



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

Date: 12th September 2013

Committee:
West Mercia Energy Joint Committee

Date: Monday, 23 September 2013
Time: 10.00 am
Venue: Council Chamber, Westgate, Bridgnorth, Shropshire, WV16 5AA

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

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

Members of West Mercia Energy Joint Committee

<i>Herefordshire Council</i>	Russell B Hamilton P Price (Chairman)
<i>Shropshire Council</i>	S Charmley M Owen
<i>Telford & Wrekin Council</i>	B McClements (Vice-Chairman) A England
<i>Worcestershire County Council</i>	J Smith A Hardman

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 - 8)

To receive the minutes of the Audit and Joint Committee meetings held on 24th June 2013.

Copies attached marked 4a and 4b.

5 Statement of Accounts 2012/13 and Annual Governance Statement 2012/13 (Pages 9 - 60)

Report of the Treasurer is attached, marked 5.

6 External Audit - Audit Findings Report 2012/13 (Pages 61 - 90)

Report of the External Auditor is attached, marked 6.

7 Internal Audit - Creditors System 2013/14 (Pages 91 - 96)

Report of the Audit Service Manager is attached, marked 7.

8 Internal Audit - Payroll 2013/14 (Pages 97 - 102)

Report of the Audit Service Manager is attached, marked 8.

9 Exclusion of Public and Press

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

10 Exempt Minutes (Pages 103 - 106)

To receive the Exempt Minutes of the Joint Committee meeting held on 24th June 2013.

Copy attached marked 10.

11 Profit Related Pay Scheme (Pages 107 - 126)

Recommendations from the Chief Executives of the Owning Authorities are attached, marked 11.

12 Distribution of Surplus (Pages 127 - 130)

Report of the Treasurer is attached, marked 12.

13 West Mercia Energy Trading Performance to Date 2013/14 (Pages 131 - 134)

Report of the Director is attached, marked 13.

14 Minutes of the Flexible Energy Management Panel (Pages 135 - 146)

Report of the Director is attached, marked 14.

15 Date of Next Meeting

To consider a date and time for the next meeting.

Minutes of the meeting of West Mercia Energy Audit Committee held at Westgate, Bridgnorth on Monday 24th June 2013 at 10.00am.

Members Present:

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

Officers Present:

West Mercia Energy Grant Thornton	N Evans G. Patterson J Hill
Telford & Wrekin Council Shropshire Council	D Sidaway E Marshall C. Pilawski K. Hall J Walton
Worcestershire County Council	M Howard

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor B McClements and Mr D. Powell (Herefordshire Council)

2. NAMED SUBSTITUTES

Councillor A. England was in attendance as a substitute for Councillor McClements.

3. DISCLOSABLE PECUNIARY INTERESTS

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

4. MINUTES

RESOLVED: That the minutes of the meeting held on 25th February 2013 be approved as a correct record.

5. EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2012/13

Mr G Patterson (Grant Thornton) presented the Annual Audit Plan 2012/2013. G. Patterson outlined the significant developments relevant to WME and within the Audit sector generally, such as changes to the CIPFA Code of Practice and changes that were due to the Local Government Pension Scheme (LGPS).

J. Hill outlined the audit was focused on risks and those significant risks identified for the 2012/13 audit.

The Audit Findings report for the audit would be brought to the September meeting.

RESOLVED: That the Annual Audit Plan 2012/13 be noted.

6. EXTERNAL AUDIT - FEES LETTER 2013/14

Mr G. Patterson (Grant Thornton) presented the Fees Letter 2013/14.

RESOLVED: That the Fees Letter 2013/14 be noted.

7. CORPORATE GOVERNANCE AND RISK MANAGEMENT REPORT 2012/13

C. Pilawski presented the report, highlighting that the Audit had revealed that there was a reasonable assurance that corporate governance arrangements were in place. C. Pilawski reported that three significant issues had been identified and paragraph 11 of the report detailed recommendations arising from these issues. In response to a question, C. Pilawski stated that Financial Regulations and Standing Orders for contracts would be considered by the Joint Committee, immediately following the Audit Committee.

RESOLVED: That the Corporate Governance and Risk Management Final Internal Audit Report 2012/13 be noted.

8. FINANCIAL RESULTS 2012/13 AND STATUTORY STATEMENT OF ACCOUNTS 2012/13

J. Walton (Treasurer) introduced the report, outlining the key points for discussion. In response to a question J. Walton confirmed that the pensions liability previously built up had remained with the owners, following the sale. It was further explained that the staff who transferred under TUPE were members of the Shropshire Council Pension fund, however the new owner of the supplies division were not eligible for admitted body status in the Shropshire Council Pension fund.

J. Walton explained that the pension deficit which remained with the owners following the sale was currently being reviewed and would continue to be reviewed every three years.

RESOLVED:

That the Statement of Accounts for the financial year ended 31 March 2013 be noted.

That the Annual Governance Statement 2012/13 be noted.

9. INTERNAL AUDIT 2012/13 SUMMARY AUDIT REPORT

C. Pilawski outlined the Internal Audit 2012/2013 Summary Audit Report,

highlighting that she was pleased to deliver a positive year end opinion on West Mercia Energy's internal control environment for 2012/13.

RESOLVED:

That performance against the Audit Plan for the year ended 31 March 2013 be endorsed.

That the effective operation of the system of internal control be noted and relied upon when considering the Annual Governance Statement for 2012/13.

That the Audit Service Manager's positive year end opinion on WME's internal control environment for 2012/13 be noted, on the basis of the work undertaken and management responses received.

10 INTERNAL AUDIT STRATEGIC PLAN 2012/13 TO 2015/16

C. Pilawski outlined the report which detailed the proposed programme of audit work for the year 2013/14.

RESOLVED:

That the programme of audits for 2013/14 be approved.

11. DATE OF NEXT MEETING

The next meeting would take place on Monday, 23rd September 2013 at 10.00 a.m. in the Council Chamber, Westgate Bridgnorth.

The meeting ended at 10.56 a.m.

Signed

Dated

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Minutes of the meeting of West Mercia Energy Joint Committee held at Westgate, Bridgnorth Monday 24 June 2013 at 11.00am.

Members Present:

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

Officers Present:

West Mercia Energy	N Evans
Grant Thornton	G Patterson J Hill
Shropshire Council	J Walton N Denton C Pilawski K Hall E Marshall
Worcestershire County Council	M Howard
Telford and Wrekin	D. Sidaway

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr B McClements, Mr S Charmley, Mr J Smith and Mr D Powell

2. NAMED SUBSTITUTIONS

Mr A England was in attendance as a substitute of Mr B McClements

3. DISCLOSABLE PECUNIARY INTERESTS

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

4. MINUTES

RESOLVED:

That the minutes of the meeting held on 25th February 2013 be approved as a

correct record.

5. FINANCIAL RESULTS 2012/13 AND STATUTORY STATEMENT OF ACCOUNTS 2012/13

J Walton (Treasurer) presented the report, stating that the Audit Committee had received the Accounts and were satisfied. The Accounts would be finalised in September.

RESOLVED:

That the Statement of Accounts for the financial year ended 31 March 2013 be noted.

