,361</u>	
<u>-1,397</u>	Net liabilities	<u>-2,663</u>	
	<u>Financed by:</u>		
-1,397	Usable Reserves	-2,663	18
<u>-1,397</u>	Total reserves	<u>-2,663</u>	



CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Joint Committee.

2013-2014	2014-2015	
£000	£000	£000 Notes
Operating activities		
<u>Cash outflows</u>		
595 Cash paid to and on behalf of employees	586	
146 Other operating costs	145	
64,373 Cost of goods sold	66,525	
65,114		67,256
<u>Cash inflows</u>		
-66,306 Turnover	-68,932	
-665 Other trading operation income	-748	
-66,971		-69,680
 -1,857 Net cash inflow from operating activities		-2,424 21.1
 -19 Investing activities		-7 21.2
 1,452 Financing activities		1,824 21.3
 -424 Net increase in cash and cash equivalents		-607 21.4
 4,553 Cash and cash equivalents at 1st April		4,977
 4,977 Cash and cash equivalents at 31st March		5,584 21.4

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2014/15 summarises the Joint Committee's transactions for the 2014/15 financial year and its position at 31 March 2015. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to the Joint Committee, supported by International Financial Reporting Standards (IFRS). The nature of the Joint Committee as a purchasing consortium means that full compliance is not always possible for example the Comprehensive Income and Expenditure Account layout shows the income first and then all the expenditure grouped by type of expense. This differs from Local Authority Accounting, but this layout does allow a reader to interpret the statement in relation to the industry the Joint Committee operates in. The Joint Committee is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011.

1.2 Concepts

The Statement of Accounts have been prepared in accordance with all prevailing concepts of accrual and going concern together with relevance, reliability and comparability. The going concern concept assumes that the organisation will continue in operational existence for the foreseeable future. The management of WME are of this view as the Joint Agreement is in place to 31st March 2020 and both supplier and customer contracts are in place beyond 31st March 2016.

1.3 Legislation

Where specific legislative requirements regarding accounting treatment conflict with the Joint Committee's own accounting policies, legislative requirements shall apply.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information about the effect of transactions, other events and conditions on the Organisations' financial position or financial performance.



Where a change is made it is made retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

1.5 Accruals of Expenditure and Income

Revenue and capital transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

Sums owed to the Joint Committee as at 31 March are included as debtors. Sums still owed by the Joint Committee at 31 March are included as creditors.

1.6 Plant and Equipment

Under s102 of the local Government Act 1972, a Joint Committee does not have sufficient corporate status to acquire assets. However, given that the Joint Committee both accrues the economic benefits from and assumes liabilities for its Building assets, the "substance over form" policy justifies the inclusion of the assets in the Organisation's accounts.

Plant and equipment are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, or for administrative purposes, and are expected to be used during more than one period.

Recognition

The cost of an item of plant and equipment is recognised (and hence capitalised) as an asset on the Balance Sheet if:

- it is probable that the future economic benefits or service potential associated with the item will flow to the organisation;
- the cost of the item can be measured reliably; and
- has a value in excess of £500.

Costs that meet the recognition principle include initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (ie labour costs and consumables), commonly referred to as 'repairs and maintenance', are not capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and is charged to revenue, when it is incurred.

Initial Measurement

Expenditure on the acquisition, creation and enhancement of plant and equipment, with a value in excess of £500, that qualifies for recognition is capitalised on an accruals basis in the accounts. To be capitalised, the expenditure must be for assets yielding benefits to the Joint Committee for a period of greater than one year.



Measurement After Recognition

Plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Plant and equipment are classified into the groupings required by the Local Authority Code and are included in the Balance Sheet net of depreciation.

Derecognition

The carrying amount of an item of plant and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an asset shall be the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised.

If the asset derecognised was carried at a revalued amount an additional entry is required; the balance of the Revaluation Reserve in respect of asset derecognised is written off to the Joint Committee Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation

Depreciation is provided on tangible fixed assets calculated by using the straight-line method where appropriate.

Depreciation and amortisation are charged over the finite useful life of each asset, based on their value, these lives, and methods of valuation, being as follows:

Asset and Method of Valuation	Depreciation/Amortisation Period
Computer Equipment (Historical Cost)	3 years
Office Equipment (Historical Cost)	3 years
Fixtures & Fittings (Historical Cost)	3 years

Where the carrying amount of an item of plant and equipment is decreased as a result of a revaluation, ie a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment), the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its historical cost) and thereafter charged to the Net Surplus or Deficit for the Year.

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset as a whole and they have substantially different economic lives, they should be recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010.

Impairment

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- a significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the organisation to undertake a significant reorganisation; or
- a significant adverse change in the statutory or other regulatory environment in which the organisation operates.

An impairment loss on a revalued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter charged to the Net Surplus or Deficit for the Year.

1.7 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. The Joint Committee holds no cash equivalents.

1.8 Debtors and Creditors

The revenue accounts of the Joint Committee are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Joint Committee during the year are included whether or not the cash has actually been received or paid in the year.

1.9 Reserves

General Fund Balance

The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for the Joint Committee carried forward to 2015/16.

Earmarked Pensions Reserve

The Earmarked Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

Joint Committee Capital Adjustment Account

This represents the difference between the costs of fixed assets consumed and the financing set aside to pay for them.



1.10 Employee Benefits

The accounting policy relating to the treatment of benefits payable during employment and post-employment benefits is consistent with IAS 19 Employee Benefits.

Benefits Payable During Employment

Where the accumulating short-term absences (eg annual leave and flexi time earned by employees but not taken at 31 March) are not material, these are not accrued for in the accounts.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme.

The liabilities of the Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the project unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected warnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (based on the indicative rate of return on high quality corporate bonds of appropriate duration).

The assets of Shropshire County Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service expenditure
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability (asset), ie net interest expense for West Mercia Energy Joint Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the

beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, the General Fund Balance is to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Interest

Interest receivable from investments is recognised in the financial statements during the period in which it became due to the Joint Committee.

Interest payable to Member Authorities is recognised in the financial statements during the period in which it became due by Joint Committee.

1.12 Foreign Currency

Foreign currency transactions are converted to sterling at the exchange rate applicable on the date of the transaction. There were no foreign currency transactions during the year.

1.13 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

There were no such events after the Balance Sheet date which need to be considered.

1.14 Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation. When payments are made they are charged to the provision carried in the Balance Sheet.

The bad debt provision is made up of a general provision for all debts over 12 months old plus any specific debts which are less than 12 months old.

