Shropshire Council

WEST MERCIA ENERGY

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

Date: 11th September 2014

Committee:
West Mercia Energy Joint Committee

Date: **Monday, 22 September 2014**
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

Herefordshire Council	P Morgan P Price
Shropshire Council	S Charmley M Owen (Vice-Chairman)
Telford & Wrekin Council	B McClements A England
Worcestershire County Council	J Smith A Hardman (Chairman)

Your Committee Officer is:

Emily Marshall Committee Officer
Tel: 01743 252726
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 West Mercia Energy Joint Committee meeting held on 24th February 2014.

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 **Statement of Accounts 2013/14 and Annual Governance Statement 2013/14** (Pages 7 - 64)

Report of the Treasurer is attached, marked 6.

7 **External Audit - Audit Findings Report 2013/2014** (Pages 65 - 92)

Report of the External Auditor is attached, marked 7.

8 **External Audit - Audit Fee Letter 2014/15** (Pages 93 - 96)

Report of the External Auditor is attached, marked 8.

9 **Internal Audit - Payroll 2014/15** (Pages 97 - 102)

Report of the Audit Services Manager is attached, marked 9.

10 **Internal Audit - Creditors 2014/15** (Pages 103 - 108)

Report of the Audit Services Manager is attached, marked 10.

11 **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.

12 **Exempt Minutes** (Pages 109 - 110)

To receive the Exempt Minutes of the meeting of the West Mercia Energy Joint Committee held on 24th February 2014.
Copy attached, marked 12.

13 **Internal Audit - General IT Controls Follow Up** (Pages 111 - 116)

Report of the Audit Services Manager is attached, marked 13.

14 **Distribution of Surplus** (Pages 117 - 120)

Report of the Treasurer is attached, marked 14.

15 **Business Plan and Trading Performance to Date 2014/15 - Update** (Pages 121 - 126)

Report of the Director is attached, marked 15.

16 **Minutes of the Flexible Energy Management Panel** (Pages 127 - 148)

Report of the Director is attached, marked 16.

17 **Energy Governance, Accountability, Risk and Reporting Policy** (Pages 149 - 186)

Report of the Director is attached, marked 17.

18 **Risk Management - Update** (Pages 187 - 188)

Report of the Director is attached, marked 18.

19 **Dates of Meetings 2015**

To consider the dates and times of future meetings of the West Mercia Energy Joint Committee.

AGENDA ITEM 4

Minutes of the meeting of West Mercia Energy Joint Committee held in the Council Chamber, Westgate, Bridgnorth Monday 24 February 2014 at 10.00am.

Members Present:

	Herefordshire Council	P Price
	Shropshire Council	S Charmley M Owen (Vice-Chairman)
	Telford & Wrekin Council	A England
	Worcestershire County Council	A I Hardman (Chairman)

Officers Present:

	West Mercia Energy	N Evans
	Grant Thornton	J Hill
	Shropshire Council	J Walton C Pilawski P Chadderton N Denton E Marshall
	Worcestershire County Council	M Howard
	Herefordshire County Council	R Wood
	Telford and Wrekin	D. Sidaway S. Bass

1. ELECTION OF CHAIRMAN

M. Howard gave background information on the Constitutional arrangements for electing a Chairman of the Joint Committee, explaining that a representative from Telford and Wrekin Council was due to take on the role, however they had declined the role this year, the Chairmanship therefore passed to Worcestershire County Council, with a representative of Shropshire Council taking on the role of Vice-Chairman.

RESOLVED: That Councillor A. I. Hardman (Worcestershire) be elected Chairman for the ensuing year.

2. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED: That Councillor M. Owen (Shropshire) be appointed Vice-Chairman for the ensuing year.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors B. McClements (Telford and Wrekin) and P. Morgan (Herefordshire).

4. NAMED SUBSTITUTIONS

There were no substitutes in attendance.

5. DISCLOSABLE PECUINARY 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 meeting held on 23rd September 2013 be approved as a correct record.

7. EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2012/13 – WEST MERCIA SUPPLIES JOINT COMMITTEE

Ms. J. Hill (Grant Thornton) presented the Annual Audit Letter 2012/13 for West Mercia Supplies Joint Committee. Ms. Hill outlined the purpose of the Letter and outlined the key areas for the Joint Committee's attention.

RESOLVED:
That the West Mercia Supplies Joint Committee Annual Audit Letter 2012/13 be noted.

8. EXTERNAL AUDIT – AUDIT PLAN 2013/14 WEST MERCIA ENERGY JOINT COMMITTEE

Ms. J. Hill (Grant Thornton) presented the Audit Plan 2013/14 for West Mercia Energy Joint Committee. An amended page 8 was circulated to the Committee. In response to a question from a Member, Ms. J. Hill explained that variations to fees were all agreed by the Audit Commission and a request for a variation of fees was usually made in response to additional audit work.

A Member questioned whether the size of the Audit was in proportion to the size of the business. In response J. Hill explained that as West Mercia Energy was a public body and a set of statutory accounts was required to be published and at present the scale of the audit was supported by the Audit Commission, however the arrangements would be reviewed by the body taking over from the Audit Commission in 2015. The Joint Committee agreed that as a public body it was very important to have a thorough audit system in place.

RESOLVED:
That the West Mercia Energy Joint Committee Audit Plan 2013/14 be noted.

9. EXTERNAL AUDIT – INFORMING THE AUDIT RISK ASSESSMENT PAPER

2013/14 WEST MERCIA ENERGY JOINT COMMITTEE

Ms. J. Hill (Grant Thornton) presented the Informing the Audit Risk Assessment Paper 2013/14 for West Mercia Energy Joint Committee, explaining that the report contributed towards transparency and the effective two-way communication between the Joint Committee and external audit.

In response to questions, N. Evans Director confirmed that the staff were fully aware of what to do if they suspected fraud, the Whistle Blowing Policy had recently been updated in consultation with Shropshire Council, WME worked closely with Shropshire Council's Internal Audit Team and Claire Porter (Shropshire Council) was the monitoring officer.

In response to a question relating to Going Concern Considerations, Mr N Evans explained that the business was trading positively, with all customers extending their contracts, however it seemed sensible and appropriate to review the Going Concern assessment in twelve months time as part of the Business Plan.

RESOLVED:
That the West Mercia Energy Joint Committee Informing the Risk Assessment Paper 2013/14 be noted.

10 EXTERNAL AUDIT – INTERNAL AUDIT – EXTERNAL AUDIT PROTOCOL FOR WME

Ms. J. Hill (Grant Thornton) presented the Internal Audit External Audit Protocol for West Mercia Energy, which set out the key principles and procedures underpinning the working relationship between Audit Services and the Joint Committee's external auditors, establishing a framework for coordination cooperation and exchange of information.

RESOLVED:
That the Internal Audit/External Audit Protocol for West Mercia Energy report be noted.

11. INTERNAL AUDIT REPORTS 2013/2014

11a Corporate Governance 2013/14
Ms. C. Pilawski (Audit Services Manager) outlined the report, explaining that the overall assurance level was reasonable and that all of the recommendations had been implemented or partially implemented. One recommendation had been classed as significant and the detail of this was explained. In response to a question, N. Evans (Director) explained that the recommendation related to the redundancy multiplier of 2.5 for West Mercia Energy staff which differed to the multiplier in place at Shropshire Council. It was agreed that N Evans would liaise with the Treasurer, HR and legal from Shropshire Council to review this in greater detail and to report back as appropriate.

