



# SHROPSHIRE COUNCIL AUDIT SERVICES

*"ADDING VALUE"*

## INTERNAL AUDIT REPORT WME CORPORATE GOVERNANCE 2018/19

**Assurance Level | Good**



## Audit Data

<b>Customer:</b>	<b>West Mercia Energy</b>
<b>Report Distribution:</b>	<b>Nigel Evans - Director</b>
<b>Auditor(s):</b>	<b>Mark Seddon</b>
<b>Fieldwork Dates:</b>	<b>November 2018</b>
<b>Debrief Meeting:</b>	<b>29th November 2018</b>
<b>Draft Report Issued:</b>	<b>29th November 2018</b>
<b>Responses Received:</b>	<b>29th November 2018</b>
<b>Final Report Issued:</b>	<b>29th November 2018</b>

<b>Assurance</b>		
<b>Previous Assurance Level</b>	<b>Current Assurance Level</b>	<b>Direction of Travel</b>
<b>Good</b>	<b>Good</b>	<b>No change to control environment</b>

## Introduction and Background

1. As part of the approved internal audit plan for 2018/19 Audit Services have undertaken a review of Corporate Governance.
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 Energy, Governance, Accountability, Risk and Reporting Policy (EGARRP) in place to control the buying and selling of gas and electricity and to establish the progress made in implementing the recommendations made in the previous audit.
7. The scope includes a follow up of recommendations made in the 2017/18 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 as agreed.
  - √ There is an appropriate policy in place to control the buying and selling of gas and electricity to achieve the business objectives.

## 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:

<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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10. 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

11. A summary of the recommendations, together with the agreed management responses are included at Appendix 1. 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	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

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. 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 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.

Ceri Pilawski  
Head of Audit

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## ACTION PLAN FOR WME CORPORATE GOVERNANCE 2018/19

<b>Fundamental</b>	<b>Significant</b>	<b>Requires Attention</b>	<b>Best Practice</b>
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.

<b>Rec Ref.</b>	<b>Rec No.</b>	<b>Recommendation</b>	<b>Rec Rating</b>	<b>Proposed Management Action</b>	<b>Lead Officer</b>	<b>Date to be Actioned</b>
2.1	1	The discussions with Total Gas and Power Limited should be progressed to enable the consideration of purchasing an insurance product to protect against the risk of excessive consumption demand and hence excessive market prices. The cost and benefits should be assessed and any amendments to the risk register and the Energy, Governance, Accountability, Risk and Reporting Policy (EGARRP) should be agreed and actioned as required.	Requires Attention	Agreed.	Gareth Maude	January 2019