1.15 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.16 Distribution of Surplus to Member Authorities

The Joint Agreement requires the Joint Committee to determine the level of accumulated surplus that shall be retained for various reserve purposes. In practice the Joint Committee typically takes its decision in October. The decision is taken in the light of known accumulated surplus, a view at that point of the amount to be retained for contingency, future investment or other reserve purposes, including a consideration of performance, risks and development proposals at that time. The distribution made to Member Authorities is then charged to the Comprehensive Income and Expenditure Statement in the year that it is agreed by the Joint Committee.

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:



IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Joint Committee has had to consider certain judgements about complex transactions or those involving uncertainty about future events.

There are no critical judgements made in the Statement of Accounts.



4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Joint Committee. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the Joint Committee's Balance Sheet at 31 March 2015 for which there is a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £263,000. However the assumptions interact in complex ways. During 2014/15 the actuaries advised that the net pensions liability had increased by £1,382,000.

5. Turnover

Turnover is the VAT exclusive total of invoiced sales for energy.



6. Segment Information

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is in accordance with the IAS1 and not that specified by the Service Reporting Code of Practice as this aids the readers understanding. Further analysis of the components within the Comprehensive Income and Expenditure Statement is as follows;

	Gas		Electricity		Oil		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Sales	-17,089	-18,094	-51,800	-44,297	-768	-1,539	-69,657	-63,930
Other income							-601	-442
Total Turnover							-70,258	-64,372
Gross Profit	-385	-504	-908	-884	-15	-27	-1,308	-1,415
Other income							-601	-442
Total Gross Profit							-1,909	-1,857
Other trading operating income							-748	-665
Employee costs							589	598
Pensions impact							30	63
Depreciation							13	11
Impairment							-	-
Other expenses							74	70
Central expenses							71	76
Interest revenue							-30	-24
Net operating surplus							-1,910	-1,728
Distribution of surplus to Member Authorities							1,824	1,452
Net gain for the year							-86	-276

7. Financing and Investment Income and Expenditure

Interest and Investment Income

The Joint Committee's daily bank balances are invested with Shropshire Council balances. Interest is debited or credited to the Joint Committee on the basis of the level of daily bank balances invested.

	2014/15	2013/14
	£000	£000
Pensions interest cost and expected return on pensions	174	188
Interest receivable and similar income	-30	-24
Total	144	164

8. Staff Remuneration

In 2014/15 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2014/15	2013/14
£ 65,000 to £ 69,999	1	1

Remuneration for these purposes includes all sums paid to an employee by way of salary, expenses, profit related pay and the money value of any other benefits received other than cash.

There are no staff members receiving remuneration between £50,000 and £64,999 so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2014/15

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
Director	61,104	6,893	5,884	73,881
	61,104	6,893	5,884	73,881

2013/14

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
Director	60,493	7,487	8,089	76,069
	60,493	7,487	8,089	76,069

There are no compulsory redundancies or staff members receiving exit packages in 2013/14 or 2014/15.

9. Audit Costs

During 2014/15 the Joint Committee incurred the following fees in respect of external audit and statutory inspection.

	2014/15 £000	2013/14 £000
Fees payable to External Auditors with regard to external audit services	17	16

10. Related Party Transactions

The Joint Committee is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Organisation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Organisation.

Members and Officers

Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Organisation's management team. All members and senior officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed.

The Joint Committee Members are also members of other local organisations (for example county councils). No other personal or prejudicial interest in the material transactions of the Joint Committee has been disclosed by any of the Joint Committee Members or by any of the senior management. The Joint Committee is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by the Joint Committee. For clarity, the turnover with each Member Authority was:

	2014/15 £000	2013/14 £000
Herefordshire Council	2,019	2,105
Shropshire Council	4,215	4,751
Telford & Wrekin Council	4,283	4,019
Worcestershire County Council	6,019	6,548

Included within Central Departmental Costs are the following amounts for services provided by Shropshire Council during the year:

	2014/15 £000	2013/14 £000
Human Resources Support Services	2	7
Payroll Services	2	2
Treasury Services	4	4
Committee Services	6	8
Financial Advice	12	12
Internal Audit	12	14
Legal Services	9	5
Procurement	6	6

11. Plant & Equipment

	Plant & Equipment 2014/15	Plant & Equipment 2013/14
	£000	£000
Cost / Valuation		
As at 1 April	37	32
Additions	23	5
As at 31 March	60	37
Accumulated Depreciation		
As at 1 April	22	11
Charge	13	11
As at 31 March	35	22
Net Book Value		
As at 31 March 2015	25	15
As at 31 March 2014	15	21

All plant and equipment are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition.

12. Contractual Commitments

During the year West Mercia Energy entered into a lease agreement on new premises, at a value not material to the accounts.

There were no capital commitments for the year ended 31st March 2014.



13. Financial Instruments

Categories of Financial Instruments

The Joint Committee has the following categories of financial instruments carried in the Balance Sheet. These categories are all classified as having insignificant risk.

	Long term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Debtors:				
Financial assets carried at contract amounts	-	-	10,714	9,388
Total included in Debtors	-	-	10,714	9,388
Creditors:				
Financial liabilities carried at contract amount	-	-	13,522	11,675
Total included in Creditors	-	-	13,522	11,675

Income, Expense, Gains and Losses

	2014/15					2013/14				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Interest income	-	30	-	-	30	-	24	-	-	24
Total income in Surplus or Deficit on the Provision of Services	-	30	-	-	30	-	24	-	-	24
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	30	-	-	30	-	24	-	-	24



Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- The fair value of Creditors is taken to be the invoiced or billed amount.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The organisation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Joint Committee.
- Liquidity risk – the possibility that the Joint Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial losses might arise from changes in such measures as interest rates.

Credit Risk

Credit risks arise from deposits with banks and from credit exposures to the organisation's customers. Deposits are made managed by Shropshire Council and are made with banks which satisfy criteria as outlined in Shropshire Council's creditworthiness policy.

Customer debt is managed in accordance with the Joint Committee Credit Management Policy. The level of debt written off each financial year is negligible with the net position of write offs over the last three financial years being less 0.01% of turnover.

Liquidity Risk

In order to support seasonal trade variations, the Joint Committee has a treasury arrangement with Shropshire Council that provides ready access to liquid funds for short-term borrowing at market interest rates.

Market Risk

The Joint Committee is exposed to interest rate risk in terms of its exposure to rate movements on its bank deposits and short-term borrowings. The impact on the Income and Expenditure Account for rate changes on interest receivable and payable on such transactions is nominal in relation to the Joint Committee's turnover.