11b Finance 2013/14
Ms. C. Pilawski (Audit Services Manager) outlined the report, explaining that the overall assurance level was good and there was a sound system of control

in place, with controls being consistently applied.

11c West Mercia Energy Supplier Rebates 2013/14
Ms. C. Pilawski (Audit Services Manager) outlined the report, explaining that the overall assurance level was good and there was one best practice recommendation which was detailed within the report.

11d Income Streams
Ms. C. Pilawski (Audit Services Manager) outlined the report, explaining that the overall assurance level was good.

11e Follow Up on Previous Recommendations 2013/14
Ms. C. Pilawski (Audit Services Manager) outlined the report, commenting that excellent progress had been made in the implementation of previous recommendations.

RESOLVED:
That the Internal Audit Reports 2013/14 be noted.

12. INTERNAL AUDIT – AUDIT PLAN 2014/2015

Ms. C. Pilawski (Audit Services Manager) outlined the report, drawing Members attention to Appendix A of the report, which detailed the proposed Audit Programme for 2014/15. Councillor Arnold England questioned the amount of contingency days that had been allocated for Engagement Management and requested that his reservations in this area be noted. In response, Ms C. Pilawski explained that this was a contingency only and it would not necessarily be used but was based on previous knowledge and experience of requirements.

RESOLVED:
That the Internal Audit Programme of Audits for 2014/2015 be approved.

Ms. J. Hill (Grant Thornton) left the meeting at this point.

13. 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.

14. EXEMPT MINUTES

(The full version of Minute 14 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the Exempt Minutes of the meeting held on 23rd September 2013 be approved as a correct record.

15. WEST MERCIA ENERGY TRADING PERFORMANCE TO DATE 2013/14

(The full version of Minute 15 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED:. That the contents of the report be noted.

16 WEST MERCIA ENERGY BUSINESS PLAN AND BUDGET FOR 2014/15

(The full version of Minute 16 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the contents of the report be noted.

17. MINUTES OF THE FLEXIBLE ENERGY MANAGEMENT PANEL

(The full version of Minute 17 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the minutes of the meetings of the Flexible Energy Management Panel be received.

18. WEST MERCIA ENERGY EQUALITY POLICY

(The full version of Minute 18 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the report be noted.

19. AREAS OF CONSIDERATION PRIOR TO SEPTEMBER 2014

(The full version of Minute 19 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the report be noted.

20. DATE OF NEXT MEETING

It was noted that the next meeting of the West Mercia Energy Joint Committee would be held on Monday, 22nd September 2014 at 10.00 a.m., venue to be confirmed.

The meeting ended at 11:50 a.m.

Signed ……………………………

Dated …………………………….

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Agenda Item 6

Statement of Accounts 2013/14
and Annual Governance Statement 2013/14

Report of the Treasurer

West Mercia Energy Joint Committee 22 September 2014

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 2013/14 to be signed by the Chairman and the Treasurer.
iii) To consider and approve the Annual Governance Statement 2013/14.

Background

2 The Letter of Representation, Statement of Accounts and the Annual Governance Statement for 2013/14 relates to the West Mercia Energy Joint Committee. Up until the 31st March 2013 the organisation traded as West Mercia Supplies Joint Committee and the comparative numbers in the Statement of Accounts relate to West Mercia Supplies 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 2013/14. The statement has been amended since June 2014, for adjustments made as a result of consultation with the District Auditor. See Appendix 2

Annual Governance Statement

5 The Joint Committee is asked to consider and approve the Annual Governance Statement 2013/14. See Appendix 3.

Publication of Accounts

5 The annual statement of Accounts 2013/14 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

6 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 2013/14 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 2013/14.

WEST MERCIA ENERGY

Appendix 1

Mr Grant Patterson
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
BIRMINGHAM
West Midlands
B4 6AT

22nd September 2014

Dear Sirs

West Mercia Energy Joint Committee

Financial Statements for the year ended 31 March 2014

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 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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 Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions 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.

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 by us 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 further material judgements that need to be disclosed.

vii Except as stated in the financial statements:
  a there are no unrecorded liabilities, actual or contingent

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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 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 retirement 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 International Financial Reporting Standards and the Code.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require 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 International Financial Reporting Standards.

xii We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Joint Committee and its financial position at the year-end. 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.

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xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Joint Committee and involves:
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 information in relation to 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 entity of the Joint Committee's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have reviewed the operating segments reported internally to the Joint Committee and we are satisfied that it is appropriate to aggregate these as, in accordance with IFRS8: Operating Segments, they are similar in each of the following respects:
the nature of the products and services;
the nature of the production processes;
the type or class of customer for their products and services;
the methods used to distribute their products or provide their services; and
the nature of the regulatory environment.

The segmentation is shown as trading, photocopiers and utilities, this complies with the IFRS requirement and corresponds to the reporting requirement of the Joint Committee.

xxiv 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

xxv 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 22 September 2014.

Signed on behalf of the Joint Committee

....

James Walton

Section 151 Officer

Shropshire Council

22 September 2014

Cllr Adrian Hardman

Chair of the Joint Committee

22 September 2014

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WEST MERCIA ENERGY

Appendix 2

WEST MERCIA ENERGY JOINT COMMITTEE

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2014

WEST MERCIA ENERGY

WEST MERCIA ENERGY JOINT COMMITTEE

CONTENTS

WEST MERCIA ENERGY JOINT COMMITTEE

FOREWORD AND FINANCIAL SUMMARY FOR THE YEAR 2013/14

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2013 to 31 March 2014 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

In June 2013 the Joint Agreement was updated which involved the change of name of the Joint Committee as detailed below 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.

Up until 31st March 2013 the organisation traded as West Mercia Supplies Joint Committee and the comparative numbers in this Statement of Accounts relate to West Mercia Supplies Joint Committee. West Mercia Supplies Joint Committee was also established as a Joint Committee under s.101 of the Local Government Act 1972 with the same Member Authorities.

On 19th April 2012 the stationery division of West Mercia Supplies Joint Committee was sold and has been treated as a discontinued operation in accordance with accounting policy 1.4 and is detailed in note 7 to the accounts. 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.

Reference to the Joint Committee within these Statement of Accounts relates to the West Mercia Energy Joint Committee for the year 2013/14 and West Mercia Supplies Joint Committee for the year 2012/13.

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 2014.

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 2013/14

Total turnover during the year amounted to £64.372 million, an increase of £2.279 million over the previous year's total. The net profit realised from trading operations for the year was £1.728 million having reserved £0.042 million for profit related pay.

A General Fund balance of £2.222 million was brought forward from 2012/13. Of this, £1.452 million was distributed to Member Authorities during the financial year. After adjusting for all distributions, the year end General Fund balance at 31 March 2014 is £2.567 million.

The net liabilities of the Joint Committee stood at £1.397 million as at 31 March 2014 (£2.368 million at 31 March 2013). 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 decreased by £0.632 million (from £4.611 million to £3.979 million) during the financial year 2013/14.

