



Hinckley & Bosworth Borough Council: Internal Audit Final Report Recording of Electric and Gas Usage (02.2023/24)

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This report (“Report”) was prepared by Forvis Mazars LLP at the request of Hinckley & Bosworth Borough Council (‘the Council’) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Your One Page Summary

Audit Objective: to provide assurance on the adequacy and effectiveness of the key controls in place in relation to the monitoring and use of electric and gas usage data.

Audit rationale

Why the Audit is in Your 2023/24 Plan

At the request of the S151 Officer, an audit will be carried out to review the controls in place to ensure the accurate recording of electric and gas usage.

Your Strategic Risk

S.58 Balanced MTFs, and S.55 Climate Emergency.

Your Strategic / Tactical Objective

Work towards a greener borough.

Summary of our opinion

Moderate Opinion
See Appendix A1 for definitions



Summary of Recommendations

High Priority	-	Actions agreed by you	100%
Medium Priority	4	High Priority completion	N/A
Low Priority	-	Overall completion	March 2025

Summary of findings

Examples of good practice

- ✓ Budget Monitoring Reports are circulated to Budget-holders on a monthly basis, outlining actual and budgeted expenditure by cost code including utility expenditure.
- ✓ The Council forecasts utility budgets by using actual utility costs incurred for particular sites, alongside assumptions received by utility providers.

Highest Priority Findings

- Inconsistencies between council records of buildings maintained.
- Meter readings are not regularly and consistently uploaded to the central tracking log.
- A lack of ongoing monitoring and reporting of CO2 emissions.
- Inaccurate Reporting of CO2 Emissions.

Key root causes

- Separate staff members compiling Council records of buildings maintained.
- No guidance in place to define staff roles and responsibilities.
- A lack of a formal approach to ongoing monitoring.
- A lack of automation in calculating CO2 emissions

01 Summary Action Plan

Below is a high-level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Responsible Person	Due Date
1	The Council should investigate the differences between the list of all Council buildings, and the 'Utilities Meter Readings Data Log, to ensure it is recording electric and gas usage for all sites it is responsible for. Where it is not responsible for collecting such data, this should be clearly noted within the records.	Medium	Ilyas Bham Accountancy manager	31 March 2025
2	<ol style="list-style-type: none"> 1. The Council should produce a 'Recording of Electric and Gas Usage' guidance document, clearly outlining the role and responsibility of Service Managers to input regular meter reading data each month. 2. This should be shared with all managers who have responsibility for updating the log. 3. Where a reading is not required, this should be clearly noted on the Log. 4. An officer should be given oversight responsibility to monitor the log to ensure that readings are provided each month. Where readings are not provided, reminders should be issued. 	Medium	Ilyas Bham Accountancy manager	31 March 2025
3	As planned, collation and calculation of CO2 emissions should be conducted by the Council and circulated to relevant forums on a quarterly basis. This will ensure the Council maintains sufficient oversight of its CO2 emissions, enabling it to take timely action where necessary.	Medium	Ilyas Bham Accountancy manager Rosemary Leach Environmental Services Manager	31 March 2025

4	<ol style="list-style-type: none"> 1. The CO2 emissions data should be recalculated to ensure it is accurately reported. 2. A secondary officer should review and verify calculations for CO2 emissions to confirm figures calculated are accurate, before they are reported to governance forums accordingly. Working papers should be signed and dated by both officers completing / reviewing. 3. The Council should implement preset formula within working papers to ensure that calculations are accurate and consistent. 4. The Council should define how electric and gas meter readings should be reported to ensure that readings are input in a consistent format. This should be included in the Recording of Electric and Gas Usage' guidance (Recommendation 2). 	Medium	Ilyas Bham Accountancy manager	31 March 2025
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02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

Value for Money



Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area. The Council has delegated responsibility to respective Service Managers to ensure meter readings are uploaded to the 'Utilities Meter

Reading Data Log' on a monthly basis for their respective site.

Whilst this collaborative approach ensures the Council is collecting meter reading data there is no central oversight. Where meter readings are not uploaded monthly, there is a risk that inaccurate bills are paid by the Council.

Meter reading data is forwarded to utility providers by the Finance Team, to enable invoices to be produced accurately, based on actual Council consumption. Where actual usage data is not provided, estimated invoices are produced by providers which may not constitute good value for money.

Ourt testing highlighted that there are 16 sites (20% of all the Councils buildings) where meter readings data is not being recorded, and 29 sites (39% of the sites with meter reading data is recorded) where meter readings are not being provided on a monthly basis, as required. As such, we have raised a recommendation to address this detailed further in Section 03.

Sector Comparison

We have taken the findings from this audit and compared them to findings from other similar audits carried out at Local Authority clients. Over the course of the audit, we noted:



The Council calculates CO2 emissions through a manual process, where the Carbon Reduction and Climate Change Officer must meticulously review the 'Utilities Meter Reading Data Log' to calculate annual electric and gas consumption.

