



Shropshire Council
Legal and Democratic Services
Guildhall,
Frankwell Quay,
Shrewsbury
SY3 8HQ

Date: 6th March 2025

Committee:
West Mercia Energy Joint Committee

Date: Friday, 14 March 2025

Time: 10.00 am

Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director - Legal and Governance

Members of West Mercia Energy Joint Committee

Herefordshire Council - Councillors Graham Biggs & Peter Stoddart
Shropshire Council - Councillors Gwilym Butler & Dean Carroll
Telford & Wrekin Council - Councillors Zona Hannington & Ollie Vickers
Worcestershire County Council - Councillors Adam Kent & David Ross

Your Committee Officer is:

Shelley Davies Committee Officer

Tel: 01743 257718

Email: shelley.davies@shropshire.gov.uk

AGENDA

1 Election of Chairman

To elect a Chairman for the ensuing year.

2 Apologies for Absence

To receive apologies for absence.

3 Appointment of Vice-Chairman

To appoint a Vice-Chairman for the ensuing year.

4 Minutes (Pages 1 - 4)

To receive the minutes of the Joint Committee meeting held on Friday 20th September 2024.

Contact: Shelley Davies

5 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12.00 p.m. on Monday 10th March 2025.

6 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

7 Supplier contracts

The Director of West Mercia Energy will provide a verbal update in line with the West Mercia Energy Joint Committee Standing Orders.

8 External Audit Plan 2024/25 (Pages 5 - 18)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans

9 Internal Audit Performance Reports to March 2025 (Pages 19 - 60)

Report of the Head of Policy and Governance

Contact: Barry Hanson

10 Internal Audit Strategic Plan 2025/26 (Pages 61 - 64)

Report of the Head of Policy and Governance

Contact: Barry Hanson

11 Anti-Slavery and Human Trafficking Statement 2024/25 (Pages 65 - 68)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans

12 Risk Management Update (Pages 69 - 80)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans

13 Exclusion of Public and Press

To consider a resolution under Section 100 (A) of the Local Government Act 1972 that the proceedings in relation to the following items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the provisions of Schedule 12A of the Act.

14 Exempt Minutes (Pages 81 - 84)

To approve the exempt Minutes of the meeting held on 20th September 2024.

Contact: Shelley Davies

15 Annual Business Plan and Budget 2025/26 including review of 2024/25
(Pages 85 - 134)

Exempt Report of the Director of West Mercia Energy

Contact: Nigel Evans

16 Date of Next Meeting

To discuss and agree the date of the next meeting.



Committee and Date

West Mercia Energy Joint
Committee

14 March 2024

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 20 September 2024

**In the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND**

10.30 am - 12.02 pm

Responsible Officer: Shelley Davies

Email: shelley.davies@shropshire.gov.uk Tel: 01743 257718

Present

Councillor Gwilym Butler (Chairman)

Councillors Zona Hannington, Vickers, Adam Kent, Ross and Stoddart

81 Apologies for Absence

None received.

82 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 22nd March 2024 be approved as a correct record.

83 Public Questions

No public questions had been received.

84 Disclosable Pecuniary Interests

None declared.

85 Supplier Contracts

The Director confirmed that there were no entries to report.

86 Statement of Accounts 2023/24 and Annual Governance Statement 2023/24

James Walton, Treasurer (WME) presented the Statement of Accounts 2023/24 and the Annual Governance Statement 2023/24 and provided an overview of the financial performance of West Mercia Energy, highlighting significant profitability, an increased turnover and a strong balance sheet.

RESOLVED:

1. That the finalised Statement of Accounts 2023/24 to be signed by the Chairman and the Treasurer.
2. That the Annual Governance Statement 2023/24 be noted.

87 External Audit - Audit findings report 2023/24

Jo Pugh, Head of Finance and Billing, WME introduced the report which set out the External Audit Findings for 2023/24.

Alex Riley, External Auditor, W R Partners highlighted the key areas of the Audit Findings Memorandum confirming a clean audit opinion and stated that there had been no issues arising from the audit process.

RESOLVED:

That the contents of the audit findings report presented by WR Partners be considered and endorsed.

88 Internal Audit Annual Report 2023/24

Barry Hanson, Head of Policy and Governance, Internal Audit presented the report which provided a summary of Internal Audit's work for 2023/24. He reported that four good assurance opinions had been given in respect of the finance, debtors, procurement, corporate governance and risk management systems and a reasonable assurance opinion was provided in respect of the IT Strategy. It was added that a total of six recommendations had been made over the five audit areas reviewed in the year with one significant issue highlighted relating to the IT Strategy.

In response to a query from a member regarding the debtors system it was stated that this would be followed up as part of the 2024/25 audit programme.

RESOLVED:

1. That the performance against the Audit Plan for the year ended 31 March 2024 be endorsed.
2. That it be noted that the system of governance, risk management and internal control operating effectively and can be relied upon when considering the Annual Governance Statement for 2023/24.
3. That the Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for

2023/24 based on the work undertaken and management responses received be endorsed.

89 Distribution of surplus

The Treasurer presented the report which recommended the level of distribution of surplus held on 31 March 2024 to the Member Authorities.

RESOLVED:

1. That the retention of accumulated surplus of £1.805 million be approved.
2. That the distribution of accumulated surplus of £2.438 million, in accordance with the provisions of the Joint Agreement be approved.

90 Risk management update

Nigel Evans, Director WME, presented the report which provided an update on risk management noting that the risk register was reviewed formally twice a year. It was reported that following the current review two risks previously considered as medium had been downgraded to low and the following four risks had been categorized as medium:

- The volatility in the energy markets leading to uncompetitive prices.
- Breaching of the Capital of Risk from trading activity.
- Risk relating to Central Government policy or regulation.
- Dealing with suppliers that have ownership or investment in Russia or Belarus.

In response to questions from members Nigel Evans explained that WME's trading strategy had been developed over a number of years following initial work with consultants and he was aware of financial concerns in the education sector.

RESOLVED:

That the medium risks presented be endorsed.

91 Standing orders

Nigel Evans, Director WME, presented the report which set out the changes required to the Standing Orders in light of the new Procurement Act 2023 which was due to come into effect in February 2025.

RESOLVED:

That the updated WME Standing Orders be approved.

92 Exclusion of Press and Public

RESOLVED:

That under Section 100(A)(A4) of the Local Government Act 1972, the public be excluded during the consideration of the following items of business on the grounds that they might involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act.

93 Exempt Minutes

RESOLVED:

That the exempt minutes of the meeting held on 22nd March 2024 be approved.

94 Update on Business Plan and Trading Performance to Date 2024/25

Nigel Evans, Director, WME presented an exempt report, providing an update on the Business Plan and Trading Performance to date 2024/25.

RESOLVED:

That the recommendations contained within the exempt report be approved.

95 Use Cleaner Use Less update

Nigel Evans, Director, WME presented an exempt report, providing an update on the progress of WME in developing suitable support products and services for customers as they look to achieve their net zero targets.

RESOLVED:

That the recommendations contained within the exempt report be approved.

96 Date of Next Meeting

The next meeting would take place in March 2025. Date to be confirmed.

Signed (Chairman)

Date:



Committee and Date

West Mercia Energy Joint
Committee

14th March 2025

Item

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Public

EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2024/25

Responsible Officer Jo Pugh

e-mail: jpugh@westmerciaenergy.co.uk

Tel: 0333101 4356

1. Summary

- 1.1 It has been previously agreed for the Joint Committee to continue with an external audit to provide the Joint Committee the necessary continued assurance regarding stewardship of funds.
- 1.2 This report provides the Joint Committee with the proposed external audit plan for 2024/25 for consideration and approval.