The accounts have been restated for a prior year adjustment due to the changes to IAS19 Employee Benefits which are applicable for an accounting period commencing on or after 1 January 2013. The impact on the 2012/13 comparative numbers for the Joint Committee however is minor.

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

WEST MERCIA ENERGY

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 2014.

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 2014 and its income and expenditure for the year ended 31 March 2014.

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 2014.

Chairman of the
West Mercia Energy Joint Committee ....
(Cllr Adrian Hardman)

Date: 22nd September 2014

WEST MERCIA ENERGY

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2014

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 20	Note 21	
	£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**

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.

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.

WEST MERCIA ENERGY

MOVEMENT IN RESERVES STATEMENT (CONTINUED)
AS AT 31 MARCH 2013
Restated

	Usable Reserves			Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	
		Note 20	Note 21	
	£000	£000	£000	**£000**
Balance at 31 March 2012	**4,546**	**-4,447**	**2,899**	**2,998**
Net loss for the year	-4,624	-	-	**-4,624**
Other comprehensive income & expenditure	-742	-	-	**-742**
Total comprehensive income & expenditure	-5,366	-	-	**-5,366**
Transfer to /from Earmarked Reserves	3,042	-164	-2,878	-
Increase/(decrease) in year	-2,324	-164	-2,878	-5,366
Balance at 31 March 2013	**2,222**	**-4,611**	**21**	**-2,368**

WEST MERCIA ENERGY

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

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

	Notes	2013-2014 £000	2012-2013 Restated* £000
CONTINUING OPERATIONS			
INCOME			
Turnover	5	-64,372	-62,093
Less cost of goods sold		62,515	60,025
Gross profit		-1,857	-2,068
Other trading operation income		-665	-726
Gross Profit		**-2,522**	**-2,794**
OPERATING EXPENSES			
Employees	9	598	572
Pension impact (IAS19)	18	-125	-763
Premises		23	17
Supplies & services		51	52
Central departmental & technical support	10,11	76	75
Provision for bad debts		-4	-11
Depreciation		11	9
Total Operating Expenses		**630**	**-49**
SURPLUS OF SERVICES		**-1,892**	**-2,843**
Financing and investment income and expenditure	8	164	183
		-1,728	-2,660
DISCONTINUING OPERATIONS			
Loss from discontinued services	7	-	814
NET OPERATING SURPLUS		**-1,728**	**-1,846**
Distribution to Member Authorities -surplus		1,452	-
Distribution to Member Authorities -sale of division		-	6,470
NET (GAIN)/ LOSS FOR THE YEAR		**-276**	**4,624**
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	18	-695	742
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**-971**	**5,366**

2012/13 has been restated as a result of adopting the amendments to IAS 19 (2011 amendments) *

BALANCE SHEET
AS AT 31 MARCH 2014

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 2013 £000		31 March 2014 £000	Notes
21	Property, plant & equipment	15	12
21	**Long term assets**	**15**	
11,322	Short term debtors	9,388	15
4,553	Cash and cash equivalents	4,977	16
15,875	**Current assets**	**14,365**	
-13,653	Short term creditors	-11,798	17
-13,653	**Current liabilities**	**-11,798**	
-4,611	Other long term liabilities	-3,979	18
-4,611	**Long term liabilities**	**-3,979**	
-2,368	**Net assets**	**-1,397**	
	Financed by:		
-2,368	Usable Reserves	-1,397	19
-2,368	**Total reserves**	**-1,397**	

These financial statements replace the unaudited financial statements certified by The Treasurer on 25th June 2014.

WEST MERCIA ENERGY

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

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.

2012-2013		2013-2014		
£000		**£000**	**£000**	**Notes**
	Operating activities			
	Cash outflows			
578	Cash paid to and on behalf of employees	595		
149	Other operating costs	146		
58,957	Cost of goods sold	64,373		
59,684			65,114	
	Cash inflows			
-62,518	Turnover	-66,306		
-726	Other trading operation income	-665		
-63,244			-66,971	
-3,560	**Net cash inflow from operating activities**		-1,857	22.1
11	**Investing activities**		-19	22.2
-5	**Financing activities**		1,452	22.3
944	**Net cash outflow from discontinued service**		-	22.1
-2,610	**Net increase in cash and cash equivalents**		**-424**	22.4
1,943	Cash and cash equivalents at 1st April		4,553	
4,553	Cash and cash equivalents at 31st March		**4,977**	22.4

Cash flow transactions relating to the sale of the stationery division were administered by one of the Member Authorities acting on behalf of all the Member Authorities.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2013/14 summarises the Joint Committee's transactions for the 2013/14 financial year and its position at 31 March 2014. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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.

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 Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use.

1.5 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.

1.6 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.

1.7 Intangibles, Property, 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.

Property, 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.

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the organisation as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the organisation.

Recognition

The cost of an item of property, 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 intangibles, property, 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

Intangibles, property, 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). Intangibles, property, 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 property, 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.

Intangible assets are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits.

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
Intangible Assets (Historical Cost)	10 years
Buildings (on Market Value)	40 years
Semi-Permanent Buildings (Historical Cost)	15 years
Plant and Machinery (Historical Cost)	3, 10 or 20 years, as appropriate
New Motor Vehicles (Historical Cost)	3 or 5 years, as appropriate
Second Hand Motor Vehicles (Historical Cost)	2 years
Fork Lift Trucks (Historical Cost)	5 or 7 years, as appropriate
Computer Equipment – (Historical Cost)	3 years
Racking (Historical Cost)	5 years

An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Assets included in the Balance Sheet at current value are revalued at intervals of no more than five years or where there is evidence of material changes in the value. When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where the carrying amount of property is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Net Surplus or Deficit for the Year on the same asset.

Where the carrying amount of an item of property, 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.

1.8 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.

1.9 Inventories

Inventories are materials or supplies that will be sold or distributed as part of Joint Committee's ordinary business. All inventories are shown at the lower of cost and net realisable value.

1.10 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.
Lease Agreements that the Joint Committee handles between finance companies and third parties - As Joint Committee is not identified as the owner of the copiers they do not appear on the balance sheet as a long term asset. However, the lease rentals paid by Joint Committee have been recognised as a short/long term creditor and the end user payments to Joint Committee have been recognised as a short/long term debtor. Joint Committee provides a full bill validation service for its copier customers and as a result has reflected the copier billing transactions in both turnover and

cost of goods sold. Whilst it is accepted that it is not in line with the CIPFA code, it is considered to be the most appropriate means of accounting for the transactions and as such forms part of the segmental reporting.

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

There were no material finance leases held by Joint Committee during the period covered by these accounts. All leases are therefore classified as operating leases.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense in the period that they are owed by Joint Committee.

1.12 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 2014/15.

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.

1.13 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 4.5% (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.

1.14 Carbon Reduction Commitment Allowances

The Joint Committee is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Joint Committee is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Joint Committee is recognised and reported in the costs of the Joint Committee premises costs.

1.15 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.

1.16 Foreign Currency

Foreign currency transactions are converted to sterling at the exchange rate applicable on the date of the transaction.

1.17 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.

1.18 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.

1.19 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.

