Argyll and Bute Council
Internal Audit Report
May 2022
FINAL

Climate Change Act

Audit Opinion: High

	High	Medium	Low	VFM
Number of Findings	0	0	1	3

Contents

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1. Executive Summary

Introduction

1. As part of the 2021/22 internal audit plan, approved by the Audit & Scrutiny Committee in March 2021, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to The Climate Change Act.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Each of Scotland's 32 local authorities signed Scotland's Climate Change Declaration in 2007. As signatories to the Declaration, each local authority is committed to the following actions:

    *   Providing effective leadership, governance and management on climate change;
    *   Reducing the authority's corporate greenhouse gas emissions from its estate, services and functions;
    *   Acting to reduce emissions from the local authority area;
    *   Assessing the risks of climate change impacts and working with others, to adapt to the likely impacts of climate change;
    *   Delivering effective partnership working and climate change communications, including producing an annual statement of plans, activities and achievements.

5. The Climate Change (Scotland) Act 2009 (the Act), introduced legislation to enforce the requirements of the Declaration and Part 4 of the Act, which came into force on 1 January 2011, placing duties on public bodies relating to climate change. These duties require that the Council must, in exercising its functions, act in the best way calculated, 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).

6. In 2011, the Scottish Government produced the "Public Bodies Climate Change Duties: Putting them into Practice - Guidance required by Part 4 of the Climate Change (Scotland) Act 2009" (the guidance) this contains a step by step approach to assist public bodies in thinking about how they mainstream climate change action into their strategic and corporate processes. These steps are:

- **Understand the duties:** understand the broader context to the three parts of the Climate Change Duties;
- **Assess your impact and influence on climate change and how the changing climate impacts on you:** identify your functions and assess your impact and influence on climate change and how the changing climate impacts on your organisation;
- **Take action:** by setting objectives, targets and milestones and embedding climate change in decision making processes;
- **Measure your progress and demonstrate compliance through reporting and evaluation:** based on evidence, continue to evaluate and review your actions to integrate climate change.

7. Addressing climate change is an ongoing process. To reflect this, the above step-by-step process has been developed into a cyclical diagram representing the requirement the Council has to continual evaluation of and building upon its climate change actions.

8. The expected outcomes of the step-by-step process are:

- Climate change action is mainstreamed into the corporate governance of the Council;
- The Council provides a leadership function to private sector, voluntary sector, individuals and households in its approach to climate change.

9. In December 2020 an update to the Scottish Government climate change plan 2018-2032 – 'Securing a green recovery on a path to net zero' 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.

Scope

10. The scope of the audit was to assess extent to which the Council is discharging its climate change duties as required by Climate Change (Scotland) Act as outlined in the Terms of Reference agreed with the Head of Commercial Services on 24 March 2022.

Risks

11. The risks considered throughout the audit were:

- **ORR07:** Failure to reduce carbon footprint

- **Audit Risk 1:** Failure to meet the requirements of the Climate Change (Scotland) Act 2009
- **Audit Risk 2:** Failure to report on the requirements set out in the Scottish Government climate change plan 2018-2032

Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

13. Our overall audit opinion for this audit is that we can take a High level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

Recommendations

14. We have highlighted one low priority recommendation and three value for money considerations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- climate change should be recognised within the Strategic Risk Register
- the Council's branding "Climate Friendly Argyll and Bute" should be displayed prominently on the Council's website
- consideration should be given to renaming the Decarbonisation Plan
- progress towards emissions targets should be displayed on the Council's website

