

# **Causeway Coast and Glens Borough Council**

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## ***Internal Audit Report Energy Management***

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March 2019  
Final

**MOORE STEPHENS**

# INTERNAL AUDIT REPORT

## Energy Management

### Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of

Through our audit we found the following examples of good practice:

- An Energy Management Strategy has been developed and approved by Council in March 2018. This is now being implemented.
- The Energy Management Officer closely monitors energy usage within Council and is building up a database of usage trends.
- There is evidence of coordination across Council departments as management and staff become more aware of the EMS and the implications of various Council activities on energy consumption both within Council (e.g. energy efficiency within Council facilities) and in the wider borough (e.g. building control)

There were 2 findings or recommendations from our audit.

- As the EMS is a high-level medium to long term policy document; it is a living document which should be reviewed annually. The timelines for the 37 actions should be re-considered during this annual review, in light of the progress made to date. Audit accepts that at the time the EMS was developed there was a lack of sufficient, accurate data on energy consumption and energy efficiency within Council to develop KPIs. However, an exercise has since been completed and a robust process is in place which has facilitated the collation and analysis of data on energy use and in establishing systems to measure energy efficiency. It is therefore recommended that during the first annual review of the EMS that the strategy be updated to include a number of suitable KPIs to allow an assessment of the high-level impact of the Strategy over time.
- An annual report on the progress of energy management activities should be made to Council to raise awareness of the progress being made in this area and to highlight key successes resulting from the EMS.

The table below summarises the key risks reviewed and numbers of findings and recommendations:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be a risk that energy management is not appropriately considered by Council leading to inefficient use of council resources and financial loss.	-	1	-
There may be a risk that energy management activities and initiatives are not adequately monitored leading to non-completion of plans, reputational damage, inefficient use of council resources and financial loss.	-	1	-
<b>Total recommendations made</b>	<b>0</b>	<b>2</b>	<b>0</b>

Based on our audit testing we are able to provide the following overall level of assurance:

**Satisfactory**

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

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	March 2019

<b>Audit progress</b>	<b>Date</b>
Audit commenced	18 <sup>th</sup> February 2019
Draft Report issued to senior management for response	4 <sup>th</sup> March 2019
Responses Received	6 <sup>th</sup> March 2019
Responses Agreed	7 <sup>th</sup> March 2019
Report Issued	7 <sup>th</sup> March 2019

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

## 1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks facing energy management and a review the key systems and controls in place to address these. The objective being to ensure that:

- There is an adequate energy management framework in place
- Energy management processes are operating as expected

## 2 Background

In 2015 Ballymoney, Coleraine, Limavady and Moyle Councils amalgamated to form Causeway Coast and Glens Borough Council (CCAG). This new Borough Council consumes circa;

- 35,413 MWhs of energy
- 128,076 m3 of water, and
- produces 9,262 tonnes of Carbon Dioxide emissions

The 2015/16 financial year baseline cost for energy, water and sewage was circa £2,453,321.50

Local Authorities have currently no mandatory legislative requirement to comply with central Government Targets. There is no Energy Strategy in Government for energy in NI Local Authorities.

Despite the lack of current mandatory targets Energy Management is essential to control energy costs and enhance the reputation of the Council. In 2018 CCAG developed and agreed an Energy Management Strategy to support the following:

- Strategic Advanced Carbon Penalty avoidance plan
- Promote awareness
- To reduce energy consumption
- To reduce carbon emissions
- Highlight the improvements in efficiency

The Energy Management Strategy (EMS) lists 37 Action Plans which represent the main focus of the strategy with the main objectives of elevating and communicating awareness of the importance of energy management.

The EMS also contains a matrix of objectives and considerations in relation the energy consumption of the council's fleet of vehicles.

### 3 Risks

The possible risks identified by Internal Audit relating to Energy Management and agreed with management are as follows:

1. There may be a risk that energy management is not appropriately considered by Council leading to inefficient use of council resources and financial loss.
2. There may be a risk that energy management activities and initiatives are not adequately monitored leading to non-completion of plans, reputational damage, inefficient use of council resources and financial loss.

### 4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Head of Capital Works, Energy and Infrastructure
Energy Officer

### 5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

#### 5.1 Risk 1 – Energy Management Issues May Not Be Appropriately Considered

##### ISSUE 1 - Energy Management Strategy (EMS) - Targets and Actions

- a) **Observation-** Audit found a comprehensive 10-year Energy Management Strategy (EMS - 2015-2025) is in place for Council which contains:
- 37 actions relating to Council's estate management

- A matrix for mapping the energy consumption of Council facilities
- Transport objectives and considerations relating to vehicle energy consumption

The 37 actions are output focused and have estimated timelines for completion. The majority of these actions have timelines in the years 2017-2020 (the first half of the strategy period). Audit also noted that the EMS is used to guide and identify annual Energy Management activities for inclusion in the Annual Business Plan for Infrastructure.

The EMS does not contain high level KPIs to measure the overall impact of implementing the actions within the strategy e.g. % reduction in energy consumption; % of energy generated by renewable sources, % reduction in energy costs. Audit was advised that such high level KPIs had not been included in the EMS for a number of reasons;

- Accurate data on the energy efficiency performance of Council is needed in order to create meaningful KPIs. We were advised that sufficient data was not available when the EMS was developed; and an appropriate system to measure energy efficiency was not in place.
- There is also a danger that KPIs (for energy management) can be counterproductive and promote unproductive tasks; if you are measuring the wrong things and the KPIs are not carefully developed

**b) Implication-** In the absence of a small number of suitable KPIs within the EMS it will be difficult to assess the overall outcome/impact of the EMS over time; especially as the 37 actions have estimated timelines only in the first half of the strategy.