14. Short Term Debtors

	31 March 2015 £000	31 March 2014 £000
Member Authorities	2,574	2,126
Other Local Authorities	7,751	6,917
Bodies external to general government	389	345
	10,714	9,388

The amounts due from "Member Authorities" referred to in the above table also include the amounts due from related parties, as follows:

	31 March 2015 £000	31 March 2014 £000
Herefordshire Council	367	276
Shropshire Council	644	578
Telford & Wrekin Council	707	566
Worcestershire County Council	856	706
	2,574	2,126

15. Cash and Cash Equivalents

	Opening Balance 1 st April 2014 £000	Movement During the Year £000	Closing Balance 31 st March 2015 £000
Bank current accounts	4,977	607	5,584

16. Short Term Creditors

	31 March 2015 £000	31 March 2014 £000
Member Authorities	512	193
Other Local Authorities	2,520	2,233
Bodies external to general government	10,593	9,372
	13,625	11,798



17. IAS 19 Employee Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Joint Committee has an obligation to make contributions where assets are insufficient to meet employee benefits. The Joint Committee and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. The Joint Committee recognises the cost of retirement benefits in the cost of employees when they are earned rather than when the benefits are paid as pensions.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2014/15.

	2014/15 £000	2013/14 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	46	63
• Administration Expenses	2	2
• Employers Contributions	-192	-190
Pension Impact (IAS19)	-144	-125
Financing and Investment Income and Expenditure:		
• Net Interest Cost	174	188
Total Post-employment benefits contained within Net Operating Surplus	30	63
Other Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets (excluding the amount included in the net interest expense)	-571	-598
Actuarial losses arising on changes in demographic assumptions	-	270
Actuarial (gains) and losses arising on changes in Financial assumptions	1,923	-705
Experience loss	-	338
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	1,352	-695
Net charge to Comprehensive Income & Expenditure Account	1,382	-632



2014/15 £000	2013/14 £000
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Movement in Reserves Statement:

Reversal of net charges made for retirement benefits in accordance with IAS19	-222	-253
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	192	190
Remeasurement of the net defined liabilities	-1,352	695
Movement on Pension's Reserve	-1,382	632

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Joint Committee's obligation in respect of its' defined benefit plans is as follows;

	2014/15 £000	2013/14 £000
Present Value of the defined benefit obligation	13,933	12,292
Fair Value of plan assets	-8,572	-8,313
Net liability arising from defined benefit obligation	5,361	3,979

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	-8,313	-7,449
Interest income	-359	-312
Remeasurement gain		
The return on Plan assets	-571	-598
Employer contributions	-192	-190
Contributions by scheme participants	-24	-20
Benefits paid	885	254
Administration Expenses	2	2
At 31 March	-8,572	-8,313

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded	Liabilities
	2014/15	2013/14
	£000	£000
At 1 April	12,292	12,060
Current Service Cost	46	63
Interest cost	533	500
Contributions by scheme participants	24	20
Remeasurement (gains) and losses		
• Actuarial losses arising from changes in demographic assumptions	-	270
• Actuarial (gains)/losses arising from changes in financial assumptions	1,923	-705
• Experience losses	-	338
Benefits paid	-885	-254
At 31 March	13,933	12,292



Pension Scheme Assets

	Fair value of Scheme Assets	
	2014/15	2013/14
	£000	£000
Cash & Cash Equivalents		
• Cash Instrument	-	-1
• Cash Accounts	<u>267</u>	<u>204</u>
Cash Total	267	203
Equity Instruments		
• UK Quoted	706	682
• Global quoted	<u>3,753</u>	<u>3,859</u>
Equity Instruments Total	4,459	4,541
Bonds		
• UK Government fixed	-	7
• UK Government indexed	951	826
• Overseas Government Fixed	-	1,161
• Pimco (Global Investment grade Credit)	627	
• Pimco (Global Absolute return bond fund)	<u>609</u>	<u> </u>
Bonds Total	2,187	1,994
Property		
• Property Funds	<u>351</u>	<u>330</u>
Property Total	351	330
Private Equity	<u>357</u>	<u>350</u>
Private Equity Total	357	350
Other Investment Funds		
• Infrastructure	55	66
• Hedge Funds	<u>896</u>	<u>829</u>
Other Total	951	895
Total assets	8,572	8,313

All scheme assets have quoted prices in active markets



Basis for Estimating Assets and Liabilities

The liabilities of the scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions including mortality rates and salary levels.

The Pension Fund liabilities have been assessed by Mercer Human Resource Consulting Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

	2014/15	2013/14
Long term expected rate of return on assets:		
Equity Investments	6.5%	7.0%
Government Bonds	2.2%	3.4%
Other Bonds	2.9%	4.3%
Property	5.9%	6.2%
Cash/Liquidity	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23.9	23.8
Women	26.3	26.1
Longevity at 65 for future pensioners (years):		
Men	26.1	26.0
Women	29.1	29.0
Rate of CPI Inflation	2.0%	2.4%
Rate of Increase in Salaries	3.5%**	3.9%**
Rate of Increase in Pensions	2.0%	2.4%
Rate for Discounting Scheme Liabilities	3.3%	4.5%

**An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.



The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme*

	Increase in Assumption £000	Decrease in assumption £000
Longevity (increase or decrease in 1 year)	14,196	13,670
Rate of inflation (increase or decrease by 0.1%)	14,194	13,672
Rate of increase in salaries (increase or decrease by 0.1%)	13,941	13,925
Rate of increase in pensions (increase or decrease by 0.1%)	14,194	13,672
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	13,677	14,189

*The current Defined Benefit Obligation as at 31st March 2015 is £13.933 million

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Impact on the Joint Committee's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Joint Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipates to pay £196,000 expected contributions to the scheme in 2015/2016.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2014/15 (19 years 2013/2014).



18. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 1 st April 2014 £000	Contributions		Closing Balance 31 st March 2015 £000
		To £000	From £000	
General Fund	2,567	1,468	-1,362	2,673
Earmarked Pensions reserve	-3,979	192	-1,574	-5,361
Joint Committee capital adjustment account	15	23	-13	25
Total usable reserves	-1,397	1,683	-2,949	-2,663

Comparative Analysis in 2013/14

	Opening Balance 1 st April 2013 £000	Contributions		Closing Balance 31 st March 2014 £000
		To £000	From £000	
General Fund	2,222	971	-626	2,567
Earmarked Pensions reserve	-4,611	885	-253	-3,979
Joint Committee capital adjustment account	21	5	-11	15
Total usable reserves	-2,368	1,861	-890	-1,397

19. Earmarked Pensions Reserve

The Earmarked Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or pays any pension for which it is directly responsible. The balance on the Earmarked Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.



