

# SHROPSHIRE COUNCIL AUDIT SERVICES

## INTERNAL AUDIT REPORT

### RISK MANAGEMENT AND INSURANCE 2015/16

<b>Assurance Level</b>	<b>Good</b>
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<b>Customer</b>	<b>West Mercia Energy</b>
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<b>Distribution</b>	<b>Nigel Evans - Director</b>
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<b>Auditor</b>	<b>Mark Seddon</b>
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<b>Fieldwork dates</b>	12 <sup>th</sup> and 14 <sup>th</sup> October 2015
<b>Debrief meeting</b>	15 <sup>th</sup> October 2015
<b>Draft report issued</b>	15 <sup>th</sup> October 2015
<b>Responses received</b>	21 <sup>st</sup> October 2015
<b>Final report issued</b>	22 <sup>nd</sup> October 2015

## **Introduction and Background**

1. As part of the approved internal audit plan for 2015/16 Audit Services have undertaken a review of Risk Management and Insurance.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

## **Scope of the Audit**

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To review the progress made on the implementation of the recommendations made in the previous audit report. To ensure that there are systems in place for the identification, assessment, recording, control and monitoring of risk. To ensure that there are appropriate and adequate insurance arrangements in place.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
  - The recommendations made in the previous audit have been implemented as agreed.
  - Risks arising from business strategies and activities are identified and prioritised and management and the board have determined the level of risk acceptable to the organisation.
  - Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
  - Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
  - The board and management received periodic reports of the results of the risk management process.
  - There are appropriate and adequate insurance arrangements in place.
6. The audit was delivered on time and within budget.

## **Audit Opinion**

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Audit Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas

examined, from work undertaken Audit Services are able to give the following assurance opinion:

<b>Good</b>	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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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or instances of fraud or irregularity.
9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report provided to management and the Action Plan attached at **Appendix 1**. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. 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. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	The recommendations made in the previous audit have been implemented as agreed.
✓	Risks arising from business strategies and activities are identified and prioritised and management and the board have determined the level of risk acceptable to the organisation.
✓	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
✓	Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
✓	The board and management received periodic reports of the results of the risk management process.
✓	There are appropriate and adequate insurance arrangements in place.

11. Recommendations accepted by management at the previous audit have been reviewed and are detailed below:

Number of recommendations accepted by management at the last audit	6
Recommendations implemented	4
Recommendations partially implemented	0

Recommendations superseded	0
Recommendations not actioned	2

Good progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are included in the attached Exception Report and Action Plan with the exception of the recommendation in respect of the outstanding Service Level Agreement which was issued in the 2015/16 Payroll Audit.

### **Audit Approach**

12. The approach adopted for this audit included:
  - Review and documentation of the system.
  - Identification of key controls.
  - Follow up of previous recommendations.
  - Tests of controls to confirm their existence and effectiveness.
  - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
  
13. Internal Audit report only by exception; the exception report provided to management identifies only those areas where control evaluation and audit testing revealed control weaknesses and or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at **Appendix 1**. A more detailed report covering all of the work undertaken can be provided on request, but this is only available in a working paper note format.
  
14. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski  
 Audit Services Manager

**ACTION PLAN FOR RISK MANAGEMENT AND INSURANCE 2015/16**

<b>Rec Ref.</b>	<b>Rec No.</b>	<b>Recommendation</b>	<b>Rec Rating</b>	<b>Accepted Yes/No/Partially</b>	<b>Management Response</b>	<b>Lead Officer</b>	<b>Date to be Actioned</b>
2.1	1	<p>Consideration should be given to including further positive risks or opportunities in the risk register to ensure that there is a review and mitigation of the risks to the company as a result of growth of the business.</p> <p>(Updated from the previous recommendation originally recommended in 2013/14).</p>	Requires Attention	Yes	Agreed	Nigel Evans	March 2016