**c) Priority Rating- 2**

**d) Recommendation-** As the EMS is a high-level medium to long term policy document; it is a living document which should be reviewed annually. The estimated timelines for the 37 actions should be re-considered during this annual review, in light of the progress made to date.

Audit accepts that at the time the EMS was developed there was a lack of sufficient, accurate data on energy consumption and energy efficiency within Council. However, a lot of work has been undertaken in the last 12-18 months to collate and analyse data on energy use and in establishing systems to measure energy efficiency. It is therefore recommended that during the first annual review of the EMS that the strategy be updated to include a number of suitable KPIs to allow an assessment of the high-level impact of the Strategy over time.

**e) Management Response-**

Agreed and a set of high level KPIs will be developed

**f) Responsible Officer & Implementation Date-** Energy Manager; December 2019

## 5.2 Risk 2 – There May Be Inadequate Monitoring of Energy Management Initiatives

### ISSUE 2 – Monitoring of the Energy Management Strategy

- a) Observation-** We found that a spreadsheet has been created to track progress against the 37 actions identified within the EMS. This tracker also notes the challenges faced in implementing the actions. Regular meetings continue between the Energy Officer and the Council's Fleet Manager to discuss the objectives and considerations identified within the EMS relating to the energy consumption of the Council's fleet of vehicles.

When CCAGBC was established the 2015 legacy Coleraine EMS was updated. Following this a revised 2015-2025 EMS was developed and approved in March 2018. It has not been in place for a full year, however a review of the 37 actions revealed that all had made some progress; e.g. 1 was assessed as complete and 2 were assessed as being 90% complete. Audit testing of a sample of 5 actions revealed sufficient evidence of progress being made. Audit found evidence that the progress of the EMS is discussed regularly with the Head of Service who also reports the progress to the Director. There have been regular updates to the Senior Management Team and Council on various projects that have included key energy technology upgrades and efficiencies and review of current contract arrangements e.g. Solar Photovoltaics (PV) 2, LED 1 & 2 and now LED 3 to tender, Magilligan Community Centre, Knock Road Depot, Roe Valley Leisure Centre Lease Combined Heat and Power plant (CHP), Craigahulliar CHP and Biomethane Dual Fuelling. Outline Business Cases (OBC) for the various EMS projects are presented to Council which highlight the link to the EMS, updates on EMS progress and allow Councillors to make informed investment decisions and approve the projects.

- b) Implication-** Whilst Councillors are made aware of the feasibility and delivery of individual ongoing EMS projects; an annual report would provide a summary of the full picture of EMS activities; further raising awareness of EMS issues and highlighting the successes of the EMS

- c) Priority Rating-** 2

**Recommendation-** A report summarising the overall and combined progress of the EMS should be made to Council annually.

- d) Management Response-**

1. There is no risk of inadequate monitoring of energy management initiatives
2. Officer continually updates members on EMS status on projects during the year. We accept that an annual update is useful to Council Members and they will be advised regarding any legislative changes that may impact future investments.
3. Additionally, the Officer will update members for information on the EMS status

- g) Responsible Officer & Implementation Date-** Energy Manager; December 2019



## Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

### **Satisfactory Assurance**

*Evaluation opinion:* Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

*Evaluation opinion:* There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

*Evaluation opinion:* The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

### **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## Appendix II: Summary of Key Controls Reviewed

Risk	Key Controls
<p>There may be a risk that energy management is not appropriately considered by Council leading to inefficient use of council resources and financial loss.</p>	<ul style="list-style-type: none"> <li>• There is an Energy Management Strategy (EMS) in place</li> <li>• Risks have been appropriately considered when developing the EMS</li> <li>• The EMS considers ongoing Council initiatives in relation to energy efficient</li> <li>• Any risks relating to Energy Management are included in the appropriate risk register within Council</li> <li>• Plans and initiatives are recorded and approved by committee and Council</li> <li>• The EMS has clear targets and actions</li> <li>• The EMS is supported by awareness raising amongst elected members, management and staff</li> <li>• Management and staff clearly understand their responsibility for energy management plans and initiatives.</li> <li>• Plans and initiatives are supported by appropriate budget estimates.</li> </ul>
<p>There may be a risk that energy management activities and initiatives are not adequately monitored leading to non-completion of plans, reputational damage, inefficient use of council resources and financial loss.</p>	<ul style="list-style-type: none"> <li>• There is a general process for monitoring and taking an overview of EMS plans/initiatives across Council</li> <li>• There is an annual plan in place which progression can be reviewed against</li> <li>• Targets and actions have been agreed</li> <li>• Timescales for targets and actions have been agreed</li> <li>• Budget has been identified for actions within the annual plan</li> <li>• Regular progress meetings are held</li> <li>• Progress is periodically (every 6 months) reported to management and Council Committee</li> <li>• Council remains aware of any regulatory and or legislative changes which may impact on the plans/initiatives</li> <li>• There is a management system in place which can record all plans and progress.</li> <li>• Changes to the plan/initiative budget are approved at an early stage</li> </ul>