



National Audit Office

Key risks and SAI unique selling points for environmental audit

SAI UK

30/9/20

Introduction

This project is to develop a paper on how SAIs might use an analysis of their unique role and the key risks for climate and environment, to help guide and target environmental audits.

This slide pack sets out

- *Background*: why we started thinking about these issues at the UK NAO
- *Overview of our analysis* so far
- *Benefits*: How we have found the process helpful & where we would particularly appreciate your input at this stage

1. Background to this project

The UK NAO's strategy includes plans to focus more on long-term value for money issues, including climate change

- A new Comptroller and Auditor General, Gareth Davies, was appointed for a 10-year term in June 2019.
- Our 5 year strategy for 2020-2025 was published in May, and includes plans to focus more on long-term value for money issues, including the UK's 'net zero' emissions target.
- This builds on a long-standing programme of work on climate and environment, including for the UK Environmental Audit Committee (see next slide)



Examples of recent reports



Ministry of Defence sustainability overview - *May 2020, report to EAC*

- examined how far the Ministry of Defence has embedded environmental sustainability in estate management, procurement, governance and policy-making.



Water Supply and Demand Management - *March 2020, report to PAC*

- set out the challenges facing the water industry in England and assesses how Defra is tackling them.



Electricity Networks - *January 2020, report to PAC*

- examined how effectively Ofgem has used electricity network price controls to protect consumers and achieve government's environmental goals.



Environmental Metrics - *January 2019, report to EAC*

- evaluated how far the government has an effective system for measuring progress towards its environmental objectives.



Packaging recycling obligations - *June 2018, report to EAC*

- identified lessons from the management and performance of the packaging recycling obligation system.



Air Quality - *November 2017, report to joint inquiry by 4 committees*

- overview of government's approach to improving air quality in the UK.

2. Overview of our analysis

As part of developing our work on climate and environment we have thought through the attributes that we can usefully bring to bear as auditors, as well as key risks for government’s approach

Attributes that we can usefully bring to bear as auditors

Access rights 	Regular engagement with MPs and senior civil-service 
‘System-wide’ perspective 	Insights into delivery risks for complex programmes 
Analytical expertise 	Financial audit programme & expertise 

Key risks for government’s approach

1. ...that **public money** for environmental projects is not put to good use
2. ..that **gaps and misalignments** in government’s plans increase long-term costs
3. ..that government does not handle **strategic challenges** well
 - Effective coordination:
 - Whole systems approach:
 - Private sector investment:
 - Behaviour change:.
 - Skills (programme delivery & in the supply chain)
 - Role of local government:.
 - Monitoring, learning & improving

2. Overview of our analysis (cont)

...and we have developed a draft set of objectives to help guide and co-ordinate our work

We want to...

1. Hold government to account for use of public money to achieve environmental aims

- a. VFM studies that 'follow the money', where it is high value and/or high risk, and consider differential impacts.
- b. Taking a broad view on public expenditure, including consumer-funded schemes and the impact of regulation as well as exchequer spending
- c. Considering what VFM means in a situation where government needs to take risks and things will go wrong

We will do this through...

2. Highlight gaps/misalignments in government's plans that could increase long-term costs

- a. Using VFM studies of past expenditure and pilots/demonstrations as 'hooks' to assess forward plans, including contingency planning. Over time, having a balanced coverage of the biggest gaps.
- b. Pressing government to quantify cost of achieving targets and the impact of delays.
- c. Assessing how major fiscal events (e.g. Spending Reviews) consider long term plans
- d. Considering the alignment of 'government's own emissions' (estates, procurement, investment appraisal, Covid recovery) with environmental objectives

3. Influence government to improve how it achieves environmental aims

- a. Revisiting key strategic challenges in each of our reports, drawing on our experience and expertise.
- b. Providing more accessible independent insight:
 - Lessons learned reports
 - Workshops/roundtables

(note that at the moment, this is focused on our value for money (performance audit) work, but we plan to extent it to incorporate the financial audit perspective soon)

3. Benefits

We have found the process beneficial:

- shared view across teams about what the priorities are
- prompted ideas for new work and is helping us develop a ‘balanced’ forward programme
- helps us identify links between studies quickly and easily
- support corporate knowledge & increase our impact

We would particularly welcome input on:

- Whether other SAIs have done anything similar?
- Any immediate thoughts about the project: what would /would not be most useful

Thank you



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