1.20 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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- IAS 1 *Presentation of Financial Statements*

These changes are predominantly affecting presentation or disclosure of items within the Notes to the Accounts, and so will not have a material effect on the Joint Committee.

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.

The critical judgements made in the Statement of Accounts are:

> The Joint Committee makes judgements in how Copier Leases that the Joint Committee handles between finance companies and third party parties are classified in the accounts. The Joint Committee provides a full bill validation service for its copier customers therefore transactions are recorded in the accounts of the Joint Committee, the Copier Leases relate to the discontinued services so are only relevant for the 2012/13 comparatives,.

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 2014 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 £232,000. However the assumptions interact in complex ways. During 2013/14 the actuaries advised that the net pensions liability had decreased by £632,000.

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;

	Trading (Discontinued)		**Photocopiers (Discontinued)**		**Energy (Continued)**		**Total**	
	2013/14 £000	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**
Turnover	-	-249	-	-6	-64,372	-62,093	-64,372	-62,348
Cost of goods sold	-	146	-	6	62,515	60,025	62,515	60,177
Gross Profit	**-**	**-103**	**-**	**-**	**-1,857**	**-2,068**	**-1,857**	**-2,171**
Other trading operating income							-665	-726
Employee costs							598	725
Pensions impact							63	-578
Depreciation							11	26
Impairment							0	10
Other expenses							70	126
Central expenses							76	75
Interest revenue							-24	-19
Interest expense							0	17
Net operating surplus							**-1,728**	**-2,515**
Distribution of surplus to Member Authorities							1,452	-
Net gain for the year							**-276**	**-2,515**

7. Discontinued services

In September 2011 the owners of the Joint Committee appointed a sales agent to pursue the sale of the organisation. A buyer was found for the stationery division of the Joint Committee with the sale completing on 19th April 2012. The West Mercia Supplies name and most of the staff transferred as part of the sales agreement.

As part of the sales agreement the non-current assets of the Joint Committee transferred. These consisting of the Land & Buildings (which comprised the Joint Committee's warehouse/office buildings) and the plant and equipment, including vehicles.

The four Member Authorities have agreed the income from the sale, both capital (from sale of non-current assets) and revenue, will be transferred to them on an equal four way split.

The carrying amounts of the assets and liabilities in the disposal group are;

STATIONERY DIVISION FOR DISPOSAL

19 April 2012 £000	31 March 2013 £000		31 March 2014 £000
2	-	Intangible assets	-
2,867	-	Property, plant & equipment	-
1,398	-	Long term debtors	-
4,267	**-**	**Long term assets**	**-**
3,526	-	Inventories	-
1,387	-	Short term debtors	-
-	-	Cash and cash equivalents	-
4,913	**-**	**Current assets**	**-**
-1,242	-	Short term creditors	-
-1,242	**-**	**Current liabilities**	**-**
-1,398	-	Long term creditors	-
-1,398	**-**	**Long term liabilities**	**-**
6,540	**-**	**Net assets**	**-**

WEST MERCIA ENERGY

The activities for the disposal group are;

STATEMENT OF ACTIVITIES
FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2014

	2013-2014	2012-2013
	£000	£000
INCOME		
Turnover	-	-255
Less cost of goods sold	-	152
Gross Loss	-	-103
Other trading operation income	-	-
Gross Loss	**-**	**-103**
OPERATING EXPENSES		
Employees	-	153
Premises	-	20
Supplies & Services	-	29
Transport related expenses	-	21
Provision for bad debts	-	-1
Impairment	-	10
Depreciation	-	16
Total Operating Expenses	-	**248**
DEFICIT OF SERVICES	-	**145**
Loss on disposal of division	-	669 *
NET OPERATING LOSS	-	**814**
* Loss on disposal of division		
Proceeds	-	-6,740
Assets disposed	-	6,540
Expenses related to sale	-	869
	-	669

The proceeds and assets disposed of includes £2.869m relating to non-current assets.

The cash flow for the disposal group is;

NET CASHFLOWS FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2014

2012-2013		2013-2014		Notes
£000		£000	£000	
	Operating activities			
	Cash outflows			
153	Cash paid to and on behalf of employees	-		
69	Other operating costs	-		
1,660	Cost of goods sold	-		
1,882			-	
	Cash inflows			
-938	Turnover	-		
-	Investing Activities		-	
-	Financing		-	
944	**Net cash outflow from discontinued service**		-	22.1

Within the sale agreement staff were transferred with the assets and liabilities of the disposal group, the IAS 19 assets and liabilities remained with Joint Committee.

8. 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.

Interest to Authorities on Surplus
In accordance with the Joint Agreement the Joint Committee pays interest to Member Authorities on the retained surplus held or invested at 1 April 1998 together with interest on the General Fund held in hand at the beginning of the relevant financial year. No interest is payable under the West Mercia Energy Joint Agreement and therefore there is no charge from 1st April 2013.

	2013/14	2012/13
		Restated
	£000	£000
Interest payable and similar charges	-	17
Pensions interest cost and expected return on pensions	188	185
Interest receivable and similar income	-24	-19
Total	**164**	**183**

9. Staff Remuneration

In 2013/14 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2013/14	2012/13
£ 65,000 to £ 69,999	1	1
£185,000 to £189,999	-	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 and between £70,000 and £184,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

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**

2012/13

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
M Phillips - Managing Director (left April 2012)	177,776*	9,445	1,796	189,017
Director	60,089	4,170	7,623	71,882
	237,865	**13,615**	**9,419**	**260,899**

* Includes an exit package payment of £169,847 during 2012/13.

	No. of compulsory redundancies		Total no of exit packages by cost band		**Total cost of exit packages in each band**	
	2013/14	2012/13	2013/14	2012/13	**2013/14**	**2012/13**
£0 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	1	-	1	-	£169,847

There are no staff members receiving exit packages up to £150,000, so the table above has been adjusted accordingly.

10. Audit Costs

During 2013/14 the Joint Committee incurred the following fees in respect of external audit and statutory inspection.

	2013/14 £000	**2012/13 £000**
Fees payable to External Auditors with regard to external audit services	16	22

11. 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:

	2013/14 £000	2012/13 £000
Herefordshire Council	2,105	2,316
Shropshire Council	4,751	6,049
Telford & Wrekin Council	4,019	4,124
Worcestershire County Council	6,548	7,069

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

	2013/14 £000	2012/13 £000
Human Resources Support Services	7	8
Payroll Services	2	2
Treasury Services	4	4
Committee Services	8	10
Financial Advice	12	14
Internal Audit	14	10
Legal Services	5	-4
Procurement	6	6

12. Intangibles, Property, Plant & Equipment

Movements in 2013/14

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2013	-	-	32	32
Additions	-	-	5	5
As at 31 March 2014	-	-	37	37
Accumulated Depreciation				
As at 1 April 2013	-	-	11	11
Charge	-	-	11	11
As at 31 March 2014	-	-	22	22
Net Book Value	-	-		
As at 31 March 2014	**-**	**-**	**15**	**15**
As at 31 March 2013	-	-	21	21

Movements in 2012/13

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2012	2	2,801	1,841	4,644
Additions			30	30
Disposals	-2	-2,801	-1,839	-4,642
As at 31 March 2013	-	-	32	32
Accumulated Depreciation				
As at 1 April 2012	-	851	896	1,747
Charge – discontinued	-	-	26	26
Charge – continuing	-	-	9	9
Disposal	-	-851	-920	-1,771
As at 31 March 2013	-	-	11	11
Net Book Value				
As at 31 March 2013	**-**	**-**	**21**	**21**
As at 31 March 2012	2	1,950	945	2,897

All property, plant and equipment except buildings are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition. Land & Buildings (which comprised of the warehouse and office buildings of the stationery division) were independently valued at a market value of £1.95 million on 12 March 2012 by Alessio Dyfnallt, MRICS Pooks Shrewsbury. The Land & Buildings are shown at this valuation at 31 March 2012. The annual depreciation charge for the warehouse/ office buildings has been calculated based on an estimated remaining useful life of 40 years at the date of revaluation. The majority of non-current assets were sold as part of the sale.

