



The Annual Audit Letter for West Mercia Energy Joint Committee

Year ended 31 March 2014

October 2014

Grant Patterson

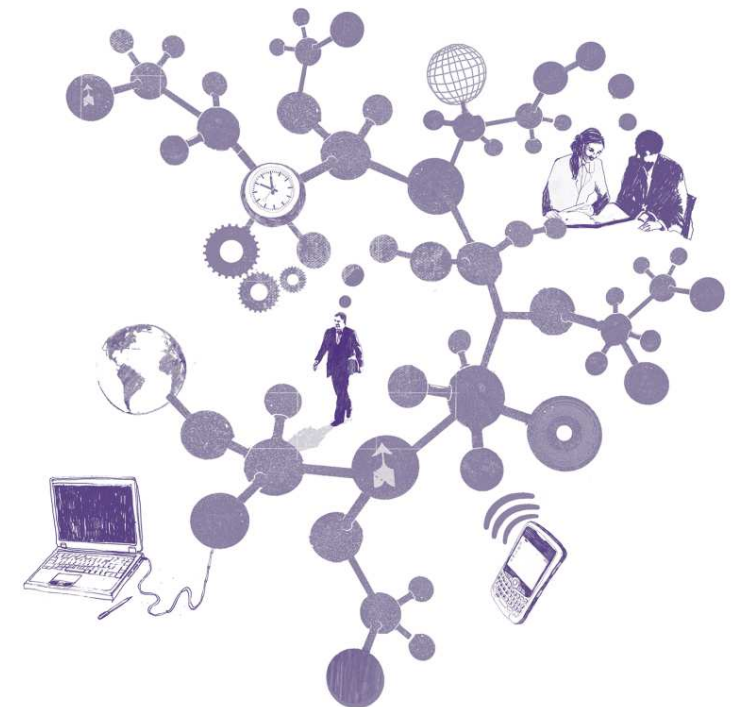
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at West Mercia Energy Joint Committee ('the Joint Committee') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Joint Committee and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 18 February 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

The owners of the Joint Committee (Hereford Council, Shropshire Council, Telford & Wrekin Council and Worcestershire County Council) have updated the joint agreement and from 1 April 2013 the Joint Committee changed its name to West Mercia Energy Joint Committee.

We issued an unqualified opinion on the Joint Committee's 2013/14 financial statements on 22 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Joint Committee's financial position and of the income and expenditure recorded by the Joint Committee.

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 22 September 2014 to the Joint Committee. The key messages reported were:

- The financial statements presented for audit were basically sound.
- In 2012/13 we highlighted that an improved review process of the financial statements against the requirements of the CIPFA Code and other items be incorporated within the closedown timetable for the preparation of the Joint Committee's financial statements. Our 2013/14 audit found a number of presentation and disclosure items requiring amendment in the accounts. There were two main areas where these amendments arose:
 - The first being associated with a specific area of local government accounts. This is that as a Joint Committee it is not a principal local government body and therefore statutory overrides of accounting for pensions do not apply. The accounts presented for audit had been presented as if the statutory overrides for pensions had applied which is incorrect.
 - The second being associated with disclosures (accounting policies and notes) to support the prior year sale of the discontinued operation.

We have worked with your officers on these and the accounts have been amended. We have recommended that the Joint Committee should continue to develop the improved review process against the requirements of the CIPFA Code and other items incorporated within the closedown timetable for the preparation of the Joint Committee's annual financial statements.

- In 2012/13 we asked management and those charged with governance to consider 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. The item was considered at the Joint Committee meeting in September 2013. Our 2013/14 audit has found that procedures have been put in place for the authorisation by the Treasurer of journals raised by the Director to address this.

Key messages (continued)

<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 22 September 2014.</p> <p>The key areas we considered for our work as specified by the Audit Commission are:</p> <ul style="list-style-type: none"> • 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. Our 2013/14 audit did not identify any matters of concern relating to the Joint Committee's arrangements in these areas • Consider the work of relevant regulatory bodies or inspectorates, where applicable. No reports from the Audit Commission or other relevant regulatory bodies or inspectorates have been issued to the Joint Committee in respect of the 2013/14 year • Undertake a risk assessment and consider any significant risks relating to your proper arrangements for securing economy, efficiency and effectiveness. We completed a risk assessment for our 2013/14 audit and did not identify any risks relating to your proper arrangements for securing economy, efficiency and effectiveness. <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Joint Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>
<p>Audit fee</p>	<p>Our fee for 2013/14 was £18,386, excluding VAT. Further detail is included within appendix A. Our fee for 2012/13 was £23,386, excluding VAT inclusive of additional work required relating to the sale of the discontinued operation and implementation of a new financial system.</p>
<p>Looking forward</p>	<p>The business of the Joint Committee is the provision of gas, electricity and oil and the turnover in 2014/15 is budgeted to be £76.6 million. In the trading period to August 2014 the reported surplus was £128 K ahead of budget. The Joint Committee recognise that the business operates in a challenging and competitive market and will need to ensure that its plans remain on track to deliver results to the budgeted levels and that its governance arrangements continue to reflect the framework within which it has to operate.</p>

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	18,386	18,386
Total fees	18,386	18,386

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Informing the Audit Risk assessment	February 2014
Audit Plan	February 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014



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