



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME FINANCE 2021/22

Assurance Level | **Good**



Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditor(s):	Kayleigh Griffiths
Fieldwork Dates:	November 2021
Debrief Meeting:	22 November 2021
Draft Report Issued:	30 November 2021
Responses Received:	01 December 2021
Final Report Issued:	01 December 2021

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 2021/22 Audit Services have undertaken a review of Finance.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot, however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
7. 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:
 - ✓ There are appropriate Financial Regulations which have been approved by the Joint Committee.
 - ✓ There is an established process for preparation and approval of the annual budget.
 - ✓ Management Accounts are accurate and produced in a timely manner for review by senior management and Members.
 - ✓ There are appropriate controls over the use of journal entries within the ledger.
 - ✓ There is a bank reconciliation process which is undertaken in a timely manner and reviewed by management.
 - ✓ There are appropriate arrangements in place for the recording and monitoring of VAT.
 - ✓ There is an appropriate process in place to ensure that the Payroll is processed in an accurate and timely manner in line with current legislation.
 - ✓ Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.
 - ✓ There are appropriate processes in place for the control and operation of the creditors system.
 - ✓ There are appropriate controls to ensure that creditors payments made are accurate, complete, have not previously been paid.

Assurance Level and Recommendations

8. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Joint Committee and will inform the

Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

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

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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9. 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
1	0	0	1	0

10. 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.

Audit Approach

11. 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.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
12. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report. Your Action Plan is included at **Appendix 1**. A more detailed report covering all the work undertaken can be provided on request.
13. 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 FINANCE 2021/22

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
10.1	1	Invoice authorisations should be approved in line with the agreed scheme of delegations, anything over £20,000 should be authorised by the treasurer.	Requires Attention	All invoices over £20,000 will be sent to the treasurer for approval.	Jo Pugh, Finance Manager	Immediately