2. Recommendations

It is recommended that the Joint Committee:

- 2.1 approve the draft audit plan for 2024/25 as presented by WR Partners attached at Appendix 1.
- 2.2 approve the commissioning of WR Partners to undertake the audit in accordance with the audit plan.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

- 3.3 WR Partners' audit work was conducted in accordance with the International Standard on Auditing (UK).

4. Financial Implications

- 4.1 The fee for the 2024/25 audit is £15,500, a £400 (2.6%) rise against the fee for 2023/24 of £15,100.

5. Background

- 5.1 At the Joint Committee of 28 September 2015, it was highlighted that from 1st April 2015 implementation of the Local Audit and Accountability Act 2014 meant that joint committees are no longer required to have their accounts separately prepared and audited. At this Joint Committee it was agreed to continue with an annual external audit in order to provide the Joint Committee with the necessary continued assurance regarding stewardship of funds.
- 5.3 WR Partners will conduct their main audit work on the WME accounts for 2024/25 in July and will bring their report to the September Joint Committee.
- 5.4 The attached WR Partners Service Plan sets out the scope of the audit to be undertaken, identifies risks and audit responses to these and outlines materiality levels.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Joint Committee 28 th September 2015 – Local Audit and Accountability Act
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices Appendix 1 – WR Partners Audit Service Plan for West Mercia Energy (year ended 31 March 2025)

Audit Service Plan

Year ending 31 March 2025



14 March 2025

Service Team

Alex Riley
Engagement Partner
E: ariley@wrpartners.co.uk

George Thomas
Audit In-Charge
E: gthomas@wrpartners.co.uk

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To the Joint Committee Members of West Mercia Energy

The purpose of this document is to communicate to you our proposed audit and service strategy for the current year, to confirm the scope of our work, and to document the issues we consider, at present, to have the most significant audit impact.

The matters raised in this and other reports that will flow from the audit are only those which will have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

WR Partners

1. Overview of scope & approach

1.1 Scope of our work

We have been engaged to provide the following services:

- Perform an audit, in compliance with International Standards on Auditing (“ISAs”) (UK), of the year end financial statements; and
- Prepare a report to management which incorporates a review of internal control and accounting issues arising from our work.

Our respective audit responsibilities and the objectives, procedures and limitations of the audit have been set out in our engagement letter and agreed with management.

1.2 Audit approach

Our audit approach will be risk based. This means that emphasis will be placed on the audit areas considered to be of higher risk. We have highlighted these in section 2.

We will update our knowledge of your systems and controls, and we shall test those controls upon which we intend to place audit reliance. This will be supplemented by substantive tests of detail and/or substantive analytical review procedures.

The benefits of our approach to you are:

- Feedback and assurance in relation to your controls and processes;
- Early identification of issues to avoid “late surprises” in the audit; and
- Suggestions for improvement in the systems and controls where issues are identified.

1.3 Independence

WR Partners has policies and procedures in place which are reviewed on an annual basis to ensure compliance with the FRC Ethical Standard. Where ethical issues are identified, we are required to communicate these to you.

We have not identified any ethical threats arising for the current year audit engagement to identify to you at this stage.

We confirm that, for the purposes of the audit, we are independent from West Mercia Energy.

1. Overview of scope & approach

1.4 Materiality

The concept of materiality

The concept of materiality applies to the preparation of the financial statements and the audit process and applies to monetary misstatements, disclosure requirements, adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality at the planning stage of the audit

We have determined the financial statement materiality based on the benchmark noted in the below table.

We also design our procedures to detect errors in specific accounts at a lower level of precision as follows:

Related Party Transactions

Related Party Transactions including Directors' remuneration and key management personnel remuneration materiality has been reduced to £1,000 due to it being material by nature (with the exception noted below).

Related Party Transactions materiality does not include transactions with member authorities where the transactions are in the usual course of business.

Expenditure

Expenditure has been assigned a reduced level of materiality (£500k) to reflect the size and structure of the organisation which is considered to be more reasonable rather than using the benchmark based on the top line income levels generated through trading activities.

Materiality during the course of the audit

We revise the materiality levels determined at the planning stage of the audit if, during the course of the audit, we become aware of facts or circumstances that would have caused us to make a different determination of materiality at the planning stage.

Matters we will report to those charged with governance

Our audit procedures are designed to identify misstatements which are material to the financial statements as a whole but we will report to those charged with governance unadjusted misstatements of lesser amounts unless they are deemed 'clearly trivial'. The determination of amounts under which matters are considered to be 'clearly trivial' to the financial statements is disclosed in the below table.

Planning Materiality Levels			
Financial statement area	Benchmark	Overall materiality	Clearly trivial
Financial Statements	1% of 3-year average turnover. Capped at £1.1m to not exceed profit for the year (based on budgeted profit)	£1,100,000	£50,000
Expenditure	50% of overall materiality	£550,000	£25,000
Related Party Transactions	Material by nature	£1,000	N/A

2. Identified risks & our audit responses

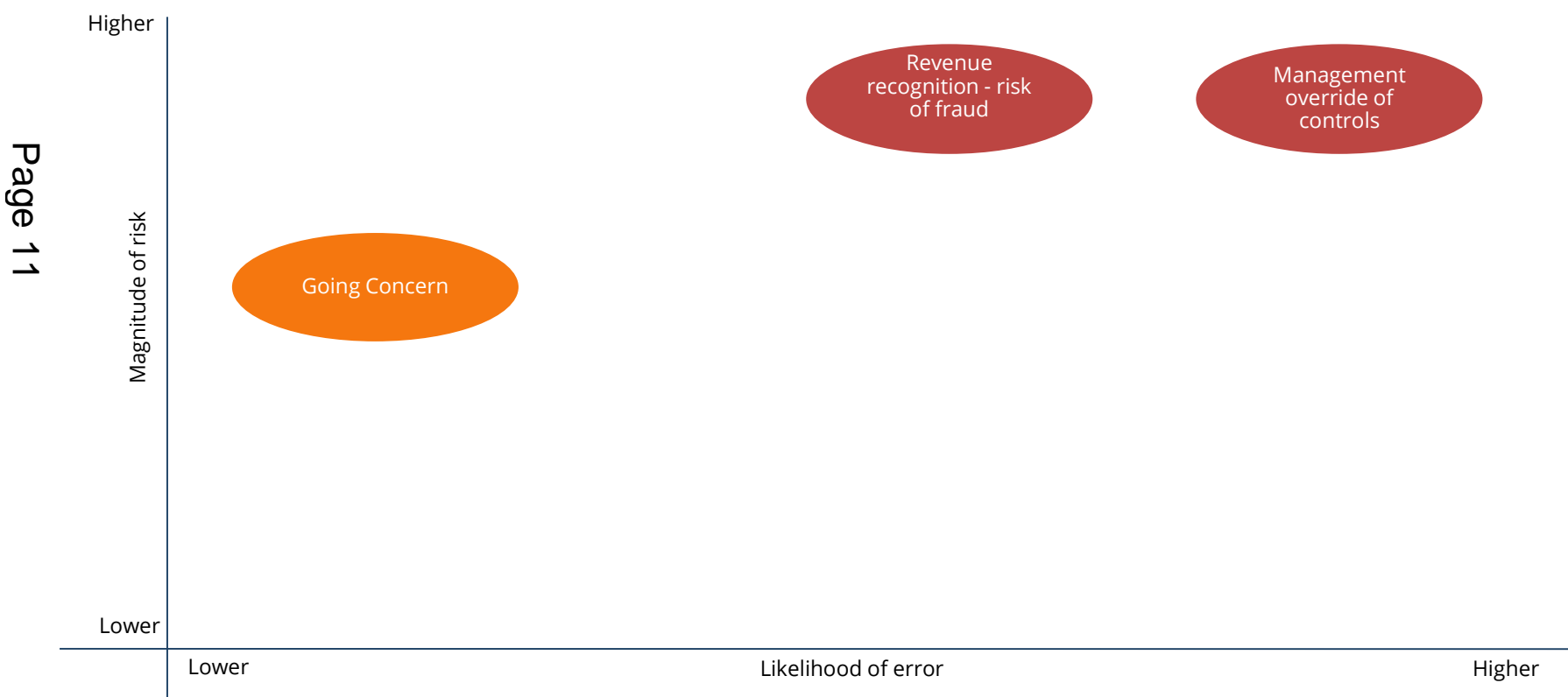
The diagram below illustrates our assessment of the magnitude of risks we have identified and the perceived likelihood of error associated with them.

