



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 14th March 2024

Committee:
West Mercia Energy Joint Committee

Date: Friday, 22 March 2024

Time: 2.00 pm

Venue: Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director - Legal and Governance

Members of West Mercia Energy Joint Committee

Herefordshire Council	G Biggs, P Stoddart
Shropshire Council	G Butler, D Carroll
Telford & Wrekin Council	L Carter, N England
Worcestershire County Council	A Kent, A Hardman

Your Committee Officer is:

Shelley Davies Committee Officer

Tel: 01743 257718

Email: shelley.davies@shropshire.gov.uk

AGENDA

1 Apologies for Absence

To receive apologies for absence.

2 Minutes (Pages 1 - 4)

To receive the minutes of the Joint Committee meeting held on 26th September 2023.

3 Public Questions

To receive any question or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 p.m. on Monday 18th March 2024.

4 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

5 Supplier contracts

The Director of West Mercia Energy Joint Committee will provide a verbal update in line with the West Mercia Energy Joint Committee Standing Orders.

6 External Audit Plan 2023/24 (Pages 5 - 18)

Report of the Director of West Mercia Energy.
Contact: Nigel Evans (0333 101 4424)

7 Internal Audit Performance Reports to March 2024 (Pages 19 - 58)

Report of Internal Audit
Contract: Barry Hanson (07990 086409)

8 Internal Audit Strategic Plan 2024/25 (Pages 59 - 62)

Report of Internal Audit
Contract: Barry Hanson (07990 086409)

9 Anti-Slavery and Human Trafficking Statement 2023/24 (Pages 63 - 66)

Report of the Director of West Mercia Energy.
Contact: Nigel Evans (0333 101 4424)

10 Risk Management Update (Pages 67 - 76)

Report of the Director of West Mercia Energy.
Contact: Nigel Evans (0333 101 4424)

11 Exclusion of Press and Public

To consider a resolution under Section 100 (A) of the Local Government Act 1972 that the proceedings in relation to the following items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the provisions of Schedule 12A of the Act.

12 Exempt Minutes (Pages 77 - 80)

To approve the exempt Minutes of the meeting held on 26th September 2023.

13 Annual Business Plan and Budget 2024/25 including review of 2023/24 (Pages 81 - 116)

Exempt Report of the Director of West Mercia Energy
Contact: Nigel Evans (0333 101 4353)

14 Date of Next Meeting

To discuss and agree the date of the next meeting.

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Committee and Date

West Mercia Energy Joint
Committee

22nd March 2024

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 26 September 2023

**In the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND**

10.30 am - 12.12 pm

Responsible Officer: Emily Marshall

Email: emily.marshall@shropshire.gov.uk Tel: 01743 257717

Present

Councillors Hardman and Gwilym Butler

51 Apologies for Absence

Apologies for absence were received from Councillors Lee Carter, Nathan England, Graham Biggs, Peter Stoddart, and Adam Kent.

52 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 21st March 2023 be approved as a correct record and signed by the Chairman.

53 Public Questions

No public questions had been received.

54 Disclosable Pecuniary Interests

None declared.

55 Supplier Contracts

The Director confirmed that there were no entries to report.

56 **Statement of Accounts 2022/23 and Annual Governance Statement 2022/23**

Mr J. Walton, Treasurer (WME) presented the Statement of Accounts 2022/23 and the Annual Governance Statement 2022/23 for the West Mercia Energy Joint Committee (copy attached to the signed minutes).

RESOLVED:

1. That the Letter of Representation to be signed by the Chairman and submitted by the Treasurer be noted.
2. That the finalised Statement of Accounts 2022/23 to be signed by the Chairman and the Treasurer.
3. That the Annual Governance Statement 2022/23 be noted.

57 **External Audit - Audit Findings Report 2022/23**

The Chairman welcomed External Auditor, John Fletcher, W R Partners to the meeting. John Fletcher, introduced the Audit Findings Report 2022/23 and highlighted the key areas of the report. John Fletcher, thanked Nigel Evans and the team at West Mercia Energy for their cooperation and assistance during the audit and confirmed that they had unrestricted access throughout the audit.

RESOLVED:

That the contents of the audit findings report presented by WR Partners be considered and endorsed.

58 **Internal Audit - Annual Report 2022/23**

Barry Hanson, Head of Policy and Governance, Internal Audit presented the report which provided a summary of Internal Audit's work for 2022/23. It was confirmed that based on the controls evidenced across all areas examined, the Chief Audit Executives year end opinion on the Company's internal control environment was substantial.

RESOLVED:

That the performance against the Audit Plan for the year ended 31 March 2023 be endorsed.

That it be noted that the system of governance, risk management and internal control operating effectively and can be relied upon when considering the Annual Governance Statement for 2022/23.

That the Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2022/23 based on the work undertaken and management responses received be endorsed.

59 Distribution of Surplus

The Treasurer presented the report which recommended the level of distribution of surplus held on 31 March 2023 to the Member Authorities.

RESOLVED:

That the retention of accumulated surplus of £1.806 million be approved.

That the distribution of accumulated surplus of £1.433 million, in accordance with the provisions of the Joint Agreement be approved.

60 Risk Management Update

Nigel Evans, Director WME, presented the report (copy attached to the signed exempt minutes), which provided an update on risk management.

RESOLVED:

That the medium and high risks presented be endorsed.

61 Exclusion of Press and Public

RESOLVED:

That under Section 100(A)(A4) of the Local Government Act 1972, the public be excluded during the consideration of the following items of business on the grounds that they might involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act.

62 Exempt Minutes

RESOLVED:

That the exempt minutes of the meeting held on 21st March 2023 be approved.

63 Update on Business Plan and Trading Performance to Date 2023/24

Nigel Evans, Director, WME presented an exempt report, providing an update on the Business Plan and Trading Performance to date 2023/24.

RESOLVED:

That the recommendations contained within the exempt report be approved.

64 Use Cleaner Use Less Update

Nigel Evans, Director, WME presented an exempt report, providing an update on the progress of WME in developing suitable support products and services for customers as they looked to achieve their net zero targets.

RESOLVED:

That the recommendations contained within the exempt report be approved.

65 Energy Governance, Accountability, Risk and Reporting Policy

The Director presented an exempt report for approval.

RESOLVED:

That the recommendations contained within the exempt report be approved.

66 Date of Next Meeting

The next meeting would take place in March 2023. Date to be confirmed.

Signed (Chairman)

Date:



Committee and Date

West Mercia Energy Joint
Committee

22nd March 2024

Item

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Public

EXTERNAL AUDIT PLAN 2023/24

Responsible Officer Nigel Evans

e-mail: nevens@westmerciaenergy.co.uk Tel: 0333 1014353

1. Summary

- 1.1 It has been previously agreed for the Joint Committee to continue with an external audit to provide the Joint Committee the necessary continued assurance regarding stewardship of funds.
- 1.2 This report provides the Joint Committee with the proposed external audit plan for 2023/24 for consideration and approval.

2. Recommendations

It is recommended that the Joint Committee:

- 2.1 approve the draft audit plan for 2023/24 as presented by WR Partners attached at Appendix 1
- 2.2 approve the commissioning of WR Partners to undertake the audit in accordance with the audit plan.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3 WR Partners' audit work is conducted in accordance with the International Standards on Auditing (ISAs) (UK).

3.4 The risks associated with not conducting an external audit including an audit opinion were considered when the decision was made in September 2015 to continue with an external audit. It was accepted by the Joint Committee that without an annual external audit process not only would the Joint Committee lose the assurance regarding stewardship of funds but also the other Local Authorities/public entities with which WME trades.

4. Financial Implications

4.1 The fee for the 2023/24 audit is £15,100, a £700 (4.9%) rise against the fee for 2022/23 of £14,400.

5. Background

5.1 At the September 2015 Joint Committee, members were advised of the changes to the statutory audit requirements for Joint Committees effective from 1 April 2015. At this Joint Committee, it was agreed to continue with an annual external audit to provide the Joint Committee the necessary continued assurance regarding stewardship of funds.

5.2 Following the expiry of the previous three year tender period, a procurement exercise was conducted in late 2023 with three audit firms invited to tender with the winning tenderer being the previous auditors WR Partners.

5.3 WR Partners will conduct their main audit work on the WME accounts for 2023/24 in July and will bring their report to the September Joint Committee.

