



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME FINANCE 2019/20

Assurance Level | **Good**



Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditor(s):	Kayleigh Griffiths
Fieldwork Dates:	07 – 10 October 2019
Debrief Meeting:	10 October 2019
Draft Report Issued:	25 October 2019
Responses Received:	05 November 2019
Final Report Issued:	05 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 Finance.
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 undertake a systems audit of the finance, payroll and creditors processes using established documentation and testing.
7. The scope includes a follow up of recommendations made in the 2018/19 Payroll and Creditors Audits. Where not implemented fully, these are revisited and the findings included in this report.
8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a √ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - X The recommendations made in the previous finance, payroll and creditors audits have been implemented.
 - √ There are appropriate Financial Regulations which have been approved by the Joint Committee.
 - √ There is an established process for preparation and approval of the annual budget.
 - √ Management Accounts are accurate and 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.
 - √ There is an appropriate process in place to ensure that the Payroll is processed in an accurate and timely manner in line with current legislation.
 - √ Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.
 - √ There are appropriate processes in place for the control and operation of the creditors system.

- √ There are appropriate controls to ensure that creditors payments made are accurate, complete, have not previously been paid.

Assurance Level and Recommendations

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

10. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. The following table summarises the number of recommendations made in each category:

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

11. 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.
12. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audits	3
Recommendations implemented	2
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	1

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

Audit Approach

13. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key controls.
 - Follow up of previous recommendations.
 - Testing of controls to confirm their existence and effectiveness.

- Identification of weaknesses and potential risks arising from them.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report. Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. A more detailed report covering all the work undertaken can be provided on request.
 15. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

INTERNAL AUDIT EXCEPTION REPORT FOR WME FINANCE 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
1.1	1	When authorising subsistence allowances for reimbursement Management should annotate the purchasing card transaction log stating they have reviewed the additional spend and confirm it to be reasonable.	Requires Attention	As per recommendation	Nigel Evans	Immediately
8.1	2	WME should continue to pursue Shropshire Council for an SLA for signature.	Requires Attention	As per recommendation	Nigel Evans	Immediately