15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	**Link to Risk**	**Assessment**	**Summary Conclusion**
CO1	The Council is contributing to climate change mitigation and to climate change adaptation	ORR07 Audit Risk 1	High	The Council is contributing to climate change mitigation and to climate change adaptation, this commitment is Council wide across departments and services in accordance with their legislative duties and is evidenced as a golden thread running through the Council's vision, mission and priorities and is integrated within multiple

				strategies and plans, and promoted with the branding Climate Friendly Argyll and Bute.
CO2	A delivery plan has been developed which lists the key actions that will deliver the Council's target outcomes	ORR07 Audit Risk 1	High	The Climate Commitments: Argyll and Bute Council's Decarbonisation Plan, Appendix 1 - The Climate Change Action plan, provides details of the 23 key actions that the Council has identified as the best and most sustainable ways, to use its resources to deliver the Council's target outcomes.
CO3	The Council publishes or otherwise makes available details of its progress towards achieving its emissions reduction targets	ORR07; Audit Risk 1 Audit Risk 2	High	Progress towards achieving emissions reduction targets is reported in a number of ways: • quarterly reports from the Climate Change Board to the Policy and Resources Committee • annually via the Public Bodies Annual Reports (statutory reporting) • on the Council's website and press releases
CO4	There are appropriate monitoring and evaluation arrangements in place to ensure the Council evidences compliance with its statutory reporting duties	Audit Risk 2	High	Compliance with statutory reporting duties is coordinated and reviewed through the Council's Climate Change Board (CCB) as a standing agenda item. The CCB provide reports to the Policy and Resources Committee on a quarterly basis.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council is contributing to climate change mitigation and to climate change adaptation

18. The Council is contributing to climate change mitigation and to climate change adaptation, this commitment is Council wide across departments and services in accordance with their legislative duties.

19. Climate change mitigation, adaptation, and sustainability is built into the Council's overarching vision, mission and priorities which are supported by its corporate and business outcomes. It is integrated within multiple strategies and plans, which provide direction for the use of resources, and promoted with the branding.

20. In response to the escalating global situation the Council declared a climate change emergency at a full Council meeting on 30 September 2021, reaffirming that the vital actions to mitigate and adapt to the impacts of climate change will continue to be a priority for the Council.

21. Climate Change mitigation is reflected in Commercial Service, Service Plan 2020-2023, which lists failure to reduce carbon footprint as a risk with key actions and use of resources to mitigate the risk. However despite the Council declaring a climate change emergency, climate change and meeting the emissions targets is not recognised within the Strategic Risk Register.

Action Plan 1

22. Climate Change adaptation is reflected in the Roads and Infrastructure Service Plan 2020-2023 which highlights the need to proactively protect our communities from the risk of flooding and the effects of climate change. The Council's Local Flood Risk Management Plan contains details how the Council will prepare, adapt and invest in infrastructure to provide resilience to communities facing for additional flooding, storm events, sea level rises and service disruption.

23. Climate Change is taken forward by each department and service in accordance with their legislative duties. Activity is overseen by the Climate Change Board (CCB), which was establish in 2017. The Board is made up of representatives from all Council services and the Health and Social Care Partnership (HSCP) and meets six weekly with the following remit:

   - to oversee climate change activities within the Council ensuring compliance with statutory and regulatory requirements;
   - to co-ordinate the preparation of the Council's Annual Report on Climate Change in accordance with required timescales;
   - to review and oversee the implementation of the Decarbonisation Plan;
   - to oversee and provide a focus for reporting of actions which services are responsible for;
   - to report and review the financial implications associated with the delivery of the Decarbonisation Plan;
   - to determine responsibility for delivery of actions within the Climate Change Action Plan including thematic pan service activities.

24. Within the Council's website there is a Climate Change webpage which introduces the Council's branding and logo for climate change action – "Climate Friendly Argyll and Bute". The webpage provides insight into actions the Council is taking to develop sustainable ways of working and living. The aim of the branding is to promote the Councils climate change commitments and underpin the messages detailed in the Decarbonisation Plan (The Plan). The Climate Friendly Argyll and Bute branding and logo do not appear on the main website landing page.

Action Plan 2

25. The Council's sustainable development page on the website publishes further examples of actions the Council is taking to develop sustainable ways of working and living, including:

   - advice for communities looking to develop their own renewable energy projects – Community Renewable Opportunity Portal;
   - maximising the benefits of renewable energy developments planned for Argyll;

- developing walking and cycling routes;
- kerbside and community recycling;
- 99 schools and nurseries across Argyll and Bute (both Council and other providers) are registered with eco-schools and 47 have green flag status.

