



MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT - FINAL

CLIMATE CHANGE AND SUSTAINABILITY
JANUARY 2024

Design Opinion		● Substantial
Design Effectiveness		● Substantial

IDEAS | PEOPLE | TRUST



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BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

REPORT STATUS

Auditors:	Aaron Winter, Director and Chief Audit Executive Andrew Billingham, Audit Manager Ellen Fielding, Assistant Manager
Dates work performed:	November 2023 - December 2023
Draft report issued:	11 December 2023
Final report issued:	3 January 2024

EXECUTIVE SUMMARY

Design Opinion



Substantial

Design Effectiveness



Substantial

Recommendations



SCOPE

BACKGROUND

The Climate Change Act (2008) highlights the UK's aim to become carbon neutral by 2050. The Council declared a Climate Emergency in February 2021 and developed a Climate Action Strategy for 2021-2030.

- ▶ The Council aims to be carbon neutral by 2030 and has developed the following five pledges
 1. Kick the car habit.
 2. Create less waste.
 3. Show nature we care.
 4. Be a Council that leads by example.
 5. Develop a strong policy commitment to Climate Action.
- ▶ The Strategy is supported by a yearly Climate Action Plan which sets out the actions and initiatives to achieve net zero in particular the focused activities to meet each of the five pledges.
- ▶ Officers provide quarterly reports to the Performance, Governance and Audit Committee evidencing how the Council is meeting each of their five pledges. In addition, officers report monthly to the Corporate Leadership Team about the delivery of the Climate Action Plan.

PURPOSE

The audit was performed to provide assurance over the adequacy of Council policies and overall strategies to set, approve and achieve environmental aims as well as steps to identify and reduce the area's carbon footprint and activities to provide a safe and clean environment.

AREAS REVIEWED

We reviewed the Council's Strategy to confirm it clearly sets out the Council's vision, has been approved by Members and that it has been communicated to all staff. We further examined communication with climate change partners.

We reviewed the Climate Action Plan and supporting plans to ensure actions were SMART, assigned to clear owners, regularly reviewed, monitored and scrutinised effectively.

We tested a sample of Committee reports to confirm the impact decisions may have on climate change have been adequately examined.

Furthermore, we reviewed the steps taken to document, action and monitor carbon emissions.



AREAS OF STRENGTH

We have identified the following areas of strength throughout the audit:

- A greener future is one of Maldon's Corporate Objectives. Therefore, an update to the Council's Climate Action Plan goes to the Performance, Governance and Audit Committee every quarter.

- There is an Environmental Health Service Plan which includes a section on climate action. An update to this plan goes to CLT every month and as such this group also have oversight of the Climate Action Plan.
- Through a review of two meeting packs from all committees, we agreed that all applicable reports include a section for impact on the environment, with more recent meetings including this via a section on impact to the corporate objectives.
- The Council's Climate Action Strategy clearly sets out the Council's vision and has been approved by Members and communicated to all staff.
- Climate change partners are regularly communicated with, through various groups and meetings, and the Council have shared their Climate Action Strategy with partners.



AREAS OF CONCERN

We did not find any significant areas of concern throughout our audit.



CONCLUSION

- ▶ We identified a number of areas of good practice such as monitoring of the Climate Action Plan, communication with staff, members and partners in relation to the Climate Action Strategy and climate related updates and the inclusion of impacts on the environment on all applicable committee reports.
- ▶ We have identified three observations, one of which relates to best practice from our benchmarking of the Council's Climate Action Strategy. The other two relate to steps taken to document, action and monitor carbon emissions and the misalignment of the Council's net zero target to Essex County Council's target, both of which are already being actioned by the Council.
- ▶ Overall, we have concluded that there is substantial assurance over the design and operational effectiveness of the controls in place at the Council relating to climate impacts including communication with partners, reporting processes, the Council's Climate Action Strategy and committee decisions, with no formal findings that pose a risk raised and three observations identified for consideration.
- ▶ Please note that the scope of this audit did not cover a review of the progress towards actions in the Council's Climate Action Plan.

OBSERVATIONS

ALIGNMENT OF NET ZERO TARGET WITH ESSEX COUNTY COUNCIL

The Council regularly communicates with Essex County Council (ECC) relating to climate principles. For example, via the Blackwater Partnership and Essex Climate Summit. We also saw evidence that the Council's Corporate Plan and Climate Action Plan was shared with ECC.

However, ECC have pledged to reach net zero by 2050. Due to the Council's reliance on ECC for their highways services, there is a risk that the Council will not reach their target of becoming net zero by 2030 if ECC does not take sufficient climate action by then.

We note that the Climate Action Lead Officer has raised this with the Head of Environment Services who has taken a proposal to amend the Council's target to 2050 to the service Directors.