We note that best practice with respect to recording and calculating emissions is through automating such processes, as this will reduce the likelihood of miscalculations, ensuring figures reported to governance forums are accurate.

The Council should consider potentially developing an interactive working paper that will automatically calculate electric and gas consumption. Automated processes combined with sufficient review and verification may significantly save time and resources for the Council, allowing it to allocate staff resource more efficiently. A cost benefit analysis of any proposed change will be necessary.

03 Detailed Action Plan

We have identified areas where there is scope to improve the control environment. Our detailed findings are provided below. Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

1. Inconsistencies between council records of buildings maintained	
Finding(s) and Risk	Recommendation(s)
<p>The Council maintains a 'Utilities Meter Readings Data Log' on the intranet, which is used to record electricity and gas consumption for Council buildings. Buildings are split into eight areas, where service managers are responsible for uploading meter reading data monthly.</p> <p>We sought to verify that the Log contains all buildings that the Council is responsible for collecting meter reading data from, by cross-referencing buildings to a separate record which notes the meter number for all Council buildings maintained (Meter Reading Record for Council Buildings).</p> <p>We performed data analytics on the two separate records in attempts to match the meter number for each site, and noted the following exceptions:</p> <ul style="list-style-type: none"> - 18/81 sites where we were unable to verify electric meter numbers between the two records (located on meter reading record for Council buildings but not located on 'Utilities Meter Readings Data Log'); and, - 9/24 sites where we were unable to verify gas meter numbers between the two records (located on meter reading record for Council buildings but not located on 'Utilities Meter Readings Data Log'). <p>Explanations were provided by management on the reasons for the exceptions. Examples of these included the meter references being recorded inaccurately in error, meter readings being required but has not been added to the Log, and buildings being included on the list for which the Council is no longer responsible.</p> <p>Risk and Impact: Monitoring of electric and gas usage is inaccurate due to an incomplete record of all Council meters; therefore, increasing the risk that budgets are set inaccurately and CO2 emissions are calculated incorrectly.</p>	<p>The Council should investigate the differences between the list of all Council buildings, and the 'Utilities Meter Readings Data Log, to ensure it is recording electric and gas usage for all sites it is responsible for. Where it is not responsible for collecting such data, this should be clearly noted within the records.</p>
	Root Cause(s)
	<p>Separate staff members compiling Council records of buildings maintained.</p>
Management Comments / Agreed Actions	

Agreed.

Responsible Person	Ilyas Bham, Accountancy manager	Action Due Date	31 March 2025
		Priority Level	Medium

2. Meter readings are not regularly and consistently uploaded

Finding(s) and Risk

The 'Utility Meter Readings Data Log' records electricity and gas consumption for Council buildings. Service Managers are responsible for inputting electric and gas meter readings each month for the sites they are responsible for. Whilst the Finance Officer is responsible for the overall upkeep of the Log, individual Service Managers are responsible for ensuring meter readings are uploaded to the Log each month.

Meter readings are forwarded to relevant utility providers by the Finance Team to ensure accurate bills are produced for the Council. Where readings are not forwarded to providers, an estimated bill is instead produced.

We reviewed the Log to confirm the date of the most recent meter reading for each site, and noted the following exceptions:

- 16/91 sites did not have any meter reading history at all. Four of the 16 did not note a meter reading number.
- Of the 75 sites that did have a meter reading populated, 29 sites did not have a meter reading populated within the last 30 days; and,
- Of the 29 sites that did not have a meter reading within the last 30 days, three sites did not have a meter reading populated within the last 60 days.

Explanations were provided by management on the reasons for the exceptions. Examples of these included buildings where payment was the responsibility of third parties, where there is a smart meter so a reading is not required, and buildings that the Council should be receiving readings for, which had been missed in error.

Risk and Impact: Due to the Council not uploading actual meter readings, utility providers will be required to issue estimated invoices. This could result in inaccurate bills being paid by the Council which may not be good value for money.

Recommendation(s)

1. The Council should produce a 'Recording of Electric and Gas Usage' guidance document, clearly outlining the role and responsibility of Service Managers to input regular meter reading data each month.
2. This should be shared with all managers who have responsibility for updating the log.
3. Where a reading is not required, this should be clearly noted on the Log.
4. An officer should be given oversight responsibility to monitor the log to ensure that readings are provided each month. Where readings are not provided, reminders should be issued.

Root Cause(s)

No guidance in place to define staff roles and responsibilities.

Management Comments / Agreed Actions

Agreed.

Responsible Person	Ilyas Bham, Accountancy manager	Action Due Date	31 March 2025
		Priority Level	Medium

3. A lack of ongoing monitoring and reporting of CO2 emissions

Finding(s) and Risk

The Council has a 2024-28 Climate Change Strategy in place, which identifies six themes the Council aims to deliver on. To track delivery of the strategy aims, a Climate Change Action Plan has been devised and includes multiple goals relating to reducing Council-wide CO2 emissions. One goal specifically relates to the ongoing monitoring and reporting of the Council’s carbon footprint.

