



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME DEBTORS/INCOME 2020/21

Assurance Level | **Good**



Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditor(s):	Shelley Taylor
Fieldwork Dates:	October 2020
Debrief Meeting:	04/11/2020 – via email
Draft Report Issued:	13 November 2020
Responses Received:	23 November 2020
Final Report Issued:	23 November 2020

Assurance		
Previous Assurance Level	Current Assurance Level	Direction of Travel
Good	Good	No change to control environment

Introduction and Background

1. As part of the approved internal audit plan for 2020/21 Audit Services have undertaken a review of Debtors.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
To review the procedures in respect of the reconciliation and monitoring of the debtors and income system and to establish the progress made in implementing the recommendations made in the previous audit.
7. The scope includes a follow up of recommendations made in the 2019/20 audit. Where not implemented fully, these are revisited, and the findings included in this report.
8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a ✓ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - ✓ The 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.

Assurance Level and Recommendations

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

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

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

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

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 1**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
13. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audit	4
Recommendations implemented	1
Recommendations partially implemented	-
Recommendations superseded	2
Recommendations not implemented	1

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

Audit Approach

14. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key controls.
 - Follow up of previous recommendations.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
15. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report. Recommendations to

improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 1**. A more detailed report covering all the work undertaken can be provided on request.

16. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

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ACTION PLAN FOR WME DEBTORS/INCOME 2020/21

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	The billing procedures should be updated for the new system in operation. It should be ensured that the updated procedures are detailed enough to be followed by someone unfamiliar with the process and they should be dated, and version controlled.	Requires Attention	Agreed	John Morris, Billing and Pricing Specialist	March 2021
6.1	2	The direct debit process note should be dated, and version controlled. This will ensure that any changes to the process can be evidenced and staff confident they are working to the current process.	Requires Attention	Now dated and any future changes will be dated, and version controlled.	Jo Pugh, Finance Manager	Completed