



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

INTERNAL AUDIT REPORT WME DEBTORS/INCOME COLLECTION 2019/20

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans- Director Jo Pugh – Finance Manager
Auditor(s):	Mark Seddon
Fieldwork Dates:	October 2019
Debrief Meeting:	5th November 2019
Draft Report Issued:	25th October 2019
Responses Received:	5th November 2019
Final Report Issued:	5th November 2019

Assurance

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

Introduction and Background

1. As part of the approved internal audit plan for 2019/20 Audit Services have undertaken a review of Debtors.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
To review the procedures in respect of the reconciliation and monitoring of the debtors and income system and to establish the progress made in implementing the recommendations made in the previous audit.
7. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a ✓ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - ✓ The 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.

Assurance Level and Recommendations

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

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

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

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

Total	Fundamental	Significant	Requires Attention	Best Practice
4	0	0	4	0

10. A summary of the recommendations, together with the agreed management responses are included at **Appendix 1**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
11. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audit	2
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	1
Recommendations not implemented	0

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

Audit Approach

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

identified control weaknesses.

Ceri Pilawski
Head of Audit

INTERNAL AUDIT EXCEPTION REPORT FOR WME DEBTORS/INCOME COLLECTION 2019/20

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

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	The billing procedures should be updated. It should be ensured that the updated procedures are detailed enough to be followed by someone unfamiliar with the process and they should be dated, and version controlled.	Requires Attention	Billing procedures notes to be updated once the utilities system upgrade is completed.	John Morris	Once the utilities system upgrade is completed.
3.2	2	The energy supplier should continue to be pursued to provide the customer account balances at a time to allow the reconciliations to be carried out. The reconciliations from the supplier customer balances to the West Mercia Energy customer account balances should be carried out each quarter and any adjustments processed on a timely basis.	Requires Attention	Due to new account manager at supplier there were delays in the customer account balances being prepared and submitted to WME. These will continue to be pursued quarterly and, once received, quarterly reconciliations will be performed.	John Morris	Immediately
6.1	3	It should be ensured that all direct debit mandates are carefully filed and are readily available.	Requires Attention	As per recommendation.	Jo Pugh	Immediately

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
9.1	4	The write off, of debtor amounts should be posted, where applicable, net of VAT to the ledger.	Requires Attention	As per recommendation.	Jo Pugh	Immediately