Significant risk

- risk of material misstatement is close to the upper end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.

Elevated risk

- risk of material misstatement above the lower end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.



*ISA 240 requires that the risk of management override of controls and that the risk of fraud in revenue recognition are "significant risks".

2. Identified risks & our audit responses

Risk Area Identified	Risk Level	Audit Response
Fraud – management override of controls Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	Significant	We will: <ul style="list-style-type: none"> Inspect a sample of cashbook transactions throughout the year and post year end Review accounting estimates with particular focus on the assumptions used and the retrospective adequacy and accuracy Inspect a sample of manual journals posted during the year Review unusual transactions outside the usual course of business Review credit notes issued post year end
Fraud – Revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Significant	We will: <ul style="list-style-type: none"> Test the operating effectiveness of key controls in the revenue cycle to ensure they are operating as expected throughout the year Perform substantive tests of detail Inspect on a target basis, a sample of manual journals posted to revenue during the year Review contract terms with customers Review sales made immediately before and after the year end to ensure correct cut-off
Going Concern The risk that the organisation cannot continue trading for a period of 12 months from the financial statements approval date resulting in the financial statements being prepared on an incorrect basis.	Elevated	We will: <ul style="list-style-type: none"> Review managements assessment of going concern Hold discussion with management to understand future performance and risk profile Review cashflow forecasts for the period to September 2025 Review latest financial information available

3. Other considerations

3.1 Laws and regulations

As part of the audit process, we consider the impact on the financial statements of any potential non-compliance with laws and regulations.

The principal laws and regulations we consider relevant to the organisation in performing this assessment are as follows:

Law or regulation	Audit response
Code of Practice on Local Authority Accounting Financial statements must be prepared in line with the CIPFA code	Financial statements to be reviewed to ensure all relevant disclosures are included
Employment Law Contracts held with employees must be in line with Employment Law	Contracts to be reviewed within audit procedures, together with procedures in place in relation to employment matters
Health and Safety regulations Regulations must be complied with in respect of employees and visitors	The accident book and board minutes will be reviewed, together with procedures in place in relation to health and safety regulations
GDPR Regulations must be complied with in respect of data held	Discussions to be held with management and review of GDPR compliance to be performed including review of privacy policy
Modern Slavery Act 2015 <i>Organisations with turnover of £36m or more must publish an annual statement setting out the steps they take to prevent modern slavery in their business and supply chains.</i>	Search of the organisation's website to be performed.

Matters identified at audit planning

We have not identified any matters which will impact our audit approach.

3. Other considerations

3.2 Accounting estimates

We have not identified any key accounting estimates which present a higher risk of misstatement.

We consider other estimates utilised within the preparation of the financial statements for consistency and reasonableness. These include:

Accounting estimate	Assessment of prior year	Audit implication
Depreciation and useful economic lives	Depreciation rates deemed reasonable in previous period.	Depreciation proof in total testing will be performed , with a review of any profit or losses on disposals and fully written down assets still in use.
Doubtful debt provision	The bad debt provision in the prior year was considered appropriate.	After-date cash testing will be performed and a review of old items on the sales ledger for recoverability.
Accruals & Deferred income	Accruals balances were considered reasonable in the previous period.	Accruals and deferred income testing will be performed and a review of items to ensure correct classification.
Pension scheme assumptions	Assumptions used in the pension scheme valuation at year end were considered reasonable.	We will review the pension assumptions used and benchmark against published data to ensure reasonable.

3. Other considerations

3.3 Related Parties

Accounting standards require that related party transactions are appropriately disclosed within the financial statements.

Management of West Mercia Energy are expected to have appropriate systems of controls in place to enable them to:

- identify;
- authorise;
- document; and
- report related party transactions in the financial statements.




To assist the Management with this task we propose that Joint Committee Members and key management complete an annual declaration, which is dated and retained by an appropriate person in the organisation and provide us with the details as part of the audit deliverables process.

3.4 Accounting policies

We will review accounting policies used in the production of the financial statements to ensure consistency with accounting standard.

We are not aware of any changes to accounting policies for the Year Ended 31st March 2025.

4. Workflow & audit focus

Phase	Key Dates	Staffing	Focus and Approach	Reporting
Audit Planning 	Planning: - 16 th /17 th January 2025 Joint Committee meeting: - 14 th March 2025	1 day off-site, 1 day on-site <ul style="list-style-type: none"> • 2 Team members • Manager review • Partner review 	<ul style="list-style-type: none"> • Planning meeting with you • Discussion of performance and developments • Confirm scope, timetable and audit risks • Preliminary analytical review • Plan audit work and design testing • Confirm systems and controls (procedures) 	Audit Service Plan
Review of accounts 	Receipt of accounts: - w/c 23 rd June 2025	1 days off-site <ul style="list-style-type: none"> • 1 Team members • Manager review • Partner review 	<ul style="list-style-type: none"> • Review the statutory accounts 	Draft accounts review comments
Final Audit 	Final audit: - w/c 30 th June 2025 Audit closing meeting: - July 2025	5 days on-site <ul style="list-style-type: none"> • 2 Team Members • Manager review • Partner review 	<ul style="list-style-type: none"> • Substantive/transactional testing • Balance sheet audit • Close meeting with you to discuss audit findings 	Audit Close Memorandum
Completion	Joint Committee meeting: - September 2025	Off-site	<ul style="list-style-type: none"> • Final completion procedures • Update subsequent events review • Finalise and sign audit report 	Signed Audit Report

5. Fees

Our proposed fees for the provision of our routine compliance services as set out in the scope section of this document are £15,500 (2024: £15,100) exclusive of VAT but inclusive of expenses and disbursements.

	£
Audit Planning and interim - Including attendance at joint committee meeting	4,300
Audit fieldwork	7,900
Audit completion – including attendance at joint committee meeting	3,300
Total	15,500

Impact of delays

The support supplied by your team is essential to our ability to deliver an efficient service without compromising quality and effectiveness. Accordingly, if the standard and timeliness of support is not in accordance with the assumptions noted above, we shall draw your attention to this and will need to raise additional fees commensurate to any additional costs incurred by us following appropriate discussions with you.

Our current year fee quote is based on the following assumptions:

- *Audit deliverables* - the accounting records and schedules requested will be made available to us on the dates agreed;
- *Timetable* - the timetables are followed as specified in section 5 to avoid inefficient audit testing and/or additional subsequent events review; and
- *Staff availability* – relevant staff will be available to deal with our queries throughout the process

The fee proposal is based on the above items being prepared by you and provided to us as per the agreed upon information request list.

Flexibility remains key to our working ethos and we would encourage you to advise us as early as possible if, for any reason, it would be challenging to deliver all the information to the agreed timetable. This should enable us to reconsider the timings and possibly reschedule as appropriate with minimum impact on our service and delivery.