That the Annual Governance Statement be noted.

6. 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.

7. EXEMPT MINUTES

(The full version of Minute 7 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 25th February 2013 be approved as a correct record.

8. WEST MERCIA ENERGY TRADING PERFORMANCE 2012/13

(The full version of Minute 8 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the report be noted.

9. WEST MERCIA ENERGY TRADING PERFORMANCE TO DATE 2013/2014

(The full version of Minute 9 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the report be noted.

10. FLEXIBLE ENERGY SUB-COMMITTEE

(The full version of Minute 10 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 held on 4th January 2013 and 13th March 2013 be received.

11. ENERGY GOVERNANCE, ACCOUNTABILITY, RISK AND REPORTING POLICY

(The full version of Minute 11 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the Energy Governance, Accountability, Risk and Reporting Policy for West Mercia Energy be approved.

12. COMMITTEE CONSIDERATIONS

(The full version of Minute 12 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the suspension of the Audit Committee be approved, with all Audit business being covered by the Joint Committee which will sit in February and September each year. This arrangement would be reviewed in twelve months time.

13. FINANCIAL REGULATIONS

(The full version of Minute 13 constitutes exempt information under the Access to Information Rules and has accordingly been withheld from publication.)

RESOLVED: That the Financial Regulations for West Mercia Energy be approved.

14. STANDING ORDERS

(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 Standing orders for West Mercia Energy be approved.

15. SCHEME OF DELEGATION

(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 Scheme of Delegation for West Mercia Energy be approved.

16. CREDIT MANAGEMENT POLICY

(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 Credit Management Policy for West Mercia Energy be approved.

17. RISK MANAGEMENT AND BUSINESS CONTINUTY ARRANGEMENTS

(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 new Risk Management Strategy, Risk Register and Business Recovery Plan be approved.

18 COUNTER FRAUD, BRIBERY AND ANTI CORRUPTION POLICY AND STAFF WISTLEBLOWING 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 Shropshire Council's Counter Fraud, Bribery & Anti-corruption Policy and Staff Whistleblowing Policy be adopted for West Mercia Energy, to include the use of the Shropshire Council Whistleblowing Hotline.

19. DATE OF NEXT MEETING

RESOLVED: The Committee noted that following the decision taken to suspend the Audit Committee, the meeting on 23rd September would be a Joint Committee meeting only and would start at 10.00 a.m. in the Council Chamber, Westgate, Bridgnorth

Agenda Item 5

Statement of Accounts 2012/13 And Annual Governance Statement 2012/13

Report of the Treasurer

West Mercia Energy Joint Committee

23 September 2013

Purpose

- 1 i) To note the Letter of Representation to be signed by the Chairman and submitted by the Treasurer.
- ii) To receive the finalised Statement of Accounts 2012/13 to be signed by the Chairman and the Treasurer
- iii) To receive the Annual Governance Statement 2012/13

Background

- 2 The Letter of Representation, Statement of Accounts and the Annual Governance Statement for 2012/13 relates to the West Mercia Supplies Joint Committee. The West Mercia Energy Joint Committee commenced on 1st April 2013, as a result these will be the final statements for 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 note the updated Statement of Accounts for 2012/13. The statement has been amended since 13 June 2013, 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 note the Annual Governance Statement 2012/13
See Appendix 3

Publication of Accounts

- 5 The annual statement of Accounts 2012/13 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 owning authorities.

Recommendation

- 6 The Joint Committee is recommended to:**
- a) Receive the Treasurer's Letter of Representation to be signed by the Chairman.**
 - b) Receive the finalised Statement of Accounts for 2012/13 to be signed by the Chairman and the Treasurer.**
 - c) Receive the Annual Governance Statement 2012/13**

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

23 September 2013

Dear Sirs

West Mercia Supplies Joint Committee

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of West Mercia Supplies Joint Committee for the year ended 31 March 2013 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.

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 / LA SAAC Code of Practice on Local Joint Committee 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 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v 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.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IA S19 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 (including any

arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

- vii. 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.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix. The financial statements are free of material misstatements, including omissions.
- x. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi. 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

- xii. 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.
- xiii. We have communicated to you all deficiencies in internal control of which management is aware.
- xiv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv. 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.
- xvi. 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.
- xvii 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.
- xviii 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.
- xix 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.
- xx 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 IFRS8:0 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.

- xxi All documents relating to your audit regarding the sale of the stationery division have been made available to you. There are no unconcluded matters in respect of the sale of the stationery division. There has been no change in accounting policies from the 1 April 2012 to the date of this letter, in particular those for the valuation of debtors and inventories and the recognition of creditors.

Annual Governance Statement

- xxii 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 minutes by the Joint Committee meeting on 23 September 2013.

Signed on behalf of the Joint Committee

.....

James Walton

Section 151 Officer

Shropshire Council

23 September 2013

.....

Cllr Phillip Price

Chair of the Joint Committee

23 September 2013

WEST MERCIA SUPPLIES JOINT COMMITTEE

STATEMENT OF ACCOUNTS FOR THE YEAR
ENDING 31ST MARCH 2013

Treasurer
Shirehall
SHREWSBURY

The Purchasing Consortium of the Councils of Herefordshire, Worcestershire, Shropshire
and Telford & Wrekin

WEST MERCIA SUPPLIES JOINT COMMITTEE

CONTENTS

	Page Number
Foreword and Financial Summary for the Year 2012/13	2
Introductory Statements:	
Statement of Responsibilities and Joint Committee Approval	5
Core Financial Statements and Explanatory Notes:	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
Auditors Report	

WEST MERCIA SUPPLIES JOINT COMMITTEE

FOREWORD AND FINANCIAL SUMMARY **FOR THE YEAR 2012/13**

Introduction

This document is the Statement of Accounts for West Mercia Supplies Joint Committee (WMS-JC). It covers the financial year 1 April 2012 to 31 March 2013 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.

WMS-JC is a purchasing consortium established as a Joint Committee under s.101 of the Local Government Act 1972. Originally the central stores for Shropshire County Council, WMS-JC was created in 1987 when Hereford and Worcester County Council joined forces with Shropshire and created a central office and warehousing operation. In 1998 the two councils reorganised into four and joint ownership of WMS-JC transferred to them. The four Member Authorities are:

- § 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 WMS-JC and is responsible for the discharge of the functions of the Member Authorities. Within the Joint Committee, each Member Authority has voting rights - two votes each for Herefordshire and Telford & Wrekin, and three votes each for Shropshire and Worcestershire.

Although predominantly established to trade with the Member Authorities, WMS-JC also trades with other organisations outside the membership area.

On 19th April 2012 the stationery division of WMS-JC 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 WMS name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities. The energy division trades under the name of "West Mercia Energy". An updated Joint Agreement was signed on 20th June 2013 for West Mercia Energy Joint Committee which is in place from, 1st April 2013.

Professional Advice

Certain professional services are provided for WMS-JC 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 WMS-JC 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 WMS-JC, 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 WMS-JC as at the year end 31 March 2013.