	2014/15	2013/14
	£000	£000
Opening Balance at 1 April	-3,979	-4,611
Remeasurement (Liabilities & Assets)	-1,352	695
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-222	-253
Employer's pensions contributions & direct payments to pensioners payable in the year	192	190
Closing Balance at 31 March	-5,361	-3,979

20. Joint Committee Capital Adjustment Account

The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

	31 March	31 March
	2015	2014
	£000	£000
Opening balance at 1 April	15	21
Fixed assets purchased from revenue resources	23	5
Depreciation of fixed assets	-13	-11
Closing Balance at 31 March	25	15



21. Note to the Cashflow Statement

21.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2013-2014

2014-2015

£000	£000
1,728 Net Operating Surplus on Comprehensive I&E Account	1,910
Adjust net surplus on the provision of services for non cash movements	
11 Depreciation	13
Impairment	
Expenses relating to sale	
IAS 19 Movements on Earmarked Pension	
63 Reserve	30
- Increase in inventories	-
1,934 (Increase) / decrease in debtors	-1,326
-1,855 Increase / (decrease) in creditors	1,827
Adjust for items included in the net surplus on the provision of services	
-24 Interest and investment income	-30
1,857 Net cash inflow from operating activities	2,424



21.2 Cash Flow Statement – Investing Activities

	31 March 2015 £000	31 March 2014 £000
Interest and investment income	-30	-24
Purchase of plant and equipment	<u>23</u>	<u>5</u>
TOTAL	<u>-7</u>	<u>-19</u>

21.3 Cash Flow Statement – Financing Activities

	31 March 2015 £000	31 March 2014 £000
Distribution to Member Authorities	<u>1,824</u>	<u>1,452</u>
TOTAL	<u>1,824</u>	<u>1,452</u>

21.4 Movement in Cash and Cash Equivalents

	Balance 31/03/14 £000	Balance 31/03/15 £000	Movement In Year £000
Cash in hand	4,977	5,584	607

22. Purchase of Non-current Assets

Non-current assets to the value of £23,000 relating to computer equipment and fit out costs for the new premises were financed from the General Fund Balance in 2014/15 (£5,000 2013/14).

As the purchase of assets is a charge to the General Fund Balance, the expenditure did not constitute a cash outflow from the Income and Expenditure Account.

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WEST MERCIA ENERGY JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2014/15

Scope of Responsibility

West Mercia Energy Joint Committee (Joint Committee) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

In discharging this overall responsibility, the Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

The Joint Committee has an interlocking set of documents, protocols and procedures that provide assurance in corporate governance matters which are consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2007), CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework (December 2012) and CIPFA The Role of the Chief Financial Officer in Local Government (2010) and meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture values, by which the Joint Committee is directed and controlled and reviews how its activities contribute to the strategic objectives of the Owing Authorities. It enables the Joint Committee to monitor the achievement of its own strategic objectives and to consider whether those objectives have led to the delivery of the intended outcomes as set out in the Business Plan.

The system of internal control is designed to manage risk to a reasonable level and is not intended to eliminate all risk of failure to achieve policies, aims and objectives completely. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify and prioritise the risks to the achievement of the Joint Committee policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

It is kept under continual review and changes are made to accommodate a changing risk profile when and where necessary. The Joint Committee seeks to maintain sound systems to protect against risks and mitigate their impact upon the organisation. The systems are constantly being reviewed and updated. Risks in this policy relate to the



whole organisation and not just trading risks which inevitably form the largest sector of risk.

The Governance Framework

The business is operated under the authority of a Joint Committee formed under the Local Government Act 1972, the Member Authorities being Shropshire Council, Herefordshire Council, Worcestershire County Council and Telford & Wrekin Council. A Joint Agreement between those Member Authorities determines the governance arrangements.

The Joint Committee is the elected Member body responsible for the discharge of the functions of the Member Authorities. The Joint Agreement determines a number of strategic policies that shall be maintained and provides Financial Regulations for the business. It operates under a system of Standing Orders, an annual business plan (including budget) and strategic policies. Many of the strategic policies are modelled on those adopted by Shropshire Council. All delegation and authority levels relating to the business are outlined in the West Mercia Energy Scheme of Delegation.

Shropshire Council acts as the Lead Authority and employs staff and holds property employed on behalf of the Member Authorities. A Secretary and a Treasurer to the Joint Committee are appointed from the Officers of the Member Authorities. A Director, appointed by the Joint Committee, operates and manages the business on a day to day basis.

From June 2013 in order to reflect the size of the organisation and simplify the governance arrangements appropriate to risk, the duties of the Audit Committee transferred to the Joint Committee. These duties include review of the financial and performance reporting of the organisation, the adequacy of the internal control, governance and risk management framework and considering any issues arising from the auditing of the organisation either by Internal or External Audit.

Objectives, targets and performance measures are set in an Annual Business Plan which reflects the outcome of external and customer consultation, analysis of current and future needs and consideration of current performance.

Members, officers and staff behaviours are governed by Codes of Conduct, which include a requirement for declarations of interest to be completed by Members and Managers annually. Registers of interests of Members are maintained by their own councils.

Key decisions are made by the Joint Committee based on written reports which may include assessments of legal and financial implications, consideration of risks and how these will be managed. Other day to day decisions are made by Managers, which were referred to the Director as appropriate.

Risk Management procedures are formalised within the Risk Management Strategy, which is reviewed on an annual basis. The Business Continuity Plan is reviewed on an annual basis.

Review of Effectiveness

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the organisation who have responsibility for the development and maintenance of the internal control environment.

Internal Audit

2014/15 Audit programme

Eight audits were performed during the year. Four audits were issued with good assurance, three with reasonable assurance and one with limited assurance in respect of Risk Management. There were a total of 22 recommendations from these eight audits. The significant issues in respect of the Risk Management Audit have been reviewed by management in the financial year and an updated Risk Management Policy was agreed by the Joint Committee in February 2015. Overall there were no fundamental recommendations from any of the audits conducted in 2014/15. The 2013/14 audit programme highlighted some significant areas within the general IT controls but from the work conducted in 2014/15 the assurance level has moved from unsatisfactory to reasonable.

On the basis of the work undertaken and management responses received, in the opinion of the Audit Service manager, the organisation's financial systems, internal control environment and risk management procedures are sound and working effectively. Furthermore the Audit Service Manager is able to deliver a positive year end opinion on the Joint Committee's internal control environment for 2014/15.

Significant Governance Issues

As detailed above, the review process has highlighted some areas in respect of Risk Management where management must prioritise the implementation of the updated Risk Management Policy agreed by the Joint Committee in February 2015.

Certification

To the best of our knowledge, the governance arrangements as defined above have been operating effectively during the year. Steps will be taken over the coming year to resolve the governance arrangements as highlighted above. Any improvements implemented shall be monitored as part of the next annual review.