Other related services

Advice and services provided outside the scope of our routine compliance services, as set out above, may be the subject of a separate fee. We shall discuss with you the nature and scope of the work and agree and appropriate fee basis prior to the commencement of this work.

Appendix A – Related parties

As noted within the main body of this plan we require details of all related parties and any transaction with them during the year, as follows:

Type	Name of Related Party
Joint Committee	Councillor Adam Kent
	Councillor Dean Carroll
	Councillor Gwilym Butler
	Councillor Peter Stoddart
	Councillor Graham Biggs
	Councillor Zona Hannington
	Councillor Ollie Vickers
	Councillor David Ross
Key Personnel	Nigel Evans

Note the following constitute the majority of related parties:

- *Joint Committee members of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which Joint Committee members and their spouses/ long term partners/ children and parents have an interest;*
- *Key Management of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which Key Management and their spouses/ long term partners/ children and parents have an interest;*
- *Key Management Personnel and their spouses/ long term partners/ children and parents; and*
- *Other entities in which key management personnel and their spouses/ long term partners/ children and parents have an interest.*



Committee and Date

West Mercia Energy Joint
Committee
14th March 2025

Item

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Public

WEST MERICA ENERGY (WME) INTERNAL AUDIT PERFORMANCE REPORT TO MARCH 2025

Responsible Officer Barry Hanson

e-mail: Barry.Hanson@shropshire.gov.uk

Tel: 07584217067

1. Summary

- 1.1 This report provides members with an update on the work completed by Internal Audit against the approved Internal Audit Plan 2024/25, presented on 22nd March 2024.
- 1.2 All planned audit work for 2024/25 has been completed, reviews have all resulted in a 'Good' assurance opinion.

2. Recommendations

- 2.1 The Committee consider and endorse, with appropriate comment, the performance to date against the 2024/25 Audit Plan as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 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.
- 3.2 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. Climate Change Appraisal

- 5.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of Internal Audit will look at the aspects relevant to the governance, risk management and control environment. The Committee can seek direct assurance on these matters where required.

6. Background

- 6.1 Audit assurance opinions are delivered on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Company to high risks that should have been managed.

- 6.2 Audit recommendations are an indicator of the effectiveness of the Company's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

- 6.3 Recommendations are rated in relation to the audit area rather than the Company's control environment: for example, a control weakness deemed serious in one audit area which results in a significant or fundamental recommendation may not necessarily affect the Company's overall control environment. Similarly, several

significant recommendations in a small number of areas would not result in a limited opinion if most areas examined were sound. Consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued. Any fundamental recommendations resulting from a control weakness in the Company's control environment would be reported in detail to the Joint Committee.

- 6.4 A total of four recommendations have been made in the final audit reports issued since the last report. A breakdown by area of the recommendations issued in this period is shown in the table below.
- 6.5 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. Management is asked for an update of progress made on recommendations 12 months after issue. During 2024/25 no recommendations have been rejected by management.

6.6 Audit assurance opinions and recommendations delivered 2023/24

Audit Area	Assurance level	No. of Recommendations made				
		Best Practice	Requires Attention	Significant	Fundamental	Total
Debtors System	Good	0	1	0	0	1
Finance System	Good	0	0	0	0	0
Corporate Governance and Risk Management	Good	0	1	0	0	1
Procurement	Good	0	0	0	0	0
IT - Utilities System Administration	Good	0	2	0	0	2
Total for the period		0	4	0	0	4
percentage		0%	100%	0%	0%	100%

- 6.7 Internal Audit work completed resulted in five good assurance opinions. For all audits with recommendations, an action plan is in place to address recommendations within an agreed timeframe.
- 6.8 Copies of the abbreviated Audit Reports are attached as appendices to this report.

7. Additional Information

7.1 Performance against the plan

- 7.2 The Internal Audit plan for 2024/25 was presented to the Joint Committee in March 2024. All planned internal audit work has been completed.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Public Sector Internal Audit Standards.

Accounts and Audit Regulations 2015
Internal Audit Plan 2024/25, 22nd March 2024

Member

Councillor Gwilym Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

Appendix 1 – Debtors Report 2024/25

Appendix 2 – Finance Report 2024/25

Appendix 3 – Corporate Governance and Risk Management Report 2024/25

Appendix 4 – Procurement 2024/25

Appendix 5 – IT Audit 2024/25



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME DEBTORS 2024/25

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditors:	Megan Alcock Adam Williams
Fieldwork Dates:	September/October 2024
Debrief Meeting:	16th October 2024
Draft Report Issued:	10th October 2024
Responses Received:	16th October 2024
Final Report Issued:	18th October 2024

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 2024/25 Audit Services have undertaken a review of Debtors.
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:
7. The scope includes a follow up of recommendations made in the 2023/24 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 audit have been implemented.
 - √ There are appropriate policies and procedure notes in place for the operation of the system.
 - √ Billing information is verified before invoicing customers.
 - √ There are appropriate arrangements in place to ensure prompt payment of invoices.
 - √ There are appropriate post opening procedures in place for the control of cash and cheques.
 - √ There are appropriate arrangements in place for the collection of Income by Direct Debit.
 - √ All income received is reconciled to the bank account.
 - √ Income credited to suspense accounts is reviewed and cleared in a timely manner.
 - √ Management Information in respect of income is timely and adequate.

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. Audit work revealed control weaknesses which, whilst not deemed to be fundamental or significant, limit the level of assurance in the following areas:
Billing information is verified before invoicing customers.
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	1
Recommendations implemented	-
Recommendations partially implemented	1
Recommendations superseded	-
Recommendations not implemented	-

Reasonable 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.
17. It is important for us to monitor the quality of Audit Services to ensure that it not only fulfils the Council's statutory requirements, but also meets your needs as our customer(s). To assist in this, we would be grateful for any feedback on the audit. Please complete **Appendix 3** as part of your management response.

Barry Hanson
Head of Audit

This report is produced solely for the use of WME. 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 DEBTORS 2024/25

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: Billing information is verified before invoicing customers.					
3.1	<p>Previous recommendation: <i>Invoices which have failed validation should be cleared in a timely manner. Invoices which have been outstanding for over six months should be extracted and highlighted in reports to management.</i></p> <p>The failed invoice report provided for the audit did not include an age analysis however we were informed that the system holds the information detailing the age of transactions and when they clear failed invoices the oldest ones are reviewed first. However, there is a need for ensuring there is a clear process in place for managing aged failed invoices and determining</p>	Risk of aged debts, older than 12 months, continuing to go unprocessed at financial loss for WME.	1	Requires Attention	<p>Develop a process to ensure that the age of failed invoices is kept under review to minimise invoices being unresolved for a prolonged period of time and to allow actions to be prioritised on invoices over a certain age/value.</p> <p>(Updated from recommendation raised in 23/24)</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	acceptable tolerance levels to ensure that failed invoices are not kept for prolonged periods of time.				

ACTION PLAN FOR WME DEBTORS 2024/25

APPENDIX 2

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
3.1	1	Develop a process to ensure that the age of failed invoices is kept under review to minimise invoices being unresolved for a prolonged period of time and to allow actions to be prioritised on invoices over a certain age/value.	Requires Attention	Agree with the process and will do a full review every 6 months on the totals and values.	John Morris	June 2025

	Excellent	Good	Reasonable	Weak	N/A
VALUE OF THE AUDIT TO YOU AS A MANAGER					
Pre-audit arrangements ¹	✓				
Post-audit briefing	✓				
Audit coverage/scope of the audit	✓				
Timeliness of production of report	✓				
Accuracy and clarity of report	✓				
Practicality of recommendations	✓				
CONDUCT OF AUDITOR/PROFESSIONALISM.					
Professionalism of approach, competence	✓				
Communication skills, pleasant manner	✓				
Timeliness of audit to your business process	✓				

¹ Please tick the appropriate box

If you think we could improve in any area or you have any additional comments or suggestions about the internal audit service, please note your comments/criticisms or compliments below.