5.4 The attached WR Partners Service Plan sets out the scope of the audit to be undertaken, identifies risks and audit responses to these and outlines materiality levels.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Joint Committee 28 September 2015 – Local Audit and Accountability Act 2014

Member

Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
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Appendices

Appendix 1 – WR Partners Audit Service Plan for West Mercia Energy (year ended 31 March 2024)

Audit Service Plan

Year ending 31 March 2024

West Mercia Energy

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22 March 2024



Service Team

John Fletcher
Engagement Partner
E: jfletcher@wrpartners.co.uk

Alex Riley
Audit Director
E: ariley@wrpartners.co.uk

George Thomas
Audit In-Charge
E: gthomas@wrpartners.co.uk

1. Overview of scope and approach	2-3
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To the Joint Committee Members of West Mercia Energy

The purpose of this document is to communicate to you our proposed audit and service strategy for the current year, to confirm the scope of our work, and to document the issues we consider, at present, to have the most significant audit impact.

The matters raised in this and other reports that will flow from the audit are only those which will have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

WR Partners

1. Overview of scope & approach

1.1 Scope of our work

We have been engaged to provide the following services:

- Perform an audit, in compliance with International Standards on Auditing (“ISAs”) (UK), of the year end financial statements; and
- Prepare a report to management which incorporates a review of internal control and accounting issues arising from our work.

Our respective audit responsibilities and the objectives, procedures and limitations of the audit have been set out in our engagement letter and agreed with management.

1.2 Audit approach

Our audit approach will be risk based. This means that emphasis will be placed on the audit areas considered to be of higher risk. We have highlighted these in section 2.

We will update our knowledge of your systems and controls, and we shall test those controls upon which we intend to place audit reliance. This will be supplemented by substantive tests of detail and/or substantive analytical review procedures.

The benefits of our approach to you are:

- Feedback and assurance in relation to your controls and processes;
- Early identification of issues to avoid “late surprises” in the audit; and
- Suggestions for improvement in the systems and controls where issues are identified.

1.3 Independence

WR Partners has policies and procedures in place which are reviewed on an annual basis to ensure compliance with the FRC Ethical Standard. Where ethical issues are identified, we are required to communicate these to you.

We have not identified any ethical threats arising for the current year audit engagement to identify to you at this stage.

We confirm that, for the purposes of the audit, we are independent from West Mercia Energy.

1. Overview of scope & approach

1.4 Materiality

The concept of materiality

The concept of materiality applies to the preparation of the financial statements and the audit process and applies to monetary misstatements, disclosure requirements, adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality at the planning stage of the audit

We have determined the financial statement materiality based on the benchmark noted in the below table.

We also design our procedures to detect errors in specific accounts at a lower level of precision as follows:

Related Party Transactions

Related Party Transactions including Directors' remuneration and key management personnel remuneration materiality has been reduced to £1,000 due to it being material by nature (with the exception noted below).

Related Party Transactions materiality does not include transactions with member authorities where the transactions are in the usual course of business.

Expenditure

Expenditure has been assigned a reduced level of materiality (£500k) to reflect the size and structure of the organisation which is considered to be more reasonable rather than using the benchmark based on the top line income levels generated through trading activities.

Materiality during the course of the audit

We revise the materiality levels determined at the planning stage of the audit if, during the course of the audit, we become aware of facts or circumstances that would have caused us to make a different determination of materiality at the planning stage.

Matters we will report to those charged with governance

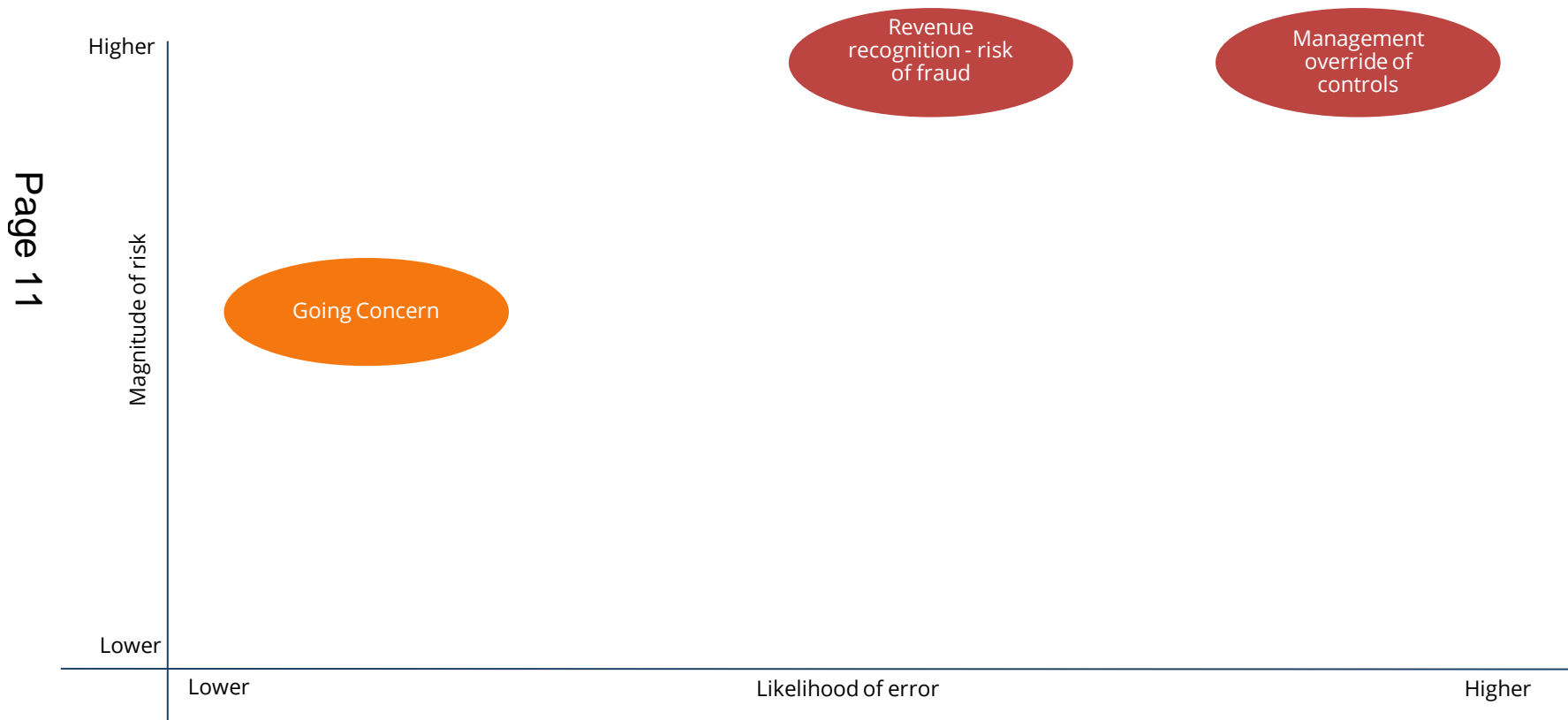
Our audit procedures are designed to identify misstatements which are material to the financial statements as a whole but we will report to those charged with governance unadjusted misstatements of lesser amounts unless they are deemed 'clearly trivial'. The determination of amounts under which matters are considered to be 'clearly trivial' to the financial statements is disclosed in the below table.

Planning Materiality Levels			
Financial statement area	Benchmark	Overall materiality	Clearly trivial
Financial Statements	1% of 3-year average turnover. Capped at £1m to not exceed profit for the year (based on budgeted profit)	£1,000,000	£50,000
Expenditure	50% of overall materiality	£500,000	£25,000
Related Party Transactions	Material by nature	£1,000	N/A

2. Identified risks & our audit responses

The diagram below illustrates our assessment of the magnitude of risks we have identified and the perceived likelihood of error associated with them.

- Significant risk** - risk of material misstatement is close to the upper end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.
- Elevated risk** - risk of material misstatement above the lower end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.



*ISA 240 requires that the risk of management override of controls and that the risk of fraud in revenue recognition are "significant risks".

2. Identified risks & our audit responses

Risk Area Identified	Risk Level	Audit Response
<p>Fraud – management override of controls</p> <p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	Significant	<p>We will:</p> <ul style="list-style-type: none"> ▪ Inspect a sample of cashbook transactions throughout the year and post year end ▪ Review accounting estimates with particular focus on the assumptions used and the retrospective adequacy and accuracy ▪ Inspect a sample of manual journals posted during the year ▪ Review unusual transactions outside the usual course of business ▪ Review credit notes issued post year end
<p>Fraud – Revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	Significant	<p>We will:</p> <ul style="list-style-type: none"> ▪ Test the operating effectiveness of key controls in the revenue cycle to ensure they are operating as expected throughout the year ▪ Perform substantive tests of detail ▪ Inspect on a target basis, a sample of manual journals posted to revenue during the year ▪ Review contract terms with customers ▪ Review sales made immediately before and after the year end to ensure correct cut-off
<p>Going Concern</p> <p>The risk that the organisation cannot meet its liabilities as they fall due resulting in the financial statements being prepared on an incorrect basis.</p>	Elevated	<p>We will:</p> <ul style="list-style-type: none"> ▪ Review managements assessment of going concern ▪ Hold discussion with management to understand future performance and risk profile ▪ Review cashflow forecasts for the period to September 2025

3. Other considerations

3.1 Laws and regulations

As part of the audit process, we consider the impact on the financial statements of any potential non-compliance with laws and regulations.