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 2012/13

Total turnover from continuing operations during 2012/13 was £62.093 million, an increase of £11.980 million over the previous year's total. The net profit realised from trading operations for the year was £2.667 million having reserved £0.045 million for profit related pay.

A General Fund balance of £4.546 million was brought forward from 2011/12. After reflecting the sale of the stationery division the year end General Fund balance at 31 March 2013 is £2.222 million.

The net liabilities of WMS-JC stood at £2.368 million as at 31 March 2013 (net assets of £2.998 million at 31 March 2012). This change in level reflects the sale of the stationery division and the retention of the pension liability. The pension liability includes both those employees who were retained and those employees who transferred to the new owners of the stationery division.

Capital expenditure during the year 2012/13 totalled £0.030 million and was funded entirely from revenue resources.

WMS-JC's retirement benefits liability increased by £0.164 million (from £4.447 million to £4.611 million) during the financial year 2012/13.

Further Information

For further information about WMS-JC's Statement of Accounts, please contact:

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

Tel 0345 678 9000

STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Supplies Joint Committee

West Mercia Supplies 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 Supplies 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 2013.

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 WMS-JC'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 Regulations 2011 I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the Joint Committee at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Treasurer to the Joint Committee
(James Walton)

Joint Committee Approval

In accordance with the Accounts and Audit Regulations 2011 I certify that the West Mercia Supplies Joint Committee approved the Statement of Accounts for the year ended 31 March 2013.

Chairman of the
West Mercia Supplies Joint Committee
(Cllr Phillip Price)

Date: 2013

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2013

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

	General fund	Usable reserves		Total reserves
		Earmarked pensions reserve	Joint Committee capital adjustment account	
	Note 23	Note 23	Note 23	
	£000	£000	£000	£000
Balance at 31 March 2012	4,546	-4,447	2,899	2,998
Net loss for the year	-4,617	-	-	-4,617
Other comprehensive income & expenditure	-749	-	-	-749
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

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. Following the sale of the stationery division, the Joint Committee Capital Adjustment Account transferred to the General Fund.

MOVEMENT IN RESERVES STATEMENT (CONTINUED)
AS AT 31 MARCH 2012

	Usable reserves			Total	Unusable reserves		Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account		Revaluation reserve	Total	
	Note 23 £000	Note 23 £000	Note 23 £000		Note 26 £000	£000	
Balance at 31 March 2011	3,923	-3,704	3,467	3,686	75	75	3,761
Net loss for the year	-63	-	-	-63	-	-	-63
Other comprehensive income & expenditure	-625	-	-	-625	-	-	-625
Total comprehensive income & expenditure	-688	-	-	-688	-	-	-688
Transfer to/from Earmarked Reserves	1,311	-743	-568	0	-75	-75	-75
Increase/(decrease) in year	623	-743	-568	-688	-75	-75	-763
Balance at 31 March 2012	4,546	-4,447	2,899	2,998	-	-	2,998

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

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

	Notes	2012-2013	2011-2012
		£000	£000
<u>CONTINUING OPERATIONS</u>			
INCOME			
Turnover	5	-62,093	-50,113
Less cost of goods sold		60,025	48,009
Gross profit on issues		-2,068	-2,104
Other trading operation income		-726	-537
Gross Profit		-2,794	-2,641
OPERATING EXPENSES			
Employees	9	572	497
Pension impact (IAS19)	22	-765	-69
Premises		17	40
Supplies & services		52	47
Central departmental & technical support	10,11	75	76
Provision for bad debts		-11	2
Impairment		-	87
Depreciation		9	30
Total Operating Expenses		-51	710
NET COST OF SERVICES		-2,845	-1,931
Financing and investment income and expenditure	8	178	223
		-2,667	-1,708
<u>DISCONTINUING OPERATIONS</u>			
Loss/(surplus) from discontinued services	7	814	-1,047
NET OPERATING SURPLUS		-1,853	-2,755
Distribution to Member Authorities -surplus		-	2,818
Distribution to Member Authorities -sale of division		6,470	-
NET LOSS FOR THE YEAR		4,617	63
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Actuarial losses (gains) on pension fund assets and liabilities	22	749	625
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		5,366	688

BALANCE SHEET AS AT 31 MARCH 2013

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

31 March 2012 £000		31 March 2013 £000	Notes
	<u>CONTINUING OPERATIONS</u>		
1	Property, plant & equipment	21	12
1	Long term assets	21	
11,747	Short term debtors	11,322	18
1,943	Cash and cash equivalents	4,553	19
13,690	Current assets	15,875	
-12,591	Short term creditors	-13,653	20
-12,591	Current liabilities	-13,653	
-4,447	Other long term liabilities	-4,611	22
-4,447	Long term liabilities	-4,611	
-3,347	Net assets from continuing operations	-2,368	
6,345	Net assets from discontinued operations	-	7
2,998	Net assets	-2,368	
	<u>Financed by:</u>		
2,998	Usable reserves	-2,368	23
2,998	Total reserves	-2,368	

The figures for 31 March 2012 relate to the continuing activities with those relating to the discontinuing contained in note 7. These two sets of figures combined are in line with those presented in the prior year financial statements.

These financial statements replace the unaudited financial statements certified by the Treasurer on the 13th June 2013.

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

The Cash Flow Statement shows the changes in cash and cash equivalents of the organisation during the reporting period. The statement shows how the organisation 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 organisation'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 organisation.

2011-2012	2012-2013	
£000	£000	£000 Notes
<u>CONTINUING OPERATIONS</u>		
Operating activities		
<u>Cash outflows</u>		
370 Cash paid to and on behalf of employees	578	
200 Other operating costs	150	
44,816 Cost of goods sold	59,181	
45,386		59,909
<u>Cash inflows</u>		
-49,127 Turnover	-62,739	
-537 Other trading operation income	-726	
-49,664		-63,465
-4,278 Net cash inflow from operating activities		-3,556
-8 Investing activities		11 27.2
2,818 Financing activities		- 27.3
-1,468 Cash flow from continuing operations		-3,545 27.1
-72 Net cash inflow from discontinued service		935 27.1
-1,540 Net decrease/(increase) in cash and cash equivalents		-2,610 27.4
403 Cash and cash equivalents at 1st April		1,943
1,943 Cash and cash equivalents at 31st March		4,553 27.4

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 2012/13 summarises the WMS-JC's transactions for the 2012/13 financial year and its position at 31 March 2013. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to WMS-JC, supported by International Financial Reporting Standards (IFRS). The nature of the WMS-JC organisation 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. WMS-JC is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 WMS-JC'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 change provide a 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 WMS-JC as at 31 March are included as debtors. Sums still owed by WMS-JC 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 WMS-JC 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 are 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 WMS-JC 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. WMS-JC hold no cash equivalents.

1.9 Inventories

Inventories are materials or supplies that will be sold or distributed as part of WMS-JC'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 WMS-JC are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the WMS-JC during the year are included whether or not the cash has actually been received or paid in the year.

Lease Agreements that WMS-JC handles between finance companies and third parties - As WMS-JC 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 WMS-JC have been recognised as a short/long term creditor and the end user payments to WMS-JC have been recognised as a short/long term debtor. WMS-JC 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 WMS-JC 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 WMS-JC.