Your responses will be treated seriously and will help to shape the service going forward.

As noted on the finance audit all went really well. Having a meeting and receiving the evidence requirements a couple of months before the audit meant we could send some of the evidence requirements prior to the audit which helped ensure everything went smoothly and efficiently.

Do you consider audit to be a positive support to your establishment/service?²

Yes ✓

No

² Please tick the appropriate box



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME FINANCE 2024/25

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Director Jo Pugh, Finance Manager
Auditor(s):	Adam Williams Megan Alcock
Fieldwork Dates:	September 2024
Debrief Meeting:	N/A
Draft Report Issued:	N/A
Responses Received:	N/A
Final Report Issued:	10 October 2024

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 2024/25 Audit Services have undertaken a review of Finance.
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 key finance processes of WME to ensure that there are appropriate controls in place and that those controls are being operated effectively.
7. The scope includes a follow up of recommendations made in the 2023/24 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.
 - √ There are appropriate Financial Regulations which have been approved by the Joint Committee.
 - √ There is an established process for preparation and approval of the annual budget.
 - √ Management Accounts are accurate and produced in a timely manner for review by senior management and Members.
 - √ There are appropriate controls over the use of journal entries within the ledger.
 - √ There is a bank reconciliation process which is undertaken in a timely manner and reviewed by management.
 - √ There are appropriate arrangements in place for the recording and monitoring of VAT.
 - √ There is an appropriate process in place to ensure that the Payroll is processed in an accurate and timely manner in line with current legislation.
 - √ Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.
 - √ There are appropriate processes in place for the control and operation of the creditors system.

- √ There are appropriate controls to ensure that creditors payments made are accurate, complete, have not previously been paid.

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. Audit work revealed no control weaknesses.
11. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

12.	Number of recommendations accepted by management at the last audit	2
	Recommendations implemented	1
	Recommendations partially implemented	-
	Recommendations superseded	-
	Recommendations not implemented	-
	Recommendations no longer relevant	1

13. Good progress has been made in the implementation of one of the previous recommendations. A previously raised recommendation in relation to amending Financial Regulations to permit approval of low level orders at a less senior level has been reassessed and this is not considered a control failure or efficiency risk and has not been be restated as part of the audit.

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. It is important for us to monitor the quality of Audit Services to ensure that it not only fulfils the Council's statutory requirements, but also meets your needs as our customer(s). To assist in this, we would be grateful for any feedback on the audit. Please complete **Appendix 1** as part of your management response.

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	Excellent	Good	Reasonable	Weak	N/A
VALUE OF THE AUDIT TO YOU AS A MANAGER					
Pre-audit arrangements ¹					
Post-audit briefing					
Audit coverage/scope of the audit					
Timeliness of production of report					
Accuracy and clarity of report					
Practicality of recommendations					
CONDUCT OF AUDITOR/PROFESSIONALISM.					
Professionalism of approach, competence					
Communication skills, pleasant manner					
Timeliness of audit to your business process					

¹ Please tick the appropriate box

If you think we could improve in any area or you have any additional comments or suggestions about the internal audit service, please note your comments/criticisms or compliments below.

Your responses will be treated seriously and will help to shape the service going forward.

Do you consider audit to be a positive support to your establishment/service?²

Yes

No

² Please tick the appropriate box

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SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2024/25

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Managing Director
Auditors:	Megan Alcock Adam Williams
Fieldwork Dates:	November 2024
Debrief Meeting:	N/A
Draft Report Issued:	25 November 2024
Responses Received:	25 November 2024
Final Report Issued:	27 November 2024

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 2024/25 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 confirm that there are appropriate arrangements in place for the management of governance, risk and business continuity during the 2024/25 financial year.
7. The scope includes a follow up of recommendations made in the 2023/24 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.
 - ✓ 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. Audit work revealed control weaknesses which, whilst not deemed to be fundamental or significant, limit the level of assurance in the following areas:
- A business continuity plan has been prepared which details the actions to be taken to allow recovery from an incident.
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	1
Recommendations implemented	1
Recommendations partially implemented	-
Recommendations superseded	-
Recommendations not implemented	-

Good/Reasonable/Limited/No 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 Audit

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APPENDIX 1

INTERNAL AUDIT EXCEPTION REPORT FOR WME CORPORATE GOVERNANCE AND RISK MANAGEMENT 2024/25

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	There has been no planned testing of the Business Continuity Plan, however it is acknowledged that some elements have been tested such as when there has been IT loss. Whilst not all parts of the business continuity plan will be appropriate to test, the effectiveness of the plan should be periodically tested to ensure that key business activities can be resumed particularly in the event where key personnel are unavailable. Documenting and updating the plan as a result of these tests will ensure the plan effective if it is ever needed to be invoked.	Business continuity plan is not effective in ensuring business loss is minimised in the event of service disruption.	1	Requires Attention	The business continuity plan should be periodically tested to ensure it is fit for purpose and updated where lessons are learnt.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
4.1	1	The business continuity plan should be periodically tested to ensure it is fit for purpose and updated where lessons are learnt.	Requires Attention	Agreed	Nigel Evans	June 2025

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SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME PROCUREMENT 2024/25

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans, Managing Director
Auditor(s):	Megan Alcock
Fieldwork Dates:	October 2024
Debrief Meeting:	N/A
Draft Report Issued:	N/A
Responses Received:	N/A
Final Report Issued:	6 November 2024

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 2024/25 Audit Services have undertaken a review of Procurement.

Within 2024/25 two procurements have been undertaken. One large scale tendering for the Supply of Gas on a Flexible Basis and the Provision of Associated Services which this audit focussed on and a smaller tendering for the Provision of a Decarbonisation Services Partner for the Education Sector.

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 and give assurance that tendering and contract procurement in respect of the gas supplies contract is operated in accordance with legislation and the West Mercia Energy Contract Procedure Rules.
7. The scope includes a follow up of recommendations made in the 2023/24 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.
 - ✓ There is an appropriate evaluation process prior to the project being tendered.
 - ✓ There is a satisfactory system to ensure tender documents are completed in accordance with Contract Procedure Rules.
 - ✓ There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.
 - ✓ Successful and unsuccessful tenderers are notified promptly; unsuccessful tenders are retained in case of default / re-negotiation / for future information.
 - ✓ Contract documents are completed on a timely basis and include key conditions to protect West Mercia Energy from liability in respect of contractor's actions.

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. Audit work revealed no control weaknesses and therefore no recommendations have been raised as part of this review.
11. 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	1
Recommendations partially implemented	-
Recommendations superseded	-
Recommendations not implemented	-

Good progress has been made in the implementation of previous recommendations.

Audit Approach

12. 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.

Barry Hanson
Head of Audit

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SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME IT 2024/25

Assurance Level	Good
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Audit Data

Customer:	West Mercia Energy
Report Distribution:	Nigel Evans (Managing Director) Neil Marston (Head of IT)
Auditor(s):	Adam Williams Megan Alcock
Fieldwork Dates:	January 2025
Debrief Meeting:	N/A
Draft Report Issued:	5th February 2025
Responses Received:	14th February 2025
Final Report Issued:	19th February 2025

Introduction and Background

1. As part of the approved internal audit plan for 2024/25 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. WME maintains its own system for managing the billing arrangements for its customers. This system is business critical in processing and validating bills, and the system administration is undertaken internally by the Head of IT.