The principal laws and regulations we consider relevant to the organisation in performing this assessment are as follows:

Law or regulation	Audit response
<p>Code of Practice on Local Authority Accounting</p> <p>Financial statements must be prepared in line with the CIPFA code</p>	Financial statements to be reviewed to ensure all relevant disclosures are included
<p>Employment Law</p> <p>Contracts held with employees must be in line with Employment Law</p>	Contracts to be reviewed within audit procedures, together with procedures in place in relation to employment matters
<p>Health and Safety regulations</p> <p>Regulations must be complied with in respect of employees and visitors</p>	The accident book and board minutes will be reviewed, together with procedures in place in relation to health and safety regulations
<p>GDPR</p> <p>Regulations must be complied with in respect of data held</p>	Discussions to be held with management and review of GDPR compliance to be performed including review of privacy policy
<p>Modern Slavery Act 2015</p> <p><i>Organisations with turnover of £36m or more must publish an annual statement setting out the steps they take to prevent modern slavery in their business and supply chains.</i></p>	Search of the organisation's website to be performed.

Matters identified at audit planning

We have not identified any matters which will impact our audit approach.

3. Other considerations

3.2 Accounting estimates

We have not identified any key accounting estimates which present a higher risk of misstatement.

We consider other estimates utilised within the preparation of the financial statements for consistency and reasonableness. These include:

Accounting estimate	Assessment of prior year	Audit implication
Depreciation and useful economic lives	Depreciation rates deemed reasonable in previous period.	Depreciation proof in total testing will be performed , with a review of any profit or losses on disposals and fully written down assets still in use.
Doubtful debt provision	The bad debt provision in the prior year was considered appropriate.	After-date cash testing will be performed and a review of old items on the sales ledger for recoverability.
Accruals & Deferred income	Accruals balances were considered reasonable in the previous period.	Accruals and deferred income testing will be performed and a review of items to ensure correct classification.
Pension scheme assumptions	Assumptions used in the pension scheme valuation at year end were considered reasonable.	We will review the pension assumptions used and benchmark against published data to ensure reasonable.

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3. Other considerations

3.3 Related Parties

Accounting standards require that related party transactions are appropriately disclosed within the financial statements.

Management of West Mercia Energy are expected to have appropriate systems of controls in place to enable them to:

- identify;
- authorise;
- document; and
- report related party transactions in the financial statements.




To assist the Management with this task we propose that Joint Committee Members and key management complete an annual declaration, which is created and retained by an appropriate person in the organisation and provide us with the details as part of the audit deliverables process.

3.4 Accounting policies

We will review accounting policies used in the production of the financial statements to ensure consistency with accounting standard.

We are not aware of any changes to accounting policies for the Year Ended 31st March 2024.

4. Workflow & audit focus

Phase	Key Dates	Staffing	Focus and Approach	Reporting
Audit Planning 	Planning: - 17 th to 19 th January 2024 Joint Committee meeting: - 22 nd March 2024	2 days off-site, 1 day on-site <ul style="list-style-type: none"> • 1 Team member • Manager review • Partner review 	<ul style="list-style-type: none"> • Planning meeting with you • Discussion of performance and developments • Confirm scope, timetable and audit risks • Preliminary analytical review • Plan audit work and design testing • Confirm systems and controls (procedures) 	Audit Service Plan
Review of accounts Page 16 	Receipt of accounts: - w/c 24 th June 2024	1 days off-site <ul style="list-style-type: none"> • 1 Team members • Manager review • Partner review 	<ul style="list-style-type: none"> • Review the statutory accounts 	Draft accounts review comments
Final Audit 	Final audit: - w/c 1 st July 2024 Audit closing meeting: - July 2024	5 days on-site <ul style="list-style-type: none"> • 2 Team Members • Manager review • Partner review 	<ul style="list-style-type: none"> • Substantive/transactional testing • Balance sheet audit • Close meeting with you to discuss audit findings 	Audit Close Memorandum
Completion	Joint Committee meeting: - September 2024	Off-site	<ul style="list-style-type: none"> • Final completion procedures • Update subsequent events review • Finalise and sign audit report 	Signed Audit Report

Our proposed fees for the provision of our routine compliance services as set out in the scope section of this document are £15,100 (2023: £14,400) exclusive of VAT but inclusive of expenses and disbursements.

	£
Audit Planning and interim - Including attendance at joint committee meeting	4,000
Audit fieldwork	8,100
Audit completion - including attendance at joint committee meeting	3,000
Total	15,100

Impact of delays

The support supplied by your team is essential to our ability to deliver an efficient service without compromising quality and effectiveness. Accordingly, if the standard and timeliness of support is not in accordance with the assumptions noted above, we shall draw your attention to this and will need to raise additional fees commensurate to any additional costs incurred by us following appropriate discussions with you.

Our current year fee quote is based on the following assumptions:

- *Audit deliverables* - the accounting records and schedules requested will be made available to us on the dates agreed;
- *Timetable* - the timetables are followed as specified in section 5 to avoid inefficient audit testing and/or additional subsequent events review; and
- *Staff availability* - relevant staff will be available to deal with our queries throughout the process

The fee proposal is based on the above items being prepared by you and provided to us as per the agreed upon information request list.

Flexibility remains key to our working ethos and we would encourage you to advise us as early as possible if, for any reason, it would be challenging to deliver all the information to the agreed timetable. This should enable us to reconsider the timings and possibly reschedule as appropriate with minimum impact on our service and delivery.

Other related services

Advice and services provided outside the scope of our routine compliance services, as set out above, may be the subject of a separate fee. We shall discuss with you the nature and scope of the work and agree an appropriate fee basis prior to the commencement of this work.

As noted within the main body of this plan we require details of all related parties and any transaction with them during the year, as follows:

Type	Name of Related Party
Joint Committee	Councillor Lee Carter
	Councillor Nathan England
	Councillor Adam Kent
	Councillor Adrian Hardman
	Councillor Dean Carroll
	Councillor Gwilym Butler
	Councillor Peter Stoddart
	Councillor Graham Biggs
Key Personnel	Nigel Evans

Note the following constitute the majority of related parties:

- *Joint Committee members of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which Joint Committee members and their spouses/ long term partners/ children and parents have an interest;*
- *Key Management of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which Key Management and their spouses/ long term partners/ children and parents have an interest;*
- *Key Management Personnel and their spouses/ long term partners/ children and parents; and*
- *Other entities in which key management personnel and their spouses/ long term partners/ children and parents have an interest.*

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Committee and Date

West Mercia Energy Joint
Committee
22nd March 2024

Item

Public

WEST MERICA ENERGY (WME) INTERNAL AUDIT PERFORMANCE REPORT TO MARCH 2024

Responsible Officer Barry Hanson

e-mail: Barry.Hanson@shropshire.gov.uk

Tel: 07584217067

1. Summary

- 1.1 This report provides members with an update on the work completed by Internal Audit against the approved Internal Audit Plan 2023/24, presented on 21st March 2023.
- 1.2 All planned audit work for 2023/24 has been completed. Reviews attracting good assurance are Finance, Debtors, Corporate Governance including Risk Management and Procurement. The review of the IT Strategy attracted a reasonable assurance.

2. Recommendations

- 2.1 The Committee consider and endorse, with appropriate comment, the performance to date against the 2023/24 Audit Plan as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.
- 3.2 Provision of the Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015, part 2 which sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

4. Financial Implications

4.1 The proposed plan will be met from within the approved Internal Audit budget.

5. Climate Change Appraisal

5.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of Internal Audit will look at the aspects relevant to the governance, risk management and control environment. The Committee can seek direct assurance on these matters where required.

6. Background

6.1 Audit assurance opinions are delivered on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Company to high risks that should have been managed.