13. Contractual Commitments for Property, Plant and Equipment

At the Balance Sheet date, there were no capital commitments.

14. 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 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Debtors:				
Financial assets carried at contract amounts	-	-	9,388	11,322
Total included in Debtors	-	-	9,388	11,322
Creditors:				
Financial liabilities carried at contract amount	-	-	11,675	13,524
Total included in Creditors	-	-	11,675	13,524

Income, Expense, Gains and Losses

	2013/14					2012/13				
	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	-	-	-	-	-	-17	-	-	-	-17
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-17	-	-	-	-17
Interest income	-	24	-	-	24	-	19	-	-	19
Total income in Surplus or Deficit on the Provision of Services	-	24	-	-	24	-	19	-	-	19
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	24	-	-	24	-17	19	-	-	2

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.

15. Short Term Debtors

	31 March 2014 £000	31 March 2013 £000
Member Authorities	2,126	3,630
Other Local Authorities	6,917	7,147
Bodies external to general government	345	545
	9,388	**11,322**

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

	31 March 2014 £000	31 March 2013 £000
Herefordshire Council	276	419
Shropshire Council	578	873
Telford & Wrekin Council	566	1,022
Worcestershire County Council	706	1,316
	2,126	**3,630**

16. Cash and Cash Equivalents

	Opening Balance 1st April 2013 £000	Movement During the Year £000	Closing Balance 31st March 2014 £000
Bank current accounts	**4,553**	**424**	**4,977**

17. Short Term Creditors

	31 March 2014 £000	31 March 2013 £000
Member Authorities	193	416
Other Local Authorities	2,233	1,846
Bodies external to general government	9,372	11,391
	11,798	**13,653**

18. 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 2013/14.

	2013/14 £000	2012/13 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	63	45
• Administration Expenses	2	1
• Past Service Cost	-	-
• Effect of Curtailment/Settlements	-	-505
• Employers Contributions	-190	-304
Pension Impact (IAS19)	-125	-763
Financing and Investment Income and Expenditure:		
• Net Interest Cost	188	185
Total Post-employment benefits contained within Net Operating Surplus	**63**	**-578**
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)	-598	-593
Actuarial (gains) and losses arising on changes in demographic assumptions	270	123
Actuarial (gains) and losses arising on changes in Financial assumptions	-705	1,212
Experience (gain) / loss	338	-
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	**-695**	**742**
Net charge to Comprehensive Income & Expenditure Account	**-632**	**164**

	2013/14 £000	2012/13 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	-253	274
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	190	304
Remeasurement of the net defined liabilities	695	-742
Movement on Pension's Reserve	**632**	**-164**

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;

	2013/14 £000	2012/13 £000
Present Value of the defined benefit obligation	12,292	12,060
Fair Value of plan assets	-8,313	-7,449
Net liability arising from defined benefit obligation	3,979	4,611

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

	2013/14 £000	2012/13 £000
Opening fair value of scheme assets	-7,449	-6,734
Interest income	-312	-323
Remeasurement (gain) and loss		
The return on Plan assets	-598	-593
Employer contributions	-190	-304
Contributions by scheme participants	-20	-16
Benefits paid	254	520
Administration Expenses	2	1
At 31 March	**-8,313**	**-7,449**

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

	Funded 2013/14 £000	Liabilities 2012/13 £000
At 1 April	12,060	11,181
Current Service Cost	63	45
Interest cost	500	508
Contributions by scheme participants	20	16
Remeasurement (gains) and losses		
• Actuarial gains/losses arising from changes in demographic assumptions	270	123
• Actuarial gains/losses arising from changes in financial assumptions	-705	1,212
• Experience gains/losses	338	-
Losses/(gains) on Curtailments/Settlement	-	-505
Benefits paid	-254	-520
At 31 March	**12,292**	**12,060**

WEST MERCIA ENERGY

Pension Scheme Assets

	Fair value of Scheme Assets	
	2013/14	**2012/13**
	£000	**£000**
Cash & Cash Equivalents		
• Cash Instrument	-1	9
• Cash Accounts	204	290
Cash Total	**203**	**299**
Equity Instruments		
• UK Quoted	682	983
• Global quoted	3,859	3,290
Equity Instruments Total	**4,541**	**4,273**
Bonds		
• UK Government fixed	7	22
• UK Government indexed	826	707
• Overseas Government Fixed	1,161	998
Bonds Total	**1,994**	**1,727**
Property		
• Property Funds	330	215
Property Total	**330**	**215**
Private Equity	350	332
Private Equity Total	**350**	**332**
Other Investment Funds		
• Infrastructure	66	41
• Hedge Funds	829	562
Other Total	**895**	**603**
Total assets	**8,313**	**7,449**

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:

	2013/14	2012/13
Long term expected rate of return on assets:		
Equity Investments	7.0%	7.0%
Government Bonds	3.4%	2.8%
Other Bonds	4.3%	3.9%
Property	6.2%	5.7%
Cash/Liquidity	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23.8	22.4
Women	26.1	25.1
Longevity at 65 for future pensioners (years):		
Men	26.0	24.2
Women	29.0	27.1
Rate of CPI Inflation	2.4%	2.4%
Rate of Increase in Salaries	3.9%**	3.9%
Rate of Increase in Pensions	2.4%	2.4%
Rate for Discounting Scheme Liabilities	4.5%	4.2%

**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	**Decrease in assumption**
	£000	**£000**
Longevity (increase or decrease in 1 year)	12,524	12,060
Rate of inflation (increase or decrease by 0.1%)	12,522	12,062
Rate of increase in salaries (increase or decrease by 0.1%)	12,299	12,285
Rate of increase in pensions (increase or decrease by 0.1%)	12,522	12,062
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	12,066	12,518

*The current Defined Benefit Obligation as at 31st March 2014 is £12.292 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 £188,000 expected contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2013/14 (16 years 2012/2013).

19. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 1st April 2013 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2014 £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**

Comparative Analysis in 2012/13-Restated

	Opening Balance 1st April 2013 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2014 £000
General Fund	4,546	3,042	-5,366	2,222
Earmarked Pensions reserve	-4,447	578	-742	-4,611
Joint Committee capital adjustment account	2,899	30	-2,908	21
Total usable reserves	**2,998**	**3,650**	**-9,016**	**-2,368**

20. 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 Commitee 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.