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 provide assurance that the administrative procedures and responsibilities for maintaining the income management system are operating effectively to ensure its continued operation and accuracy.
7. 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 Appropriate system administration procedures are in place and responsibilities are clearly defined.
 - ✓ To ensure that clear procedures are in place for the authorisation of changes and system changes are applied by appropriately qualified staff.
 - ✓ To ensure that there are continuity processes are in place to ensure system availability.
 - ✓ To ensure that the application authentication and authorisation mechanisms are secure.
 - ✓ To ensure there are controls in place to ensure application parameter data is correct, updated in a timely manner and access is restricted.
 - ✓ An appropriate backup and recovery plan is in place which forms part of an overall disaster recovery plan
 - X Recovery procedures are routinely tested

Assurance Level and Recommendations

8. 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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9. 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
2	0	0	2	0

10. 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.
11. Audit work revealed control weaknesses which, whilst not deemed to be fundamental or significant, limit the level of assurance in the following areas:
- Appropriate system administration procedures are in place and responsibilities are clearly defined.
 - Recovery procedures are routinely tested

Audit Approach

12. 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.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
13. 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.

14. 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

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INTERNAL AUDIT EXCEPTION REPORT FOR WME IT 2024/25

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: To ensure that clear procedures are in place for the authorisation of changes and system changes are applied by appropriately qualified staff.					
2.1	<p>The documented procedures and the Change Control Process do not outline who is responsible for performing steps within the process. Whilst WME is a small organisation and responsibility is known, it is still good practice to ensure that the procedures are clear in this regard.</p> <p>It is not clear within the processes what cover arrangements are in place for when the Head of IT is not available, and from our review it was evident how integral the Head of IT is to implementing updates and changes within the system. Therefore, there is a risk of single point of failure.</p>	Current risk of business continuity failing as a result of a single point of failure for all IT systems which could be realised at any absence of the Head of IT.	1	Requires Attention	<p>IT System and infrastructure responsibilities need to be formally defined in policy. A statement such as "the Head of IT is responsible for overseeing this process and ensuring that any staff permitted to manage the process are authorised and capable." should be included and communicated.</p> <p>The current single point of failure, landing with the Head of IT, needs to be alleviated by training the new hire on the same processes and defining roles responsible for making system changes</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	A final consideration should be given to determining what skills are required of officers who are involved in implementing changes to the system, this will help support WME in determining whether there is sufficient cover internally and, if needed externally, what skills are required.				within the procedures.
Management Control Objective: Recovery procedures are routinely tested					
7.1	As part of business continuity/disaster recovery WME should be undertaking regular test situations to restore the system including ensuring that at least one other officer is able to restore in the Head of IT's absence. A similar finding was raised within the Governance audit, however, has been restated here as specific reference to testing the recovery of the utilities system.	The system cannot be adequately restored within a timely manner impacting business continuity, data processing and loss of officer resource.	2	Requires Attention	In line with the recommendation within the Governance audit, ensure the business continuity processes have been properly tested with specific consideration to restoring the utilities system in the absence of Head of IT.

ACTION PLAN FOR WME IT 2024/25

APPENDIX 2

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
2.1	1	<p>IT System and infrastructure responsibilities need to be formally defined in policy. A statement such as "the Head of IT is responsible for overseeing this process and ensuring that any staff permitted to manage the process are authorised and capable." should be included and communicated.</p> <p>The current single point of failure, landing with the Head of IT, needs to be alleviated by training the new hire on the same processes and defining roles responsible for making system changes within the procedures.</p>	Requires Attention	<p>We agree, change control process to be updated and communicated.</p> <p>New member of IT team scheduled to start mid-March.</p>	Neil Marston	<p>Policy updated</p> <p>Training to begin from mid-March</p>
7.1	2	In line with the recommendation within the Governance audit, ensure the business continuity processes have been properly tested with specific consideration to restoring the utilities system and data in the absence of Head of IT.	Requires Attention	Agreed, this forms part of the SLA with Shropshire Council. Restore of servers was tested as part of the data centre migration. We will liaise with Shropshire Council as part of the next quarterly review.	Neil Marston	December 2025



Committee and Date

West Mercia Energy Joint
Committee

14th March 2025

Item

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Public

WEST MERCIA ENERGY (WME) INTERNAL AUDIT STRATEGIC PLAN 2025/26

Responsible Officer Barry Hanson

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Tel: 07990086409

1. Summary

- 1.1 This report details the proposed programme of audit work for the year 2025/26 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.

2. Recommendations

- 2.1 The Committee are asked to consider and endorse, with appropriate comment, the proposed programme of audits for 2025/26.

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 West Mercia Energy's key risks and provides enough coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. When critical to the business 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 From April 2025, the Public Sector Internal Audit Standards will be replaced with the Global Internal Audit Standards (GIAS) in the UK Public Sector. This provides a

framework for the practice of internal audit in the UK public sector when taken together with the GIAS issued by the Institute of Internal Auditors (IIA).

- 3.5 All work completed as part of the 2025/26 WME audit plan will be in accordance with the GIAS in the UK Public Sector.

4. Financial Implications

- 4.1 The proposed plan includes 22 days in 2025/26. The breakdown of days by proposed audit is summarised as part of **Appendix A**.

5. Climate Change Appraisal

- 5.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of Internal Audit will look at the aspects relevant to the governance, risk management and control environment. The Committee can seek direct assurance on these matters where required.

6. Background

- 6.1 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.
- 6.2 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. Each potential audit area has been reviewed with the Director and considered in relation to the strategic risks of the business. Some areas are required to be audited every year, as they are fundamental to sound financial management.
- 6.4 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, subject to the comments raised above. It takes account of issues identified by the West Mercia Energy risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the business audited. The proposed Internal Audit plan considers 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.

7. Resources and Delivery

WME has provided a budget in 2025/26 to deliver 22 days of audit.

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 2020/21 – February 2020

Internal audit strategic plan 2021/22 – March 2021

Internal audit strategic plan 2022/23 – March 2022

Internal audit strategic plan 2023/24 – March 2023

Internal audit strategic plan 2024/25 – March 2024

Member

Councillor Gwilym Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

Appendix A: West Mercia Energy – Proposed Internal Audit Plan 2025/26

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

AUDIT	Including review of:	2025/26 DAYS
PROCUREMENT	Review of procurement arrangements re the new electricity and liquid fuels contracts	1
DEBTORS	Review the operational aspects of billing and account management	4
FINANCE	A combined audit reviewing the areas of Finance, Payroll and Creditors general controls.	5
IT	Review development of IT controls as required by management and follow up of IT related recommendations.	4
CORPORATE GOVERNANCE AND RISK MANAGEMENT	Corporate Governance & Risk Management Combined review (including EGARRP)	4
ENGAGEMENT MANAGEMENT	To include follow up of previous recommendations, audit management, audit planning, servicing Audit Committee, advisory	4
	Contingency	0
TOTAL		22



Committee and Date

West Mercia Energy Joint
Committee

14th March 2025

Item

11

Public

ANTI-SLAVERY AND HUMAN TRAFFICKING STATEMENT 2024/25

Responsible Officer Nigel Evans

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Tel: 0333101 4353

1. Summary

- 1.1 In accordance with the WME Anti-Slavery and Human Trafficking Policy, the Joint Committee are presented with the draft WME Transparency Statement for 2024/25 for approval.