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 WMS-JC carried forward to 2013/14.

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, WMS-JC offers retirement benefits. These benefits will not be payable until retirement but WMS-JC has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

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

1.14 Carbon Reduction Commitment Allowances

WMS-JC 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. WMS-JC 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 WMS-JC is recognised and reported in the costs of WMS-JC's premises costs.

1.15 Interest

Interest receivable from investments is recognised in the financial statements during the period in which it became due to WMS-JC.

Interest payable to Member Authorities is recognised in the financial statements during the period in which it became due by WMS-JC.

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 WMS-JC 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 WMS-JC 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 2012/13 the following accounting policy changes that need to be reported relate to:

- IAS 19 Employee Benefits (June 2011 Amendments)
- IAS 1 Presentation of Financial Statements–Other Comprehensive Income (June 2011 Amendments)
- IFRS 7 Financial Instruments Disclosures–Offsetting Financial Assets and Liabilities (December 2011 Amendments)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments)
- IFRS 13 Fair Value Measurement (May 2011)

These changes are predominantly affecting disclosure of items within the Notes to the Accounts, and so will not have a material effect on WMS-JC.

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

WMS-JC makes judgements in how Copier Leases that WMS-JC handles between finance companies and third party parties are classified in the accounts. WMS-JC provides a full bill validation service for its copier customers therefore transactions are recorded in the accounts of WMS-JC.

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 WMS-JC. 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 WMS-JC's Balance Sheet at 31 March 2013 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 £228,000. However the assumptions interact in complex ways. During 2012/13 the actuaries advised that the net pensions liability had increased by £164,000.

5. Turnover

Turnover is the VAT exclusive total of invoiced sales for goods supplied from warehouse stock, by direct supply arrangements and by utility sales.

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	-249	-14,053	-6	-2,766	-62,093	-50,113	-62,348	-66,932
Cost of goods sold	146	8,897	6	2,634	60,025	48,009	60,177	59,540
Gross Profit	-103	-5,156	-	-132	-2,068	-2,104	-2,171	-7,392
Other trading operating income							-726	-584
Employee costs							725	3,033
Pensions impact							-585	118
Depreciation							26	334
Impairment							10	528
Other expenses							126	1,004
Central expenses							75	138
Interest revenue							-19	-15
Interest expense							17	81
Net operating surplus							-2,522	-2,755
Distribution of surplus to Member Authorities							-	2,818
Net (gain)/ loss for the year							-2,522	63

7. Discontinued services

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

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

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

31 March 2012 £000	Notes		19 April 2012 £000	31 March 2013 £000
2	12	Intangible assets	2	-
2,894	12	Property, plant & equipment	2,867	-
1,398	15	Long term debtors	1,398	-
4,294		Long term assets	4,267	-
2,842	17	Inventories	3,526	-
2,753	18	Short term debtors	582	-
-		Cash and cash equivalents	-	-
5,595		Current assets	4,108	-
-2,146	20	Short term creditors	-437	-
-2,146		Current liabilities	-437	-
-1,398	21	Long term creditors	-1,398	-
-1,398		Long term liabilities	-1,398	-
6,345		Net assets	6,540	-

The activities for the disposal group are;

**STATEMENT OF ACTIVITIES
FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2012-2013 £000	2011-2012 £000
INCOME			
Turnover	5	-255	-16,818
Less cost of goods sold		152	11,531
Gross profit on issues		-103	-5,287
Other trading operation income		-	-46
Gross Profit		-103	-5,333
OPERATING EXPENSES			
Employees	9	153	2,536
Premises		20	206
Supplies & Services		29	374
Transport related expenses		21	309
Central departmental & technical support		-	90
Provision for bad debts		-1	1
Impairment		10	442
Depreciation		16	304
Total Operating Expenses		248	4,262
NET COST OF SERVICES		145	-1,071
Gain on disposal of non-current sssets		-	-6
Loss on disposal of division		669 *	
Financing and investment income and expenditure	8	-	30
NET OPERATING LOSS/(SURPLUS)		814	-1,047

* Loss on disposal of division

Proceeds	-6,740
Assets disposed	6,540
Expenses related to sale	869
	<u>669</u>

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

The cash flow for the disposal group are;

**NET CASHFLOWS FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2013**

2011-2012	2012-2013	
£000	£000	£000
Operating activities		
<u>Cash outflows</u>		
2,680 Cash paid to and on behalf of employees	-24	
1,029 Other operating costs	47	
10,453 Cost of goods sold	6,815	
14,162		6,838
<u>Cash inflows</u>		
-14,468 Turnover	-5,903	
-47 Other trading operation income	-	
-14,515		-5,903
281 Investing Activities		
		-
<u>Financing</u>		
Proceeds form sale of sssets		6,270
Distribution of sale proceeds		-6,270
-72	Net cash inflow from discontinued service	935

Within the sale agreement staff were transferred with the assets and liabilities of the disposal group, the IAS 19 assets and liabilities remained with WMS-JC.

8. Financing and Investment Income and Expenditure

Interest and Investment Income

WMS-JC's daily bank balances are invested with Shropshire Council balances. Interest is debited or credited to WMS-JC on the basis of the level of daily bank balances invested.

Interest to Authorities on Surplus

In accordance with the Joint Agreement WMS-JC 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.

	2012/13 Continuing	2011/12 Continuing	2011/12 Dis- continued
	£000	£000	£000
Interest payable and similar charges	17	44	37
Pensions interest cost and expected return on pensions	180	187	-
Interest receivable and similar income	-19	-8	-7
Total	178	223	30

9. Staff Remuneration

In 2012/13 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2012/13	2011/12
£ 50,000 to £ 54,999	-	1
£ 55,000 to £ 59,999	-	-
£ 60,000 to £ 64,999	-	4
£ 65,000 to £ 69,999	-	1
£ 70,000 to £ 79,999	1	-
£115,000 to £119,999	-	1
£175,000 to £175,999	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 £80,000 and £114,999 and between £120,000 and £174,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

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.

Following the sale of the stationery side of WMS-JC, several officers transferred as part of the sale agreement.

2011/12

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
Managing Director	107,991	7,184	13,587	128,762
Deputy Managing Director	64,352	4,195	8,157	76,704
Assistant MD - Finance	59,908	3,910	7,592	71,410
Assistant MD – Operations	59,894	3,971	7,600	71,465
Group Procurement Manager	58,047	3,830	7,245	69,122
Group Procurement Manager	57,052	3,831	7,245	68,128
	407,244	26,921	51,426	485,591

	No. of compulsory redundancies		Total no of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	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 2012/13 WMS-JC incurred the following fees in respect of external audit and statutory inspection.