	2013/14 £000	2012/13 £000
Opening Balance at 1 April	**-4,611**	**-4,447**
Remeasurement (Liabilities & Assets)	695	-742
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	-253	274
Employer's pensions contributions & direct payments to pensioners payable in the year	190	304
Closing Balance at 31 March	**-3,979**	**-4,611**

21. 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 2014 £000	31 March 2013 £000
Opening balance at 1 April	21	2,899
Fixed assets purchased from revenue resources	5	30
Depreciation of fixed assets	-11	-25
Impairment	-	-10
Other	-	-4
Sale of non-current assets	-	-2,869
Closing Balance at 31 March	**15**	**21**

WEST MERCIA ENERGY

22. Note to the Cashflow Statement

22.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2012-2013			2013-2014	
Discontinued	Continued restated		Discontinued	Continued
£000	£000		£000	£000
-814	2,661	**Net Operating Surplus/(Loss) on Comprehensive I&E Account**	-	1,728
		Adjust net surplus or deficit on the provision of services for non cash movements		
16	9	Depreciation	-	11
10		Impairment		
669		Expenses relating to sale		
	-578	IAS 19 Movements on Earmarked Pension Reserve	-	63
-684	-	Increase in inventories		-
1,367	425	(Increase) / decrease in debtors	-	1,934
-1,508	1,062	Increase / (decrease) in creditors	-	-1,855
		Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
	-19	Interest and investment income	-	-24
-944	**3,560**	**Net cash inflow/(outflow) from operating activities**	-	**1,857**

22.2 Cash Flow Statement – Investing Activities

	31 March 2014 £000	31 March 2013 £000
Interest and investment income	-24	-19
Purchase of property, plant and equipment	5	30
TOTAL	-19	11

22.3 Cash Flow Statement – Financing Activities

	31 March 2014 £000	31 March 2013 £000
Net Cash from Sale of Stationery Division	-	-5
Distribution to Member Authorities	1,452	-
TOTAL	1,452	-5

22.4 Movement in Cash and Cash Equivalents

	Balance 31/03/13 £000	Balance 31/03/14 £000	Movement In Year £000
Cash in hand	4,553	4,977	424

23. Purchase of Non-current Assets

Non-current assets to the value of £5,000 were financed from the General Fund Balance in 2013/14 (£30,000 2012/13).

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

WEST MERCIA ENERGY JOINT COMMITTEE

Appendix 3

ANNUAL GOVERNANCE STATEMENT 2013/14

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 Owning 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.

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

2013/14 Audit programme
Nine audits were performed during the year. Six audits were issued with good assurance and two with reasonable assurance with a total of 20 recommendations from these eight audits. The ninth audit relating to General IT Controls audit gave rise to an unsatisfactory opinion as a result of the number of significant recommendations (16 out of the total of 17 made). The majority of the recommendations made related to the necessary improvements in documentation and policies. Overall there were no fundamental recommendations from any of the audits conducted.

On the basis of the work undertaken and management responses received, the Audit Service Manager has qualified her overall opinion on the organisation's internal control environment due to the assurances provided on the general IT controls. The issues identified were considered to be sufficient to warrant qualifying the opinion to the extent that management must prioritise implementing their positive responses to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the organisation's accounts and reliance can still be placed upon them for that purpose.

Significant Governance Issues

As detailed above, the review process has highlighted some areas within the general IT controls where management must prioritise the implementation of their positive responses to address the matters raised.

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 A Hardman)

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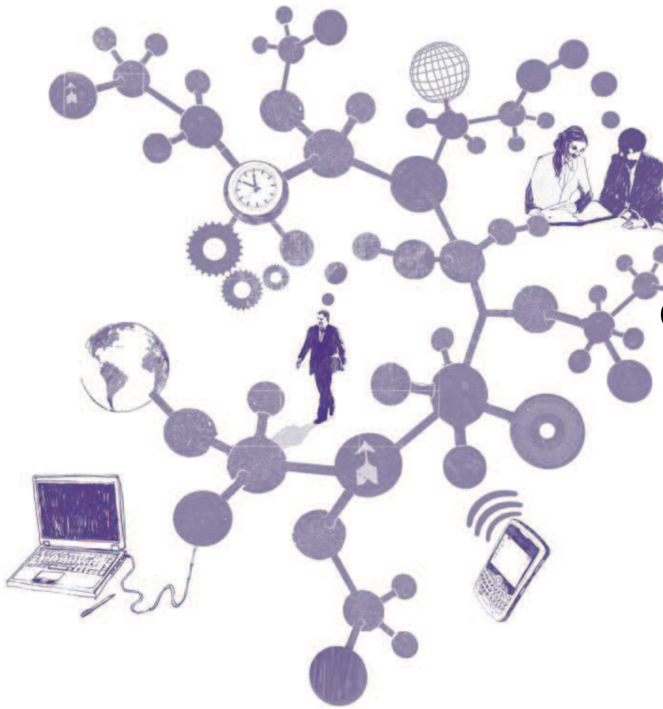
Grant Thornton

The Audit Findings for West Mercia Energy Joint Committee

Year ended 31 March 2014

September 2014

Page 65



Agenda Item 7

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Page 66

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.

Contents

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

This report is to the Joint Committee on 22 September 2014. This report reflects the findings from our work on the financial statements. At the time of writing the audit is substantially complete. If further matters arise during the completion stages of our audit, we will raise these at the Joint Committee.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Mercia Energy Joint Committee's ('the Joint Committee') financial statements for the year ended 31 March 2014. 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).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Joint Committee's financial statements present a true and fair view of the financial position, its 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 18 February 2014.

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

- employee remuneration - review of the actuarial report and review of the assurances from the auditor for Shropshire County Pension Fund
- utility expenditure
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement to be approved at the Joint committee meeting of the 22 September 2014; and,
- updating our post balance sheet events review, to the date of signing the opinion.

The 18 September 2014 is the date appointed on, or after, which local government electors for the joint committee's area may exercise their rights under sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31 March 2014. As at the date of this report electors have therefore not yet had opportunity to exercise their rights. If matters arise we will inform the Joint Committee accordingly

Key issues arising from our audit

Financial statements opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

As at 8 September 2014, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the financial statements.

In 2012/13 we:

1) Highlighted that an improved review process of the financial statements against the requirements of the CIPFA Code and other items be incorporated within the closedown timetable for the preparation of the Joint Committee's financial statements as set out in the action plan in Appendix A. Our 2013/14 audit has found a number of presentation and disclosure items requiring amendment in the accounts. We have worked with your officers on these and the accounts have been amended. The Joint Committee should therefore continue to develop an improved review process against the requirements of the CIPFA Code and other items incorporated within the closedown timetable for the preparation of the Joint Committee's annual financial statements

2) Asked management and those charged with governance to consider actions that could be taken to reduce the risk of lack of segregation of duties within the journals system or recognise that this is a risk that the Joint Committee is willing to tolerate within its operating environment. The item was considered at the Joint Committee meeting in September 2013. Our 2013/14 audit has found that procedures have been put in place for the authorisation by the Treasurer of journals raised by the Director.