6.2 Audit recommendations are an indicator of the effectiveness of the Company’s internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

- 6.3 Recommendations are rated in relation to the audit area rather than the Company's control environment: for example, a control weakness deemed serious in one audit area which results in a significant or fundamental recommendation may not necessarily affect the Company's overall control environment. Similarly, several significant recommendations in a small number of areas would not result in a limited opinion if most areas examined were sound. Consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued. Any fundamental recommendations resulting from a control weakness in the Company's control environment would be reported in detail to the Joint Committee.
- 6.4 A total of six recommendations have been made in the final audit reports issued since the last report. A breakdown by area of the recommendations issued in this period is shown in the table below.
- 6.5 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. Management is asked for an update of progress made on recommendations 12 months after issue. During 2023/24 no recommendations have been rejected by management.

6.6 **Audit assurance opinions and recommendations delivered 2023/24**

Audit Area	Assurance level	No. of Recommendations made				Total
		Best Practice	Requires Attention	Significant	Fundamental	
Debtors System	Good	0	1	0	0	1
Finance System	Good	0	2	0	0	2
Corporate Governance and Risk Management	Good	0	1	0	0	1
Procurement	Good	0	1	0	0	1
IT Strategy	Reasonable	0	0	1	0	1
Total for the period		0	5	1	0	6
Total to date numbers		0	5	1	0	6
percentage		0%	83%	17%	0%	100%

- 6.7 Internal Audit work completed resulted in four good and one reasonable assurance level. The audit work highlighted one significant issue relating to the IT Strategy. An action plan is in place to address recommendations within an agreed timeframe.
- 6.8 Copies of the abbreviated Audit Reports are attached as appendices to this report.

7. **Additional Information**

7.1 **Performance against the plan**

- 7.2 The Internal Audit plan for 2023/24 was presented to the Joint Committee in March 2023. All planned internal audit work has been completed.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Public Sector Internal Audit Standards.
Accounts and Audit Regulations 2015
Internal Audit Plan 2023/24, 21st March 2023.

Member

Councillor Gwilym Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

- Appendix 1** – Debtors Report 2023/24
- Appendix 2** – Finance Report 2023/24
- Appendix 3** – Corporate Governance and Risk Management Report 2023/24
- Appendix 4** – Procurement 2023/34
- Appendix 5** – IT Strategy 2023/24



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME DEBTORS 2023/24

Assurance Level | Good

Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans (Managing Director) Jo Pugh (Finance Manager)
Auditor(s):	Catherine Young
Fieldwork Dates:	December 2023
Debrief Meeting:	29th January 2024
Draft Report Issued:	19th January 2024
Responses Received:	30th January 2024
Final Report Issued:	1st February 2024

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 2023/24 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. The audit excludes a review of refunds and write offs.
7. The scope includes a follow up of recommendations made in the 2022/23 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 recommendations made in the previous audit 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.
 - √ 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 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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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. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	0	1	0

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. 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	1
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	0

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

13. 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.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided

on request.

15. 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.

Barry Hanson
Head of Policy and Governance

This report is produced solely for the use of West Mercia Energy. Its contents should not be shared, copied, quoted or referred to in whole or in part without our prior written consent except as required by law. Shropshire Council will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purposes.

INTERNAL AUDIT EXCEPTION REPORT FOR WME DEBTORS 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: Billing information is verified before invoicing customers.					
3.1	<p>In the 2022/23 audit the failed invoices report was provided as at the 10th November 2022. This report was compared to the report provided in December 2023. This found that 162 invoices have been outstanding since 2022. The value of these invoices are £136,726 invoices and £63,783 credit notes.</p> <p>This report of 162 invoices was reviewed by officers at WME. This identified that 69/165 could be processed which amount to £44,544. 76/165 require information from suppliers and includes invoices of £24,051 and credit notes of £1,531.</p>	<p>The billing system does not accurately reflect the levels of income and credit notes leading to inaccurate reporting and additional work at year end to establish correct values.</p> <p>The longer that issues are not resolved could lead to more difficulty in establishing the cause of the failure in the event of staff leaving or customers leaving.</p>	1	Requires Attention	Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.

ACTION PLAN FOR WME DEBTORS 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.	Requires Attention	<p>Of the net amount of the 162 invoices of £73k, £61k are on the report as having been credited since the November 2022 report so aren't picked up in the comparison, with the remaining net amount of £12k mainly being credit notes due from suppliers along with other small differences.</p> <p>Invoices and credits that can be offset will be cleared down where possible and the report reviewed and actioned on a 6-monthly basis.</p>	John Morris	June 2024

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SHROPSHIRE COUNCIL AUDIT SERVICES

“ADDING VALUE”

FINAL INTERNAL AUDIT REPORT WME FINANCE 2023/24

Assurance Level | **Good**

Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditor(s):	Catherine Young
Fieldwork Dates:	December 2023
Debrief Meeting:	29th January 2024
Draft Report Issued:	19th January 2024
Responses Received:	30th January 2024
Final Report Issued:	1st February 2024

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 2023/24 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:
To review the key finance processes of WME to ensure that there are appropriate controls in place and that those controls are being operated effectively.
7. The scope includes a follow up of recommendations made in the 2022/23 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:
 - x The recommendations made in the previous audit have been implemented.
 - ✓ 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

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 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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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. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. 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 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. 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	1
Recommendations implemented	0
Recommendations partially implemented	1
Recommendations superseded	0
Recommendations not implemented	0

The previous recommendation directed management to consider updating the Financial Regulations process for purchasing. The recommendation was considered by management and staff were reminder to follow the agreed process. The recommendation has been repeated due to an order being raised after commitment to spend and potential for the process to be streamlined.

Audit Approach

13. 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.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.
15. 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.

Barry Hanson
Head of Governance and Policy

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INTERNAL AUDIT EXCEPTION REPORT FOR WME FINANCE 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.					
9.1	<p>The Performance Related Pay (PRP) policy states that this will be calculated based on salary.</p> <p>The 2022 PRP payment was recalculated and this found that the payment is based on salary and additional payments such as additional hours and honorariums.</p>	The policy states that the payment will be based on salary which can be interpreted as basic pay only. Therefore, bonus based on additional payments and salary would not be calculated in line with policy and would result in an overpayment of the bonus.	1	Requires Attention	The Performance Related Pay policy should be updated to clarify the additional payments, such as overtime and honorariums, that will be included in the calculation of the bonus.
Management Control Objective: There are appropriate processes in place for the control and operation of the creditors system.					
10.1	<p>Previous recommendation:</p> <p>Consideration should be given to updating the company's financial regulations, to allow purchases to be made up to a certain nominal value without the requirement to raise a purchase order to avoid unnecessary administrative burden on low value transactions. Until the point at which</p>	Failure to raise purchase orders as required by the company's financial regulations is a breach and increases the risk of inappropriate expenditure.	2	Requires Attention	Consideration should be given to updating the company's financial regulations, to allow purchases to be made up to a certain nominal value without the requirement to raise a purchase order to avoid unnecessary administrative burden on low value transactions. Until the

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>financial regulations are updated, all staff should be reminded to produce purchase orders as currently required.</p> <p>Findings 2023/24 Financial Regulations state that:</p> <p><i>Procurement of Works, Goods, Materials and Services.</i> <i>27. An official order form, approved by the Treasurer, shall be used when entering any contract (as defined by Standing Orders), except where the nature of the transaction makes it inappropriate to do so.</i></p> <p>A sample of five orders and invoices were reviewed. This found that 1/5 orders had been created after the invoice had been received. These invoices related to training.</p> <p>There was evidence that the purchase had been completed by an officer with the financial authorisation to place the order but the process outlined in the standing orders had not been followed.</p>				<p>point at which financial regulations are updated, all staff should be reminded to produce purchase orders as currently required.</p> <p>(As previously recommended and agreed in 2022/23).</p>

ACTION PLAN FOR WME FINANCE 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
9.1	1	The Performance Related Pay policy should be updated to clarify the additional payments, such as overtime and honorariums, that will be included in the calculation of the bonus.	Requires Attention	Policy will be reviewed and updated	Nigel Evans	May 2024
10.1	2	Consideration should be given to updating the company's financial regulations, to allow purchases to be made up to a certain nominal value without the requirement to raise a purchase order to avoid unnecessary administrative burden on low value transactions. Until the point at which financial regulations are updated, all staff should be reminded to produce purchase orders as currently required. (As previously recommended and agreed in 2022/23).	Requires Attention	The update relating to purchase orders will be incorporated next time the financial regulations are updated. Until the financial regulations are updated staff will continue to produce orders as currently required.	Nigel Evans	The update will be incorporated when the financial regulations are next updated.



