



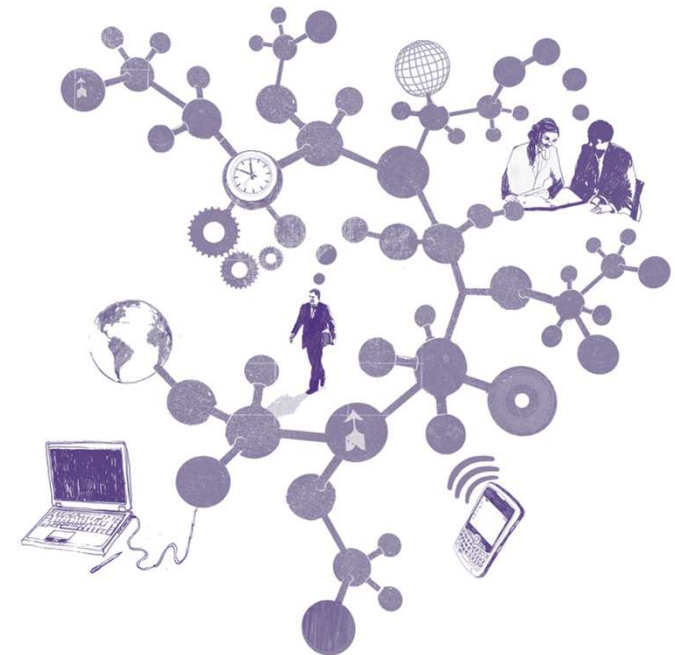
The Audit Findings for West Mercia Supplies Joint Committee

Year ended 31 March 2013

11 September 2013

Grant Patterson
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Mercia Supplies Joint Committee ('the Joint Committee') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Joint Committee's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Joint Committee Accounting. We are also required to reach a formal conclusion on whether the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

We communicated to you our Audit plan dated 12 June 2013 at your meeting of the 24 June 2013. In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals. We identified that there is a significant deficiency in this area and extended our testing to include all journals which were not subjected to segregation of duty controls.

Our audit is substantially complete although we are finalising our work in the following areas:

- utility revenue, utility expenditure and employee remuneration
- review of the final version of the financial statements
- obtaining assurances from the auditor for Shropshire Council Pension Fund

- obtaining and reviewing the external confirmation letter from the Joint Committee's bankers
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- obtaining and review of evidence of your arrangements for the sale of the stationery division

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

The 19 September 2013 is the date appointed on, or after, which local government electors for the joint committee's area may exercise their rights under sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31 March 2013.

Key issues arising from our audit

Financial statements opinion

As at 11 September 2013, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Joint Committee's financial statements.

The key messages arising from our audit of the Joint Committee's financial statements are:

- The financial statements presented for audit were sound.
- We and your predecessor auditors have been working with officers to ensure that the Joint Committee's financial statements comply with the requirements of the CIPFA Code of Practice and best practice. This year we identified that there were a significant number of omissions, misclassifications and disclosure changes required in order to bring your financial statements into line with the CIPFA Code of Practice for 2012/13.
- All the omissions and disclosure changes are to be adjusted for in the updated set of accounts. The large number of changes has impacted upon the efficiency of our audit. We have highlighted that the processes for preparing and reviewing your financial statements could be stronger and will work with your officers to make improvements for next year.

Two adjustments with net total of £9,000 affecting the Joint Committee's reported financial position were identified by officers as a result of our enquiries during the course of our audit. These related to expenses associated with the discontinued operation of the stationery division. These adjustments are not significant ones that we wish to bring the detail to your attention. The draft financial statements recorded a net loss of £4,608,000; the audited financial statements show a net loss of £4,617,000.

Further details of all of the above matters are set out in section 2 of this report.

Value for money conclusion

We received documentation in respect of the sale of the stationery division on the 6 August 2013 later than planned. As at 11 September 2013, and subject to the completion of the outstanding work described previously, based on our review of the Joint Committee's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Controls

The Joint Committee's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Joint Committee.

Our work has identified a significant deficiency in controls which we wish to highlight for your attention. This weakness is regarding the lack of segregation of duties in the authorisation and posting of journals which you may wish to consider.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Treasurer and Director.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Treasurer and Director.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: *Audit findings*

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee of the Joint Committee on 24 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We previously communicated to you our Audit Plan on 24 June 2013. In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals. We identified that there is a significant deficiency in the controls in this area and extended our sample to include all journals which were not subjected to segregation of duty controls. We have undertaken additional work to address this risk from that originally planned. From our testing of journals we have not identified any errors to report to you.

