

Item: 4.2

Monitoring and Audit Committee: 30 March 2023.

Internal Audit Report: Climate Change Reporting.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the internal audit report on systems and processes used to produce the Climate Change Duties Report and to assess the reliability and accuracy of the information contained within the report.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit on systems and processes used to produce the Climate Change Duties Report and to assess reliability and accuracy of data in the returns.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, on systems and processes used to produce the Climate Change Duties Report and to assess reliability and accuracy of data in the returns.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

The Climate Change (Scotland) Act 2009 introduced legislation which places duties on public bodies relating to climate change. In terms of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 as amended, the Council is required to prepare annual reports on its compliance with climate change duties, including progress in delivering its emissions reduction targets.

3.2.

The Climate Change Duties Report is normally scrutinised by the Policy and Resources in November each year prior to submission to the Scottish Government.

3.3.

The objective of this audit was to review the systems and processes from which information is produced for the Climate Change Duties Report to the Scottish Government and to assess the reliability and accuracy of the information contained within the report.

4. Audit Findings

4.1.

The audit provides substantial assurance that procedures and controls relating to the Climate Change Duties Report are well controlled and managed and that the information provided is reliable and accurate.

4.2.

The internal audit report, attached as Appendix 1 to this report, includes two medium priority recommendations regarding the validation of the data in the report and identifying and managing risks associated with climate change. There is also one low priority recommendation regarding corporate responsibility for compliance with climate change duties.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, extension 2107, email andrew.paterson@orkney.gov.uk.

Barrie Hamill, Internal Auditor, extension 2182, email barrie.hamill@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Climate Change Reporting.



Internal Audit

Audit Report

Climate Change Reporting

Draft issue date: 21 February 2023

Final issue date: 7 March 2023

Distribution list:	<p>Corporate Director for Neighbourhood Services and Infrastructure</p> <p>Corporate Director for Strategy, Performance and Business Solutions</p> <p>Head of Legal and Governance</p> <p>Head of Planning and Community Protection</p> <p>Service Manager - Development and Marine Planning</p> <p>Service Manager - Governance</p>
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The annual reporting of climate change duties is intended to help with compliance, engage leaders and encourage action. Its main aims are to drive continuous improvement, to better inform policy and action, and to demonstrate and share good practice and progress.

Our review identified a number of positive areas in the completion of the report:

- The reporting template was completed very substantially in accordance with the guidance provided.
- There are good procedures in place for capturing the required data. Figures submitted were in accordance with underlying evidence held in source systems and were relevant, complete, consistent, transparent and accurate.
- The report was submitted within the stated deadline.

The report includes 3 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Pentana Risk.

Total	High	Medium	Low
3	0	2	1

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

Part 4 of the Climate Change (Scotland) Act 2009 introduced legislation which places duties on public bodies relating to climate change. These duties require that the Council must, in exercising its functions, act to:

- Contribute to the delivery of emission reduction targets (mitigation).
- Help deliver any statutory climate change adaptation programme (adaptation).
- Do this in a way that it considers most sustainable (acting sustainably).

In December 2020, legislation was strengthened to require public bodies to report on the following:

- A target date for achieving zero direct emissions of greenhouse gases or such other targets that demonstrate how the body is contributing to Scotland achieving its emissions reduction targets.
- Any targets for reducing indirect emissions of greenhouse gases.
- How the Council aligns its spending plans and use of resources to contribute to reducing emissions and delivering its emissions reduction targets.
- How the Council will publish or otherwise make available its progress towards achieving its emissions reduction targets.
- How the Council is contributing to Scotland's Adaptation Programme.

In terms of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 as amended, the Council is required to provide the above information in annual reports from reporting year 2021/22 onwards.

A template for climate reporting is provided by the Scottish Government.

The report for 2021/22 was due for submission to the Scottish Government by 30 November 2022. It was presented to the Policy and Resources Committee on 22 November 2022 for approval prior to submission.

This review was conducted in conformance with the Public Sector Internal Audit Standards.

Audit Scope

The objective of this audit is to review the systems and processes from which information is produced for the Climate Change Duties Report for 2021/22 and to assess the reliability and accuracy of the information contained within the report.

Audit work will include, but not be limited to:

- Obtaining a copy of the completed template sent to the Scottish Government.
- Identifying the sources of information contained in the report.
- Checking that the report is completed in accordance with the relevant guidance.
- Reviewing that the information submitted is in accordance with the underlying evidence held on source systems.

- Assessing the procedures in place for completing, checking and reviewing data prior to submission.
- Checking that the report is submitted within the stated deadline.

Audit Findings

1.0 Report completed in accordance with published guidance

1.1 Guidance relating to the completion of the report was published in July 2022. Each section of the return was checked to confirm that it had been completed in accordance with this guidance. Our review found that the report was completed very substantially in accordance with the guidance provided.