Treasurer:
(James Walton)



Chairman of the
West Mercia Energy Joint Committee:
(Cllr M Owen)

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The Audit Findings for West Mercia Energy Joint Committee

Year ended 31 March 2015

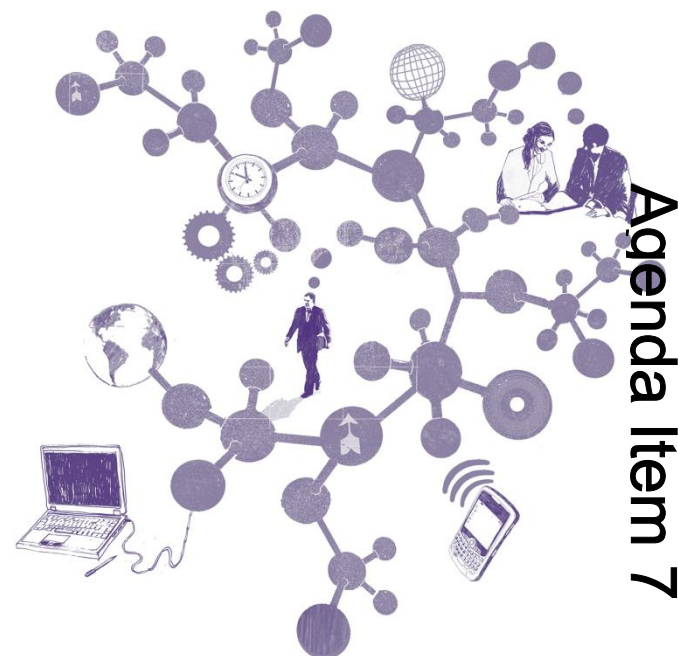
28 September 2015

Page 57

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Agenda Item 7

West Mercia Energy Joint Committee
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

28 September 2015

Dear Members of the Joint Committee

Audit Findings for West Mercia Energy Joint Committee for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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.

Yours sincerely

Jon Roberts

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Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	18
4. Fees, non-audit services and independence	20
5. Communication of audit matters	22
Appendices	
A Action plan	25
B Audit opinion	26

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Mercia Energy Joint Committee (Joint Committee) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Joint Committees financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 16 February 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of assurances from the appointed auditor of the Shropshire County Pension Fund
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. The working papers supporting key figures in the financial statements were provided before the audit commenced. This allowed for samples to be selected in advance ensuring the audit ran smoothly.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We have identified no adjustments affecting the Joint Committees reported financial position. The draft financial statements for the year ended 31 March 2015 recorded a net gain of £86k; the audited financial statements continue to show a net gain of £86k. We have identified a number of adjustments to improve the presentation of the financial statements.

There are no significant issues arising from our audit of the Joint Committee's financial statements.

Further details are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Joint Committee arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Controls

Roles and responsibilities

The Joint Committee's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Joint Committee.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Our audit work found very few issues and therefore no specific recommendations have been made.

As reported in our audit plan dated 16 February 2015 the Local Audit and Accountability Act 2014 no longer includes provision for Joint Committees in the schedule of bodies requiring a statutory audit under the Act.

West Mercia Energy is a £70 m business that generates a distribution for each of the members. Going forward the Joint Committee will need to consider the assurance it requires on the financial statements.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. The quality of working papers and timeliness of responses contributed heavily towards a smooth running audit.

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Joint Committee on 16 February 2015 . We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 16 February 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none">• review and testing of revenue recognition policies.• testing of material revenue streams.• review of unusual significant transactions.	Our audit work has not identified any issues in respect of revenue recognition.
2.	Management override of controls Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none">• review of accounting estimates, judgements and decisions made by management.• Updating of our understanding of the journals control environment and testing of journal entries.• review of unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Turnover – Utility Revenue <div>Page 66</div>	Existence/Occurrence Contract accounting not consistent with terms.	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for Turnover – Utility Revenue and carried out walkthrough tests to confirm operation of these controls. We carried out testis of detail on utility revenue disclosed in the financial statements, including testing a sample of utility revenue transactions. 	Our audit work has not identified any significant issues in relation to the risk identified.
Cost of Goods Sold – Utility Expenditure	Valuation – Gross. Costs not accounted for property.	<ul style="list-style-type: none"> We have documented the process and controls in place around the accounting for Cost of Goods Sold – Utility Expenditure and carried out walkthrough tests to confirm operation of these controls. We carried out tests of detail on utility expenditure disclosed in the financial statements, including testing a sample of utility expenditure transactions. 	Our audit work has not identified any significant issues in relation to the risk identified.
Cost of Goods Sold – Utility Expenditure	Valuation – Net. Activity variation adjustments to expenditure not correct.	<ul style="list-style-type: none"> We have documented the process and controls in place around the accounting for Cost of Goods Sold – Utility Expenditure and carried out walkthrough tests to confirm operation of these controls. We carried out tests of detail on utility expenditure disclosed in the financial statements, including testing a sample of utility expenditure transactions. 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Joint Committee's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none">Revenue transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received.	<ul style="list-style-type: none">Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	<div><div></div><div>(Green)</div></div>
Estimates and judgements	<ul style="list-style-type: none">Key estimates and judgements include :<ul style="list-style-type: none">pension fund valuations and liabilities.	<ul style="list-style-type: none">Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	<div><div></div><div>(Green)</div></div>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the Joint Committee will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed managements' assessment and are satisfied with this assessment that the going concern basis is appropriate for the 2014/15 financial statements.	<div></div> (Green)
Other accounting policies	We have reviewed the Joint Committee's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	<div></div> (Green)

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none">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.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none">We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none">A standard letter of representation has been requested from the Joint Committee.
4.	Disclosures	<ul style="list-style-type: none">Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none">We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none">We obtained direct confirmation from the Royal Bank of Scotland in respect of cash balances.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Turnover (Utilities Revenue) and Cost of Goods Sold (Utilities Expenditure) as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Joint Committee.

Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There were no such misstatements that were identified during the audit.

Unadjusted misstatements

There were no unadjusted misstatements identified during the audit.

Misclassifications & disclosure changes

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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	Going Concern	The accounting policies were updated to provide a more detailed explanation of managements judgment when preparing the statements on a going concern basis.
2 Disclosure	-	Leases	In year the Joint Committee entered into a lease for the new premises in Abbey Lawn. Whilst the value of the lease was trivial over the three years until the break clause, disclosure has been added to show that there is an obligation and that the organisation has re-located.
3 Disclosure	-	Earmarked pensions reserve	The explanation of the earmarked pensions reserves was updated to make the purpose of the reserve clearer.
4 Disclosure	-	Plant and Equipment additions	Note 22 of the statements was updated to set out what the additions in year were comprised of.
5 Disclosure	-	Miscellaneous	A number of other minor disclosure amendments have been made due to matters identified during the course of the audit . None of these are considered individually significant to warrant further disclosure.

