



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 |
|-------------------|---|

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

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 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 | | | | | | | | | | | | | | | | |

| 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> | | | | |

ACTION PLAN FOR WME IT 2023/24

| 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 |