



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2022/23

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director
Auditor(s):	Catherine Young
Fieldwork Dates:	December 2022
Draft Report Issued:	9th January 2023
Responses Received:	21st January 2023
Final Report Issued:	23rd January 2023

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 2022/23 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 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 2021/22 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 Governance and Risk Management audits 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 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	0
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	1

No progress has been made in the implementation of previous recommendation. The Recommendation is 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 and Katie Williams
Joint Interim Audit Service Managers

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APPENDIX 1

INTERNAL AUDIT EXCEPTION REPORT FOR WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2022/23

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	<p>Previous recommendation 1: Progress should continue to be made in the production of an up-to-date Business Continuity Plan, this should include all eventualities which could affect the business including but not limited to staffing, cyber-attack, network loss, once in place this should be formally approved by the owning authorities.</p> <p>Findings 2021/22 The Managing Director advised that the Business Continuity Plan has not been updated due to other pressures facing the business and therefore the previous recommendation is repeated.</p>	Failure to have an adequate Business Continuity Plan could result in a loss of service in the event of a critical failure. This could cause reputational damage and potentially a loss of customer.	1	Requires Attention	Progress should continue to be made in the production of an up-to-date Business Continuity Plan, this should include all eventualities which could affect the business including but not limited to staffing, cyber-attack, network loss, once in place this should be formally approved by the owning authorities. (As previously recommended and agreed in 2021/22).

ACTION PLAN FOR WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2022/23

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
4.1	1	Progress should continue to be made in the production of an up-to-date Business Continuity Plan, this should include all eventualities which could affect the business including but not limited to staffing, cyber-attack, network loss, once in place this should be formally approved by the owning authorities. (As previously recommended and agreed in 2021/22).	Requires Attention	Agreed	Gareth Maude	June 2023