

**Report to:**

## **AUDIT COMMITTEE**

**Relevant Officer:**

Cath Bagley, Head of Procurement and Exchequer

**Meeting**

19 October 2023

## **INTERNAL AUDIT FOLLOW-UP - ENERGY MANAGEMENT**

### **1.0 Purpose of the report:**

1.1 To consider a progress report on the recommendations made in the internal audit report relating to Energy Management issued on the 4 October 2022.

### **2.0 Recommendation(s):**

2.1 To consider the actions being implemented to address the audit recommendations relating to the Energy Management audit.

### **3.0 Reasons for recommendation(s):**

3.1 To enable Audit Committee to consider an update and progress report on the audit recommendations.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

### **4.0 Other alternative options to be considered:**

4.1 None

### **5.0 Council priority:**

5.1 This audit impacts on the Council's organisational resilience priority.

### **6.0 Background and Key Information**

6.1 The Energy Management Team is responsible for administering energy supplies, including the validation and payment of invoices, to schools, academies, wholly owned companies and some private organisations that occupy Council owned buildings.

The previous energy management review in 2021/22 identified a number of recommendations which resulted in inadequate assurance being given. In order to ensure that the actions were

appropriately implemented a detailed follow-up of all recommendations was carried out in 2022/23.

6.2 The scope and assurance statement of the audit was as follows:

**Scope**

The scope of this audit was to assess whether the recommendations of last year's audit review have been appropriately addressed.

**Assurance Statement**

We consider that the controls in place remain inadequate given that there are still two outstanding priority one recommendations although we acknowledge that progress is being made to address these issues.

6.3 Does the information submitted include any exempt information? No

**7.0 List of Appendices:**

7.1 Appendix 3(a): Internal Audit Recommendations and Agreed Actions.

**8.0 Financial considerations:**

8.1 The controls being implemented will be done so within current budget constraints.

**9.0 Legal considerations:**

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

**10.0 Risk management considerations:**

10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

**11.0 Equalities considerations and the impact of this decision for our children and young People:**

11.1 Where equality analysis is appropriate these will have been undertaken whilst making decisions relating to the subject.

**12.0 Sustainability, climate change and environmental considerations:**

12.1 Any matters relating to sustainability, climate change and environmental considerations will be considered when making decisions relating to the subject.

**13.0 Internal/external consultation undertaken:**

13.1 The progress report has been prepared in conjunction with the relevant Head of Service and Chief Officer.

**14.0 Background papers:**

14.1 None.

**Appendix 3(a) - Agreed Action Plan**

<b><i>Recommendation</i></b>		<b><i>Priority</i></b>	<b><i>Agreed Action</i></b>	<b><i>Responsible officer</i></b>	<b><i>Target Date</i></b>	<b><i>Revised Target Date for outstanding actions</i></b>	<b><i>Progress</i></b>
<i>R1</i>	The ongoing issues with Water Plus need to be resolved as soon as is reasonably practicable and advice sought from Legal Services where appropriate.	2	Agreed.	Service Manager	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2024	The Council's water self-supply managing agent is supporting in reconciling the position with Water Plus. Progress has been made and final agreement now needs to be reached with Water Plus.

	<b>Recommendation</b>	<b>Priority</b>	<b>Agreed Action</b>	<b>Responsible officer</b>	<b>Target Date</b>	<b>Revised Target Date for outstanding actions</b>	<b>Progress</b>
R2	The Service Manager should conduct a review to quantify the work activity within the area, matched to the available resources to ascertain whether there is an acute resource issue or whether streamlined processes and smarter billing processes will rectify the situation.	1	A review of process and practice will be undertaken to understand as the potential driver to free up existing resource. Once this exercise has been completed the impact of this will be assessed.	Service Manager	30 <sup>th</sup> September 2023	N/a	<p>This recommendation has been implemented.</p> <p>A number of processes have been streamlined and modified including areas of direct billing which have reduced administrative and reconciliation work. In addition, some resource has been directed to support with ensuring billing is undertaken in a timely manner. Since the Audit was conducted the Council has implemented a new finance system (Technology One). An interface has been developed between the energy management system and Technology One streamlining the cost recharge process. Interfaces for Council Companies will be developed by March 2024 resulting in further efficiencies.</p>

	<b>Recommendation</b>	<b>Priority</b>	<b>Agreed Action</b>	<b>Responsible officer</b>	<b>Target Date</b>	<b>Revised Target Date for outstanding actions</b>	<b>Progress</b>
R3	The new billing arrangements should be monitored to ensure they free up sufficient resources. The Service Manager Energy and Sustainability should seek feedback from customers on the new billing arrangements and make adjustments where appropriate.	2	Agreed.	Service Manager	30 <sup>th</sup> September 2023	N/a	This recommendation has been implemented.  Regular meetings are scheduled with customers to ensure that satisfaction levels with the service and the billing arrangements are high. No significant issues have been reported.
R4	The Service Manager should continue to liaise with colleagues in Property Services and Growth and Prosperity to ensure the installation of BNOs is considered on all new developments.	2	Agreed.	Service Manager	31 <sup>st</sup> March 2023	N/a	This recommendation has been implemented.

	<b>Recommendation</b>	<b>Priority</b>	<b>Agreed Action</b>	<b>Responsible officer</b>	<b>Target Date</b>	<b>Revised Target Date for outstanding actions</b>	<b>Progress</b>
R5	SystemsLink should be reconciled to Efinancials at least on a quarterly basis but this needs to be guided by the frequency of re-charges. The reconciliation should include re-charges to the Academies and wholly owned companies up to the point they transfer to the new billing system.	2	Agreed.	Service Manager	30 <sup>th</sup> September 2023	N/a	This recommendation has been implemented.  Formal, regular communication is taking place with colleagues in accountancy to ensure that reconciliation of re-charges is up to date.

	<b>Recommendation</b>	<b>Priority</b>	<b>Agreed Action</b>	<b>Responsible officer</b>	<b>Target Date</b>	<b>Revised Target Date for outstanding actions</b>	<b>Progress</b>
R6	In instances where billing has not been undertaken in a timely manner, discussions should take place with the Exchequer Services Manager to ascertain whether Efinancials has the functionality to include the invoice analysis usually sent to the customer under separate cover in the main body of the invoice.	2	Agreed.	Service Manager	31 <sup>st</sup> March 2023	N/a	This recommendation has been implemented.
R7	Steps should be taken to ensure all FDCs are captured and signed off by the Service Manager Energy and Sustainability at year end namely utilities due but not paid (Creditor FDC) and recharges due but not raised to the customer (Debtor FDC).	1	Agreed.	Service Manager	31 <sup>st</sup> March 2023	N/a	This recommendation has been implemented.  FDC end of year process is followed in line with finance guidance to ensure that all FDCs are captured in line with the associated deadlines.