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2023/24

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director
Auditor(s):	Catherine Young
Fieldwork Dates:	February 2024
Debrief Meeting:	28th February 2024
Draft Report Issued:	15th February 2024
Responses Received:	26th February 2024
Final Report Issued:	28th February 2024

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 2023/24 Audit Services have undertaken a review of Corporate Governance, Risk Management and Business Continuity Planning.
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 arrangements for Corporate Governance and Management of Risk during the current financial year.
7. The scope includes a follow up of recommendations made in the 2022/23 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 recommendations made in the previous audit have been implemented.
 - ✓ There is an appropriate process in place to ensure that Strategic and Operational Risks are recorded in a suitable format in the Risk Register and regularly reported to the Joint Committee.
 - ✓ Satisfactory Corporate Governance arrangements are in place.
 - ✓ A business continuity plan has been prepared which details the actions to be taken to allow recovery from an incident.

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 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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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. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	0	1	0

11. A summary of the recommendations, together with the agreed management responses are

included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.

12. 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	1
Recommendations implemented	0
Recommendations partially implemented	1
Recommendations superseded	0
Recommendations not implemented	0

Reasonable 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

13. 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.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.
15. 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.

Barry Hanson
Head of Governance and Policy

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INTERNAL AUDIT EXCEPTION REPORT FOR WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: A business continuity plan has been prepared which details the actions to be taken to allow recovery from an incident.					
4.1	The Business Continuity plan was reviewed and was found to include risk assessments and critical activities for key area. However, the detail recorded is not sufficient for the document to be used as a reference document. For example, the recovery time objective is recorded for each area but does not detail the action required. The action required is recorded under Critical Activities but this does not include responsible officers or the action required if the recovery time objective is not achieved. There is also no indication of the time in which the critical activities should be completed.	In the event of the plan being required the actions required are not clear and are not allocated to a single officer. This may lead to confusion and inefficient recovery processes where staff are unaware of the timescales which should be followed or the single officer responsible for the execution of the plan.	1	Requires Attention	The Business Continuity plan should be updated to ensure that there are clear actions and timescales recorded for the Critical Activities. This should also include a responsible officer and actions required should the recovery time objective not be met.

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ACTION PLAN FOR WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
4.1	1	The Business Continuity plan should be updated to ensure that there are clear actions and timescales recorded for the Critical Activities. This should also include a responsible officer and actions required should the recovery time objective not be met.	Requires Attention	Agreed - we will update the plan to include actions and timescales for the Critical Activities, along with ownership and actions required should the recovery time objective not be achieved.	Gareth Maude	March 2024

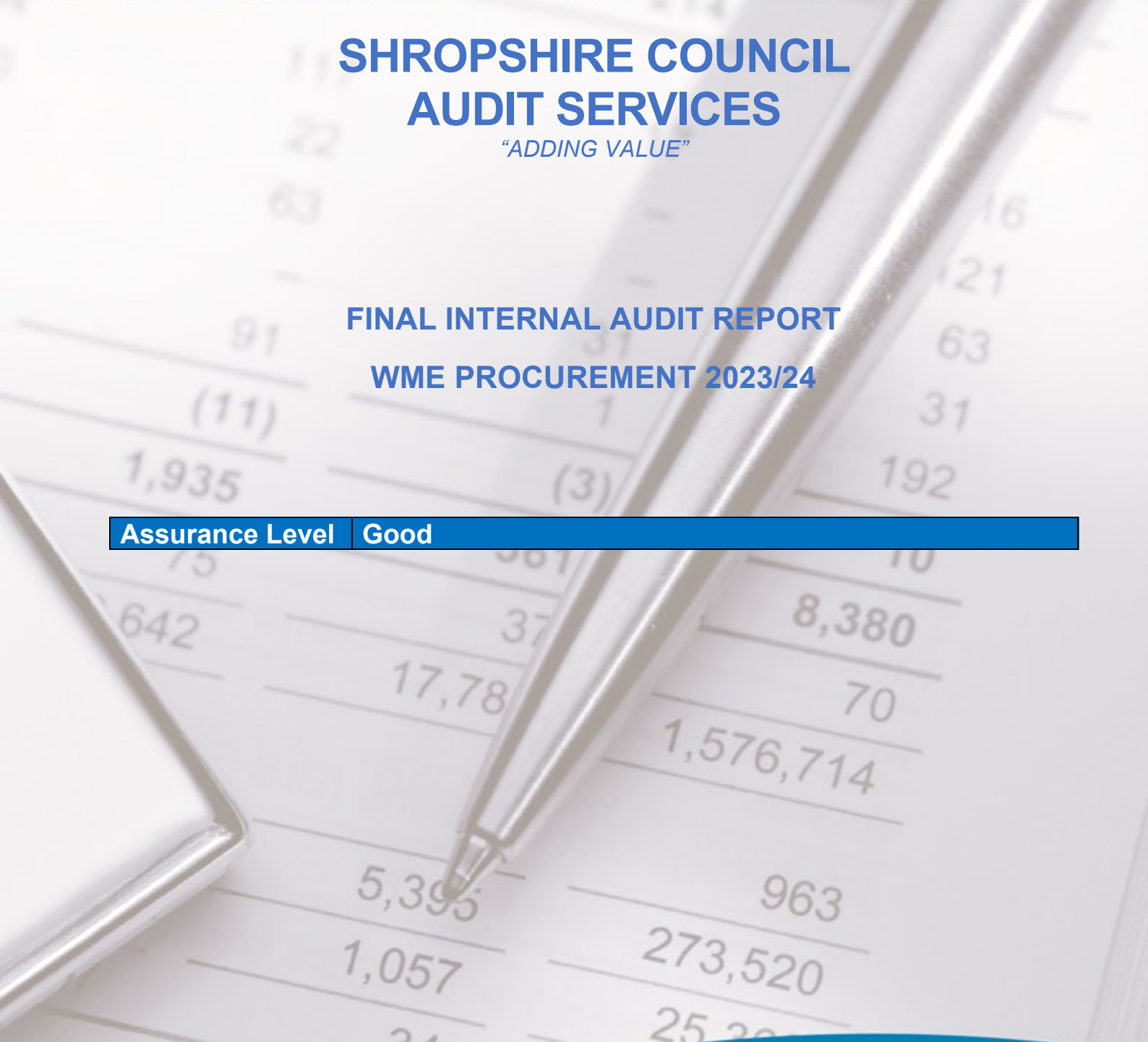


SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME PROCUREMENT 2023/24

Assurance Level | Good



Audit Data

Customer:	West Mercia Energy (WME)
Report Distribution:	Nigel Evans, Director
Auditor(s):	Catherine Young
Fieldwork Dates:	February 2024
Debrief Meeting:	28th February 2024
Draft Report Issued:	15th February 2024
Responses Received:	26th February 2024
Final Report Issued:	28th February 2024

Introduction and Background

1. As part of the approved internal audit plan for 2023/24 Audit Services have undertaken a review of Procurement.
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 tender and evaluation process for the Framework Agreement for the Supply of Electricity on a Flexible Basis and the Provision of Associated Services (WME 002) which was undertaken between October 2022 and July 2023.
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 is an appropriate evaluation process prior to the project being tendered.
 - ✓ There is a satisfactory system to ensure tender documents are completed in accordance with Contract Procedure Rules.
 - ✓ There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.
 - ✓ Successful and unsuccessful tenderers are notified promptly; unsuccessful tenders are retained in case of default / re-negotiation / for future information.
 - ✓ Contract documents are completed on a timely basis and include key conditions to protect West Mercia Energy from liability in respect of contractor's actions.

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. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. 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 2**. 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 (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. 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.

Barry Hanson
Head of Policy and Governance

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INTERNAL AUDIT EXCEPTION REPORT FOR WME PROCUREMENT 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.					
4.1	<p>The tenders submitted following negotiation were not received in line with the Standing Orders. A specific inbox was set up to receive tenders with access restricted to the Senior Energy Market Analyst and Utilities Manager. As the Senior Energy Market Analyst was responsible for the tender process they should not have had access prior to the deadline.</p> <p>The Standing Orders state that all procurement shall be undertaken using Shropshire Council e-tendering system and that tenders will be opened in accordance with Shropshire Council's formal receipt and opening of tenders process within the e-tendering systems. There is no allowance within the Standing Orders to deviate from the use of the e-tendering process.</p>	<p>Non-compliance with Standing Orders.</p> <p>A lack of transparency in the procurement process and potential for challenge where the organisation cannot evidence that the tenderbox was not accessed before the close date. Using an Outlook inbox reduces the audit trail available for review should items be deleted or amended.</p>	1	Requires Attention	Tenders should be submitted following the process detailed in the Standing Orders and officers involved in the procurement exercise should have no access to the tenderbox before the close date.

