

Item: 5.2

Monitoring and Audit Committee: 16 November 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 scrutinise:

2.1.

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 in order 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 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 one low priority recommendation regarding the spreadsheet used to collate the data for submission to the Scottish Government. There are no high or medium priority recommendations made as a result of this audit.

4.3.

The Committee is invited to scrutinise 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 Officer

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

9. Appendix

Appendix 1: Internal Audit Report: Climate Change Reporting.



Internal Audit

Audit Report

Climate Change Reporting

Draft issue date: 25 October 2023

Final issue date:

Distribution list:	<p>Corporate Director for Neighbourhood Services and Infrastructure</p> <p>Head of Property, Asset Management & Facilities</p> <p>Head of Planning and Community Protection</p> <p>Service Manager (Development and Marine Planning)</p> <p>Climate Change Strategy Officer</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 in accordance with the guidance provided.
- There are good procedures in place for capturing the required data. Figures submitted were generally in accordance with underlying evidence held in source systems and were relevant, complete, consistent, transparent and accurate.

The report includes one recommendation which has 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
1	0	0	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 adaption 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.

As part of The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020, the Council is required to provide the above in annual reports from reporting year 2021/22 onwards.

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

The report for 2022/23 is due for submission to the Scottish Government by 30 November 2023. It is due to be presented to the Policy and Resources Committee on 28 November 2023 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 was to review the systems and processes from which information is produced for the Climate Change Duties Report for 2022/23 and to assess the reliability and accuracy of the information contained within the report.

Audit work included:

- Obtaining a copy of the completed template to be sent to the Scottish Government
- Identifying the sources of information contained in the report.
- Checking that the report was 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 2023. 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 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 calculations were consistent with previous years.
- 2.3.4 **Transparency** – there was a clear audit trail for figures supplied.
- 2.3.5 **Accuracy** – our review has confirmed that there are robust systems in place to collect the data.
- 2.4 Some minor errors were identified during the audit process, these errors were highlighted and corrected prior to submission of the final return.
- 2.5 The usage figures on the return match those on supporting documentation but there are issues with calculations and emission factors on the separate OIC Emissions Data spreadsheet and there are also related issues with the percentage reduction figure on the spreadsheet.
- 2.6 There is a commitment in the Council Delivery Plan to evaluate the baseline data for the Council’s carbon emissions. The spreadsheet used for calculating emissions data should be reviewed and updated to ensure an accurate and consistent approach to reporting of corporate emissions in line with this commitment.

Recommendation 1

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 This annual validation process has been added to the internal audit plan and the review is carried out prior to the return being presented to the Policy and Resources Committee.

4.0 Conclusion

- 4.1 Audit testing has confirmed that there are substantial systems in place to produce the Climate Change Duties Report and that there is evidence for the calculation of the emissions in the report to be considered accurate. There is scope for improvement to address issues identified in paragraphs 2.4 to 2.6.

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>1 There is a commitment in the Council Delivery Plan to evaluate the baseline data for the Council's carbon emissions. The spreadsheet used for calculating emissions data should be reviewed and updated to ensure an accurate and consistent approach to reporting of corporate emissions in line with this commitment.</p>	<p>Low</p>	<p>The Delivery Plan action regarding baseline data commences in 2023/24 and there is a further completion action in 2024/25. The sections of spreadsheet that compile the underlying activity data along with relevant emission factors, will be updated / corrected ahead of the next Public Bodies Climate Change Duties (PBCCD) report.</p> <p>Further updates however will be required in 2024/25.</p>	<p>Head of Property, Asset Management & facilities</p>	<p>Initial corrections before end of May 2024 (i.e. in time for next years PBCCD report).</p> <p>Further updates will be made in line with the baseline data review completing 2024/25.</p>

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.