Page 73

Section 3: Value for Money

Page 74

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Joint Committees responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion on whether the Joint Committee has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The key areas we are required to consider as specified by the Audit Commission are:

- Review of the annual governance statement for indications of any matters of concern relating to proper arrangements which are defined by the Audit Commission as corporate performance management and financial management arrangements that form a key part of the system of internal control;
- Consider the work of relevant regulatory bodies or inspectorates, where applicable. No reports from the Audit Commission or other relevant regulatory bodies or inspectorates have been issued to the Joint committee in respect of the 2014-15 year to date;
- Undertake a risk assessment and consider any significant risks relating to your proper arrangements for securing economy, efficiency and effectiveness.

We have undertaken a review of the annual governance statement and have not identified any matters of concern relating to the Joint Committee's corporate performance management arrangements.

We identified that the Joint Committee's budget was approved at its February 2015 meeting and management accounts have been provided to the Joint Committee during the year. We have not identified any matters of concern relating to the Joint Committee's financial management arrangements.

We have completed a risk assessment for our work and have not identified any risks relating to your proper arrangements for securing economy, efficiency and effectiveness.

Overall Vfm conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Joint Committee Audit	18,386	18,386
Total audit fees	18,386	18,386

Independence and ethics

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. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Joint Committee independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Joint Committee key risks when reaching our conclusions under the Code.

It is the responsibility of the Joint Committee to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Joint Committee is fulfilling these responsibilities.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Page 80

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Joint Committee should consider their assurance needs following changes set out in the Local Audit and Accountability Act 2014.	High	A paper will be presented at the Joint Committee of 28 th September recommending the continuation of an external audit by the Treasurer.	Treasurer and Sept 2015 .

Page 8
Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide the Joint Committee with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MERCIA ENERGY JOINT COMMITTEE

Opinion on the Joint Committee financial statements

We have audited the financial statements of West Mercia Energy Joint Committee for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. 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 2014/15.

This report is made solely to the members of West Mercia Joint committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee and the Joint Committee's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West Mercia Energy Joint Committee as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Joint Committee to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on Joint Committee's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of West Mercia Energy Joint Committee in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

JD Roberts
Partner

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2015



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WEST MERCIA ENERGY INTERNAL AUDIT ANNUAL REPORT 2014/15

Responsible Officer Ceri Pilawski

e-mail: ceri.pilawski@shropshire.gov.uk Telephone: 01743 257739

1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2015. It reports on progress against the annual audit plan. It also provides the Head of Audit's (Audit Service Manager's) opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal controls, as required by the Public Sector Internal Audit Standards, which in turn contributes to the review of the effectiveness of the systems of internal control as required by the Accounts and Audit Regulations 2011 4(2).

Final performance has been good with 100% of the revised plan being delivered.

Four good and three reasonable assurances were made in 2014/15, together with one limited assurance in respect of Risk Management. The significant issues in respect of the Risk Management Audit have been reviewed by management in the financial year and an updated Risk Management Policy was agreed by the Joint Committee in February 2015.

A total of 22 recommendations have been made in the eight audit reports issued in the year. No fundamental recommendations have been made during 2014/15.

On the basis of the work undertaken and management responses received; the organisation's governance, risk management and internal control processes are sound and working effectively and the Audit Service Manager is able to deliver a positive year end opinion on West Mercia Energy's internal control environment for 2014/15.

2. Recommendations

The Committee are asked to note;

- a) Performance against the Audit Plan for the year ended 31 March 2015.
- b) That the system of governance, risk management and internal control is operating effectively and can be relied upon when considering the Annual Governance Statement for 2014/15.
- c) The Audit Service Manager's positive year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2014/15 on the basis of the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the organisation's financial, governance and risk management systems and procedures and is closely aligned to the West Mercia Energy risk register. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the organisation.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2014/15 and seeks to:

- Provide an opinion on the adequacy of the risk management, control and governance arrangements;
 - Inform the annual review of the effectiveness of its system of internal control that informs the Annual Governance Statement by commenting on the nature and extent of significant risks; and
 - Inform the review of an effective Internal Audit by providing performance data against the plan.
- 5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Authority to make arrangements for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2011, in that “a relevant body must undertake an adequate and effective internal audit of its accounting records and systems of internal control in accordance with the proper practices in relation to internal control”.
- 5.3 The Accounts and Audit Regulations 2015 have been issued and apply from the start of the financial year 2015/16. The existing requirement, to have internal audit undertake an effective internal audit of accounting records and systems of internal control in accordance with proper practices, has been updated to: ‘evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’. There are some changes to the access rights of internal audit requiring the organisation to supply any documents, records and information and explanations as are considered necessary by the internal auditors. In addition, organisations are no longer required to undertake an annual review of effectiveness, although audit committees should note the requirements of the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.
- 5.4 The Public Sector Internal Audit Standards (PSIAS) define the scope of the annual report on internal audit activity. The annual report must incorporate an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control. This annual report provides information to support that assessment and that an effective Internal Audit is established for West Mercia Energy, in accordance with the requirements of the 2011 Accounts and Audit Regulations. The Internal Audit Service is provided by Shropshire Council. In June 2015, a paper is to be presented to Shropshire Council’s Audit Committee which provides assurance on the effectiveness of the Internal Audit service against the PSIAS. West Mercia Energy can take assurance from this report.
- 5.5 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a small provision for contingency provision;

any unforeseen work demands that may arise, i.e. special investigations, are delivered in addition to the planned work in agreement with the Director.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2014/15

- 5.6 It is the responsibility of West Mercia Energy to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. This opinion plays a key part in informing West Mercia Energy's Annual Governance Statement.
- 5.7 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the organisation's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls on the basis of the work undertaken. In assessing the level of assurance to be given, I have taken into account:
- The work undertaken on the fundamental financial systems. Whilst revealing a small number of areas of weakness and identifying areas for improvement, there are no significant material weaknesses that could result in a material misstatement in the accounts and reliance can be placed upon them. Plans have been adopted to manage outstanding concerns.
 - The work undertaken in respect of risk management highlighted two significant weaknesses in respect of the categorisation and reporting of risk to the Joint Committee. The report was accepted by management and a revised risk management policy and update provided to the Joint Committee in February 2015. The review also highlighted gaps in documentation and management processes. Management have provided full assurance to address the improvements noted.
- 5.8 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

On the basis of the work undertaken and management responses received; the organisation's governance, risk management and internal control processes are sound and working effectively and the Audit Service Manager is able to deliver a positive year end opinion on West Mercia Energy's internal control environment for 2014/15.

