

Auditing climate change

Our strategy



 AUDIT SCOTLAND

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Contents

Introduction	3
Our role and approach	4
Our audit work	6

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Introduction

Background

1. In 2019, Scotland became one of the first nations in the world to declare a climate emergency. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 includes a legally binding target for Scotland to become net zero by 2045, five years earlier than the UK. The public sector in Scotland has a key role to play in contributing towards the achievement of net zero emissions and supporting activity to build resilience to the impacts of climate change.

2. The Intergovernmental Panel on Climate Change has warned that the world is fast approaching the 1.5°C of warming threshold that we must not pass if we are to avoid the worst impacts of climate change. The UN Secretary-General declared it a 'code red for humanity' and warned that urgent action is required to place the world on the right trajectory. Urgent action is also required to adapt to the impacts of climate change that are now unavoidable. Every country has a part to play.

3. Climate change is an area of significant public interest that directly impacts people's lives. It spans most areas of public policy and huge amounts of public money will be invested in activity to tackle climate change. Responding to a challenge as complex as climate change requires a whole-systems approach and effective collaboration across public bodies. Climate change considerations need to be central to public bodies' decision-making and financial planning.

Our strategy

4. This strategy sets out Audit Scotland's role and approach to auditing climate change and how we consider climate change in our audit work at a national and local level. We first published a strategy on auditing climate change in December 2022 and committed to review it on an annual basis.

5. We are continually learning from our experiences of auditing climate change, and wider external developments, and refining our approach. We have updated this strategy to reflect our current approach and set out more clearly where public audit can add most value. We will continue to keep the strategy under review and update it as necessary, so that it continues to reflect our ambitions and approach.

Our role and approach

Audit Scotland's role

6. Climate change is an audit priority for both the Auditor General for Scotland and the Accounts Commission. Independent public audit has an important role to play in assuring people about how the Scottish public sector is responding to the climate emergency and how public money is being used to help achieve Scotland's climate change ambitions.

7. Our aim is to hold public bodies to account and help drive change and improvement in how they are working together and targeting resources to reduce emissions and build resilience to climate change. This includes:

- holding audited bodies to account for their actions and spend on climate change and offering constructive challenge
- holding audited bodies to account for climate-related disclosures in their annual accounts
- identifying and sharing learning, including good practice and areas for improvement.

8. Climate change is a complex cross-cutting issue and Audit Scotland is uniquely placed to examine activity across the Scottish public sector. We use public audit to consider issues including:

- leadership, governance and collaboration
- risk management and accountability
- financial planning, alignment of spend across policy areas, and value for money
- implementation of plans and strategies, and monitoring and reporting on progress.

9. In line with our remit, Audit Scotland does not have a role in providing advice on Scottish Government or public bodies' climate change policies. Our remit does not include reporting on emissions levels in Scotland, the public sector, or individual public bodies.

10. Our role will continue to evolve to ensure that we maintain pace with the fast-moving climate change context, including aligning with future updates to accounting and auditing standards.

Our approach

11. We work inclusively and regularly engage with stakeholders in Scotland and colleagues in other auditing bodies in the UK as we develop and deliver our programme of work. We draw on the expertise of others and use existing tools and evidence wherever possible. We aim to complement and add value to the work of other public bodies and parliamentary committees. We identify opportunities to collaborate with other interested parties where appropriate.

12. We continue to refine our audit methodology and approach in response to our learning and external developments, such as new legislation or standards. We have established an internal working group to coordinate activity across Audit Scotland with the aim of ensuring:

- we focus our audit work on climate change on the areas where we can uniquely add the greatest value
- we are aware of developments in auditing standards and ensure that auditors comply with any future statutory obligations
- our auditors have the knowledge and skills required to undertake work on climate change.

13. Learning from others and sharing learning is integral to the development of our audit approach. We are supporting our colleagues by developing tools, guidance and training on auditing climate change. We liaise with audit firms to benefit from their experience of auditing climate change in the private sector. We also participate in internal and external networks, to help identify, share and promote good practice and learning.

Our audit work

Audit work and reporting at a national level

14. We undertake performance audits that focus specifically on public sector action and spend on climate change. Our work focuses on issues including:

- Arrangements to support public bodies' response to climate change – for example, reports on [How the Scottish Government is set up to deliver climate change goals](#) and [Scotland's councils' approach to addressing climate change](#).
- Implementation of policies and strategies to reduce emissions – for example, audits on [Decarbonising heat in homes](#) and [Sustainable transport](#).
- Activity to build resilience to climate change – for example, our audit on [Building flood resilience in communities](#).

15. We are also working to integrate climate considerations into our wider work. For example, our reporting on the NHS and college sector has considered the challenges in meeting net zero commitments within existing capital budgets.

Audit work and reporting at a local level

16. Auditors have a key role in evaluating the effectiveness and appropriateness of the arrangements in place in individual public bodies for responding to climate change risks and opportunities. Thematic Best Value work in councils and annual financial audits have considered the extent to which climate change features in strategic decision-making and financial disclosures.

17. Climate change considerations will increasingly become part of the annual audit of financial statements, as public bodies are required to enhance their financial reporting disclosures on climate change. We recognise that management of a body have primary responsibility to consider climate-related issues, however we will challenge, test and improve the accounting for, and disclosure of, climate-related issues.

18. We will continue to adapt our methodology and approach to respond to developments in reporting standards and guidance for financial statement audits. Guidance on planning the annual audit, which is issued

to auditors each year, will highlight any climate change related work to be undertaken, if and where relevant.

Monitoring our impact

19. We monitor the impact of our performance audit and annual financial audit work on climate change, through our corporate impact monitoring, evaluation and reporting framework. This helps us understand whether our work is making a difference, informs proposals for future work, and helps to identify improvements to our audit approach.

20. We use opportunities to speak at conferences, contribute to workshops and meet with external organisations to raise awareness of our audit findings and share learning. Our performance audit work helps to support parliamentary scrutiny of climate change.

21. Audit Scotland reports annually on the progress we are making towards our organisational environmental targets. Our climate change annual report also provides an update on how we are developing our approach to auditing climate change.

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