26. The Council, through the various strategies and plans it has put in place, is directing the use of its resources and aligning spending plans to contribute to reducing emissions and delivering its emissions reduction targets, including taking steps to act sustainably.

27. The Scottish Government's Procurement Directorate has developed a set of seven priorities that they believe all public procurement leaders should adopt and aspire to. The Council adopted these into its Procurement Strategy and Sustainable Procurement Policy 2022-25. The Sustainable Procurement Strategy sets out the direction of the Council and builds on existing sustainability practice.

28. The Council is working with partners to adapt to the likely impacts of climate change, including The Argyll and Bute Renewable Energy Alliance (ABRA), Argyll and the Isles Coast and Countryside Trust (ACT). The Council has also signed up to the Household Recycling Charter.

29. The Council is a member of the Community Planning Partnership (CPP) cross cutting thematic group on Climate Change. This group has developed a Climate Change Action signposting page hosted on the Council website. This provides links to websites that highlight what partners, agencies, community groups and individuals are doing across Argyll and Bute to support the fight against climate change. Supporting and highlighting climate change is a key cross cutting theme for the Community Planning Partnership. The group is currently exploring the resourcing and development of a Climate Change Strategy.

30. The Council is a member of the Sustainable Scotland Network, who in their Sustainable Scotland Network Analysis Report 20-21 recognised the Councils' collaborative working *"Argyll and Bute Council, amongst many others, has been actively investigating partnership working and shared opportunities in relation to carbon management initiatives and best practice with public, private and third sector organisations. This will be of particular importance in relation to the Scottish Government's commitment to decarbonise heat/utilise district heating".*

A delivery plan has been developed which lists the key actions that will deliver the Council's target outcomes

31. The Climate Commitments: Argyll and Bute Council's Decarbonisation Plan, (the Decarbonisation Plan) is the Council's overarching document which not only seeks to highlight work undertaken by the Council and promote planned activities but also to act as a route map for the Council's journey towards net zero. The Plan identifies the main sources of emissions and highlights some of the impacts of climate change in the area. The Plan aims to start a long term climate wise investment in combating the sources of climate change and to prepare for the inevitable impacts of adverse weather and rising sea levels.

32. Recognising the main sources of emissions the Council has set out an action plan to decarbonise activities from 2021 onwards to improve overall sustainability. The Climate Change Action plan,

set out within the Decarbonisation Plan details 23 key actions. The actions have been grouped into 6 themes:

- **Waste**: tackle waste in the most sustainable way;
- **Energy and water consumption**: reduce resource consumption in buildings, particularly fossil fuels;
- **Transport**: reducing the need to travel and ways we work by using technology, including changing to more environmentally friendly vehicles;
- **Prepare and adapt for impacts of climate change**: plan and invest in infrastructure and resilience that will be ready for additional flooding, storm events, sea level rises and service disruption;
- **Offset our emissions through partnership and innovation**: work with partners to explore opportunities for carbon capture;
- **Tell you about it and encourage community to do their bit #climatefriendlyABC**: use social media and communication outlets to promote, highlight and encourage activities of the Plan and environmental sustainability.

33. The Decarbonisation Plan has been published on the Council website, on both the Climate Change page and the Sustainable Development and Climate Change page.

Action Plan 3

The Council publishes or otherwise makes available details of its progress towards achieving its emissions reduction targets

34. The Council has the ambition of becoming the UK's first net zero region and has set targets for achieving net zero emissions. These are, to achieve 75% carbon reduction by 2030 and to achieve net zero emissions before 2045. These targets have been published within the Decarbonisation Plan, however only the overarching target to achieve net zero by 2045 is displayed on the Council's Climate Change page of the website along with details of some of the activities that are being undertaken and progress towards targets.

