

Internal Audit Report

Carbon Reduction Commitment Energy Efficiency Scheme

Design Consultancy

Universal & Infrastructure Services

8 July 2014

Distribution List:		
For Action		
1.	Andrew Snow	Energy Conservation Engineer
2.	Jeff Sherlock	Senior Manager, Universal and infrastructure Services, Design Consultancy
For Information		
1.	Graham Burgess	Chief Executive
2.	David Armstrong	Assistant Chief Executive/Head of Universal and Infrastructure Services
3.	Paul Shenton	Building Services & Sustainability Manager

Report produced by:	Report authorised by:
Tracy Harris	Mark Gandy
Lead Auditor	Audit Manager
666 3248	666 3381
tracyharris@wirral.gov.uk	markgandy@wirral.gov.uk

Internal Audit
Transformation and Resources
Treasury Building
Cleveland Street
Birkenhead
Wirral
CH41 6BU

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1. Executive Summary

1.1 An audit has been undertaken of the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES), Design Consultancy, within the Universal and Infrastructure Services Directorate.

The focus of the audit was to provide assurance as required by the Environment Agency on the CRC Scheme Evidence Pack.

1.2 The findings of the audit support the following opinions:

Control Environment	Maximum
Compliance	Maximum
Organisational Impact	As a result of this audit there are no recommendations. Therefore the organisational impact opinion is not applicable.

1.3 For a more detailed explanation of the audit opinions, please see the [Appendix](#) to this report.

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2. Introduction

- 2.1 An audit has been undertaken of the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES), Design Consultancy, within the Universal and Infrastructure Services Directorate, as part of the Internal Audit Plan. The purpose of the review was to evaluate the adequacy of controls present within the system to mitigate the identified risks and to provide an assessment and opinion for management of the overall control environment.
- 2.2 This report details the findings emanating from this work. The content of the report reflects and summarises the points discussed with Andrew Snow, Energy Conservation Engineer, during the audit.

3. Actions Required

- 3.1 Internal Audit is keen to provide a quality service to all its clients. This report includes a Customer Feedback section which provides an opportunity to give feedback on the service you have received. Please ensure that Andrew Snow, Energy Conservation Engineer, completes and returns the Customer Feedback form, providing any additional comments, so as to assist our continuous improvement. A manager from Internal Audit may contact him to discuss the responses.
- 3.2 Please thank Andrew Snow for his help and co-operation during the audit. Do not hesitate to contact Tracy Harris if you should wish to discuss any aspect of this report further.

4. Statement of Responsibilities

- 4.1 Internal Audit takes responsibility for this report, which is prepared on the basis of the limitations set out below.
- 4.2 The matters raised in this report are only those which came to our attention during the course of our internal audit work, and are not necessarily a comprehensive statement of all the weaknesses that may exist or all improvements that might be made. Any recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not, and should not be taken as, a substitute for management's responsibilities for the application of sound management practices.
- 4.3 It is emphasised that the responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist.

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4.4 Internal audit work should not be relied upon to identify all circumstances of fraud or irregularity should there be any, although audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance. Effective implementation of any recommendations by management is important for the maintenance of a reliable internal control system.

5. Objectives of the Audit

5.1 To provide assurance as required by the Environment Agency on the CRCEES submission.

6. Scope of the Audit

6.1 The audit was undertaken using a risk based audit programme based on the guidance issued by the Environment Agency.

6.2 The focus of this audit was on the following key system activities:

- Registration
- Procedures
- Annual Report
- Evidence Pack
- Allowances
- Management Information Systems.

6.3 The audit process was completed by:

- Discussions with the Energy Conservation Engineer (key officer involved in the system)
- Review of the key system activities and documentation
- Compliance testing of the key controls.

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7. Audit Opinion

7.1 Every Internal Audit report provides management with an audit opinion that has three distinct elements:

- An opinion on the design of the control environment for the specific area under review.
- An opinion on the level of compliance with the control environment for the specific area under review.
- An opinion on the potential impact on the organisation if the recommendations, made in the report, are not implemented.

These are determined by the scope of the audit and the results of the work undertaken.

7.2 For this audit, the opinion has been determined as:

Control Environment	Maximum
Compliance	Maximum
Organisational Impact	As a result of this audit there are no recommendations. Therefore the organisational impact opinion is not applicable.

For a more detailed explanation of the audit opinions, please see the [Appendix](#) to this report.

7.3 The content of this report can be utilised to form part of the submission of the Annual Report covering the period 1 April 2013 to 31 March 2014. Assurance has been received from the Energy Conservation Engineer that the Annual Report will be finalised and submitted prior to the deadline of 31 July 2014 to allow sufficient time for the purchasing of allowances. Confirmation of the submission will be provided to Internal Audit.

It is noted that the Annual Report has been submitted prior to the deadline of 31 July for the previous two years e.g:

- Annual Report covering the period 1 April 2011 to 31 March 2012 was submitted on 16 July 2012.
- Annual Report covering the period 1 April 2012 to 31 March 2013 was submitted on 25 July 2013.

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8. Findings

8.1 Areas of Good Practice

Registration

8.1.1 The Environment Agency contact details for Wirral Council have been reviewed and updated accordingly and are included in the evidence pack.

Procedures

8.1.2 Schools Academies and Merseyside Pension Fund are all aware of their roles and responsibilities in relation to providing information and maintaining documentation in respect of the scheme.

8.1.3 All energy suppliers utilised by Wirral Council were requested to submit annual statements which have been received and are included within the evidence pack.

Annual Report

8.1.4 A Carbon Reduction Working Group has been established. As part of this, actions to be carried out are identified and timelines are agreed and monitored as part of a progress report prior to the submission of the Annual Report.