	2012/13 £000	2011/12 £000
Fees payable to External Auditors with regard to external audit services	22	32

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 council or to be controlled or influenced by the council. 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 WMS-JC'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 WMS-JC 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 WMS-JC has been disclosed by any of the Joint Committee Members or by any of the senior management. WMS-JC is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by WMS-JC. For clarity, the turnover with each Member Authority was:

	2012/13 £000	2011/12 £000
Herefordshire Council	2,316	3,054
Shropshire Council	6,049	8,298
Telford & Wrekin Council	4,124	5,276
Worcestershire County Council	7,069	9,385

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

	2012/13 £000	2011/12 £000
Human Resources Support Services	8	36
Payroll Services	2	5
Treasury Services	4	4
Committee Services	10	16
Financial Advice	14	14
Internal Audit	10	18
Legal Services	-4	7
Procurement	6	-

12. Intangibles, Property, Plant & Equipment

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 comprise the WMS-JC warehouse/office buildings) 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 as detailed below.

Movements in 2012/13

	Intangibles	Land & Buildings	Plant & Equipment	Total Property, Plant & Equipment
	£000	£000	£000	£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 & Impairment				
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

The continuing operation include £1,000 net book value worth of assets retained by WMS-JC following the sale of the stationery division. These are contained in the plant & equipment category. Note 7 details those assets within the discontinued services.

Comparative Movements in 2011/12

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2011	1	2,871	1,643	4,515
Additions	1	5	288	294
Disposals	-	-	-90	-90
Revaluation decrease recognised in the Revaluation Reserve	0	-75	0	-75
As at 31 March 2012	2	2,801	1,841	4,644
Accumulated Depreciation & Impairment				
As at 1 April 2011	-	269	706	975
Charge for the year	-	54	280	334
Disposals	-	-	-90	-90
Impairment Recognised in the Comprehensive Income & Expenditure Statement	-	528	-	528
As at 31 March 2012	-	851	896	1,747
Net Book Value				
As at 31 March 2012	2	1,950	945	2,897
As at 31 March 2011	1	2,602	937	3,540

13. Contractual Commitments for Property, Plant and Equipment

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

14. Impairment Losses

During 2011/12, WMS-JC has recognised an impairment loss of £0.528 million on non current assets.

15. Long Term Debtors

	31 March 2013 £000	31 March 2012 Dis- continued £000
Member Authorities	-	1,200
Other Local Authorities	-	198
	<hr/>	<hr/>
	-	1,398

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

	31 March 2013 £000	31 March 2012 £000
Herefordshire Council	-	53
Shropshire Council	-	687
Telford & Wrekin Council	-	202
Worcestershire County Council	-	258
	<hr/>	<hr/>
	-	1,200

16. 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Debtors:				
Loans and receivables	-	1,398	-	-
Financial assets carried at contract amounts	-	-	11,322	14,500
Total Debtors	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,398	11,322	14,500
Creditors:				
Financial liabilities at amortised cost	-	1,398	-	-
Financial liabilities carried at contract amount	-	-	13,524	14,435
Total Creditors	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,398	13,524	14,435

Income, Expense, Gains and Losses

	2012/13					2011/12				
	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	-81	-	-	-	-81
Total expense in Surplus or Deficit on the Provision of Services	-17	-	-	-	-17	-81	-	-	-	-81
Interest income	-	19	-	-	19	-	15	-	-	15
Total income in Surplus or Deficit on the Provision of Services	-	19	-	-	19	-	15	-	-	15
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	-17	19	-	-	2	-81	15	-	-	-66

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 WMS-JC
- Liquidity risk – the possibility that WMS-JC 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 WMS-JC 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, WMS-JC has a treasury arrangement with Shropshire Council that provides ready access to liquid funds for short-term borrowing at market interest rates.

Market Risk

WMS-JC 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 WMS-JC turnover.

17. Inventories

Details of inventories held are shown below:

	31 March 2013	31 March 2012
	£000	Discontinued £000
Balance at start of year	2,842	3,156
Purchases	830	8,577
Recognised as an expense in the year	-146	-8,891
Disposed of as part of sale of stationery division	-3,526	-
Balance at end of year	-	2,842

18. Short Term Debtors

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Member Authorities	3,630	4,378	765
Other Local Authorities	7,147	7,198	1,844
Bodies external to general government	545	171	144
	11,322	11,747	2,753

The amounts shown relate to Continuing services.

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

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Herefordshire Council	419	394	31
Shropshire Council	873	1,521	444
Telford & Wrekin Council	1,022	938	121
Worcestershire County Council	1,316	1,525	169
	3,630	4,378	765

19. Cash and Cash Equivalents

	Opening Balance 01/04/2012 £000	Movement During the Year £000	Closing Balance 31/03/2013 £000
Bank current accounts	1,943	2,610	4,553

20. Short Term Creditors

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Member Authorities	416	341	761
Other Local Authorities	1,846	1,013	161
Bodies external to general government	11,391	11,237	1,224
	13,653	12,591	2,146

21. Long Term Creditors

	31 March 2013 £000	31 March 2012 Discontinued £000
Member Authorities	-	1,200
Other Local Authorities	-	198
	-	1,398

22. IAS 19 Employee Benefits

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

WMS-JC participates in the Shropshire Council Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and WMS-JC has an obligation to make contributions where assets are insufficient to meet employee benefits. WMS-JC and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. WMS-JC 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 following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2012/13.

	2012/13 £000	2011/12 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	44	294
• Effect of Curtailment	-505	
• Employers Contributions	<u>-304</u>	<u>-363</u>
Pension Impact (IAS19)	-765	-69
Net Operating Expenditure:		
• Interest Cost	509	555
• Expected Return on Assets in the Scheme	-329	-368
Actuarial losses / (gains) on pension fund assets and liabilities	749	625
Net charge to Comprehensive Income & Expenditure Account	164	743
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	281	-481
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	304	363
Actuarial (losses) / gains on pension fund assets and liabilities	-749	-625
Movement on Earmarked Pension's Reserve	-164	-743

Assets and Liabilities in relation to Retirement Benefits.

Reconciliation of present value of the scheme liabilities:

	Funded	Liabilities
	2012/13	2011/12
	£000	£000
At 1 April	11,181	9,961
Current Service Cost	44	294
Interest cost	509	555
Contributions by scheme participants	16	119
Actuarial (gains) and losses	1,335	398
Curtailments	-505	-
Benefits paid	-520	-146
At 31 March	12,060	11,181

Reconciliation of fair value of the scheme assets:

	2012/13	2011/12
	£000	£000
At 1 April	-6,734	-6,257
Expected rate of return	-329	-368
Actuarial (gains) and losses	-586	227
Employer contributions	-304	-363
Contributions by scheme participants	-16	-119
Benefits paid	520	146
At 31 March	-7,449	-6,734

Net Pensions Liability at 31 March

	4,611	4,447
Actuarial (gain)/ loss on Liabilities	1,335	398
Actuarial (gain)/ loss on Assets	-586	227
Net (gain)/ loss on Pension Fund	749	625

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £0.915m (2011/12: £0.141 gain).

Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000
Present value of liabilities	12,060	11,181	9,961	9,594	6,556
Fair value of assets	-7,449	-6,734	-6,257	-5,588	-3,849
(Surplus)/deficit in the scheme	4,611	4,447	3,704	4,006	2,707

The liabilities show the underlying commitments that WMS-JC has in the long run to pay retirement benefits. The net liability of £ 4.611 million has a substantial impact upon the net worth of WMS-JC as recorded in the Balance Sheet and is a measure of the extent to which the Pension Fund's existing assets do not meet accumulated future liabilities. The liability excludes any future employee or employer contributions that will be made to fund fully all liabilities.

