

SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

RISK MANAGEMENT AND BUSINESS CONTINUITY 2017/18

Assurance Level	Reasonable
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Customer	West Mercia Energy
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Distribution	Director – Nigel Evans
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Auditors	Mark Seddon
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Fieldwork dates	November 2017
Debrief meeting	30 th November 2017
Draft report issued	30 th November 2017
Responses received	4 th January 2018
Final report issued	4 th January 2018

Introduction and Background

1. As part of the approved internal audit plan for 2017/18 Audit Services have undertaken a review of Risk Management and Business Continuity.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

Scope of the Audit

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To review the progress made implementing the recommendation made in the previous audit and to confirm that there are appropriate arrangements in place for the management of risk and business continuity during the current financial year.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - The recommendation made in the previous audit has been implemented as agreed.
 - Risks arising from business strategies and activities are identified and prioritised and management and the board have determined the level of risk acceptable to the organisation.
 - Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
 - Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
 - The board and management received periodic reports of the results of the risk management process.
 - There is a process to identify the critical service areas which if not delivered would cause disruption to operations.
 - A business continuity plan has been prepared which details the actions to be taken to allow recovery from an incident.
6. The audit was delivered on time and within budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from work undertaken Audit Services are able to give the following assurance opinion:

Reasonable	There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls.
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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or instances of fraud or irregularity.
9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report provided to management and the Action Plan attached at **Appendix 1**. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	1	0	0

10. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	The recommendation made in the previous audit has been implemented as agreed.
✓	Risks arising from business strategies and activities are identified and prioritised and management and the board have determined the level of risk acceptable to the organisation.
✓	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
✓	Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
✓	The board and management received periodic reports of the results of the risk management process.
✓	There is a process to identify the critical service areas which if not delivered would cause disruption to operations.

11. The audit work identified one significant issue leading to the following recommendation:
 - The Business Continuity Management Policy and the Business Recovery Plan should be progressed and finalised with sufficient details and information including plans for various emergencies and critical and non-critical failures.

The Policy and Plan should be approved by the Joint Committee and circulated to all Officers. It should be ensured that the completion and management of both the Policy and Plan are consistent with the Annual Governance Statement and Risk Register.

The Business Recovery Plan should be regularly tested and reviewed and any findings as a result should be reflected in the Plan.

12. Recommendations accepted by management at the previous audit have been reviewed and are detailed below:

Number of recommendations accepted by management at the last audit	1
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not actioned	0

Good progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are included in the attached Exception Report and Action Plan.

Audit Approach

13. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of key controls.
 - Follow up of previous recommendations.
 - Tests of controls to confirm their existence and effectiveness.
 - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
14. Internal Audit report by exception; the exception report provided to management identifies only those areas where control evaluation and audit testing revealed control weaknesses and/or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at **Appendix 1**. A more detailed report covering all of the work undertaken can be provided on request. This will be, available in a working paper format.
15. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

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ACTION PLAN FOR RISK MANAGEMENT AND BUSINESS CONTINUITY 2017/18

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
7.1	1	<p>The Business Continuity Management Policy and the Business Recovery Plan should be progressed and finalised with sufficient details and information including plans for various emergencies and critical and non-critical failures.</p> <p>The Policy and Plan should be approved by the Joint Committee and circulated to all Officers. It should be ensured that the completion and management of both the Policy and Plan are consistent with the Annual Governance Statement and Risk Register.</p> <p>The Business Recovery Plan should be regularly tested and reviewed and any findings as a result should be reflected in the Plan.</p>	Significant	Yes	Agreed. The Business Recovery Plan was presented to the Joint Committee in June 2013 and whilst the changes to the plan since then have not been significant it is agreed that it is sensible for the Joint Committee to agree the current policy and plan.	Nigel Evans	February 2018.