As work is in progress to mitigate the examined risk, we have not raised a recommendation about this.

CARBON EMISSIONS REPORTING

Although the Council has not yet comprehensively documented all sources of carbon emissions and addressed the findings in action plans, the Council is in the process of identifying the emissions and is working with APSE Energy to document this in a Carbon Baseline Report and Trajectory to Net Zero. We understand through conversations with the Climate Action Lead Officer that ASPE Energy have verbally agreed a target date of 2nd February 2024 for completion of both reports.

An action within the Council's Climate Action Plan states that they will commission a roadmap towards Net Zero by 2030 to allow the Council to identify areas for carbon reduction across the Council estate (existing and future buildings). Therefore, the Council plans to determine how the carbon emissions from each of the sources identified within the Carbon Baseline Report and Trajectory to Net Zero can be measured and monitored where not already done so within the Climate Action Plan.

As work is in progress to mitigate the examined risk, we have not raised a recommendation about this.

BENCHMARKING - CLIMATE STRATEGY

We benchmarked the Council's Climate Action Strategy with the climate strategy from various Council's across our portfolio. The below are areas of good practice and not a necessity but may help the Council on their climate change journey.

The Council's Climate Action Strategy is succinct compared to the strategies across our sample. The document goes into detail of why climate action is being taken, what the objectives are, the approach and the pledges taken by the Council. The action plan being kept as a separate document ensures that the document is not overloaded with large amounts of information.

Like the other Councils, district emissions data and recycling data is presented. However, mapping future targets for emissions and recycling on the same graph can help the user identify the feasibility of those objectives and would be useful to map progress. This is not present in the Council's strategy.

Other Council's strategies included a dedicated section for training need within their staff, which is not present within the Council's strategy, but is within their action plan.

Furthermore, other Council's included carbon savings and costs (including funding opportunities) associated with each climate action to help prioritisation. This could be exact values or RAG rated for high/medium/low cost for example.

We have also seen other Council's strategies include a governance section for transparency of scrutiny and responsibility, which is omitted from the Council's.

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE



KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the potential key risks associated with the area under review are:

1. The Council's Climate Action Strategy does not clearly articulate the Council's climate change commitments and there are no underlying governance arrangements in place to direct the strategy - leading to the Council failing to meet the pledges set out to address the declared climate emergency.
2. Officers fail to regularly liaise with their climate change partners to ensure the Strategy aim of being carbon neutral by 2030 remains achievable and is effectively and efficiently delivered.
3. There are no achievable plans in place to support the Strategy and targets are not well defined, which could impede the successful delivery of the Strategy.
4. Delivery of the Strategy is not effectively monitored by senior management and Members on a regular basis to ensure any issues are addressed in a timely manner and fails to demonstrate robust overall scrutiny.
5. The Council is not aware of all the sources of carbon emissions within its own operations and in the wider district, and the quality of data is not robust, meaning the Council is unable to adequately measure the impact of its actions to tackle climate change.
6. Internal projects and decisions do not consider the impact on the climate which could hinder the Council's objective to be carbon neutral by 2030.



SCOPE & APPROACH

The following areas will be covered as part of this audit. We will:

- ▶ Review the Council's Strategy and confirm it clearly sets out the Council's vision to ensure it is carbon neutral by 2030. We will also confirm whether the Strategy has been approved by Members and that it has been communicated to all staff. (Risk 1)
- ▶ Obtain evidence there is regular communication with the Council's climate change partners, including Essex County Council who are responsible for highways, to confirm targets align. (Risk 2)
- ▶ Review the Strategy Action Plan and any other supporting plans to assess whether the action targets are specific, measurable, achievable, realistic and timebound (SMART), assigned to clear action owners and regularly reviewed. (Risk 3)
- ▶ Examine the reporting process to verify the overall arrangements for monitoring progress of plan implementation are robust and receive scrutiny. (Risk 4)
- ▶ Check whether the Council has taken steps to comprehensively document all sources of carbon emissions and whether its action plans address all identified sources. We will also review the extent to which the Council has determined how the carbon emissions from each of these sources can be measured and monitored. (Risk 5)
- ▶ Test a sample of reports to Committees to confirm the impact decisions may have on climate change have been adequately examined. (Risk 6)

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the audit.

We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

In delivering this review BDO may need to observe and test confidential or personal identifiable data to ascertain the effective operation of controls in place. The organisation shall only provide the Shared Personal Data to BDO using secure methods as agreed between the parties. BDO will utilise the data in line with the Data Protection Act 2018 (DPA 2018), and the UK General Data Protection Regulation (UK GDPR) and shall only share Personal Data on an anonymised basis and only where necessary.

FOR MORE INFORMATION:

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