ACTION PLAN FOR WME PROCUREMENT 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
4.1	1	Tenders should be submitted following the process detailed in the Standing Orders and officers involved in the procurement exercise should have no access to the tenderbox before the close date.	Requires Attention	Usually the Open Procedure is used for all procurement activity and managed through Shropshire Councils Delta portal, ensuring segregation of procurement activities. In future should the "negotiated" procedure be used where tenders are received directly at WME, WME staff will have no access to the procurement inbox until the procurement deadline has passed, thereby ensuring Standing Orders are adhered to in relation to receipt of tenders.	Gareth Maude	Agreed and on going.



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME IT 2023/24

Assurance Level | Reasonable



Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans (Managing Director)
Auditor(s):	Catherine Young
Fieldwork Dates:	February 2024
Debrief Meeting:	6th March 2024
Draft Report Issued:	5th March 2024
Responses Received:	6th March 2024
Final Report Issued:	7th March 2024

Introduction and Background

1. As part of the approved internal audit plan for 2023/24 Audit Services have undertaken a review of IT Audit.
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 IT Strategy in line with best practice frameworks such as EGIT¹ to ensure that the strategy aligns with and supports WME's objectives, and the benefits identified are realised. This includes the exploitation of opportunities and responsible use of resources.
The review also included the business continuity arrangements in place to avoid key points of failure in the implementation of the strategy.
7. The scope includes a follow up of recommendations made in the 2022/23 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:
 - ✓ Previous audit recommendations have been implemented.
 - ✓ To ensure ownership and responsibility for the IT Strategy is clearly defined
 - X The IT Strategy has been formally documented and clearly shows goals and objectives and how they will be achieved.
 - ✓ The IT Strategy has been aligned with the overall aims and objectives of WME and is supported through appropriate business continuity planning.
 - ✓ The IT Strategy includes key projects, resources required and responsible officers documented including defined key performance indicators.
 - ✓ The IT Strategy is up to date and made available to all relevant employees.
 - ✓ Monitoring of the IT Strategy has been formally agreed and a formal management reporting mechanism in place to monitor performance against the Strategy

¹ Enterprise governance of information and technology.

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 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:

Reasonable	There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls
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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. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	1	0	0

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. The audit work identified one significant issue leading to the following recommendation:
- The IT Strategy should be updated to include the following for each of the identified opportunities:
 - Estimated start date;
 - Estimated timescales for key milestones;
 - Target implementation date;
 - Officers involved;
 - Estimated costs.

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	2
Recommendations implemented	2
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	0

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 (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. 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.

Barry Hanson
Head of Policy and Governance

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INTERNAL AUDIT EXCEPTION REPORT FOR WME IT 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation												
Management Control Objective: The IT Strategy has been formally documented and clearly shows goals and objectives and how they will be achieved.																	
3.1	<p>The IT Strategy identified opportunities for improvement and each opportunity has been allocated a priority:</p> <table border="1"> <thead> <tr> <th>Priority</th> <th>Number of opportunities</th> </tr> </thead> <tbody> <tr> <td>1 (High)</td> <td>3</td> </tr> <tr> <td>2</td> <td>3</td> </tr> <tr> <td>3</td> <td>2</td> </tr> <tr> <td>4</td> <td>0</td> </tr> <tr> <td>5 (Low)</td> <td>1</td> </tr> </tbody> </table> <p>The opportunities have not been allocated timescales for start or target completion date, estimated project</p>	Priority	Number of opportunities	1 (High)	3	2	3	3	2	4	0	5 (Low)	1	<p>There are no defined timescales and therefore it is not possible to monitor process with the overall implementation of the strategy. Staff time has not been identified to complete the opportunities leading to inadequate time allocated and slow progress in the implementation of the strategy.</p>	1	Significant	<p>The IT Strategy should be updated to include the following for each of the identified opportunities:</p> <ul style="list-style-type: none"> • Estimated start date; • Estimated timescales for key milestones; • Target implementation date; • Officers involved; • Estimated costs.
Priority	Number of opportunities																
1 (High)	3																
2	3																
3	2																
4	0																
5 (Low)	1																

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Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>duration and officers required or estimated costs assigned.</p> <p>Whilst there is an overarching aim to complete the projects within three years it is difficult for the organisation to measure progress without key milestones being defined.</p> <p>During discussions with the Managing Director and Head of IT it was highlighted that there has been progress made against the opportunities identified. However, without the key milestones it is not possible to identify whether the strategy is ahead of target.</p>				

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	<p>The IT Strategy should be updated to include the following for each of the identified opportunities:</p> <ul style="list-style-type: none"> • Estimated start date; • Estimated timescales for key milestones; • Target implementation date; • Officers involved; • Estimated costs. 	Significant	Agreed. There will be an element of fluidity on the dates particularly with some of the less urgent projects as new IT tasks arise. With regards the cost aspect, much of this will be delivered by in house resource without the need of substantial external support.	Neil Marston	June 2024



<u>Committee and Date</u>
West Mercia Energy Joint Committee
22 nd March 2024

<u>Item</u>
Public

WEST MERCIA ENERGY (WME) INTERNAL AUDIT STRATEGIC PLAN 2024/25

Responsible Officer Barry Hanson
e-mail: Barry.Hanson@shropshire.gov.uk Tel: 07990086409

1. Summary

- 1.1 This report details the proposed programme of audit work for the year 2024/25 and recommends that members approve the programme, as set out in the report.
- 1.2 Internal Audit Services to West Mercia Energy have continued to be provided by Shropshire Council.

2. Recommendations

- 2.1 The Committee are asked to consider and endorse, with appropriate comment, the proposed programme of audits for 2024/25.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Under the Joint Committee's terms of reference, reviewing the risk based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility. In considering this plan Members should be assured that it is linked to the West Mercia Energy's key risks and provides enough coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. When critical to the business operations these will be reported and rectified where possible and viable.
- 3.2 Areas to be audited within the plan have been considered with the knowledge of risk register information both operational and strategic.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

- 3.4 Provision of the Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015, part 2 which sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

4. Financial Implications

- 4.1 The proposed plan includes 20 days in 2024/25 with two days carried forward to 2025/26 relating to the procurement audit.

5. Climate Change Appraisal

- 5.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of Internal Audit will look at the aspects relevant to the governance, risk management and control environment. The Committee can seek direct assurance on these matters where required.

6. Background

- 6.1 The S151 Officer is legally required to maintain sound and proper financial management on behalf of the West Mercia Energy (WME). This includes a responsibility for maintaining internal audit. Internal audit, provided by Shropshire Council, is based on a programme of audits over a rolling four-year period.
- 6.2 Audit priorities and known risks have been examined and a detailed audit plan has been produced for the provision of audit services in the next financial year, for consideration by the Committee. Each potential audit area has been reviewed with the Director and considered in relation to the strategic risks of the business. Some areas are required to be audited every year, as they are fundamental to sound financial management.
- 6.4 The audit programme is shown at **Appendix A**. The proposed plan is presented to Committee for approval to reflect current issues and risks. This will ensure that the audits are timely, appropriate and add value, subject to the comments raised above. It takes account of issues identified by the West Mercia Energy risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the business audited. The proposed Internal Audit plan considers the requirement to produce an annual internal audit opinion and assurance framework. Some minor adjustments may be needed to the plan before it is finalised; if significant, these will be agreed by the Director and reported to the next Joint Committee.

7. Resources and Delivery

WME has provided a budget in 2024/25 to deliver 20 days of audit.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal audit strategic plan 2020/21 – February 2020

Internal audit strategic plan 2021/22 – March 2021

Internal audit strategic plan 2022/23 – March 2022

Internal audit strategic plan 2023/24 – March 2023

Member

Councillor Gwilym Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

Appendix A: West Mercia Energy – Proposed Internal Audit Plan 2024/25

APPENDIX A**WEST MERCIA ENERGY - AUDIT AREAS**

AUDIT	Including review of:	2024/25 DAYS
PROCUREMENT	Review of procurement arrangements re the new electricity and liquid fuels contracts	1 (2 days carried forward to 2025/26)
DEBTORS	Review the operational aspects of billing and account management	4
FINANCE	A combined audit reviewing the areas of Finance, Payroll and Creditors general controls.	5
IT	Review development of IT controls as required by management and follow up of IT related recommendations.	4
CORPORATE GOVERNANCE AND RISK MANAGEMENT	Corporate Governance & Risk Management Combined review (including EGARRP)	2
ENGAGEMENT MANAGEMENT	To include follow up of previous recommendations, audit management, audit planning, servicing Audit Committee, advisory	4
	Contingency	0
TOTAL		20



Committee and Date

West Mercia Energy Joint
Committee

22nd March 2024

Item

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Public

ANTI-SLAVERY AND HUMAN TRAFFICKING STATEMENT 2023/24

Responsible Officer Nigel Evans

e-mail: nevans@westmerciaenergy.co.uk Tel: 0333101 4353

1. Summary

- 1.1 In accordance with the WME Anti-Slavery and Human Trafficking Policy, the Joint Committee are presented with the draft WME Transparency Statement for 2023/24 for approval.