2. Recommendations

It is recommended that the Joint Committee:

- 2.1 approve the draft WME Transparency Statement for 2024/25.
- 2.2, delegate authority to the Director to finalise the WME Transparency Statement and publish it in accordance with section 54 of the Modern Slavery Act 2015.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 The Modern Slavery Act 2015 is aimed at combating crimes of slavery and human trafficking and recognises that businesses have a role to play in tackling these crimes. Section 54 of the Act requires any commercial organisation with a turnover of over £36m p.a. to publish an annual statement for each financial year to detail what steps the organisation has taken to ensure that human trafficking is not taking place in any of its supply chains or its business (this does not mean the organisation must guarantee the entire supply chain is slavery free); or make a declaration that no such steps have been taken. The aim is to ensure that businesses are transparent about what they are doing to tackle modern slavery and human trafficking.
- 5.2 The WME Anti-Slavery and Human Trafficking Policy was approved by the Joint Committee on 25th September 2017 and this Policy is published on the WME website.
- 5.3 In accordance with section 54 of the Modern Slavery Act 2015, a statement must be published at the end of the relevant financial year and specify the steps taken within the previous financial year to ensure that no slavery or human trafficking is taking place in any part of its business or in its supply chains. Organisations are encouraged to do this within 6 months of the end of the relevant financial year.
- 5.4 The Statement is in draft form as the financial year 2024/25 has not yet ended. No changes are expected to the Statement once the financial year has ended and it is preferable for the Statement to be completed and published prior to the September Joint Committee.
- 5.5 The WME Statement for 2024/25 is attached and the Joint Committee are asked to approve the draft Statement. Once approved the Statement will be published on the WME website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Joint Committee 25th September 2017 – Anti-Slavery and Human Trafficking Policy

Joint Committee 22nd March 2024 - Anti-Slavery and Human Trafficking Statement 2023/24

Member

Councillor G Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

WME Transparency Statement 2024/25

Modern Slavery Act 2015

West Mercia Energy Transparency Statement 2024/25

This statement is made in pursuant to section 54 of the Modern Slavery Act 2015 (the Act) and relates to actions and activities West Mercia Energy (WME) have undertaken during the financial year 1 April 2024 to 31 March 2025 to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and supply chains.

WME offers energy procurement and management on behalf of its four Member Authorities and a number of outside bodies. The contracts cover the provision of electricity, natural gas, petroleum fuels and liquid petroleum gas within the UK. WME is opposed to all forms of human trafficking and slavery and takes all necessary steps to ensure the promotion of sound, moral and ethical practices throughout the whole of its business.

During the financial year 1 April 2024 to 31 March 2025 WME have:

- Monitored adherence/compliance to/with our formal Anti-Slavery and Human Trafficking Policy
- Taken steps to ensure that all current suppliers are fully compliant with the Act
- Ensured that all procurement activity identifies compliance with the Act as part of the evaluation criteria
- Ensured that all recruitment activity was undertaken in line with requirements of the Act
- Conducted risk awareness training with all members of staff
- Commenced a programme of training in accordance with the Government Commercial College, with one member of staff having completed the course 'Tackling Modern Slavery in Supply Chains'.

During 2025/26 WME will continue to apply our Anti-Slavery and Human Trafficking Policy to all our commercial activities, and to maintain awareness of the Act and its requirements and obligations to all our staff. This will involve rolling-out training in accordance with the Government Commercial College to all relevant staff.

WME's Slavery and Human Trafficking Statement has been approved by the WME Joint Committee. It should be read in conjunction with the Modern Slavery Act 2015 and the National Referral Mechanism. This Statement will be reviewed and updated annually.

Approved: Nigel Evans, Director, April 2025

West Mercia Energy is jointly owned by the following councils



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Committee and Date

West Mercia Energy Joint
Committee

14th March 2025

Item

12

Public

RISK MANAGEMENT UPDATE

Responsible Officer

Nigel Evans

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Tel: 0333101 4353

1. Summary

- 1.1 The Joint Committee annually reviews the WME Risk Management Strategy and at each meeting receive details regarding the key risks identified.

2. Recommendations

The Joint Committee are recommended to:

- 2.1 approve the WME Risk Management Strategy attached at Appendix A;
- 2.2 accept the position as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3 Given the subject matter of this report, the assessment of risk forms a fundamental part of the risk strategy.

4. Financial Implications

4.1 The financial implications of each risk are considered when the impact of the risk is assessed.

5. Background

5.1 The current WME Risk Management Strategy was approved by the Joint Committee on 22nd March 2024, as detailed in Appendix A. The WME management team has conducted their annual review of the Strategy document, and no changes are proposed.

5.2 The risk register is regularly monitored and is formally reviewed by WME management twice a year. The current risk register includes seventy-one highlighted risks.

5.3 The majority of the risks documented in the risk register are operational, with mitigating controls effectively reducing the impact of these risks to an acceptable level.

5.4 The Strategy requires the Joint Committee to review all medium and high risks at each meeting. The table below shows the two current medium risks and the two risks that have been downgraded since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
Current Medium Risks						
1	Breach of Capital at Risk levels above 10% of Review Point level (as a result of market spike)	Julie Wassall	1	5	Medium	No change
2	Loss of business due to central government initiative or regulatory change	Nigel Evans	2	4	Medium	No change
Reduced risks						
1	Trading performance leads to uncompetitive portfolio prices during financial year	Julie Wassall	2	2	Low	Reduced from Medium to Low
2	Supplier reputational risk e.g. oil major or having ownership or investments within Russia or Belarus	Nigel Evans	5	1	Low	Reduced from Medium to Low

L – likelihood of the risk I – impact of the risk

5.5 Risk Ref 1 remains at a medium level and continues to be monitored closely in light of increasing volatility in the market.

5.6 Risk Reference 2 remains at a medium level to address any potential central government policies or initiatives that could negatively impact our business. We are currently monitoring a Department for Education (DfE) energy pilot project in collaboration with the Crown Commercial Service. Given that education is a significant part of our customer base, we are closely observing the developments of this initiative.

5.7 The risk related to our trading performance resulting in uncompetitive prices during the year has been reduced from medium to low. The likelihood level has also been lowered because, at the time of writing this report, our position relative to the market was positive.

- 5.8 The impact level concerning the risk associated with our customers' perception of the investments and trading activities of our key energy suppliers has been lowered, resulting in a ranking reduction from medium to low.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 22 nd March 2024 – Risk Management Update Joint Committee 20 th September 2024 – Risk Management Update
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices Appendix A - WME Risk Management Strategy

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RISK MANAGEMENT STRATEGY

Introduction

Risk management is an integral part of good management practice and a key part of corporate governance. This strategy statement outlines the arrangements put in place to ensure that WME identifies and deals with the key risks that it faces, ensuring that the right actions are taken at the right time. It involves the dissemination of roles, responsibilities and accountabilities for risks within the organisation and forms part of the corporate governance of WME.

This strategy seeks to set out how WME:

- I. Identifies and measures risk.
- II. Plans and acts to manage or mitigate risk.
- III. Monitors risk on a continual basis.

WME recognises that the development of policy, delivery of objectives and management of its operations attracts risks. How successful WME is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to its customers. The risk management strategy helps to support the aim of WME to be a first-class organisation.

Aims & Objectives

Risk Management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks, living with risks or ceasing the activity that gives rise to the risk. WME aims to ensure that Risk Management becomes a natural component of its management processes.

The objectives of this strategy are to:

- Raise awareness of the need for Risk Management in all areas of service delivery, integrate it into the culture of WME and embed it in the performance management framework.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, financial, environmental, technological and legislative requirements.
- Minimise exposure to risk.

WME will achieve these objectives by:

- Including Risk Management as an integral part of its management processes and day-to-day operations through corporate, directorate and unit business plans.
- Ensuring sound systems of internal control.
- Incorporating Risk Management into major service reviews including best value and project management.
- Preparing contingency plans in areas where there is a potential for serious adverse effects on service continuity.

