

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Audit and Governance Committee</b>	
<b>DATE OF DECISION</b>	<b>20 July 2023</b>	
<b>REPORT TITLE:</b>	<b>2018/19 Energy Recharges Recommendation Progress Report</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West, Corporate Director of Resources and S151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Lesley Shields, Head of Finance (Assistant Chief Executive and Resources)</b> <a href="mailto:Lesley.shields@croydon.gov.uk">Lesley.shields@croydon.gov.uk</a>	
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>	
<b>KEY DECISION?</b> [Insert Ref. Number if a Key Decision]	<b>No</b>	REASON: N/A
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	Public
<b>WARDS AFFECTED:</b>	<b>N/A</b>	

## 1. SUMMARY OF REPORT

1.1 This report gives an update on the response to the recommendations in the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019.

## 2. RECOMMENDATION

2.1 The Audit and Governance Committee is asked to:

- Note the actions taken to date to address the recommendations of the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019

## 3. REASONS FOR RECOMMENDATION

3.1 Officers have been asked to provide an update on the recommendations of the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019.

## **4. BACKGROUND**

**4.1** As part of the agreed internal audit plan for 2018/19, an audit was carried out by Mazars in June 2019.

**4.2** The overall internal audit objective was to provide an independent opinion on the adequacy and effectiveness of controls/processes around energy recharges.

**4.3** The audit for each control/process being considered provided:

- A walkthrough of the processes considered to be key controls,
- Sample testing of the identified key controls, and
- Reported on those accordingly.

**4.4** The audit included the following areas:

- Organisational, Management and Legislative Requirements
- Receipt of Monthly Energy Bills
- Energy Meter Readings
- Recharges
- Budgetary Control
- Management Reporting

**4.5** The final audit report concluded that there was “No Assurance” at the time, with seven recommendations for improvement including two Priority 1 issues and five Priority 2.

## **5. RESPONSE TO THE AUDIT REPORT**

**5.1** A joint exercise by the Investments and Assets department and the Finance Team has taken place over the last 12 months to address the issues in the above report.

**5.2** Various initiatives have taken place to improve the position and address the recommendations, including:

- The requirement for recharging third parties for utility costs was first significantly reduced via new contracts in place from May 2019. Where schools wished to continue purchasing via the council’s corporate contracts, suppliers were required to invoice the schools directly, with the schools being

responsible for payment. There is still work to be carried out on the transfer of water contracts to schools. Transfer of accounts in this area has been problematic.

- The current utility contracts (which commenced 01/02/21) removed third parties from the council supply portfolios. The only exceptions are where the council is obliged to procure utilities via PFI agreements. This only applies to one academy school (Shirley Oasis), street lighting and three care home sites.
- The operating model of the internal Energy Team has been redesigned. The processing and validation of all utility invoices will be outsourced to a bureau service. The provider will be responsible for checking all utility billing and uploading them to a web-based database. They will also be responsible for resolving billing errors with suppliers. The reduced internal team will focus on reporting, analysis and making recommendations for consumption reduction. The bureau provider has been procured and the new service will be in operation by September 2023.
- A dedicated officer has been employed short-term in Finance since March 2023 to review and recover, where appropriate, the outstanding schools' utility debts from 2016-17 to 2019-20. The cost of this agency role has already been successfully funded through previously written off debt being recovered. From April 2019 the majority of schools opted to participate in new energy supply contracts that enabled them to be billed directly.
- The review of unbilled utility debt has commenced.
- Improved closing processes at year end 2022-23.
- Review of all utilities recharging commenced in June 2023 and will include identifying ways of reporting and recharging, where appropriate, the full cost of utilities by building and external users.
- Review of resources and procedures needed to move this service to an internal audit rating of "Substantial Assurance" will begin imminently. This will be led by the Senior Estates Manager.

## **6. FINANCE IMPLICATIONS**

- Improvements in energy recharges (including more accurate billing and improved debt collection) are reducing cost, increasing income and/or reducing debt.
- The cost of the extra short-term officer in the finance team is being funded through increased income and the reduction in the bad debt (loss allowance) provision requirement.
- Comments approved by Allister Bannin, Director of Finance (Date: 10/07/2023)

## **6.2 LEGAL IMPLICATIONS**

- There are no direct legal implications arising from the contents of the recommendations in this report
- Comments approved by; Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 10/07/2023)

## **6.3 HUMAN RESOURCES IMPLICATIONS**

- There are no immediate HR implications arising from the content of this report.
- Comments approved by Gillian Bevan, Head of HR Resources and Assistant Chief Executives Directorates on behalf of the Chief People Officer (10/07/2023)

## **6.4 EQUALITIES IMPLICATIONS**

- There are no direct equality considerations arising from this report. However, as a Public Sector Authority we will be required to promote the Public Sector Equality Duties (PSED) as detailed below.
  - (i) Eliminate unlawful discrimination, harassment and victimisation.
  - (ii) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (iii) Foster or encourage good relations between people who share a protected characteristic and those who do not.
- Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- This report is exempt from an EQIA as it does not affect service delivery and is not a key decision item.

Comments were approved by John Mukungunugwa, Interim Senior Equality Officer on behalf of Denise McCausland, Equalities Programme Manager. Date: 10/07/2023

## **7. APPENDICES**

7.1 None

## **8. BACKGROUND DOCUMENTS**

8.1 None