The employer contribution expected to be made to the Local Government Pension Scheme by WMS-JC in the year to March 2014 is 11.9% of pensionable pay for current staff plus £0.134 million for the lump sum deficit contribution annual amount. The arrangements for funding the deficit will continue under West Mercia Energy for the foreseeable future.

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 principal assumptions used by the actuary have been:

	2012/13	2011/12
Long term expected rate of return on assets:		
Equity Investments	7.0%	7.0%
Government Bonds	2.8%	3.1%
Other Bonds	3.9%	4.1%
Property	5.7%	6.0%
Cash/Liquidity	0.5%	0.5%
Other	0.5%	7.0%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	24.2	22.0
Women	25.1	24.7
Longevity at 65 for future pensioners (years):		
Men	24.2	23.4
Women	27.1	26.2
Rate of CPI Inflation	2.4%	2.5%
Rate of Increase in Salaries	3.9%	4.0%*
Rate of Increase in Pensions	2.4%	2.5%
Rate for Discounting Scheme Liabilities	4.2%	4.9%
Take up of option to convert annual pension in to retirement lump sum	50.0%	50.0%

*Allowance has also been made for short term public sector pay restraint over a two year period as announced by Government, in line with the approach adopted for the 2010 actuarial valuation

The WMS-JC pension scheme's assets consist of the following categories, by proportion of the total assets held:

	Type of Asset 2012/13 %	Type of Asset 2011/12 %
Equity Investments	55.7	53.0
Government Bonds	13.1	14.4
Other Bonds	10.1	10.4
Property	3.0	3.6
Cash/Liquidity	4.9	4.8
Other	13.2	13.8
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Earmarked Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 Restated %
Differences between the expected and actual return on assets	7.9	3.4	2.6	20.7	-34.9
Experience gains and (losses) on liabilities	0.0	0.0	6.6	0.0	0.0

23. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 01/04/12 £000	Contributions To From £000 £000		Closing Balance 31/03/13 £000
General fund	4,546	3,042	-5,366	2,222
Earmarked Pensions reserve	-4,447	1,138	-1,302	-4,611
Joint Committee capital adjustment account	2,899	1,801	-4,679	21
Total usable reserves	2,998	5,981	-11,347	-2,368

Comparative Analysis in 2011/12

	Opening Balance 01/04/11 £000	Contributions To From £000 £000		Closing Balance 31/03/12 £000
General fund	3,923	1,311	-688	4,546
Earmarked Pensions reserve	-3,704	731	-1,474	-4,447
Joint Committee capital adjustment account	3,467	294	-862	2,899
Total usable reserves	3,686	2,336	-3,024	2,998

24. 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. WMS-JC 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 WMS-JC 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.

	2012/13 £000	2011/12 £000
Opening Balance at 1 April	-4,447	-3,704
Actuarial gains or losses on pensions assets & liabilities	-749	-625
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	281	-481
Employer's pensions contributions & direct payments to pensioners payable in the year	304	363
Closing Balance at 31 March	-4,611	-4,447

25. 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 Authority as finance for the costs of acquisition, construction and enhancement.

	31 March 2013 £000	31 March 2012 £000
Opening balance at 1 April	2,899	3,467
Fixed assets purchased from revenue resources	30	294
Depreciation of fixed assets	-25	-334
Impairment	-10	-528
Other	-4	-
Sale of non-current assets	-2,869	-
Closing Balance at 31 March	21	2,899

26. Unusable Reserves

An analysis of the unusable reserves is shown below:

	Opening Balance 01/04/11 £000	Contributions		Closing Balance 31/03/12 £000
		To £000	From £000	
Revaluation reserve	75	-	-75	-
Total unusable reserves	75	-	-75	-

27. Note to the Cashflow Statement

2011-2012			2012-2013	
Discontinued	Continued		Discontinued	Continued
£000	£000		£000	£000
1,047	1,708	Net Operating Surplus on Comprehensive I&E Account	-3,664	2,667
		Adjust net surplus or deficit on the provision of services for non cash movements		
304	30	Depreciation	16	9
441	87	Impairment	10	
		Expenses relating to sale	890	
		Gain on disposal of fixed assets	2,869	
		IAS 19 Movements on Earmarked Pension Reserve		
30	88			-585
314	-	Increase in inventories	-684	-
-2,665	-986	(Increase) / decrease in debtors	2,401	646
934	3,320	Increase / (decrease) in creditors	-2,773	827
		Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
-7	-8	Interest and investment income		-19
-6		Sale of motor vehicles		
392	4,239	Net cash inflow from operating activities	-935	3,545

27.2 Cash Flow Statement – Investing Activities

	31 March 2013 £000	31 March 2012 £000
Interest and investment income	-19	-15
Purchase of property, plant and equipment	30	294
Proceeds for sale of property, plant and machinery	—	<u>-6</u>
TOTAL	<u>11</u>	<u>273</u>

27.3 Cash Flow Statement – Financing Activities

	31 March 2013 £000	31 March 2012 £000
Distribution to Member Authorities	—	<u>2,818</u>
TOTAL	<u>-</u>	<u>2,818</u>

27.4 Movement in Cash and Cash Equivalents

	Balance 31/03/12 £000	Balance 31/03/13 £000	Movement In Year £000
Cash in hand	1,943	4,553	2,610

28. Purchase of Non-current Assets

Non-current assets to the value of £0.030 million were financed from the General Fund Balance in 2012/13 (£0.294 million 2011/12).

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.

WEST MERCIA SUPPLIES JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of Responsibility

West Mercia Supplies Joint Committee (WMS-JC) 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.

WMS-JC 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, WMS-JC 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.

WMS-JC 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 (March 2010) 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 WMS-JC is directed and controlled and reviews how its activities contribute to the strategic objectives of the Owing Authorities. It enables WMS-JC 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 WMS-JC 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. WMS-JC 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 or Health and Safety 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 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 West Mercia Supplies Joint Committee are appointed from the Officers of the Member Authorities. A Managing Director, appointed by the Joint Committee, operated and managed the business up to the point of sale with a Director appointed to run the energy business thereafter.

WMS-JC has an Audit Committee to consider and approve the Joint Committee's annual statement of accounts, to assure the Joint Committee about the objectivity and fairness of the financial reporting and performance of the organisation, the adequacy of the risk management framework and associated controls within the Joint Committee, and that any issues arising from the drawing up, auditing and certifying of the Joint Committee's accounts are properly dealt with.

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 West Mercia Supplies' 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 Managing Director/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 executive managers within WMS-JC who have responsibility for the development and maintenance of the internal control environment.

Internal Audit

2012/13 Audit programme

Six audits were performed, four of which were issued with good assurance and two with reasonable assurance. A total of 29 recommendations have been made from Internal Audit work performed in the year. No fundamental recommendations have been made.

On the basis of the work undertaken and management responses received, in the opinion of the Audit Service manager, the organisation’s financial systems, internal control environment and risk management procedures are sound and working effectively. Furthermore the Audit Service Manager is able to deliver a positive year end opinion on West Mercia Supplies’ Joint Committee internal control environment for 2012/13.

