

AUDIT REPORT 19'013

CARBON REDUCTION COMMITMENT AND ENERGY MANAGEMENT

EXECUTIVE SUMMARY

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a UK Government Scheme. It is designed to encourage energy efficiency and cut carbon dioxide (CO₂) emissions in private and public sector organisations that are high energy users. The Scottish Environment Protection Agency regulates the scheme in Scotland. CRC operates in phases; Phase 1 from April 2010 to March 2014, and Phase 2 from April 2014 to March 2019.

The scheme requires participants to purchase allowances to cover CO₂ emissions from qualifying gas and electricity usage, although this will change from April 2019, with the introduction of a Climate Change Levy. The Climate Change Levy (CCL) is a tax on energy delivered to non-domestic users. In terms of cost, the Government intention is for CCL to be cost neutral when compared to the previous CRC scheme.

CRC allowances can be purchased twice per year. The first, at the start of the year, is based on "forecast" emissions at a unit price of £17.20 per tonne of CO₂. The second is a "buy to comply" purchase at the end of the year at a higher unit price of £18.30 per tonne (both 2018/19 rates). Participants have discretion as to when to buy their allowances. For this financial year it is estimated that 8737 allowances will be required. This will be funded from a balance of 5637 unused allowances from 2017/18 and a purchase of 3100 new allowances at a cost of £53,320. A lower estimation of usage has been set from previous years as more energy is being sourced from renewable sources, and implementation of energy saving projects.

The SEPA Compliance Guide recommends reviews should be undertaken of internal procedures and of the quality of data used to calculate emissions; this audit constitutes one such review. This audit has focused on the arrangements for the "evidence pack" and "electric supplies" as "gas supplies" was subject to a previous review undertaken. In addition an overview was also undertaken regarding the Energy Management arrangements within the Council.

The audit review noted the following areas for consideration:-

- As a reduction in carbon emissions is a national objective of the Scottish Government, consideration should be given to including a clear commitment to reduce the Council's Carbon Footprint within the Corporate Plan. Monitoring could thereafter be undertaken against national set performance targets i.e. Scottish Government have set targets to reduce carbon emissions by 42% by 2020 and 80% by 2050.

- A report on Energy Strategy / Actions is presented annually to Policy and Resources Committee informing members of the actions taken to minimise the Council's energy consumption and of progress regarding a number of energy saving initiatives. Consideration should be given to providing further information in this report regarding progress undertaken to reduce carbon emissions, post contract reviews of actual savings generated etc.

Moray Council

Internal Audit Section

Recommendations: Carbon Reduction Commitment and Energy Management

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Effective Energy Management arrangements in operation.						
5.1	Consideration should be given to include a commitment within the Corporate Plan to reduce the Council's carbon footprint, with the aim of contributing to the long term national target established by the Scottish Government of a reduction in carbon emissions by 42% by 2020 and 80% by 2050.	Medium	Yes	This will be given due consideration when the Corporate Plan is next reviewed. A Climate Change Strategy is also currently being prepared for the council which will contain proposals for carbon reduction and related performance targets	Corporate Director (EDP&I)	31/03/2020

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.2	The Annual Report on Energy Strategy/ Actions should also report CO ₂ emissions, including comparisons with prior year figures to show the direction of travel for this key indicator.	Medium	Yes	Carbon emissions for non-domestic properties reported to Policy and Resources Committee on the 27 th of November 2018	Energy Officer	Implemented
5.3	Consideration should be given to providing further analysis within the Annual Report on Energy Strategy/ Actions of the actual savings generated from each energy saving project.	Medium	Yes	The annual report will be expanded to include further analysis of carbon and financial savings from each energy saving project.	Energy Officer	With effect from Annual Report 2018/19

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Appropriate controls operate to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme.						
5.4	The Energy Supplier should be reminded to use actual meter readings wherever possible.	Low	Yes	Actual readings are submitted monthly to suppliers by the Council. The Energy Supplier does not use the information consistently and regularly. Regular reminders will be sent to the Energy Supplier.	Energy Officer	28/02/2019

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Internal Audit Section

Risk Ratings for Recommendations						
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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.5	Random sampling should be undertaken of the meter readings detailed on the Energy Supplier's Invoice to the actual recorded meter reading submitted to the Energy Section. Any concerns or queries should then be raised with the Energy Supplier.	Medium	Yes	Procedure to be developed and adopted	Energy Officer / Energy Technician	31/03/2019
5.6	The Energy Manual should be updated to include procedures for ensuring the regular checking and submission of energy consumption meter readings.	Low	Yes	Procedure to be developed and adopted	Energy Officer / Energy Technician	31/03/2019

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Internal Audit Section

Risk Ratings for Recommendations						
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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.7	Consideration should be given to undertaking regular reconciliations between expenditure recorded within Team Sigma system to information supplied to FMS.	Medium	Yes	Monthly reconciliations between expenditure recorded within Team Sigma system to information supplied to FMS will be carried out.	Energy Officer / Energy Technician	31/03/2019
5.8	Consideration should be given to exploring the variance analysis functions within Team Sigma, as this may provide some additional management information of areas for further investigation or identify anomalies in energy consumption.	Low	Yes	A study with report will be undertaken to consider the analysis functions within Team Sigma.	Energy Officer / Energy Technician	31/03/2019