



# SHROPSHIRE COUNCIL AUDIT SERVICES

*"ADDING VALUE"*

## FINAL INTERNAL AUDIT REPORT WME DEBTORS 2024/25

Assurance Level	Good
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## Audit Data

<b>Customer:</b>	<b>West Mercia Energy</b>
<b>Report Distribution:</b>	<b>Nigel Evans, Director Jo Pugh, Finance Manager</b>
<b>Auditors:</b>	<b>Megan Alcock Adam Williams</b>
<b>Fieldwork Dates:</b>	<b>September/October 2024</b>
<b>Debrief Meeting:</b>	<b>16th October 2024</b>
<b>Draft Report Issued:</b>	<b>10th October 2024</b>
<b>Responses Received:</b>	<b>16th October 2024</b>
<b>Final Report Issued:</b>	<b>18th October 2024</b>

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 2024/25 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:
7. The scope includes a follow up of recommendations made in the 2023/24 audit. Where not implemented fully, these are revisited and the findings included in this report.
8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a √ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
  - X The recommendations made in the previous audit have been implemented.
  - √ There are appropriate policies and procedure notes in place for the operation of the system.
  - √ Billing information is verified before invoicing customers.
  - √ There are appropriate arrangements in place to ensure prompt payment of invoices.
  - √ There are appropriate post opening procedures in place for the control of cash and cheques.
  - √ There are appropriate arrangements in place for the collection of Income by Direct Debit.
  - √ All income received is reconciled to the bank account.
  - √ Income credited to suspense accounts is reviewed and cleared in a timely manner.
  - √ Management Information in respect of income is timely and adequate.

## Assurance Level and Recommendations

9. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Joint Committee and will inform the Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

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

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

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

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. Audit work revealed control weaknesses which, whilst not deemed to be fundamental or significant, limit the level of assurance in the following areas:  
Billing information is verified before invoicing customers.
13. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

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

Reasonable 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

14. 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.
15. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed

against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.

16. 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.
17. It is important for us to monitor the quality of Audit Services to ensure that it not only fulfils the Council's statutory requirements, but also meets your needs as our customer(s). To assist in this, we would be grateful for any feedback on the audit. Please complete **Appendix 3** as part of your management response.

Barry Hanson  
Head of Audit

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## INTERNAL AUDIT EXCEPTION REPORT FOR WME DEBTORS 2024/25

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

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
<b>Management Control Objective: Billing information is verified before invoicing customers.</b>					
3.1	<p><b>Previous recommendation:</b>  <i>Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.</i></p> <p>The failed invoice report provided for the audit did not include an age analysis however we were informed that the system holds the information detailing the age of transactions and when they clear failed invoices the oldest ones are reviewed first. However, there is a need for ensuring there is a clear process in place for managing aged failed invoices and determining</p>	Risk of aged debts, older than 12 months, continuing to go unprocessed at financial loss for WME.	1	Requires Attention	<p>Develop a process to ensure that the age of failed invoices is kept under review to minimise invoices being unresolved for a prolonged period of time and to allow actions to be prioritised on invoices over a certain age/value.</p> <p>(Updated from recommendation raised in 23/24)</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	acceptable tolerance levels to ensure that failed invoices are not kept for prolonged periods of time.				

**ACTION PLAN FOR WME DEBTORS 2024/25****APPENDIX 2**

<b>Rec Ref.</b>	<b>Rec No.</b>	<b>Recommendation</b>	<b>Rec Rating</b>	<b>Proposed Management Action</b>	<b>Lead Officer</b>	<b>Date to be Actioned</b>
3.1	1	Develop a process to ensure that the age of failed invoices is kept under review to minimise invoices being unresolved for a prolonged period of time and to allow actions to be prioritised on invoices over a certain age/value.	Requires Attention	Agree with the process and will do a full review every 6 months on the totals and values.	John Morris	June 2025



	Excellent	Good	Reasonable	Weak	N/A
<b>VALUE OF THE AUDIT TO YOU AS A MANAGER</b>					
Pre-audit arrangements <sup>1</sup>	✓				
Post-audit briefing	✓				
Audit coverage/scope of the audit	✓				
Timeliness of production of report	✓				
Accuracy and clarity of report	✓				
Practicality of recommendations	✓				
<b>CONDUCT OF AUDITOR/PROFESSIONALISM.</b>					
Professionalism of approach, competence	✓				
Communication skills, pleasant manner	✓				
Timeliness of audit to your business process	✓				

<sup>1</sup> Please tick the appropriate box

**If you think we could improve in any area or you have any additional comments or suggestions about the internal audit service, please note your comments/criticisms or compliments below.**

**Your responses will be treated seriously and will help to shape the service going forward.**

As noted on the finance audit all went really well. Having a meeting and receiving the evidence requirements a couple of months before the audit meant we could send some of the evidence requirements prior to the audit which helped ensure everything went smoothly and efficiently.

**Do you consider audit to be a positive support to your establishment/service?<sup>2</sup>**

**Yes ✓**

**No**

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<sup>2</sup> Please tick the appropriate box