Significant Governance Issues

The review process has highlighted some areas of governance where there is a need to clarify or formalise following the transition to West Mercia Energy. These include updating Financial Regulations, Standing Orders, Staff Handbook, Risk Management and Business Continuity Management.

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 Supplies Joint Committee:
(Cllr P Price)

The Audit Findings for West Mercia Supplies Joint Committee

Year ended 31 March 2013

11 September 2013

Page 61

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Agenda Item 6

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	Page
1. Executive summary	5
2. Audit findings	9
3. Value for Money	18
4. Fees, non audit services and independence	20
5. Communication of audit matters	22
Appendices	
A Action plan	24
B Audit opinion	25
C Overview of Audit findings	27

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Mercia Supplies Joint Committee ('the Joint Committee') financial statements for the year ended 31 March 2013. 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 Joint Committee 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

We communicated to you our Audit plan dated 12 June 2013 at your meeting of the 24 June 2013. In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals. We identified that there is a significant deficiency in this area and extended our testing to include all journals which were not subjected to segregation of duty controls.

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

- utility revenue, utility expenditure and employee remuneration
- review of the final version of the financial statements
- obtaining assurances from the auditor for Shropshire Council Pension Fund

- obtaining and reviewing the external confirmation letter from the Joint Committee's bankers
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- obtaining and review of evidence of your arrangements for the sale of the stationery division

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

The 19 September 2013 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 2013.

Key issues arising from our audit

Financial statements opinion

As at 11 September 2013, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Joint Committee's financial statements.

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

- The financial statements presented for audit were sound.
- We and your predecessor auditors have been working with officers to ensure that the Joint Committee's financial statements comply with the requirements of the CIPFA Code of Practice and best practice. This year we identified that there were a significant number of omissions, misclassifications and disclosure changes required in order to bring your financial statements into line with the CIPFA Code of Practice for 2012/13.
- All the omissions and disclosure changes are to be adjusted for in the updated set of accounts. The large number of changes has impacted upon the efficiency of our audit. We have highlighted that the processes for preparing and reviewing your financial statements could be stronger and will work with your officers to make improvements for next year.

Two adjustments with net total of £9,000 affecting the Joint Committee's reported financial position were identified by officers as a result of our enquiries during the course of our audit. These related to expenses associated with the discontinued operation of the stationery division. These adjustments are not significant ones that we wish to bring the detail to your attention. The draft financial statements recorded a net loss of £4,608,000; the audited financial statements show a net loss of £4,617,000.

Further details of all of the above matters are set out in section 2 of this report.

Value for money conclusion

We received documentation in respect of the sale of the stationery division on the 6 August 2013 later than planned. As at 11 September 2013, 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 identified a significant deficiency in controls which we wish to highlight for your attention. This weakness is regarding the lack of segregation of duties in the authorisation and posting of journals which you may wish to consider.

Further details are provided within section 2 of this report.

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 number of recommendations, which are set out in the action plan in Appendix A. Recommendations have 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 2013

Section 2: *Audit findings*

01. Executive summary

02. **Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee of the Joint Committee on 24 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We previously communicated to you our Audit Plan on 24 June 2013. In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals. We identified that there is a significant deficiency in the controls in this area and extended our sample to include all journals which were not subjected to segregation of duty controls. We have undertaken additional work to address this risk from that originally planned. From our testing of journals we have not identified any errors to report to you.

Audit opinion

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

Audit findings against significant risks

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

Page 70

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • testing of journals entries • review of accounting estimates, judgments and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. The findings of our review of journal controls has identified a weakness in the lack of segregation of duties in the authorisation and posting of some journals. We have undertaken additional work to address this risk from that originally planned. From our testing of journals we have not identified any errors to report to you.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3	<p>Disposal of Stationery Division</p> <p>The Joint Committee has disposed of its stationery division for a significant value. There is a risk that the proceeds of sale are incorrectly allocated and accounted for in accordance with the CIPFA Code</p>	<ul style="list-style-type: none"> • review of judgments and decisions made by management • review of proposed accounting treatment and provided early view on these • performance of substantive testing on the receipt of the proceeds of the sale • testing of the completion statement entries for the sale of the division agreed with the purchaser 	<p>Our audit work identified that additional disclosures were required by the CIPFA code. These have been agreed with officers and are to be made in the updated set of accounts.</p>
4	<p>Implementation of a new General Ledger System</p> <p>The Joint Committee has implemented a new General Ledger system.</p>	<ul style="list-style-type: none"> • High level review of the general ledger package • Gained an understanding of the arrangements for the transfer of balances from the previous general ledger • Review of the initial entries for accuracy and completeness 	<p>Our audit work has not identified any issues to bring to your attention.</p>

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 A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Turnover – Utility Revenue	Contract accounting not consistent with terms	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tests of detail 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	Costs not accounted for properly	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tests of detail on a sample of utility expenditure transactions 	Our audit work has not identified any significant issues in relation to the risk identified.
Debtors (long & short term)	Recorded debtors not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tests of detail on trade debtors and prepayments in the financial statements and review of receipts after the year end. 	Our audit work has not identified any significant issues in relation to the risk identified.




Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Creditors (long & short term)	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tests of detail on trade creditors and accruals in the financial statements and review of payments after the year end 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgments

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

Page 73

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

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

Misclassifications & significant disclosure changes

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no such matters we wish to bring to your attention.

However, our review found a significant number of omissions and items requiring amendment in the financial statements that has impacted on the efficiency of our audit. These issues (other than those of a trivial nature) were discussed with officers during the course of the audit and they are all 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 large number of omissions and items highlights that the processes for preparing and reviewing your financial statements could be stronger and we have made one recommendation which, together with the management response, is attached at Appendix A. To assist the Joint Committee going forward the smaller items will be summarised in a memorandum addressed to the Treasurer and the Chair of the Joint Committee.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure and presentation	£814/nil	CIES/Balance Sheet	The sale of the stationery division had been incorrectly treated as a disposal where other parties have interests rather a discontinued operation. We provided early views to your officers on the accounting for a discontinued operation. Our audit has identified that additional disclosures are required to support the analysis between continuing and discontinued operations.

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, not for the purpose of expressing an opinion on the effectiveness of the entire internal control environment.

The matter reported here is limited to the deficiency relevant to preparing the financial statements we have identified during the course of our audit and which we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards. The significant deficiency is in respect of controls of the authorisation and posting of journals to the ledger. In any small organisation there is generally an inherent risk in respect of the ability to have appropriate segregation of duties compared to the associated costs and practicalities of the implementation of such duties. The arrangements have changed from those in operation in the prior year following the sale of the stationery division and the transfer of its associated staff. We have undertaken additional testing to satisfy ourselves that the financial statements are not materially misstated. The weakness presents a risk that both management and yourselves are willing to accept but we draw it to your attention to assist you in your governance responsibilities.



We have identified other minor matters which we have brought to the attention of the Treasurer and the Director.

This and the other recommendation, together with management responses, are included in the action plan attached at appendix A.