- Regular monitoring and review of the arrangements.
- Ensuring that we respond to and meet our legislative responsibilities in relation to the management of risk.

Our Approach to the Governance of Risk Management

Our overall aim is to embed the culture of Risk Management throughout the organisation.

Risks are managed every day as part of normal business activity. Risk Management is not just about eliminating risk but about dealing with and reducing the circumstances in terms of their impact and probability (likelihood). A critical success factor in embedding a risk management culture is the commitment of the Managing Director, the WME Senior Leadership Team and the Joint Committee Members.

Roles and Responsibilities

The full integration of Risk Management into the culture of the organisation can only be achieved through the full commitment and understanding of all stakeholders. These stakeholders can be defined as follows:

- WME Joint Committee
- Managing Director
- WME Senior Leadership Team
- WME employees

All these stakeholders have a role to play in the control environment within which WME operates, whether in connection with the setting of policy and decision making, the challenge process of accountability, the implementation of WME's objectives, the setting of internal controls or the provision of a safe working environment.

WME's responsibilities need to be clearly understood and have been defined as:

- Development, monitoring and review of the Risk Management Strategy and Risk Register.
- Identification, analysis and monitoring of principal risks.
- Champion and raise awareness of Risk Management and to ensure that the process becomes embedded in the culture of the organisation.
- Ensure synergy with other "risk" systems, e.g. Health and Safety, Business Continuity and project management.
- Ensure regular updating of the Risk Register.
- Monitor and review Risk Registers and Risk Action Plans.

Joint Committee responsibilities:

- Review the Risk Management Strategy on an annual basis.
- Receive details of all medium and high risks at each meeting.

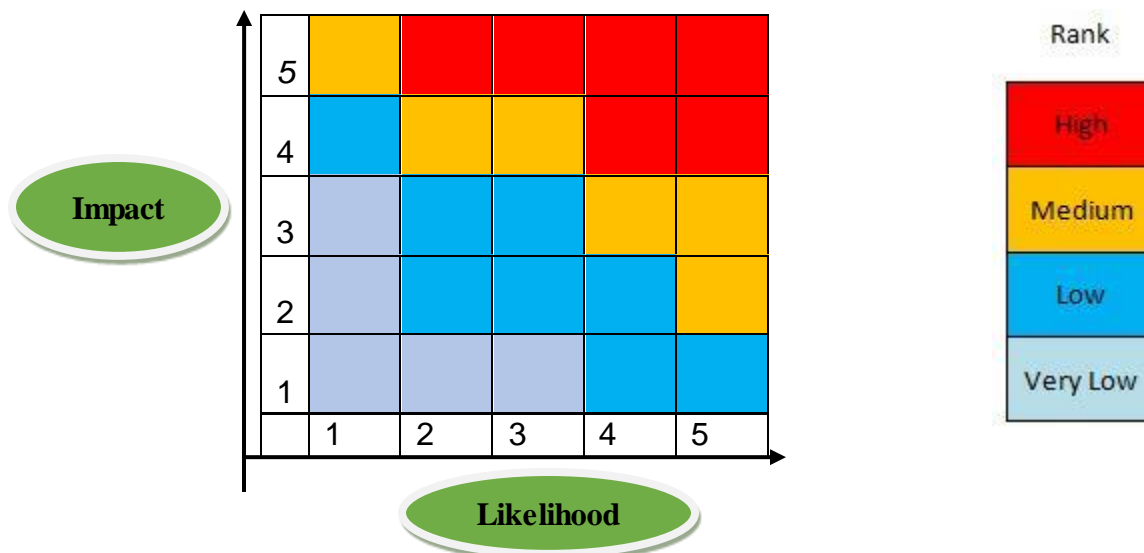
Each identified risk will be allocated an owner, responsible for the management and monitoring of that risk.

The Managing Director will have a responsibility to ensure that the WME Senior Leadership Team analyse risks and produce appropriate information for inclusion in the Risk Register and Risk Action Plans specific to their sectors; whilst making the necessary connections to issues that have an organisation wide effect.

Risk Appetite

WME evaluates risks on the basis of the likelihood of them occurring and the impact of the consequences if they do. A standard set of evaluation criteria is used to evaluate both likelihood and impact and the resultant risks are then plotted on the maps, as depicted below.

Risk Matrix



Risks are treated in accordance with the WME 'risk appetite', that is the level of risk the organisation deems to be acceptable. While all risks should be judged on their own merit, managers also have the responsibility to manage their risks as they see fit. Nevertheless, good practice suggests that any risk classified as high should be deemed to require immediate management attention with the aim of treating it, either to reduce the level of threat or maximise the opportunity that may arise from it.

Identification and Categorisation of Risk

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process that runs throughout the strategies and service delivery of the organisation.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimizing the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

The Managing Director and WME Senior Leadership Team have a clear responsibility to set the overall framework and establish and monitor the Risk Register. Strategic risks are those that might impact on the high level, medium to long-term, goals and objectives of WME together with those cross cutting issues that have potential to impact significantly on service delivery, business continuity and profit generation.

At operational level the monitoring and identification of risk lies with sector managers and forms part of their service planning process. These are the risks that will be encountered as a result of daily activity. Due consideration must be given to the need to involve other sectors in decision making processes in order to mitigate risk.

Risks should be identified by considering the threats to the successful delivery of each of the objectives and activities of the organisation. These risks have been categorised as follows within the Risk Register:

- Business continuity.
- Operational.
- Systems.
- Trading.
- Strategic.

Benchmark test for significance

Likelihood	Score	Risk Likelihood Definition
Rare	1	Risk may occur in exceptional circumstances
Possible	2	Risk may occur within the next three financial years
Likely	3	Risk is likely to occur within this financial year
Almost Certain	4	Indication of imminent occurrence
Certain	5	Risk has occurred and will continue to do so without immediate action being taken

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Negligible loss, delay or interruption to services. • Can be easily and quickly remedied. • Financial impact less than 2½% of annual WME budgeted net profit.
Minor	2	<ul style="list-style-type: none"> • Minor loss, delay or interruption to services. • Short term impact on operational efficiency and performance. • Financial loss of between 2½ - 10% of annual WME budgeted net profit. • Failure to meet internal standards. • Affects only one group of stakeholders. • No external interest. • Isolated complaints.
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services. • Medium term impact on operational efficiency and performance.

		<ul style="list-style-type: none"> Financial loss of between 10 - 20% of annual WME budgeted net profit. Failure to meet recommended best practice. Affects more than one group of stakeholders. May attract short-term attention of legislative or regulatory bodies. Significant complaints.
Major	4	<ul style="list-style-type: none"> Major loss, delay or interruption to services. One off events which could de-stabilise the organisation. Widespread medium to long term impact on operational efficiency, performance and reputation. Financial loss of between 20 - 50% of annual WME budgeted net profit for one year. Financial loss of between 15 - 30% of annual WME budgeted net profit for more than one year. Breach of legal or contractual obligation. Affects more than one group of stakeholders. Will attract medium-term attention of legislative or regulatory bodies. Significant adverse media interest.
Critical	5	<ul style="list-style-type: none"> Total sustained loss or disruption to critical services. Long term impact on operational efficiency, performance and reputation. Financial loss of 50%+ of annual WME budgeted net profit for one year. Financial loss of 30%+ of annual WME budgeted net profit for more than one year. Serious breach of legal or contractual obligation. Affects all groups of shareholders. National impact with rapid intervention of legislative or regulatory bodies. Extensive adverse media interest. Loss of credibility.

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