The key messages arising from our audit of the Authority's financial statements are:

- The financial statements presented for audit were basically sound.
- We have been working with your officers to ensure that the Joint Committee's financial statements comply with the requirements of the CIPFA Code of Practice and best practice. Our audit identified a number of presentational and disclosure changes. These changes in the main arose from two areas.
  - the first being a specific area of local government accounting - this is that as a Joint committee it is not a principal local government body and therefore the statutory overrides of accounting for pensions do not apply. The accounts presented for audit had been presented as if the statutory overrides for pensions had applied which is incorrect.
  - the second being disclosures in respect of comparatives relating to the sale of the discontinued operation.
- All the omissions and disclosure changes are to be adjusted for in the updated set of accounts. We have again highlighted that the processes for reviewing your financial statements could be stronger and will work with your officers to make improvements for next year.

Further details are set out in section 2 of this report

Value for Money conclusion
As at 8 September 2014, and subject to the completion of the outstanding work described previously, based on our review of the Joint Committee's 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 3 of this report.

Controls

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.

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

The way forward

Matters arising from the financial statements audit and review of the Joint committee's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Treasurer and Director.

We have made a recommendation, which is set out in the action plan in Appendix B. The recommendation has been discussed and agreed with the Treasurer and Director.

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.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Page 71

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 findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Joint Committee on 24 February 2014. 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 dated 18 February 2014 as previously communicated to you on 24 February 2014.

Audit opinion

We anticipate that we will provide the Joint Committee with an unmodified opinion. Our audit opinion is set out in Appendix C.

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 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 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have undertaken the following: • review and testing of revenue recognition policies • testing of material revenue streams	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	We have undertaken the following: • review of accounting estimates, judgements and decisions made by management • 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 judgements.

Page 73

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. Recommendations, together with management responses, are attached at Appendix B.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Turnover – Utility Revenue	Existence/Occurrence Contract accounting not consistent with terms	We have undertaken the following: • 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 controls. • We have undertaken tests of detail on utility revenue included in the financial statements including: ➢ Testing on 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 properly Valuation – Net Activity variation adjustments to expenditures not correct	We have undertaken the following: • We have documented the processes and controls in place around the accounting for Cost of Goods Sold – Utility Expenditure and carried out walkthrough tests to confirm operation of controls. • We have undertaken tests of detail on utility expenditure included in the financial statements including: ➢ Testing on a sample of utility expenditure transactions.	Our audit work is substantially complete and at this time has not identified any significant issues in relation to the risk identified. We will update the Joint Committee at the meeting on our findings from our work.

Page 74

Audit findings against other risks (continued)

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Our recommendation, together with management responses, is attached at Appendix B.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Debtors (long & short term) – Utility revenue	Existence/Occurrence Recorded debtors not valid	We have undertaken the following: • We have documented the processes and controls in place around the accounting for Trade debtors and prepayments and carried out walkthrough tests to confirm operation of controls. • We have undertaken tests of detail on trade debtors and prepayments in the financial statements including: ➢ Review of calculation of significant prepayments and other items. ➢ Review of receipts after the year end.	Our audit work has not identified any significant issues in relation to the risk identified.

Page 75

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 Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• 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.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	(Green)
Judgements and estimates	• Key estimates and judgements include : – pension fund valuations and liabilities	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	(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	(Green)

Page 76

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

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
NONE – to be updated on completion of audit work			
Overall impact	**£NIL**	**£NIL**	**£NIL**

Unadjusted misstatements

There are no identified adjustments which we request be processed but which have not been made within the final set of financial statements.

Misclassifications & disclosure changes

Our review found a number of omissions and items requiring amendment in the financial statements as described previously. These were discussed with officers during the course of the audit and all are to be adjusted for in the final set of financial statements. The majority of the changes are of such a size and nature that, in our view, we are not required to bring them to your attention in this report to help you discharge your responsibilities. We have highlighted those that we believe will assist you in your role below. The number of items highlights that the processes for preparing and reviewing your financial statements could be stronger and we have again made a recommendation which, together with the management response, is attached at Appendix B.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure and presentation	£695/nil 2012-13 £742/nil	Movement in Reserves Statement – usable reserves/unusable reserves.	The change arose from a specific area of local government accounting. This is that a Joint Committee is not a principal local government body and therefore the statutory overrides of accounting for pensions do not apply. The accounts presented for audit had been presented as if the statutory overrides for pensions had applied which is incorrect.
2	Disclosure and presentation	£3,964/nil	Balance Sheet – usable reserves/unusable reserves	The reserves of the Joint Committee should all be classed as usable reserves as it is not a principal local government body.

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.

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

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**	• We have previously discussed the risk of fraud with the Joint Committee. We have not been made aware of any other 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**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Joint Committee. This incorporates the additional disclosure highlighted below.

4.	**Disclosures**	• As reported earlier, our review found misclassification and disclosure changes requiring amendment in the financial statements. These are all to be adjusted for in the final set of financial statements
		• Note 6 of the financial statements provides the Joint Committee's segmental reporting information. Following the disposal of the stationary business in April 2012 there are three segments which are reported to management on a monthly basis of gas; electricity and oil. The Utilities element disclosed in note 6 includes gas and electricity components which each are more than 10% of turnover. These would normally require separate disclosure, however IFRS8 does allow for aggregation of segments where they are similar in each of the following respects:
		  • Nature of products and services
		  • Nature of the production process
		  • Type or class of customer for products and services
		  • Method used to distribute products/provide services
		  • Nature of the regulatory environment
		From our audit procedures we are satisfied that aggregation on the above bases is reasonable and we are requesting that the Joint Committee confirm its agreement to this approach through the letter of representation.

5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Joint Committee's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 describes the Joint Committee's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- 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 2013-14 year to date;
- Undertake a risk assessment and consider any significant risks relating to your proper arrangements for securing economy, efficiency and effectiveness.

Key findings

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 2014 meeting and management accounts have been provided to you, the owners 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

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

Page 84

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board'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

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other 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's 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's 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

Appendix A: Action plan 2012-13 update

Priority
High - Significant effect on control system
Medium – Effect on control system
Low - Best practice

Rec No.	Recommendation 2012-13	Priority	Management response	Implementation date & responsibility	Finding
1	An improved review process of the financial statements against the requirements of the CIPFA Code and other items is incorporated within the closedown timetable for the preparation of the Joint Committee's financial statements	L	A review of the process for the year 2012/13 will be conducted and ways of improving the process for future years will be considered.	June 2014 Treasurer and Director	Our 2013/14 audit has found a number of presentation and disclosure items requiring amendment in the accounts.
2	Management and Those Charged with Governance should consider whether there are actions that could be taken to reduce the risk of the lack of segregation of duties within the journals system or recognise that this is a risk that the Joint Committee is willing to tolerate within its operating environment.	M	Given the size of the organisation, the segregation of duties which would be evident in a larger business is not possible. It is recommended that this is recognised by the Joint Committee and is a risk that the Joint Committee is willing to tolerate within the current operating environment.	Risk to be acknowledged and accepted - no implementation date.	We found that procedures have been introduced for the authorisation by the Treasurer of journals raised by the Director. The number of these journals is considered manageable.