Page 75

	Assessment	Issue and risk	Recommendation
1.		<ul style="list-style-type: none"> Journals are posted without separation of duties between its raising, authorisation and post to the ledger. The risk is that inappropriate entries are made resulting in errors in the Joint Committee's financial statements. 	<ul style="list-style-type: none"> 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.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Joint Committee. The standard letter of representation has been enhanced with items in respect of segmental reporting and disclosure of information in respect of the sale of the stationery division.
4.	Disclosures	<ul style="list-style-type: none"> As reported earlier, our review found a significant number of omissions and items 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: <ul style="list-style-type: none"> 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 <p>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.</p>
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> ISA (UK & I) 570 – Going concern requires consideration as to whether those charged with governance have carried out an assessment of the going concern assumption. 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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Page 78

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 the Audit Commission and other 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 2012-13 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 2013 meeting and monthly management accounts had 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.

A risk assessment has been completed. This identified the risk relating to your arrangements for securing economy, efficiency and effectiveness from the sale of the stationery division in April 2012. We have reviewed documentation of the arrangements put in place for the sale of the division and there are no matters we wish to raise with you.

Overall VFM conclusion

We anticipate that 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 2013.

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Joint Committee audit (Note 1 below provides additional detail)	23,386	23,386
Total audit fees	23,386	23,386

Page 80

Note 1 The scale fee from the Audit Commission is £18,386. The Audit Commission approved a fee variation of £5,000 for the additional work arising on two matters not envisaged at the time of the setting of the scale fee. The matters being the sale of the stationery division and disclosures required for a discontinued operation together with the implementation of a new general ledger system.

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 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.

	Audit Plan	Audit Findings
Our communication plan		
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		✓

Page 83

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Page 84

Rec No.	Recommendations	Priority	Management responses	Implementation date & responsibility
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
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.

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements

We have audited the financial statements of West Mercia Supplies Joint Committee for the year ended 31 March 2013 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 2012/13.

This report is made solely to the members of West Mercia Supplies 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.

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 Supplies Joint Committee as at 31 March 2013 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 2012/13.

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.

Other matters on which we are required to conclude

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 November 2012*, we have considered the results of the following:

our review of the annual governance statement; and
our locally determined risk-based work on the Joint Committee's arrangements for the disposal of the stationery division.

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 Supplies 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
20 Colmore Circus
Birmingham
B4 6AT

September 2013

Appendix C: Overview of 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.

Changes to Audit Plan

In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals from our Audit Plan as previously communicated to you on 24 June 2013 . We extended our sample to include all journals which were not subjected to segregation of duty controls.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
CONTINUING OPERATIONS					
Turnover – Utility Revenue	Utility revenue	Other	Contract accounting not consistent with terms	No	None
Cost of Goods Sold – Utility expenditure	Utility expenditure	Other	Costs not accounted for properly	No	None
Other Trading Operation Income	Other revenues	None		No	None
Cost of services – operating expenses	Operating expenses	None		No	None
Cost of services – employee remuneration	Employee remuneration	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Pension interest cost	Employee remuneration	None		No	None
Return on pension assets	Employee remuneration	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest & Investment Income	Investments	None		No	None
Surplus or deficit on discontinued operations	Discontinued Operations – see Significant risk	Other	Proceeds of sale incorrectly allocated	No	None
Distribution to Member authorities	Operating expenses	None		No	None
Actuarial (gains)/losses on pension fund asset & liabilities	Employee remuneration	None		No	None
DISCONTINUED OPERATIONS					
Turnover – Supplies Revenue	Supplies Revenue	None		No	None
Cost of goods sold – Supplies Expenditure	Supplies Expenditure	None		No	None
Operating expenses – Supplies	Operating Expenses – Supplies	None		No	None
Operating expenses – Employee remuneration	Operating Expenses – Employee remuneration – supplies	None		No	None
(Gain)/Loss on disposal of non current assets	Property, plant & equipment	None		No	None

Audit findings

Page 89

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Debtors (long & short term)	Utility Revenue & supplies revenue	Other	Recorded debtors not valid	No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Cash & cash equivalents	Bank & Cash	None		No	None
Creditors (long & short term)	Utility expenditure and Operating expenses	Other	Creditors understated or not recorded in the correct period	No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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SHROPSHIRE COUNCIL AUDIT SERVICES

FINAL INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

CREDITORS SYSTEM 2013/14

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans – Director
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Auditor	Mark Seddon
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Fieldwork dates	22nd August 2013
Debrief meeting	3rd September 2013
Draft report issued	3rd September 2013
Responses received	9th September 2013
Final report issued	9th September 2013

Introduction and Background

1. As part of the approved internal audit plan for 2013/14 we have undertaken a review of Creditors payment controls within West Mercia Energy.
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 recommendation 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 Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

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

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

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

10. 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.
✓	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.
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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	1
Recommendations implemented	0
Recommendations partially implemented	1
Recommendations superseded	0
Recommendations not actioned	0

Some progress has been made in the implementation of the previous recommendation. The recommendation has been updated 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 WEST MERCIA ENERGY CREDITORS 2013/14

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
1.1	1	If West Mercia Energy are to adopt the Shropshire Council terms and conditions for purchase orders this should be clearly stated in the terms and conditions included on the reverse of the purchase orders. Alternatively, West Mercia Energy could adopt and personalise the Shropshire Council terms and conditions (Updated from the previous recommendation made and agreed in 2012/13).	Requires Attention	Yes	Agreed	Gareth Maude	October 2013
3.1	2	All purchase invoices should be date stamped on receipt at the West Mercia Energy office to provide evidence of the date received in the event of a dispute arising in relation to late payment.	Requires Attention	Yes	Agreed	Martin Elson	Sept 2013

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SHROPSHIRE COUNCIL AUDIT SERVICES

FINAL INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

PAYROLL 2013/14

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans – Director
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Auditor	Mark Seddon
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Fieldwork dates	15 th August 2013
Debrief meeting	3 rd September 2013
Draft report issued	3 rd September 2013
Responses received	9 th September 2013
Final report issued	9 th September 2013

Introduction and Background

1. As part of the approved internal audit plan for 2013/14 we have undertaken a review of Payroll procedures at West Mercia Energy.
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 recommendation 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 is 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 Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

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

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

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

10. 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	3
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not actioned	2

Limited 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

APPENDIX 1

ACTION PLAN FOR WEST MERCIA ENERGY PAYROLL 2013/14

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
1.1	1	The staff handbook should be updated and any areas which are no longer applicable to the company should be deleted. Furthermore the handbook should be dated and should include version control (As previously recommended and agreed in 2012/13).	Requires Attention	Yes	Agreed. Review currently in progress and will be completed by end of September and will then be issued to staff shortly afterwards	Nigel Evans	Oct 2013
1.2	2	The Business Travel, Driver and Private Vehicle (Grey Fleet) policy should be dated to ensure that employees are using the most up to date version. As indicated it should be ensured that the dated policy is included in the staff handbook. (Updated from the previous recommendation made and agreed in 2012/13)	Requires Attention	Yes	Agreed	Nigel Evans	Oct 2013

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