

Internal Audit Report



Internal Audit Report
Housing & Environment Service
Carbon Reduction & Climate Change
18-20
March 2019 (Report No.19/101)

Final Report

Legal and Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
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Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2018/19, which was approved by the Audit Committee on 27th June 2018. Audit testing was carried out in January and February 2019.

The Climate Change (Scotland) Act 2009, set out a long-term target to reduce greenhouse gas emissions by 80% by 2050. The Council has duties under section 44 of this Act to contribute to this target in exercising its functions, by acting:

- in the way best calculated to the delivery of the Act’s emissions reduction targets;
- in the way best calculated to deliver any statutory adaptation¹ programmes; and
- in a way that it considers most sustainable.

Since the introduction of this Act, there have been multiple pieces of secondary legislation enacted. This includes the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 which makes mandatory standardised annual reporting on climate change progress for Local Authorities. This is known as the Public Sector Climate Change Duties Report and is reported to the Sustainable Scotland Network.

Further to the UN Paris Agreement 2015, which has strengthened global climate change ambition, the Scottish Government has taken the opportunity to review targets set out in the 2009 Act and increase the overall greenhouse gas reduction target to 90% by 2050. Alongside the establishment of new targets through the Climate Change Act, the Scottish Government will be introducing a series of associated legislation, plans and programmes which will increase duties and obligations on Local Authorities.

Duties for climate change and carbon² reduction impact on all areas of the Council. For the purposes of this audit, however, the main liaison will be with members of the Strategy and Policy section within Planning and Development.

Scope and Limitations

The audit considered how the Council is organised to deliver emissions reductions; its preparedness for dealing with emerging legislative requirements, alongside

¹ Adaptation can be defined as the adjustment in economic, social or natural systems in response to actual or expected climate change, to limit harmful consequences and exploit beneficial opportunities

² ‘Carbon’ is the broad term used to cover the 7 greenhouse gases which form the basis of the emissions reduction targets set out in the Climate Change Scotland Act

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seeking assurance regarding current mandatory reporting arrangements through the Public Sector Climate Duties Report.

The audit consisted of a review of documentation and interviews with Officers.

The audit did not seek to review how the Council is responding to current climate change responsibilities surrounding adaptation. This may be subject to future audit activity.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that the Council has an awareness of current and emerging climate change responsibilities in regards to emissions reductions, and has appropriate arrangements in place to assist in deliverance of these

Internal Audit Comments:

The Service has demonstrated that they have an awareness of current and emergent climate change legislation and associated emissions reductions responsibilities. There is evidence that the Service has analysed Scottish Government consultation activity, and is continuing to do so, to understand potential additional responsibilities being placed upon local authorities. There has been communication and engagement with Elected Members and the Executive Officer Team regarding this also.

The Council has ongoing programmes and projects which will assist in delivering targets set out in the Climate Change Act (Scotland) 2009. These aspirations, and some of the associated delivery mechanisms, are reflected within the Councils key strategic documents; including the Local Outcome Improvement Plan, Corporate Plan, Service Business Management Improvement Plans and the Local Development Plan.

Since 2016 there has been a Low Carbon Working Group in operation to allow for co-ordination of ideas and information within Housing and Environment. The Service has highlighted however, that further development of arrangements may be beneficial to enhance co-ordination, direction and optimal impact of future activity, alongside ensuring compliance with emerging legislation. This has been reported through the mandatory Public Sector Climate Change Duties reports, to the Executive Officer Team and to the Environment, Enterprise and Infrastructure Committee respectively. At the time of audit review, arrangements are still being developed and some key documents and processes are yet to be defined, however, progress has been made as outlined below.

In April 2018, a 2 year Low Carbon project was approved as part of phase 4 transformation activity (report 18/137 refers). Since then, a cross-Service Low Carbon/Climate Change Board has been set up and a Low Carbon/Climate Change Transition Co-ordinator has been appointed to progress required activity,

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whilst maintaining a watching brief on developing legislation.

Proposals for actions which will further enhance the control environment are reflected within the Low Carbon/Climate Change Board remit and Co-ordinator job description. These include co-ordination of all climate change related programmes and activities; development of an overarching climate change framework and strategy; communications strategy and monitoring process. There remains, however, the need to create a detailed plan outlining key activity, owners and timelines to ensure that these actions are delivered.

The Service has advised that a Climate Change workshop is scheduled for March 2019, involving members of both the Project Board and Low Carbon Working Group. The aim is that output from this will provide initial insights into the barriers and opportunities arising from low carbon transition activities from which more detailed strategies and plans can be developed.

Strength of Internal Controls:

Moderate

Control Objective 2: To ensure that the Council is complying with the mandatory reporting requirements of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015

Internal Audit Comments:

There is evidence that the Council's Public Sector Climate Change Duties (PSCCD) report has been submitted timeously to the Scottish Sustainable Network (SSN) each year since the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 came into force.

There are controls in place to ensure that information is collated, and the report is submitted in a timeous manner. Internal Audit testing revealed, however, that some sections of PSCCD reports submitted did not reflect all activity being undertaken by the Council and contained inconsistencies in some of the figures being reported.

Whilst in previous years there has been no consistent forum for report validation and approval, the Service indicates that this report will now be considered and approved by the newly created Low Carbon/Climate Change Board. Through this, and liaison with the Low Carbon/Climate Change Transition Co-ordinator, it is anticipated that controls in identification and reporting of all relevant information will be enhanced.

The introduction of additional controls may be beneficial, however, to provide clarity around roles and data capture requirements to ensure consistency of reporting. Additionally, the Service may wish to enhance validation processes through collation of information into a centralised evidence pack for review, and the creation of a timeline for report completion which coincides with the timetable of the Low Carbon/Climate Change Board meeting.

