



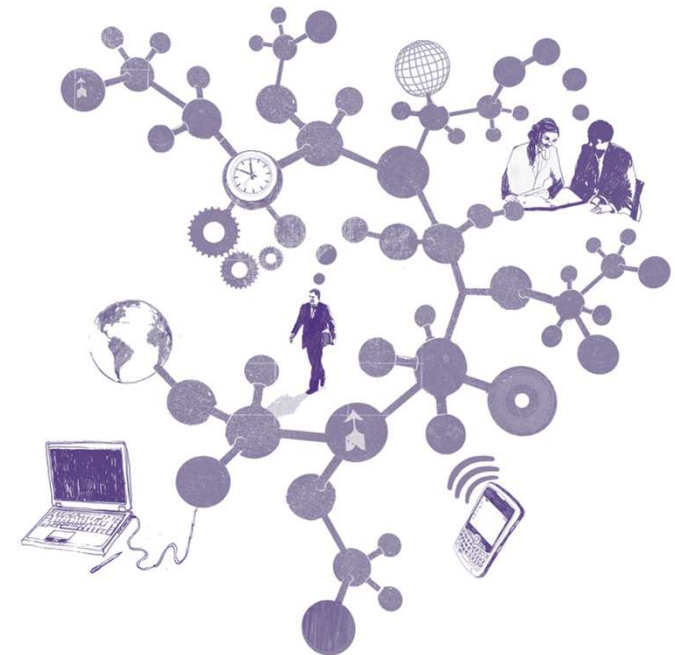
The Annual Audit Letter for West Mercia Supplies Joint Committee

Year ended 31 March 2013

16 October 2013

Grant Patterson
Director
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Joan Hill
Audit Manager
T 0121 232 5327
E joan.hill@uk.gt.com



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Section 1: Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at West Mercia Supplies Joint Committee ('the Joint Committee') for the year ended 31 March 2013:

- auditing the 2012/13 accounts (Section two), and
- assessing the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Joint Committee and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 23 September 2013.

Responsibilities of the external auditors and the Joint Committee

This Letter 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).

The Joint Committee is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 12 June 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions we have provided in relation to the financial year 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Joint Committee's financial position as at 31 March 2013 and its income and expenditure for the year, and
- an unqualified conclusion in respect of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Executive summary (continued)

Key areas for Joint Committee attention

We summarise here the key messages arising from our audit for the Joint Committee to consider as well as highlighting key issues facing the Joint Committee in the future.

The Joint Committee sold its stationery division in April 2012 for £6.74million and relocated its offices for the continuing business. It continues to operate its utility division under the name of West Mercia Energy. The owners (Shropshire Council, Hereford Council, Telford & Wrekin Council and Worcestershire County Council) have updated the joint agreement and from 1 April 2013 the Joint Committee has changed its name to West Mercia Energy Joint Committee.

The continuing business is the provision of gas, electricity and oil to public sector bodies and the turnover in 2013/14 is budgeted to be £65million. In the trading period to July of 2013/14 the reported surplus was £61K ahead of budget.

The business operates in a challenging and competitive market. The Joint Committee will need to ensure that its plans remain in order on track to deliver results to the budgeted levels.

Acknowledgements

This Letter has been agreed with the Treasurer and Director and will be presented to the next meeting of the Joint Committee in February 2014.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Joint Committee's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Joint Committee presented us with draft accounts on 20 June 2013, in accordance with the statutory deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 1 July 2013.

Issues arising from the audit of the accounts

The sale of the stationery division had initially been incorrectly treated as a 'disposal where other parties have interests' rather than a discontinued operation. We provided early views to Officers prior to the start of the final audit visit on the accounting for a discontinued operation. Our audit identified that a significant number of additional disclosures were required to support the disclosure for the discontinued operation.

Following a comprehensive review by Officers of the cashflow statements required for the continuing and the discontinued operation an updated set of financial statements was provided to us on the 27 September 2013, enabling us to complete our audit work by the statutory deadline.

The audit identified that there is a significant deficiency in the system used for the processing of journals. The deficiency is that not all journals are subjected to segregation of duties in the authorisation and the posting to the ledger. We extended our testing to all journals not subjected to this type of control. From our testing we did not identify any errors in the processing of journals. We reported this weakness to the Joint Committee in our Audit Findings Report on the 23 September 2013. The Joint Committee has requested that Officers implement specified actions during the 2013/14 financial year.

Annual governance statement

The Joint Committee's Annual Governance Statement was approved at the Joint Committee on the 23 September 2013 and reported no significant internal control issues. We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Joint Committee. Our review confirmed that the statement fairly reflects the Joint Committee's risk assurance and governance framework.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (who are the Joint Committee). We presented our report to the Joint Committee on 23 September 2013. The report was updated following the completion of work on the updated set of accounts received on the 27 September 2013. We summarise only the key messages in this Letter.

We issued an unqualified opinion on the Joint Committee's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Joint Committee's financial position and of the income and expenditure recorded by the Joint Committee.

Section 3: Value for Money

01. Executive summary

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Value for Money

Scope of work

The Code 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, and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a 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 financial year; and,
- 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 the Joint Committee and 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. This review did not identify any matters to report to you.

Overall VFM conclusion

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.

Appendix

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	23,386	23,386
Total fees	23,386	23,386

Fees for other services

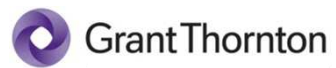
Service	Fees £
None	Nil

In respect of the fee:

Our fees are exclusive of VAT.

Reports issued

Report	Date issued
Audit Plan	12 June 2013
Audit Findings Report - Presented to the Joint Committee 23 September 2013 - Updated Audit Findings Report	11 September 2013 27 September 2013
Annual Audit Letter	16 October 2013



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