Key Assurances provided during 2014/15

- 5.9 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the organisation to high risks that should have been managed.

Audit assurance opinions delivered in 2014/15

Audit	Good	Reasonable	Limited	Unsatisfactory
Corporate Governance		✓		
Risk Management			✓	
Creditors	✓			
Procurement		✓		
Finance	✓			
Debtors	✓			
Payroll	✓			
General IT Controls		✓		
Total for year				
➤ numbers	4	3	1	0
➤ percentage	50%	37.5%	12.5%	0%

- 5.10 Four good, three reasonable and one limited assurance were issued during the financial year. Positive responses to recommendations have been received by management and will be followed up next year to determine whether satisfactory improvements have been made.

5.11 The Internal Audit team has achieved 100% of the plan which is in line with its target.

5.12 Audit recommendations are also an indicator of the effectiveness of the internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

5.13 Recommendations are rated in relation to the audit area rather than the organisation's control environment, for example, a control weakness deemed serious in one area which results in a significant or fundamental recommendation may not affect the overall control environment. Similarly, a number of significant recommendations in a small number of areas would not result in a limited opinion if the majority of areas examined were sound, consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued in above. Any significant or fundamental recommendations resulting from a control weakness in West Mercia Energy's control environment would be reported in detail to the Joint Committee.

5.14 A total of 22 recommendations have been made in the eight audit reports issued in the year; these are broken down by audit area in the table below.

Audit opinion and recommendations made on 2014/15 audits

Audit	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Corporate Governance	Reasonable		5	1		6
Risk Management	Limited		4	2		6
Creditors	Good		3			3
Procurement	Reasonable			1		1
Finance	Good		1			1
Debtors	Good		1			1
Payroll	Good		1			1
General IT Controls	Reasonable		1	2		3
Total for year						
➤ numbers		0	16	6	0	22
➤ percentage		0%	72.7%	27.3%	0%	100%

- 5.15 It is management's responsibility to ensure that accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course; remaining recommendations are followed up annually by obtaining an update from management on progress made and performing sample testing. No recommendations have been rejected in the year by management.

Audit Performance

- 5.16 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, and evaluating improvements made over the last twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee's delivery of its responsibilities and direct from customers as they provided responses to surveys sent out after each audit.

Reporting

- 5.17 All Internal Audit work is reviewed by a senior auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is seen as a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.
- 5.18 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

- 5.19 A customer feedback survey form is sent out with the all audits completed. These provide key feedback on the quality of audit service in relation to a number of areas, including:
- Pre auditing arrangements;
 - Post audit briefings;
 - Audit coverage/scope of the audit;
 - Timeliness of production of report;
 - Accuracy and clarity of the report;
 - Practicality of recommendations;
 - Professionalism of approach;
 - Communication skills and
 - Timeliness of audit to your business.
- 5.20 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. The results have been analysed over the last year and the percentage of responses are identified in the table below:

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2014/15
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	100%
Professionalism of approach	100%
Communication skills	100%
Timeliness of audit to your business	100%
Number of forms returned	6

5.21 Overall the results are pleasing, showing services delivered consistently at a high level. The information is used both to improve techniques overall within the team and at annual performance appraisals to identify future development focus relating to individual skills or competences.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

- Proposed 2012/13 to 2015/16 Internal Audit Programme - Audit Committee on 25 February 2013.
- Public Sector Internal Audit Standards.
- Accounts and Audit Regulations 2011 and 2015

SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

PROCUREMENT 2015/16

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans – Director
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Auditor	Mark Seddon
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Fieldwork dates	16 th April 2015
Debrief meeting	16 th April 2015
Draft report issued	Not Applicable
Responses received	Not Applicable
Final report issued	22 nd April 2015

Introduction and Background

1. As part of the approved internal audit plan for 2015/16 we have undertaken a review of Procurement.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).
3. The Auditor would like to express his thanks to the officers who assisted during the course of the audit.

Scope of the Audit

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To follow up the recommendation made during the previous procurement audit and to carry out a review of the processes in respect of the procurement of the electricity contract.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - The recommendation made in the previous procurement audit has been implemented.
 - Contract Procedure Rules are in place and are available to officers who procure goods, works and services.
 - There is an appropriate evaluation process prior to the project being tendered.
 - There is a satisfactory system to ensure tender documents are completed in accordance with Contract Procedure Rules.
 - There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.
 - Successful and unsuccessful tenderers are notified promptly; unsuccessful tenders are retained in case of default / re-negotiation / for future information.
 - Contract documents are completed on a timely basis and include key conditions to protect West Mercia Energy from liability in respect of contractor's actions.
6. The audit was delivered on time and budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment which indicates the level of assurance that can be taken based upon our testing and evaluation of the system. This opinion will be reported to the Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from audit work undertaken we are able to give the following assurance opinion:

Good	There is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed so that any material weaknesses in internal control have a reasonable chance of discovery through sample testing, it cannot guarantee or give absolute assurance against all material weaknesses, the overriding of management controls, collusion, instances of fraud or irregularity.
9. Our review identified the following areas where appropriate management controls were in place and operating satisfactorily upon which positive assurance can be given:

✓	The recommendation made in the previous procurement audit has been implemented.
✓	Contract Procedure Rules are in place and are available to officers who procure goods, works and services.
✓	There is an appropriate evaluation process prior to the project being tendered.
✓	There is a satisfactory system to ensure tender documents are completed in accordance with Contract Procedure Rules.
✓	There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.
✓	Successful and unsuccessful tenderers are notified promptly; unsuccessful tenders are retained in case of default / re-negotiation / for future information.
✓	Contract documents are completed on a timely basis and include key conditions to protect West Mercia Energy from liability in respect of contractor's actions.

10. We reviewed the previous recommendations made at the last audit which were accepted by management, the results of which are shown in the following table:

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

Good progress has been made in the implementation of the previous recommendation.

Audit Approach

11. The approach adopted for this audit included:
 - Review and documentation of the system.
 - Identification of key controls.
 - Follow up of the previous recommendation.
 - Tests of controls to confirm their existence and effectiveness.
 - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
12. Internal Audit report only by exception. A more detailed report covering all of the work undertaken can be provided on request, but this is only available in a working paper note format.