Strength of Internal Controls:

Moderate

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of M Cassidy, Low Carbon/Climate Change Transition Co-ordinator, P Marshall, Strategy and Policy Manager and A Harris, Sustainable Development Officer during this audit.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

B Renton, Executive Director, Housing & Environment

K McNamara, Depute Director, Housing & Environment

D Littlejohn, Head of Planning & Development

S Crawford, Head of Property Services

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

P Marshall, Strategy & Policy Manager

G Esson, Sustainability & Policy Research Team Leader

M Cassidy, Low Carbon Transition Co-ordinator

A Harris, Sustainable Development Officer

Committee Services

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Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

J Clark
Chief Internal Auditor
Date: 12 March 2019

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Action Plan	High
2	PSCCD Report Guidance	Medium
3	Validation & Approvals Process	Medium

Appendix 2: Action Plan

Action Point 1 - Action Plan

There is evidence of programmes and projects in place across the Council which will contribute to emissions reductions targets. The Service recognises, however, that further measures would be beneficial and are working towards these. These include:

- Identification and collation of all ongoing and planned activities, policies and strategies relating to climate change and carbon reduction;
- Development of a framework and overarching climate change strategy, incorporating evolving governance, risk management and monitoring processes;
- Communications strategy for raising awareness of climate change to appropriate internal and external stakeholders, including Elected Member engagement; and
- Continued examination of regulation and direction set by the Scottish Government and other appropriate partners and bodies, with reporting to relevant parties as required.

Through this activity it is anticipated that the Council would benefit from enhanced direction, co-ordination and impact of future activity, including accessing appropriate finance and ensuring compliance with emerging legislation.

The Service has yet to define a detailed plan outlining key activities, timelines and owners to progress these aspirations.

Management Action Plan

A Climate Change workshop is taking place on 1st March 2019 and it is anticipated that output from this will provide initial insights into the barriers and opportunities arising from low carbon transition activities.

The workshop data will contribute to the development of a project plan for the development of a high level PKC low carbon transition strategy. To ensure that there is clarity around how each strand of required activity will be progressed, the plan will set target dates and milestones for the strategy development, through which the Low Carbon/Climate Change Board will be able to monitor and assess progress. It must be recognised, however, that both the plan and resulting strategy will be living documents and subject to revision to reflect an evolving legislative landscape.

Key dates at present include plan development progress reporting (June 2019 Board meeting), full plan approval (Sept 2019 Board meeting) followed by development and implementation of strategy goals by the project end in Sept 2020.

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Risk/Importance:	High
Responsible Officer:	P Marshall, Strategy & Policy Manager
Lead Service:	Housing & Environment
Date for Completion (Month / Year):	September 2019
Required Evidence of Completion:	Plan which details activities, timelines and action owners for implementing framework and associated documents Minutes showing approval of this at the appropriate forum

Auditor's Comments

Satisfactory

Action Point 2 - PSCCD Report Guidance

Annually, the Scottish Sustainable Network provides guidance on using their upload platform, report completion and a generic cross-Council feedback report from the previous year. However, this information is not currently shared with Services who are involved in the provision of information for the PSCCD report.

In addition, Internal Audit review highlighted a lack of documented guidance in regards to the compilation of the PSCCD Report within the Council.

There is therefore opportunity for review of approach and consideration of creation of guidance to ensure there is clarity regarding what information is to be captured, excluded, data sources and any verification processes in operation.

Management Action Plan

The compiling officer will meet with Service contacts prior to the next annual submission and guidance will be developed to ensure that there is clarity of roles/information to be included in the Council return and any verification processes in place. Guidance will also specify how any changes required, due to updates through SSN guidance or feedback reports, will be identified and processes amended as necessary.

Risk/Importance:	Medium
Responsible Officer:	A Harris, Sustainable Development Officer
Lead Service:	Housing and Environment
Date for Completion (Month / Year):	September 2019
Required Evidence of Completion:	Guidance for completion of PSCCD reports including timeline and verification systems

Auditor's Comments

Satisfactory

Action Point 3 - Validation & Approvals Process

Information for the PSCCD report is collated centrally by one Officer, barring one section of the report which is completed directly by the Service on the online form. There is, however, currently a lack of evidence which supports appropriate validation of information.

To date, there has also been no set system of governance over where information in this report should be considered / approved prior to submission to ensure that the most accurate and up-to-date information has been captured. The Service noted that this is due to be mitigated by creation of the Low Carbon/Climate Change Board. However, the Service recognises that the 2018 PSCCD report was signed off without consideration of the Board, which was already active at this time, due to timing constraints and absence of scheduled Board meeting dates.

The Service may therefore wish to consider enhancement of validation processes, through collation of information into a centralised evidence pack and creation of a timeline for report completion which coincides with a pre-arranged timetable of Low Carbon/Climate Change Board meetings. This will also provide appropriate information for a system of planned peer validation which has been highlighted through the PSCCD report.

Management Action Plan

a) An initial validation process and timetable for 2019 PSCCD report compilation, and scheduled dates for 2019 Board meetings, will be agreed at the next Low Carbon/Climate Change Board.

b) Further to this, the compiling officer will work with Service contacts throughout 2019 to develop guidance, outlining validation activity, timetabling and evidencing processes. Once complete, this will be submitted for consideration and approval by the Low Carbon/Climate Change Board.

Risk/Importance:	Medium
Responsible Officer:	a) P Marshall, Strategy & Policy Manager b) A Harris, Sustainable Development Officer
Lead Service:	Housing & Environment
Date for Completion (Month / Year):	a) June 2019 b) September 2019
Required Evidence of Completion:	a) Minutes of Low Carbon/Climate Change Board showing approval of 2019 arrangements b) Guidance

Auditor's Comments

Satisfactory

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