Action Plan 4

There are appropriate monitoring and evaluation arrangements in place to ensure the Council evidences compliance with its statutory reporting duties

35. The Councils Policy and Resources Committee provides oversight and scrutiny of climate change action via a standing agenda item for quarterly updates from the Climate Change Board. This includes progress against the actions detailed within the Decarbonisation Action Plan Tracker.

36. The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires public bodies to prepare an annual "Report on Compliance with Climate Change Duties" to provide information on what actions the public body is taking, in exercising its functions, to reduce greenhouse gas emissions, adapt to a changing climate and act sustainably. The report includes information on progress towards meeting climate change targets. Core members of the Climate Change Board undertake validation checks prior to submitting a summarised version of the report to the Policy and Resources Committee for approval. Once approved the Report is submitted to the Sustainable Scotland Network.

37. It is a requirement of the Public Sector Reporting duties that the Council provides a list of the strategies and plans that it has in place which have integrated climate change mitigation, adaptation, sustainability and resilience built into them. For the year 2020/2021 the Council reported 16 strategies and plans, including:

- Waste Strategy
- Woodland and Forestry Strategy
- Strategic Housing Investment Plan
- Renewable Energy Action Plan
- Fleet Strategy
- ICT Strategy

38. Commercial Services report reduction in Council carbon emissions as a Key Performance Indicator against Outcome - Energy, Utility and Carbon Management and linked to the Risk – Impact of climate change events upon Argyll and Bute, continued pressure from escalating energy and utility costs.

39. The Council has well established systems and processes in place to monitor the use of resources, which include spend, staff, materials etc. across each department and service which are reported against business and corporate outcomes.

40. The Council has taken steps to mainstream climate change action and climate resilience into its corporate governance. The Council's Committee Report template and the accompanying guidance, has been updated to include Climate Change in the 'Implications' section. This ensures that climate change and climate resilience is considered before the Council makes a decision. All staff were made aware of the change.

41. Research undertaken by CIPFA (Evolving Climate Accountability: A Global Review of Public Sector Environmental Reporting July 2021) recognises that much of environmental information is non-financial in nature and found that the integration of sustainability information into wider reporting was fairly limited as there is no public sector framework for preparing sustainability reports. Minutes of the Climate Change Board confirm that the Council is monitoring this emerging theme.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	1	**Strategic Risk Register** The Council declared a climate change emergency in September 2021, however, climate change and meeting the emissions targets is not recognised within the Strategic Risk Register.	Failure to identify the risks of climate change and identify mitigating actions.	Climate Change emissions targets will be included in the Strategic Risk Register.	Head of Commercial Services 30 September 2022
VFM	2	**Branding** Within the Council website there is a Climate Change webpage which introduces the Council's branding and logo for climate change action – "Climate Friendly Argyll and Bute". However, this is not prominently displayed on the website landing page.	The public may not be aware of the Councils commitment to climate change.	Add branding to website	Senior Communication Officer Communication Officer for Climate Change Board 30 September 2022
VFM	3	**The Decarbonisation Plan** The Decarbonisation Plan covers a wide range of topics and details actions to reduce the impacts of Climate Change. The title does not align with the Council's branding 'Climate Friendly Argyll and Bute'.	Public perception may be that the Plan focusses on emissions only.	Rebranding of De-Carbonisation Plan at next review	Head of Commercial Services 30 December 2024
VFM	4	**Emissions Targets** The Council has the ambition of becoming the UK's first net zero region and has set targets for achieving net zero emissions. The targets have been published within the Decarbonisation Plan, however only the overarching target to achieve net zero by 2045 is displayed on the Council's website.	Public not made aware of the Councils ambition to achieve net zero emissions and progress towards meeting those targets.	Develop and issue communications related to regional net zero ambition as Community Planning Partnership Plans confirmed	Senior Communication Officer Communication Officer for Climate Change Board Head of Commercial Services 30 July 2023

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.