Audit opinion

We anticipate that we will provide the Joint Committee with an unqualified opinion. Our draft audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • testing of journals entries • review of accounting estimates, judgments and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. The findings of our review of journal controls has identified a weakness in the lack of segregation of duties in the authorisation and posting of some journals. We have undertaken additional work to address this risk from that originally planned. From our testing of journals we have not identified any errors to report to you.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3	<p>Disposal of Stationery Division</p> <p>The Joint Committee has disposed of its stationery division for a significant value. There is a risk that the proceeds of sale are incorrectly allocated and accounted for in accordance with the CIPFA Code</p>	<ul style="list-style-type: none"> • review of judgments and decisions made by management • review of proposed accounting treatment and provided early view on these • performance of substantive testing on the receipt of the proceeds of the sale • testing of the completion statement entries for the sale of the division agreed with the purchaser 	<p>Our audit work identified that additional disclosures were required by the CIPFA code. These have been agreed with officers and are to be made in the updated set of accounts.</p>
4	<p>Implementation of a new General Ledger System</p> <p>The Joint Committee has implemented a new General Ledger system.</p>	<ul style="list-style-type: none"> • High level review of the general ledger package • Gained an understanding of the arrangements for the transfer of balances from the previous general ledger • Review of the initial entries for accuracy and completeness 	<p>Our audit work has not identified any issues to bring to your attention.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Turnover – Utility Revenue	Contract accounting not consistent with terms	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tests of detail on a sample of utility revenue transactions 	Our audit work has not identified any significant issues in relation to the risk identified.
Cost of Goods Sold – Utility Expenditure	Costs not accounted for properly	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tests of detail on a sample of utility expenditure transactions 	Our audit work has not identified any significant issues in relation to the risk identified.
Debtors (long & short term)	Recorded debtors not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tests of detail on trade debtors and prepayments in the financial statements and review of receipts after the year end. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Creditors (long & short term)</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tests of detail on trade creditors and accruals in the financial statements and review of payments after the year end 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Accounting policies, estimates & judgments

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgments made and included with the Joint Committee's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)
Judgments and estimates	<ul style="list-style-type: none"> Key estimates and judgements include : <ul style="list-style-type: none"> – pension fund valuations and liabilities 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Joint Committee's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Misclassifications & significant disclosure changes

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no such matters we wish to bring to your attention.

However, our review found a significant number of omissions and items requiring amendment in the financial statements that has impacted on the efficiency of our audit. These issues (other than those of a trivial nature) were discussed with officers during the course of the audit and they are all to be adjusted for in the final set of financial statements. The majority of the changes are of such a size and nature that, in our view, we are not required to bring them to your attention in this report to help you discharge your responsibilities. We have highlighted those that we believe will assist you in your role below. The large number of omissions and items highlights that the processes for preparing and reviewing your financial statements could be stronger and we have made one recommendation which, together with the management response, is attached at Appendix A. To assist the Joint Committee going forward the smaller items will be summarised in a memorandum addressed to the Treasurer and the Chair of the Joint Committee.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure and presentation	£814/nil	CIES/Balance Sheet	The sale of the stationery division had been incorrectly treated as a disposal where other parties have interests rather a discontinued operation. We provided early views to your officers on the accounting for a discontinued operation. Our audit has identified that additional disclosures are required to support the analysis between continuing and discontinued operations.

Internal controls


The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, not for the purpose of expressing an opinion on the effectiveness of the entire internal control environment.



The matter reported here is limited to the deficiency relevant to preparing the financial statements we have identified during the course of our audit and which we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards. The significant deficiency is in respect of controls of the authorisation and posting of journals to the ledger. In any small organisation there is generally an inherent risk in respect of the ability to have appropriate segregation of duties compared to the associated costs and practicalities of the implementation of such duties. The arrangements have changed from those in operation in the prior year following the sale of the stationery division and the transfer of its associated staff. We have undertaken additional testing to satisfy ourselves that the financial statements are not materially misstated. The weakness presents a risk that both management and yourselves are willing to accept but we draw it to your attention to assist you in your governance responsibilities.

We have identified other minor matters which we have brought to the attention of the Treasurer and the Director.