Appendix B: Action plan

Priority
High - Significant effect on control system
Medium – Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 89	Continue to develop the improved review process of the financial statements against the requirements of the CIPFA Code and other items incorporated within the closedown timetable for the preparation of the Joint Committee's financial statements.	L	A review of the process for the year 2012/13 was conducted and improvements made. Now that the year 2013/14 is complete a further review will be conducted and any additional ways of improving the process for future years will be considered.	June 2015 Treasurer and Director

Appendix C: 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 2014 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 2013/14.

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, 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 2014 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 2013/14 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 2013, 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.

Grant Patterson
Director

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

Colmore Plaza
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September 2014

Grant Thornton

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An instinct for growth™

Our Ref GP/JH/plb

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31 March 2014

Dear James

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Joint Committee along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as "the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes."

The Joint Committee's scale fee for 2014/15 has been set by the Audit Commission at £18,386, which is the same as the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Joint Committee has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on a review of the annual governance statement.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	4,596
December 2014	4,596
March 2015	4,596
June 2015	4,598
Total	**18,386**

Outline audit timetable

We will undertake our audit planning and interim audit procedures in Spring 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in Summer 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Joint Committee's accounts and VfM.
Final accounts audit	July to September 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2015	Audit Findings (Report to those charged with governance)	As above.
Annual audit letter	October 2015	Annual audit letter to the Joint Committee	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Grant Patterson	0121 232 5296	grant.b.patterson@uk.gt.com
Engagement Manager	Joan Hill	0121 232 5327	joan.hill@uk.gt.com

Additional work

The scale fee excludes any work requested by the Joint Committee that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Joint Committee.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner (jon.roberts@uk.gt.com).

Yours sincerely

G. Patterson

Grant Patterson
Director
For Grant Thornton UK LLP

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SHROPSHIRE COUNCIL
AUDIT SERVICES

FINAL INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

PAYROLL 2014/15

Assurance Level	**Good**

Customer	**West Mercia Energy**

Distribution	**Nigel Evans – Director**

Auditors	**Mark Seddon**

Fieldwork dates	August 2014
Debrief meeting	1st September 2014
Draft report issued	1st September 2014
Responses received	1st September 2014
Final report issued	2nd September 2014

Introduction and Background

1. As part of the approved internal audit plan for 2014/15 we have undertaken a review of Payroll.

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.

   Follow up of the previous recommendations and audit of the payroll control process, including overtime claims, travel and subsistence expenses and the reconciliation process in place for transferring payroll costs into the Sage nominal ledger, using established documentation and testing.

   The Payroll and Human Resources function within West Mercia Energy is an administrative and authorisation process with the actual payroll calculations, statutory deductions and payment being carried out by Shropshire Council and recharged on a monthly basis.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
   - To ensure that previous recommendations have been implemented.
   - There are adequate segregation of duties in place.
   - Payroll data is correctly transferred and accurately processed.
   - Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.
   - Travel and subsistence is appropriately controlled and actioned in a timely manner.
   - Management information is produced in an accurate and timely manner and subject to review.
   - Workforce Requirements and costs are appropriate to the tasks undertaken and the policies of the organisation.

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 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 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.

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
1	0	0	1	0

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

✓	To ensure that previous recommendations have been implemented.
✓	There are adequate segregation of duties in place.
✓	Payroll data is correctly transferred and accurately processed.
✓	Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.
✓	Travel and subsistence is appropriately controlled and actioned in a timely manner.
✓	Management information is produced in an accurate and timely manner and subject to review.
✓	Workforce Requirements and costs are appropriate to the tasks undertaken and the policies of the organisation.

11. 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	2
Recommendations implemented	0
Recommendations partially implemented	1
Recommendations superseded	1
Recommendations not actioned	0

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

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 the identified control weaknesses.

Ceri Pilawski
Audit Services Manager

ACTION PLAN FOR PAYROLL 2014/15

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address major control weakness that, 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	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
2.1	1	The staff handbook should be dated and should include version control. Individual policies should also be dated and should have evidence of version control. (Updated from the previous recommendation made and agreed and originally made in 2012/13).	Requires Attention	Yes	The staff handbook was updated in late 2013 and all staff confirmed in Jan 2014 that they had read and understood this updated handbook. The staff handbook is now electronic and all policies will be dated and have some form of version control.	Julie Wassall	October 2014

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SHROPSHIRE COUNCIL
AUDIT SERVICES

FINAL INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

CREDITORS 2014/15

Assurance Level	**Good**

Customer	**West Mercia Energy**

Distribution	**Nigel Evans - Director**

Auditors	**Mark Seddon**

Fieldwork dates	August 2014
Debrief meeting	1st September 2014
Draft report issued	1st September 2014
Responses received	1st September 2014
Final report issued	2nd September 2014

Introduction and Background

1. As part of the approved internal audit plan for 2014/15 we have undertaken a review of Creditors.

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.

   Follow up of the previous recommendations and systems audit of creditor payment process, including a review of purchasing cards, 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:
   - To ensure that previous recommendations have been implemented.
   - There are appropriate policies and procedures in place for the operation of the creditors system.
   - Orders are placed for all goods.
   - Goods received procedures are defined and operated effectively.
   - Prepayment checks are undertaken before an invoice is entered on the system.
   - Appropriate input controls are in place and operated effectively.
   - Credit notes are actioned in a timely manner.
   - Payments made are accurate, complete, have not previously been paid and are made at the optimal time.
   - BACS payments are securely controlled.
   - Transactions on purchasing cards are securely controlled and reviewed by an appropriate officer.
   - Management information in respect of payments to creditors is timely and adequate.

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 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 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.

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	3	0

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

✓	To ensure that previous recommendations have been implemented.
✓	There are appropriate policies and procedures in place for the operation of the creditors system.
✓	Orders are placed for all goods.
✓	Goods received procedures are defined and operated effectively.
✓	Prepayment checks are undertaken before an invoice is entered on the system.
✓	Appropriate input controls are in place and operated effectively.
✓	Credit notes are actioned in a timely manner.
✓	Payments made are accurate, complete, have not previously been paid and are made at the optimal time.
✓	BACS payments are securely controlled.
✓	Management information in respect of payments to creditors is timely and adequate.

11. 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	2
Recommendations implemented	2
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not actioned	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 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 the identified control weaknesses.

Ceri Pilawski
Audit Services Manager

ACTION PLAN FOR CREDITORS 2014/15

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address major control weakness that, 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	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
10.1	1	The purchasing card agreements should be updated with the revised limits and the individual transaction limits. The updated agreements should be signed by the officers who have been issued with the purchasing cards.	Requires Attention	Yes	Agreements will be updated and reissued.	Nigel Evans	September 2014
10.2	2	Prior to a purchase using a procurement card where the value is to exceed the £250 limit as recorded in the Scheme of Delegation it should be ensured that authorisation of the purchase by the WME Director is evidenced.	Requires Attention	Yes	This will be reiterated to card holders.	Nigel Evans	September 2014
10.3	3	It should be ensured that a purchasing card transaction log is completed by the cardholder and authorised by the WME Director for all monthly transaction statements received.	Requires Attention	Yes	The Asst. Mgt Accountant is to ensure that the Director signs these logs off before filing away.	Martin Elson	September 2014

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Agenda Item 14

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Agenda Item 16

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Agenda Item 17

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Agenda Item 18

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