2. Recommendations

It is recommended that the Joint Committee:

- 2.1 approve the draft WME Transparency Statement for 2023/24
- 2.2, delegate authority to the Director to finalise the WME Transparency Statement and publish it in accordance with section 54 of the Modern Slavery Act 2015.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 The Modern Slavery Act 2015 is aimed at combating crimes of slavery and human trafficking and recognises that businesses have a role to play in tackling these crimes. Section 54 of the Act requires any commercial organisation with a turnover of over £36m p.a. to publish an annual statement for each financial year to detail what steps the organisation has taken to ensure that human trafficking is not taking place in any of its supply chains or its business (this does not mean the organisation must guarantee the entire supply chain is slavery free); or make a declaration that no such steps have been taken. The aim is to ensure that businesses are transparent about what they are doing to tackle modern slavery and human trafficking.
- 5.2 The WME Anti-Slavery and Human Trafficking Policy was approved by the Joint Committee on 25th September 2017 and this Policy is published on the WME website.
- 5.3 In accordance with section 54 of the Modern Slavery Act 2015, a statement must be published at the end of the relevant financial year and specify the steps taken within the previous financial year to ensure that no slavery or human trafficking is taking place in any part of its business or in its supply chains. Organisations are encouraged to do this within 6 months of the end of the relevant financial year.
- 5.4 The Statement is in draft form as the financial year 2023/24 has not yet ended. No changes are expected to the Statement once the financial year has ended and it is preferable for the Statement to be completed and published prior to the September Joint Committee.
- 5.5 The WME Statement for 2023/24 is attached and the Joint Committee are asked to approve the draft Statement. Once approved the Statement will be published on the WME website.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>Joint Committee 25th September 2017 – Anti-Slavery and Human Trafficking Policy</p>

<p>Joint Committee 21st March 2023 - Anti-Slavery and Human Trafficking Statement 2022/23</p>
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<p>Member</p>

<p>Councillor G Butler of Shropshire Council (Chair of the Joint Committee)</p>

<p>Appendices</p>

<p>WME Transparency Statement 2023/24</p>



Modern Slavery Act 2015

West Mercia Energy Transparency Statement 2023/24

This statement is made in pursuant to section 54 of the Modern Slavery Act 2015 (the Act) and relates to actions and activities West Mercia Energy (WME) have undertaken during the financial year 1 April 2023 to 31 March 2024 to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and supply chains.

WME offers energy procurement and management on behalf of its four Member Authorities and a number of outside bodies. The contracts cover the provision of electricity, natural gas, petroleum fuels and liquid petroleum gas within the UK. WME is opposed to all forms of human trafficking and slavery and takes all necessary steps to ensure the promotion of sound, moral and ethical practices throughout the whole of its business.

During the financial year 1 April 2023 to 31 March 2024 WME have:

- Monitored adherence/compliance to/with our formal Anti-Slavery and Human Trafficking Policy
- Taken steps to ensure that all current suppliers are fully compliant with the Act
- Ensured that all procurement activity identifies compliance with the Act as part of the evaluation criteria
- Ensured that all recruitment activity was undertaken in line with requirements of the Act
- Conducted risk awareness training with all members of staff

During 2024/25 WME will continue to apply our Anti-Slavery and Human Trafficking Policy to all our commercial activities, and to maintain awareness of the Act and its requirements and obligations to all our staff.

WME's Slavery and Human Trafficking Statement has been approved by the WME Joint Committee. It should be read in conjunction with the Modern Slavery Act 2015 and the National Referral Mechanism. This Statement will be reviewed and updated annually.

Approved: Nigel Evans, Director, April 2024

West Mercia Energy is jointly owned by the following councils



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Committee and Date

West Mercia Energy Joint
Committee

22nd March 2024

Item

10

Public

RISK MANAGEMENT UPDATE

Responsible Officer Nigel Evans

e-mail: nevans@westmerciaenergy.co.uk Tel: 0333101 4353

1. Summary

- 1.1 The Joint Committee annually reviews the WME Risk Management Strategy and at each meeting receive details regarding the key risks identified.

2. Recommendations

The Joint Committee are recommended to:

- 2.1 approve the WME Risk Management Strategy attached at Appendix A;
- 2.2 accept the position as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3 Given the subject matter of this report, the assessment of risk forms a fundamental part of the risk strategy.

4. Financial Implications

- 4.1 The financial implications of each risk are considered when the impact of the risk is assessed.

5. Background

- 5.1 The current WME Risk Management Strategy was approved by the Joint Committee on 21st March 2023 a copy of which is attached in Appendix A. The WME management team have conducted their annual review of the Strategy document and no changes are being proposed.
- 5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year and the current risk register comprises of eighty four highlighted risks.
- 5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.
- 5.4 The Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting The table below identifies the six current high and medium risks and the two risks which has been downgraded since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
Current High and Medium Risks						
1	Market conditions pre-pricing leading to less competitive prices	Julie Wassall	5	3	Medium	No Change
2	Breach of trading risk levels due to significant within year spikes in market prices or supplier reforecasting of volumes	Julie Wassall	2	5	High	No Change
3	Central government policy or Regulative initiative	Nigel Evans	1	5	Medium	No Change
4	Unexpected consequences of a change of supplier e.g. diminishing levels of service, transfer delays and/or potential financial implications	Julie Wassall	3	4	Medium	No Change
5	Bad debts / delayed payment	Jo Pugh	3	4	Medium	No Change
6	Dealing with suppliers whose ownership, structure, investments or general business activities are not deemed satisfactory by customers.	Nigel Evans	5	2	Medium	No Change

Reduced Risk						
1	Poor performance by a key supplier leading to customer service issues including a) billing issues, b) information - pricing/budgets,	Julie Wassall	2	2	Low	Reduced risk from Medium to Low
2	Loss of key staff	Nigel Evans	2	3	Low	Reduced risk from Medium to Low

L – likelihood of the risk I – impact of the risk

- 5.5 In light of market conditions over the past quarter Risk Ref 1 remains at a medium level. Whilst volatility levels have decreased, Risk Ref 2 remains at a medium level and continues to be monitored closely.
- 5.6 Risk Ref 3 remains at a medium level to cover any central government policy or initiative which would adversely affect our business. We have recently seen some impact of 'light mandation' within the NHS sector.
- 5.7 Risk Ref 4 relates to the risks associated with a change of supplier and with a new electricity supply arrangement commencing formally from 1st April 2024, this risk remains at a medium level. There is a detailed transition plan in place to mitigate the risks here but as we haven't had a major move in supplier since 2016 the likelihood level remains higher than from 12 months ago.
- 5.8 Risk Ref 5 relates to the concerns around delayed or non-payment of bills by WME customers. For the financial year to date, our cash and debt management continues to be excellent but with the increasing financial pressures experienced by our customers, this risk remains at the medium level. Risk Ref 6 has been viewed again as a medium risk.
- 5.9 The risk relating to poor performance from a key supplier has been reduced from medium to low as we have seen an improved performance over recent months. We will continue to closely monitor this to ensure that this improved level is maintained. In light of staff recruitment and development over the past year, the risk relating to the loss of key staff has been reduced also from medium to low.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>Joint Committee 21st March 2023 – Risk Management Update</p> <p>Joint Committee 26th September 2023 – Risk Management Update</p>
<p>Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)</p>
<p>Appendices Appendix A - WME Risk Management Strategy</p>

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RISK MANAGEMENT STRATEGY

Introduction

Risk management is an integral part of good management practice and a key part of corporate governance. This strategy statement outlines the arrangements put in place to ensure that WME identifies and deals with the key risks that it faces, ensuring that the right actions are taken at the right time. It involves the dissemination of roles, responsibilities and accountabilities for risks within the organisation and forms part of the corporate governance of WME.