This and the other recommendation, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendation
1.		<ul style="list-style-type: none"> Journals are posted without separation of duties between its raising, authorisation and post to the ledger. The risk is that inappropriate entries are made resulting in errors in the Joint Committee's financial statements. 	<ul style="list-style-type: none"> Management and Those Charged with Governance should consider whether there are 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.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Joint Committee. The standard letter of representation has been enhanced with items in respect of segmental reporting and disclosure of information in respect of the sale of the stationery division.
4.	Disclosures	<ul style="list-style-type: none"> As reported earlier, our review found a significant number of omissions and items requiring amendment in the financial statements. These are all to be adjusted for in the final set of financial statements. Note 6 of the financial statements provides the Joint Committee's segmental reporting information. Following the disposal of the stationary business in April 2012 there are three segments which are reported to management on a monthly basis of Gas; electricity and oil. The Utilities element disclosed in note 6 includes gas and electricity components which each are more than 10% of turnover. These would normally require separate disclosure, however IFRS8 does allow for aggregation of segments where they are similar in each of the following respects: <ul style="list-style-type: none"> Nature of products and services Nature of the production process Type or class of customer for products and services Method used to distribute products/provide services Nature of the regulatory environment <p>From our audit procedures we are satisfied that aggregation on the above bases is reasonable and we are requesting that the Joint Committee confirm its agreement to this approach through the letter of representation.</p>
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> ISA (UK & I) 570 – Going concern requires consideration as to whether those charged with governance have carried out an assessment of the going concern assumption. Our work has not identified any reason to challenge the Joint Committee's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 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
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our 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 year to date;
- 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 you, 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 and there are no matters we wish to raise with you.

Overall VFM conclusion

We anticipate that 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.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Joint Committee audit (Note 1 below provides additional detail)	23,386	23,386
Total audit fees	23,386	23,386

Note 1 The scale fee from the Audit Commission is £18,386. The Audit Commission approved a fee variation of £5,000 for the additional work arising on two matters not envisaged at the time of the setting of the scale fee. The matters being the sale of the stationery division and disclosures required for a discontinued operation together with the implementation of a new general ledger system.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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).

We have been appointed as the Joint Committee's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Joint Committee's key risks when reaching our conclusions under the Code.

It is the responsibility of the Joint Committee to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Joint Committee is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendations	Priority	Management responses	Implementation date & responsibility
1	An improved review process of the financial statements against the requirements of the CIPFA Code and other items is incorporated within the closedown timetable for the preparation of the Joint Committee's financial statements	L	A review of the process for the year 2012/13 will be conducted and ways of improving the process for future years will be considered.	June 2014 Treasurer and Director
2	Management and Those Charged with Governance should consider whether there are 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.	M	Given the size of the organisation, the segregation of duties which would be evident in a larger business is not possible. It is recommended that this is recognised by the Joint Committee and is a risk that the Joint Committee is willing to tolerate within the current operating environment.	Risk to be acknowledged and accepted - no implementation date.

Appendix B: Audit opinion

We anticipate we will provide the Joint Committee with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MERCIA SUPPLIES JOINT COMMITTEE

Opinion on the Authority financial statements

We have audited the financial statements of West Mercia Supplies Joint Committee for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of West Mercia Supplies Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee and the Joint Committee's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of West Mercia Supplies Joint Committee as at 31 March 2013 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Joint Committee to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission *in November 2012*, we have considered the results of the following:

our review of the annual governance statement; and
our locally determined risk-based work on the Joint Committee's arrangements for the disposal of the stationery division.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of West Mercia Supplies Joint Committee in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

In the conduct of our audit we have had to change our planned audit approach in one area of our work, the testing of journals from our Audit Plan as previously communicated to you on 24 June 2013 . We extended our sample to include all journals which were not subjected to segregation of duty controls.

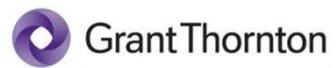
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
CONTINUING OPERATIONS					
Turnover – Utility Revenue	Utility revenue	Other	Contract accounting not consistent with terms	No	None
Cost of Goods Sold – Utility expenditure	Utility expenditure	Other	Costs not accounted for properly	No	None
Other Trading Operation Income	Other revenues	None		No	None
Cost of services – operating expenses	Operating expenses	None		No	None
Cost of services – employee remuneration	Employee remuneration	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Pension interest cost	Employee remuneration	None		No	None
Return on pension assets	Employee remuneration	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest & Investment Income	Investments	None		No	None
Surplus or deficit on discontinued operations	Discontinued Operations – see Significant risk	Other	Proceeds of sale incorrectly allocated	No	None
Distribution to Member authorities	Operating expenses	None		No	None
Actuarial (gains)/losses on pension fund asset & liabilities	Employee remuneration	None		No	None
DISCONTINUED OPERATIONS					
Turnover – Supplies Revenue	Supplies Revenue	None		No	None
Cost of goods sold – Supplies Expenditure	Supplies Expenditure	None		No	None
Operating expenses – Supplies	Operating Expenses – Supplies	None		No	None
Operating expenses – Employee remuneration	Operating Expenses – Employee remuneration – supplies	None		No	None
(Gain)/Loss on disposal of non current assets	Property, plant & equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Debtors (long & short term)	Utility Revenue & supplies revenue	Other	Recorded debtors not valid	No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Cash & cash equivalents	Bank & Cash	None		No	None
Creditors (long & short term)	Utility expenditure and Operating expenses	Other	Creditors understated or not recorded in the correct period	No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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