

## Audit, Standards and Risk Committee

19 October 2022

### National Audit Office Report Summary – Challenging Climate Change Risk

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Is the paper exempt from the press and public?	No
Purpose of this report:	Monitoring/Assurance
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

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#### **Executive Summary**

This paper provides a summary of the NAO Report ‘Climate change risk: A good practice guide for Audit and Risk Assurance Committees’ and proposes options around how the Committee could gain further assurance on the organisations approach to the management of climate change risk.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Effective risk management is a key principle of good governance and decision making, which enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

## Recommendations

Members are asked to note the summary and consider the options for gaining assurance on the effective management of climate change risks including the resilience of the organisation to the threat posed by climate and change and in meeting the challenges of achieving net zero.

## Consideration by any other Board, Committee, Assurance or Advisory Panel

None

## 1. Background

- 1.1 The National Audit Office have produced a good practice guide for Audit and Risk Assurance Committees to help them recognise how climate change risks could manifest themselves. The guide aims to support committees in challenging senior management on their approach to managing such risks.

The SYMCA Audit, Standards and Risk Committee have asked Officers to provide a summary of the report to assist them in providing appropriate challenge.

## 2. Key Issues

- 2.1 **Part One** (pages 4 to 9 of the NAO report)

Part one of the report introduces '*failure to take action against climate change*' as the most concerning global risk in the World Economic Forums 2021 'Global Risk Report' and recognises that climate change risks are not a future concern but are impacting government organisations now and, with this in mind, sets out the importance of considering climate change risk with the same rigour as other strategic risks.

The report distinguishes risks related to the physical effects of climate change on people and the environment, and the risks associated with the effects of the transition to a changing climate and the adaptation and mitigation work required and classifies them as follows:

- Physical risks of climate change
  - Acute
  - Chronic
- Transition risks of climate change
  - Adaptation
  - Mitigation
- Risks specific to government and public sector organisations

Examples of risks indicative to public sector organisations grouped by these classifications are included at appendix A. **NB** The risk management paper (agenda item 15) provides more detail on the Corporate Risk relating to 'Net Zero, Sustainability/Climate Change'

The report also acknowledges that there are a number of opportunities available to businesses and trade from adaptation services, products and trade routes and also

opportunities around the growth of low carbon industries and technologies and de-carbonisation.

## 2.2 **Part Two** (pages 10 to 12 of the NAO report)

Part two of the report sets out the overriding target expectation set by government of achieving net zero by 2050 and provides a helpful summary of the key UK and international legislation driving policies and targets (up to July 2021). The report suggests that constantly evolving policy on climate change can potentially bring about uncertainty to the risk landscape and that monitoring changing legislation can place government organisations in a better position to respond to emerging risks.

## 2.3 **Part Three** (pages 13 to 37 of the NAO report)

Part three of the report outlines how Audit and Risk Assurance Committees can support and challenge management on climate change risk and suggests key lines of enquiry structured against the HM Treasury Orange Book principles of risk management:

- Governance and leadership
- Integration
- Collaboration and best information
- Risk identification and assessment
- Risk treatment
- Risk monitoring
- Risk reporting
- Continual improvement

Further detail on how the NAO have explored the relevance of these themes to climate change risk is provided at appendix B.

## 2.4 **Part Four** (pages 38 of the NAO report)

Part four of the report signposts members to good practice material and to existing reporting guidance for government. This includes 'Accounting for the Effects of Climate Change' which is supplementary guidance to HM Treasury's Green Book. This guidance intended to support analysts and policymakers in making sure that the effects of climate change are taken into account when appraising policies, programmes and projects. This guidance is currently being used by SYMCA's Economic Policy team to inform the development of a tool to assess the contribution that a Business Case would make to the 'greener' pillar of the Strategic Economic Plan. The tool will help applicants consider how their project could be adapted or modified to add value or impact around the net zero agenda.

## 2.5 **Report Appendices**

Appendix One (pages 39 to 45 of the NAO report)	Provides a complete list of questions (102) that committees could ask aligned to the HM Treasury Orange Book principles of risk management
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Appendix Two (pages 46 to 49 of the NAO report)	Sets out the results of the survey undertaken by 42 Audit and Risk Assurance Committee chairs.
Appendix Three (pages 50 and 51 of the NAO report)	Provides a reading list of additional reports on the topic of Net Zero and Climate Change.
Appendix Four (pages 52 to 55 of the NAO report)	Provides suggested challenge questions in a quick reference format.

## 2.6 Proposed Next Steps

- The internal audit report on Net Zero is scheduled to be considered at the next meeting. It is proposed that the Executive Director, Infrastructure and Place and the Net Zero Project Director will attend to speak to both the IA report and the NAO document, and how in the context of both the MCA should move forward.
- The Assurance Framework is schedule on the committee workplan for the January meeting to allow the Committee to input into the annual review. It is proposed that this report provides detail on tool referenced in section 2.4 that will support decision making on environmental considerations on schemes.
- The Committee are asked to consider if a workshop should be arranged to provide visibility over the range of activity invested in by the MCA that supports the Net Zero agenda.

## 3. Consultation on Proposal

3.1 N/A

## 4. Timetable and Accountability for Implementing this Decision

4.1 N/A

## 5. Financial and Procurement Implications and Advice

5.1 There are no financial or procurement implications directly associated with this paper.

## 6. Legal Implications and Advice

6.1 There are no legal implications directly associated with this paper.

## 7. Human Resources Implications and Advice

7.1 There are no human resource implications directly associated with this paper.

## 8. Equality and Diversity Implications and Advice

8.1 There are no equality and diversity implications related to this report.

## **9. Climate Change Implications and Advice**

9.1 This paper summarises the NAO Report on climate change risk.

## **10. Information and Communication Technology Implications and Advice**

10.1 There are no information and communication technology implications related to this report.

## **11. Communications and Marketing Implications and Advice**

11.1 There are no communications or marketing implications related to this report.

### **List of Appendices Included**

A None

### **Background Papers**

<https://www.nao.org.uk/insights/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>