



Committee and Date

West Mercia Energy Joint
Committee

27th February 2017

Item

11

Public

**WEST MERCIA ENERGY (WME)
INTERNAL AUDIT STRATEGIC PLAN 2017/18**

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1. Summary

- 1.1 This report details the proposed programme of audit work for the year 2017/18 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 and a Service Level Agreement is currently being renewed.

2. Recommendations

- 2.1 The Committee are asked to consider and endorse, with appropriate comment, the approval of the proposed programme of audits for 2017/18.

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 Company's key risks and provides sufficient coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. When critical to the Company's 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 will be met from within the approved Internal Audit budget.

5. Background

- 5.1 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, which has been in effect from WME’s formation in April 2012.
- 5.2 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.
- 5.3 Each potential audit area has been reviewed with the Director and considered in relation to the strategic risks of the Company. Some areas are required to be audited every year, as they are fundamental to sound financial management.
- 5.4 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. It takes account of issues identified by the Company’s risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the company audited. The proposed plan takes into account 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.

6. Resources and Delivery

WME has provided a budget in 2017/18 to deliver 26 days of audit including a small contingency.

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 2012/13 to 2015/16 – February 2013

Internal audit strategic plan 2013/14 - June 2013

Internal audit strategic plan 2014/15 – February 2014

Internal audit strategic plan 2015/16 – February 2015

Internal audit strategic plan 2016/17 – February 2016

Member

Councillor P Price of Herefordshire Council (Chair of the Joint Committee)

Appendices

Appendix A: West Mercia Energy – Proposed Internal Audit Plan 2017/18

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

AUDIT	Including review of:	2017/18 DAYS
PAYROLL	Starters and leavers, overtime, travel, subsistence and performance related pay.	2
PROCUREMENT	Review of changes to contracts	1
CREDITORS	Orders, payments, credit notes, purchase cards	2
DEBTORS	Billing, collection, refunds, write-offs, rebates (to cover gas, electricity, oil and new business areas on a rolling basis)	3
FINANCE	Budgetary control, journals and control accounts reconciliation, bank control and reconciliation, exception reporting and reconciliation, VAT	3
IT	Follow-up of the recommendations made in the 2016/17 general IT controls review and the IT Connectivity Issues consultancy review and to undertake additional in depth work on those areas identified arising from the work	5
CORPORATE GOVERNANCE AND RISK MANAGEMENT	Corporate governance	2
	Risk management	2
ENGAGEMENT MANAGEMENT	Previous recommendation follow up, audit management, audit planning, servicing Audit Committee, advisory	5
	Contingency	1
TOTAL		26