

SHROPSHIRE COUNCIL AUDIT SERVICES

FINAL INTERNAL AUDIT REPORT

DEBTORS 2016/17

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans - Director
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Auditors	Emily Swinnerton
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Fieldwork dates	13 th and 14 th December 2016
Debrief meeting	14 th December 2016
Draft report issued	11 th January 2017
Responses received	24 th January 2017
Final report issued	24 th January 2017

Introduction and Background

1. As part of the approved internal audit plan for 2016/17 Audit Services have undertaken a review of Debtors.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their 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.

To undertake testing in respect of the reconciliation and monitoring of the Debtors and Income System and to review progress on the implementation of the recommendations made in the previous audit.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - Previous recommendations have been implemented.
 - There are appropriate policies and procedure notes in place for the operation of the system.
 - Billing information is verified before invoicing customers.
 - There are appropriate arrangements in place to ensure prompt payment of invoices.
 - There are appropriate post opening procedures in place for the control of cash and cheques.
 - There are appropriate arrangements in place for the collection of income by direct debit
 - All income received is reconciled to the bank account
 - Refunds are actioned in a timely manner with appropriate authorisation.
 - Write-offs are actioned in a timely manner with appropriate authorisation.
 - Income credited to suspense accounts is reviewed and cleared in a timely manner.
 - Management information in respect of income is timely and adequate.
6. The audit was delivered on time and within budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon 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 work undertaken Audit Services 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 applied consistently.
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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or 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
4	0	0	4	0

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

✓	Previous recommendations have been implemented.
✓	There are appropriate policies and procedure notes in place for the operation of the system.
✓	Billing information is verified before invoicing customers.
✓	There are appropriate arrangements in place to ensure prompt payment of invoices.
✓	There are appropriate post opening procedures in place for the control of cash and cheques.
✓	There are appropriate arrangements in place for the collection of income by direct debit
✓	All income received is reconciled to the bank account
✓	Refunds are actioned in a timely manner with appropriate authorisation.
✓	Write-offs are actioned in a timely manner with appropriate authorisation.
✓	Income credited to suspense accounts is reviewed and cleared in a timely manner.
✓	Management information in respect of income is timely and adequate.

11. Recommendations accepted by management at the previous audit have been reviewed

and are detailed below:

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

Reasonable progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are included 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 identified control weaknesses.

Ceri Pilawski
Head of Audit

ACTION PLAN FOR DEBTORS 2016/17

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
3.1	1	Supplier statement reconciliations should be performed on a quarterly basis, and any differences identified should be investigated.	Requires Attention	Yes	These have not been performed due to staffing issues and the complexities around moving to a new supplier. Further work has now been performed with IT to resolve issues and the reconciliations will be completed by year end.	John Morris	April 2017
4.1	2	The debt recovery process as stated in the Credit Management Policy should be adhered to. Where it is identified that a customer has failed to respond to payment reminders, this should be raised with management in order to ascertain the appropriate course of action.	Requires Attention	Yes	Agreed	Jo Pugh	March 2017
8.1	3	The contacting of customers with credit balances on their accounts should be completed on a more frequent basis.	Requires Attention	Yes	Whilst this point is accepted, this is a lower priority than chasing outstanding debt and is somewhat dependent on the available	Jo Pugh	March 2017

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
					resource (e.g. the level of positive debt to chase). All customers receive a monthly statement of account which would detail any credit balances. A summary of all credit balances over 90 days are produced monthly and actively reviewed.		
9.1	4	Write offs should be authorised in accordance with the Scheme of Delegation.	Requires Attention	Yes	Agreed	Nigel Evans	Immediately