8.1.5 The inclusion of the information for the submission of the Annual Report is evidenced by supporting documentation in each of the sample of twenty six sites selected for audit testing.

Evidence Pack

8.1.6 For the sample of twenty six sites examined as part of this audit, full supporting documentation is included within the evidence pack. The energy and emission consumption details for all sites tested were input correctly.

8.1.7 In the sample of twenty six sites examined three were subject to an estimated supplier statement. Full supporting documentation is included within the evidence pack.

8.1.8 Any issues relating to an individual site are recorded on a spreadsheet and subsequently on Sustainability Sure as required.

Allowances

8.1.9 The delegated report – CRCEES reporting update 2012/13, highlights the total cost of complying with the CRCEES to cover emissions reported for 2012/13 as £463,016. This cost provides for purchases of allowances, the annual subsistence fee and the annual licence fee for the compliance tool. This is a saving of £24,567 against the budget provision of £487,583 reported to Cabinet on 8 December 2011.

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8.1.10 Allowances for the 2012/13 reporting year were correctly surrendered by the 31 October 2013 deadline. Confirmation of the surrender has been provided to internal audit.

Management Information Systems

8.1.11 Information, data and documentation is held securely and is only accessible to authorised persons.

8.1.12 Information is readily available for management review and reporting to members.

8.2 Audit Observations

8.2.1 It was noted during the audit that although procedure notes have been documented, and are accessible to relevant staff, they are currently being updated by the Energy Conservation Engineer to better reflect the new Sustainability Sure Compliance tool.

8.2.2 There are no recommendations resulting from this audit.

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9. Customer Feedback

To help us to improve the service we deliver, it is important that you provide us with feedback. Therefore, please complete the following:

How satisfied were you with the overall service received from Internal Audit?							
Please Indicate	Very Satisfied		Satisfied		Dissatisfied		Very Dissatisfied
<i>Please explain your answer</i>							

If you would like to discuss any issues regarding this audit, please contact the Chief Internal Auditor.

Completed by:.....Andrew Snow Signed:..... Date:..... 8 July 2014

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10. Appendix

Tables 1-3 below provide explanation and guidance relating to how the audit opinions in this report have been determined. Table 4 explains the recommendation priority levels.

1. CONTROL ENVIRONMENT OPINION

This opinion relates to the design of the control environment for the specific area under review.

LEVEL	EXPLANATION	GUIDANCE
MAXIMUM	The control environment is comprehensive. All controls are in place; however, minor weaknesses may exist.	No high or medium priority recommendations have been made in relation to the control environment. However, a small proportion of low priority recommendations may have been made in relation to the control environment.
SUBSTANTIAL	The control environment is substantial. Key controls are in place, however, weaknesses exist which may threaten the achievement of the system's objectives.	No high priority recommendations have been made in relation to the control environment. However, a small proportion of medium priority recommendations and/or a significant proportion of low priority recommendations have been made in relation to the control environment.
LIMITED	The control environment is limited. A key control is not in place, and/or weaknesses exist which may pose a significant threat to the achievement of the system's objectives.	One high priority recommendation and/or a significant proportion of medium priority recommendations have been made in relation to the control environment.
MINIMUM	The control environment is weak. More than one key control is not in place, which poses a serious threat to the achievement of the system's objectives.	More than one high priority recommendation has been made in relation to the control environment.

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2. COMPLIANCE OPINION

This opinion relates to the level of compliance with the control environment for the specific area under review.

LEVEL	EXPLANATION	GUIDANCE
MAXIMUM	Compliance with all controls is comprehensive; however, minor weaknesses may exist.	No high or medium priority recommendations have been made in relation to compliance with the control environment. However, a small proportion of low priority recommendations may have been made in relation to compliance with the control environment.
SUBSTANTIAL	Compliance with the control environment is substantial. Key controls are complied with, however, weaknesses exist which may threaten the achievement of the system's objectives.	No high priority recommendations have been made in relation to compliance with the control environment. However, a small proportion of medium priority recommendations and/or a significant proportion of low priority recommendations have been made in relation to compliance with the control environment.
LIMITED	Compliance with the control environment is limited. A key control is not complied with, and/or weaknesses exist which may pose a significant threat to the achievement of the system's objectives.	One high priority recommendation and/or a significant proportion of medium priority recommendations have been made in relation to compliance with the control environment.
MINIMUM	Compliance with the control environment is weak. More than one key control is not complied with, which poses a serious threat to the achievement of the system's objectives.	More than one high priority recommendation has been made in relation to compliance with the control environment.

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3. ORGANISATIONAL IMPACT OPINION

This opinion relates to the potential impact on the organisation if the recommendations, made in this report, are not implemented.

LEVEL	EXPLANATION
MAJOR	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises, it would have a major impact upon the organisation as a whole.
MODERATE	The weaknesses identified during the review have left the Council open to moderate risk. If the risk materialises, it would have a moderate impact upon the organisation as a whole.
MINOR	The weaknesses identified during the review have left the Council open to a low level of risk. If the risk materialises, it would have a minor impact on the organisation as a whole.

4. RECOMMENDATION PRIORITY LEVEL

Recommendations included in audit reports are categorised according to their level of priority.

HIGH	MEDIUM	LOW
<p>A matter that is fundamental to the control environment for the specific area under review.</p> <p>The matter may cause a system objective not to be met.</p> <p>This needs to be addressed as a matter of urgency (suggested timescale: within one month).</p>	<p>A matter that is significant to the control environment for the specific area under review.</p> <p>The matter may threaten the achievement of a system objective.</p>	<p>A matter that requires attention and would improve the control environment for the specific area under review.</p> <p>The matter may impact on the achievement of a system objective.</p>