The Council CO2 emissions are not monitored on an ongoing basis.

The Carbon Reduction and Climate Change Officer has used the ‘Utilities Meter Reading Data Log’ in order to calculate CO2 emissions produced by the Council for financial years 2020/21 and 2021/22. We were provided with the report which will be circulated to the Council Senior Leadership Team (SLT) and the Officer Climate Change Group, however it was noted that these have not yet been reported at the time of the audit.

We were informed that the Council plan to monitor emissions on a quarterly basis from June 2024, however this was not taking place at the time of the audit.

Risk and Impact: Council CO2 emissions are not reported on a frequent basis, leading to the Council unaware of their position to meet goals within the Climate Change Strategy.

Recommendation(s)

As planned, collation and calculation of CO2 emissions should be conducted by the Council and circulated to relevant forums on a quarterly basis. This will ensure the Council maintains sufficient oversight of its CO2 emissions, enabling it to take timely action where necessary.

Root Cause(s)

A lack of a formal approach to ongoing monitoring.

Management Comments / Agreed Actions

Agreed.

Responsible Person	Ilyas Bham, Accountancy manager	Action Due Date	25 March 2025
	Rosemary Leach, Environmental Services Manager	Priority Level	Medium

4. Inaccurate Reporting of CO2 Emissions

Finding(s) and Risk

The Carbon Reduction and Climate Change Officer has calculated the electric and gas usage for each Council building for financial years 2020/21 and 2021/22 and produced to report to be presented to Council and SLT. Total consumption for all buildings has been combined and converted into CO2 emissions using a government CO2 factor¹.

We were provided with the working papers for the report and sought to re-calculate the reported figures. We noted the following exceptions:

- Figures for electric and gas CO2 emissions were inflated for the financial year 2020/21. This was due to miscalculations when aggregating figures into annual consumption and the use of an incorrect electric CO2 factor; and,
- Figures for electric CO2 emissions were inflated for the financial year 2021/22. This was also due to miscalculations when aggregating figures into annual consumption.

We noted that the formula used to calculate the total consumption within the spreadsheet had been input inaccurately, which has led to incorrect calculations.

Further, through review of initial records of electric and gas consumption, we noted, in some instances, that meter readings uploaded to the record were not of a consistent format. This may have had an impact on the Council's calculations of CO2 emissions.

Risk and Impact: CO2 emissions are incorrectly and inconsistently calculated, leading to inaccurate reporting to the Council. Inaccurate information informing decisions within the Council.

Recommendation(s)

5. The CO2 emissions data should be recalculated to ensure it is accurately reported.
6. A secondary officer should review and verify calculations for CO2 emissions to confirm figures calculated are accurate, before they are reported to governance forums accordingly. Working papers should be signed and dated by both officers completing / reviewing.
7. The Council should implement preset formula within working papers to ensure that calculations are accurate and consistent.
8. The Council should define how electric and gas meter readings should be reported to ensure that readings are input in a consistent format. This should be included in the Recording of Electric and Gas Usage' guidance (Recommendation 2).

Root Cause(s)

A lack of automation in calculating CO2 emissions.

Management Comments / Agreed Actions

¹ [Government conversion factors for company reporting of greenhouse gas emissions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/conversion-factors-for-company-reporting-of-greenhouse-gas-emissions)

Agreed.

Responsible Person	Ilyas Bham, Accountancy manager	Action Due Date	31 March 2025
		Priority Level	Medium

A1 Audit Information

Agreed Audit Objective and Scope

The objectives of our audit were to assess whether Hinckley & Bosworth Borough Council has in place adequate and appropriate policies, procedures and controls in relation to Recording of Electric and Gas Usage with a view to providing an opinion on the extent to which risks in this area are managed. The audit considered the following risks relating to the area under review:

- Monitoring of electric and gas usage is inaccurate due to an incomplete record of all Council meters.
- The Council does not have an accurate and up to date record of its energy usage.
- Inaccurate budget setting in relation to energy costs due to not using up to date and accurate meter readings.
- Budgets are inaccurately set due to inappropriate calculations of costs relating to the energy usage.
- Monitoring of CO2 production in relation to the Climate Change Targets is not undertaken.
- CO2 emissions are inconsistently calculated, leading to inaccurate monitoring and reporting.
- CO2 emissions are not being reduced in line with the Climate Change Targets.
- Members and senior management are unaware of the Councils position in relation to the climate emergency due to the lack of a reporting framework.
- Information relating to the Council CO2 production is reported inaccurately.

In considering the above risks, we assessed the following scope areas:

- Recording and monitoring.
- Budget setting.
- Climate emergency.
- Reporting.

Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The work is being carried out by an Internal Auditor. The audit will review the adequacy of the controls in place for the recording and use of the electric and gas usage data from meter readings, however we cannot provide assurance on the accuracy of the energy usage data.

Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

Statement of Responsibility

We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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