This strategy seeks to set out how WME:

- i) Identifies and measures risk
- ii) Plans and acts to manage or mitigate risk
- iii) Monitors risk on a continual basis

WME recognises that the development of policy, delivery of objectives and management of its operations attracts risks. How successful WME is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to its customers. The risk management strategy helps to support the aim of WME to be a first-class organisation.

Aims & Objectives

Risk Management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks, living with risks or ceasing the activity that gives rise to the risk. WME aims to ensure that Risk Management becomes a natural component of its management processes.

The objectives of this strategy are to:

- Raise awareness of the need for Risk Management in all areas of service delivery, integrate it into the culture of WME and embed it in the performance management framework
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, financial, environmental, technological and legislative requirements
- Minimise exposure to risk

WME will achieve these objectives by:

- Including Risk Management as an integral part of its management processes and day-to-day operations through corporate, directorate and unit business plans
- Ensuring sound systems of internal control
- Incorporating Risk Management into major service reviews including best value and project management
- Preparing contingency plans in areas where there is a potential for serious adverse effects on service continuity
- Regular monitoring and review of the arrangements
- Ensuring that we respond to and meet our legislative responsibilities in relation to the management of risk

Our Approach to the Governance of Risk Management

Our overall aim is to embed the culture of Risk Management throughout the organisation.

Risks are managed every day as part of normal business activity. Risk Management is not just about eliminating risk but about dealing with and reducing the circumstances in terms of their impact and probability (likelihood). A critical success factor in embedding a risk management culture is the commitment of the Director, Senior Managers and the Joint Committee Members.

Roles and Responsibilities

The full integration of Risk Management into the culture of the organisation can only be achieved through the full commitment and understanding of all stakeholders. These stakeholders can be defined as follows:

- WME Joint Committee
- Director
- Senior Managers
- WME employees

All these stakeholders have a role to play in the control environment within which WME operates, whether in connection with the setting of policy and decision making, the challenge process of accountability, the implementation of WME's objectives, the setting of internal controls or the provision of a safe working environment.

WME's responsibilities need to be clearly understood and have been defined as:

- Development, monitoring and review of the Risk Management Strategy and Risk Register
- Identification, analysis and monitoring of principal risks
- Champion and raise awareness of Risk Management and to ensure that the process becomes embedded in the culture of the organisation
- Ensure synergy with other "risk" systems, e.g. Health and Safety, Business Continuity and project management
- Ensure regular updating of the Risk Register
- Monitor and review Risk Registers and Risk Action Plans

Joint Committee responsibilities:

- Review the Risk Management Strategy on an annual basis.
- Receive details of all medium and high risks at each meeting.

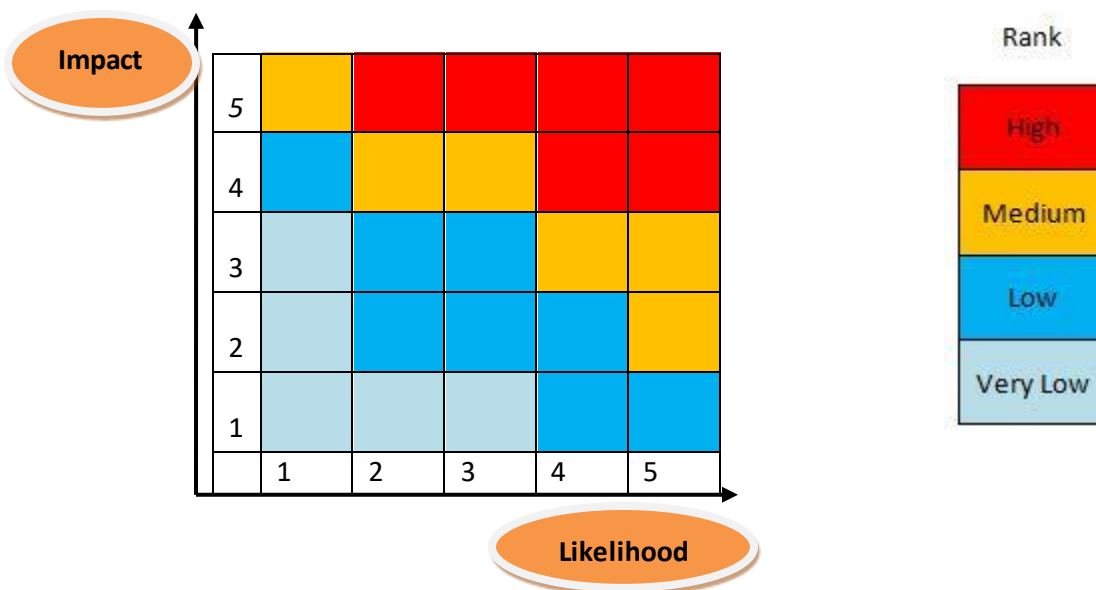
Each identified risk will be allocated an owner, responsible for the management and monitoring of that risk.

The Director will have a responsibility to ensure that Senior Managers analyse risks and produce appropriate information for inclusion in the Risk Register and Risk Action Plans specific to their sectors; whilst making the necessary connections to issues that have an organisation wide effect.

Risk Appetite

WME evaluates risks on the basis of the likelihood of them occurring and the impact of the consequences if they do. A standard set of evaluation criteria is used to evaluate both likelihood and impact and the resultant risks are then plotted on the maps, as depicted below.

Risk Matrix



Risks are treated in accordance with the WME ‘risk appetite’, that is the level of risk the organisation deems to be acceptable. While all risks should be judged on their own merit, managers also have the responsibility to manage their risks as they see fit. Nevertheless, good practice suggests that any risk classified as high should be deemed to require immediate management attention with the aim of treating it, either to reduce the level of threat or maximise the opportunity that may arise from it.

Identification and Categorisation of Risk

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process that runs throughout the strategies and service delivery of the organisation.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimizing the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

The Director and Senior Managers have a clear responsibility to set the overall framework and establish and monitor the Risk Register. Strategic risks are those that might impact on the high level, medium to long-term, goals and objectives of WME together with those cross cutting issues that have potential to impact significantly on service delivery, business continuity and profit generation.

At operational level the monitoring and identification of risk lies with sector managers and forms part of their service planning process. These are the risks that will be encountered as a result of daily activity. Due consideration must be given to the need to involve other sectors in decision making processes in order to mitigate risk.

Risks should be identified by considering the threats to the successful delivery of each of the objectives and activities of the organisation. These risks have been categorised as follows within the Risk Register:

- Business continuity
- Operational
- Systems
- Trading
- Strategic

Benchmark test for significance

Likelihood	Score	Risk Likelihood Definition
Rare	1	Risk may occur in exceptional circumstances
Possible	2	Risk may occur within the next three financial years
Likely	3	Risk is likely to occur within this financial year
Almost Certain	4	Indication of imminent occurrence
Certain	5	Risk has occurred and will continue to do so without immediate action being taken

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Negligible loss, delay or interruption to services • Can be easily and quickly remedied • Financial impact less than 2½% of annual WME budgeted net profit
Minor	2	<ul style="list-style-type: none"> • Minor loss, delay or interruption to services • Short term impact on operational efficiency and performance • Financial loss of between 2½ - 10% of annual WME budgeted net profit • Failure to meet internal standards. • Affects only one group of stakeholders • No external interest • Isolated complaints
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services.

		<ul style="list-style-type: none"> • Medium term impact on operational efficiency and performance. • Financial loss of between 10 - 20% of annual WME budgeted net profit • Failure to meet recommended best practice. • Affects more than one group of stakeholders. • May attract short-term attention of legislative or regulatory bodies. • Significant complaints.
Major	4	<ul style="list-style-type: none"> • Major loss, delay or interruption to services. • One off events which could de-stabilise the organisation. • Widespread medium to long term impact on operational efficiency, performance and reputation. • Financial loss of between 20 - 50% of annual WME budgeted net profit for one year. • Financial loss of between 15 - 30% of annual WME budgeted net profit for more than one year. • Breach of legal or contractual obligation. • Affects more than one group of stakeholders. • Will attract medium-term attention of legislative or regulatory bodies. • Significant adverse media interest.
Critical	5	<ul style="list-style-type: none"> • Total sustained loss or disruption to critical services. • Long term impact on operational efficiency, performance and reputation. • Financial loss of 50%+ of annual WME budgeted net profit for one year. • Financial loss of 30%+ of annual WME budgeted net profit for more than one year. • Serious breach of legal or contractual obligation. • Affects all groups of shareholders. • National impact with rapid intervention of legislative or regulatory bodies. • Extensive adverse media interest. • Loss of credibility.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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