Ceri Pilawski
Audit Services Manager

SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

FINANCE 2015/16

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans- Director
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Auditor	Mark Seddon
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Fieldwork dates	28 th and 30 th July 2015
Debrief meeting	30 th July 2015
Draft report issued	10 th August 2015
Responses received	11 th August 2015
Final report issued	14 th August 2015

Introduction and Background

1. As part of the approved internal audit plan for 2015/16 Audit Services have undertaken a review of Finance.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

Scope of the Audit

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To follow up the previous recommendation and undertake a systems audit of the finance process using established documentation and testing.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - Previous recommendations have been implemented.
 - There is an established process for preparation of the annual budget.
 - The annual budget is approved by members prior to the start of the financial year.
 - There is an appropriate reconciliation process to ensure the accuracy of reported information.
 - Management Accounts are produced in a timely manner for review by senior management and members.
 - There are appropriate controls over the use of journal entries within the ledger.
 - There is a bank reconciliation process which is undertaken in a timely manner and reviewed by management.
 - There are appropriate arrangements in place for the recording and monitoring of VAT.
6. The audit was delivered on time and within budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from work undertaken Audit Services are able to give the following assurance opinion:

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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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or instances of fraud or irregularity.
9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report provided to management and the Action Plan attached at Appendix 1. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
2	0	0	2	0

10. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	Previous recommendations have been implemented.
✓	There is an established process for preparation of the annual budget.
✓	The annual budget is approved by members prior to the start of the financial year.
✓	There is an appropriate reconciliation process to ensure the accuracy of reported information.
✓	Management Accounts are produced in a timely manner for review by senior management and members.
✓	There are appropriate controls over the use of journal entries within the ledger.
✓	There is a bank reconciliation process which is undertaken in a timely manner and reviewed by management.
✓	There are appropriate arrangements in place for the recording and monitoring of VAT.

11. Recommendations accepted by management at the previous audit have been reviewed and are detailed below:

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

Good progress has been made in the implementation of the previous recommendation

and there are no previous recommendations outstanding.

Audit Approach

12. The approach adopted for this audit included:
 - Review and documentation of the system.
 - Identification of key controls.
 - Follow up of previous recommendations.
 - Tests of controls to confirm their existence and effectiveness.
 - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
13. Internal Audit report only by exception; the exception report provided to management identifies only those areas where control evaluation and audit testing revealed control weaknesses and or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at Appendix 1. A more detailed report covering all of the work undertaken can be provided on request, but this is only available in a working paper note format.
14. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski
Audit Services Manager

ACTION PLAN FOR FINANCE 2015/16

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
4.1	1	The amounts in the balance sheet identified to be in respect of the reversal of pricing support and the associated journal processed to adjust the extended trial balance should be recorded in a supporting schedule.	Requires Attention	Yes	A summary has been added to the Management Accounts Balance Sheet reconciliations schedule showing the initial pricing support, and the calculation of the amount written back to date.	Jo Pugh-Finance Manager	Completed and ongoing
7.1	2	The position with the outstanding unpresented cheque written in October 2014 should be investigated. Appropriate action should be taken which may include an appropriate adjustment to the bank account reconciliation. The company should consider a policy for reviewing unpresented cheques, to ensure that all cheques over six months old are cancelled and the customer advised to contact the company to make alternative arrangements.	Requires Attention	Yes	This cheque is believed to have been lost, and has now been cancelled and reversed in SAGE, with a revised cheque issued. Going forward any cheques older than 3 months appearing on the month end bank reconciliation will be investigated and dealt with accordingly.	Jo Pugh-Finance Manager	Completed and ongoing

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SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

DEBTORS 2015/16

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans- Director
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Auditor	Mark Seddon
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Fieldwork dates	30 th July and 13 th August 2015
Debrief meeting	13 th August 2015
Draft report issued	24 th August 2015
Responses received	25 th August 2015
Final report issued	26 th August 2015

Introduction and Background

1. As part of the approved internal audit plan for 2015/16 Audit Services have undertaken a review of Debtors.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

Scope of the Audit

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To undertake testing in respect of the reconciliation and monitoring of the Debtors and Income System and to review progress on the implementation of the recommendation made in the previous audit.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - Previous recommendations 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.
 - Refunds are actioned in a timely manner with appropriate authorisation.
 - Write-offs are actioned in a timely manner with appropriate authorisation.
 - Income credited to suspense accounts is reviewed and cleared in a timely manner.
 - Management Information in respect of income is timely and adequate.
6. The audit was delivered on time and within budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Audit Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from work undertaken Audit Services are able to give the following assurance opinion:

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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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed so that any material weaknesses in internal control have a reasonable chance of discovery through sample testing, it cannot guarantee or give absolute assurance against all material weaknesses, the overriding of management controls, collusion, instances of fraud or irregularity.
9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report provided to management and the Action Plan attached at Appendix 1. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
3	0	0	2	1

10. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	Previous recommendations 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
✓	Refunds are actioned in a timely manner with appropriate authorisation.
✓	Write-offs are actioned in a timely manner with appropriate authorisation.
✓	Income credited to suspense accounts is reviewed and cleared in a timely manner.
✓	Management Information in respect of income is timely and adequate.

11. Recommendations accepted by management at the previous audit have been reviewed and are detailed below:

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

Good progress has been made in the implementation of previous recommendations. There are no previous recommendations outstanding.

Audit Approach

12. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of key controls.
 - Follow up of previous recommendations.
 - Tests of controls to confirm their existence and effectiveness.
 - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
13. Internal Audit report only by exception; the exception report provided to management identifies only those areas where control evaluation and audit testing revealed control weaknesses and or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at Appendix 1. A more detailed report covering all of the work undertaken can be provided on request, but this is only available in a working paper note format.
14. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski
Audit Services Manager

ACTION PLAN FOR DEBTORS 2015/16

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
3.1	1	It should be ensured that an explanation for differences on the supplier statement reconciliations is recorded on the reconciliation where the variance is in excess of £5 in accordance with the accepted procedure.	Requires Attention	Yes	All differences where the variance is in excess of £5 will be investigated and the explanation recorded on the supplier's statement reconciliation.	Julie Wassall	September 2015
3.2	2	The differences on the Unmetered Supply (UMS) quarterly reconciliation in respect of Shropshire street lighting should be reviewed and cleared.	Best Practice	Yes	Now completed.	Not Applicable	Completed
8.1	3	The contacting of customers with credit balances on their accounts should be progressed. The contact made with the customers should continue to be recorded on the Sage account and a schedule of customers contacted retained as evidence that the balances have been pursued.	Requires Attention	Yes	For VAT credit/rebills (where many of the credit balances arise) a letter is sent to the customer explaining there is a credit balance arising. Any duplicate payments are repaid as soon as possible after discovery. In addition, monthly statements are sent to all customers	Jo Pugh	September 2015

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
					outlining any credit balances. Credit balances are reviewed on an ad hoc basis, and going forward, a list of credit balances will be saved with progress continuing to be noted on SAGE.		

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