2.0 Review of information submitted

2.1 The report contains a number of sections requesting either written information on governance, adaptation and procurement or the submission of emissions figures. All of these were reviewed.

2.2 Information for the written sections typically comes from relevant officers, policies and committee reports. Our review found that for the sections completed, the information submitted was relevant, reasonable and updated from the previous report where necessary.

2.3 The section on emissions includes data on corporate greenhouse gas emissions (GHG) arising from organisational activities and an update on progress towards targets agreed in the Council's Carbon Management Plan. The guidance mentions five principles of the GHG protocol that should be observed when preparing an annual report. These principles are:

2.3.1 **Relevance** – we found that the emissions being reported reflected the emissions pertinent to the Council.

2.3.2 **Completeness** – apart from one minor source (water supply and treatment) all emissions pertinent to the Council were included.

2.3.3 **Consistency** – emission sources reported and their calculation were consistent with previous years.

2.3.4 **Transparency** – there was a clear audit trail for figures supplied.

2.3.5 **Accuracy** – our review found that there was sufficient evidence for the calculation of the emissions reported to be considered accurate.

2.4 Corporate emissions are categorised as Scope 1, 2 or 3 depending on the nature of the asset/activity. Scope 1 emissions are direct emissions on activities owned or controlled by the Council, Scope 2 emissions are those from purchased energy and Scope 3 emissions are those arising from the procurement of goods and services. All relevant Scope 1 and 2 emissions must be reported along with a recommended list of Scope 3. One error was found in the submitted report regarding Scope allocations; waste emissions, which are Scope 3, were reported as Scope 1, resulting in Scope 1 emissions being overreported by 5%. However, there was no overall effect on the total amount of emissions reported.

3.0 Template validation

3.1 Demonstrating validation is important in order to ensure confidence in the quality of data and information provided in the report. The guidance states that there is no statutory validation requirement and mentions that internal, peer or external validation is acceptable. Organisations should, at a minimum, undertake a robust internal validation exercise when

producing annual reports, including validation of raw data and sources of contributing information. Internal validation may be undertaken by an internal audit team or senior manager.

- 3.2 In the report submitted, scrutiny by the Policy and Resources Committee was cited as internal validation and approval at the General Meeting of the Council as peer validation. These do not meet the validation requirements mentioned above. We have been informed that there was some review by senior management. However, in future we would recommend that Internal Audit are asked to briefly review the return prior to presentation at the Policy and Resources Committee, strengthening the validation process and confidence in the report.

Recommendation 1

4.0 Climate Risks

- 4.1 The Adaptation section of the report relates to assessing, managing, monitoring and reviewing current and future climate risks and vulnerability. The guidance mentions that much of this information will be kept in Corporate and service/departmental risk registers. The Council declared a climate emergency in May 2019 and the draft Council Plan 2023-28 states that “protecting our environment and combating climate change” is a core principle. It also says that ‘underpinning all of our plans is the Council’s commitment to combat climate change’. However, despite this, a review of the current corporate risk register and relevant directorate risk registers reveals that there is no mention of climate change and the word ‘climate’ does not appear in any of them.
- 4.2 Climate change risks should be adequately embedded in corporate and directorate risk registers.

Recommendation 2

5.0 Climate Governance

- 5.1 The guidance mentions that the report should be signed off by someone senior to the Lead Reporter or report co-ordinator, ideally with corporate responsibility for ensuring compliance with climate change duties. This led us to enquire if anyone in the Council had been allocated this responsibility.
- 5.2 The response indicated that neither the Council’s Scheme of Administration nor the Scheme of Delegation to Officers make reference to the Council’s duties under the Climate Change (Scotland Act) 2009. These documents should be updated to reflect these duties and confirm where corporate responsibility for ensuring compliance with climate change duties lies.

Recommendation 3

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1. Internal Audit should be asked to briefly review the return prior to presentation at the Policy and Resources Committee, strengthening the validation process and confidence in the report.	Low	Happy to agree to this recommendation. The timescale for development of the return will be amended to make sure there is time for Internal Audit review before the report is submitted to Policy and Resources	Corporate Director for Neighbourhood Services and Infrastructure	Completed
2. Climate change risks should be adequately embedded in Corporate and Directorate risk registers.	Medium	Corporate and Directorate Risk Registers are reviewed and submitted to Elected Members at the relevant Committee for their consideration. The Corporate Leadership Team and Corporate Directors will take this action forward with their Service Committees, noting that the final decision rests with Elected Members	Corporate Leadership Team	31 October 2023
3. The Council's Scheme of Administration and Scheme of Delegation to Officers should be updated to confirm where corporate responsibility for ensuring compliance with climate change duties lies.	Medium	The Scheme of Administration and Scheme of Delegation to Officers are currently being reviewed and will be updated to include reference to where corporate responsibility sits for ensuring compliance with the Council's climate change duties.	Service Manager (Governance)	31 October 2023

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	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.

Recommendations

Priority	Definition	Action Required
High	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	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.