
Appendix three – About the audit

Audit objective

This audit assessed whether the Department of Planning, Industry and Environment and NSW Treasury are effectively supporting agencies to manage climate risks to their assets and services.

Audit criteria

Criterion 1: The Department has effectively developed climate projections and supported agencies to use these projections.

- A robust approach to climate projections is demonstrated.
- Climate projection outputs are in an accessible and practical form at a state, regional and local level.
- A communication and education strategy for climate projections has been developed and implemented.

Criterion 2: The Department and NSW Treasury are supporting agencies to identify climate risks to their assets and services, and develop appropriate responses.

- Agencies are supported to identify climate risks to their assets and services.
- A state-wide strategy has been established to coordinate adaptation planning and build adaptive capacity.
- Agencies are supported to develop appropriate responses to climate risks, including adaptation planning and building adaptive capacity.
- Systems are in place to monitor and report on progress in managing these risks.

Audit scope and focus

The audit was focused activities related to, and supporting, managing the physical risks of climate change to assets and services.

In assessing the criteria, we checked aspects including:

- The Department's activities related to developing climate projections, communicating and educating agencies on their use.
- Support to agencies to identify the physical risks of climate change to their assets and services and develop appropriate responses. Such support may include training, technical advice, and other guidance by the Department and/or NSW Treasury. This included activities funded through the Climate Change Fund and the Climate Risk Ready program.
- Monitoring and reporting undertaken by the Department and/or NSW Treasury on their support to agencies, and on agencies' progress in managing climate change risks.
- Climate change adaptation planning approaches in other jurisdictions, and frameworks for good corporate and public sector governance and risk management around climate change.

Audit exclusions

The audit did not seek to examine:

- climate change mitigation activities, such as emissions reduction
- management of transitional risks to the economy, and the management of liability risks
- outcomes other agencies, local government or businesses in managing climate risks
- the overall management of climate risk on the state's financial assets and balance sheet.

The audit does, however, comment the above where these affect our findings and/or are contextually relevant.

Audit approach and method

Our performance assessment was structured under each criterion with reference to the relevant policy and program commitments, and funding activities.

We interviewed relevant agency staff, experts and stakeholders.

- Key staff in the Department and cluster agencies. Departmental staff from the Energy, Environment and Science Division (e.g. Climate Change and Air Policy Branch, Climate and Atmospheric Science Branch, Climate Risk and Net Zero Emissions) Planning (e.g. Local and Regional Planning, Resilient Places); the Water Group; National Parks and Wildlife Service; Governance and Risk.
- Key staff in NSW Treasury, including the Financial Risk Management and Sustainable Finance; Financial Management Governance and Analytics; Accounting Policy; Policy and Budget Group; Intergenerational Report; Infrastructure; and the Centre for Evidence and Evaluation.
- Staff in a range of relevant agencies that hold significant assets and/or services, including agencies identifies as 'priorities' for engagement by the Climate Risk Steering Group. Consultations involved ten agencies external to the Department, and three within the Planning, Industry and Environment cluster.
- Other relevant climate risk, governance and insurance industry experts, stakeholders and university-based academics.

We reviewed a range of documentation, including:

- procedures and processes in the Department supporting the development of and communication about climate projections, and information from the AdaptNSW website and NSW Climate Data Portal
- evidence about the evaluation, testing and peer review of climate projections, and research collaborations
- climate risk vulnerability assessments and regional adaptation reports
- State, regional and local planning documents and instruments
- strategic, business, program and communication plans on the Department's intended activities, outputs, resources and deliverables for their climate risk management and adaptation planning, and related briefs
- the Department's risk registers and documentation on its enterprise risk management approach
- planning documents on NSW Treasury's intended activities, outputs, resources and deliverables around their financial guidance and risk management role in relation to climate, and related briefs
- terms of reference, agendas and minutes of the Department and NSW Treasury chaired steering, advisory and technical groups related to climate risk management
- NSW Treasury policy papers and guidelines
- information developed by the Department and/or NSW Treasury to assist agencies to identify climate risks to their assets and services, and develop adaptation actions to reduce exposure to these risks, including the CRR Guide and Course materials, and information about progress of course delivery
- information about intended evaluation and performance indicators for monitoring climate risk management progress and outcomes
- documents provided by a select agencies about their climate risk management processes
- information about corporate sector climate risk management and from other jurisdictions.

Subject matter expertise climate-related governance and risk management was procured to provide the audit team with technical advice.

The audit team conducted the audit in accordance with ASAE 3500 Performance Engagements and ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about an activity's performance against identified criteria and express a reasonable assurance conclusion against the audit objective.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the Department of Planning, Industry and Environment and NSW Treasury.

Audit cost

The estimated cost of this audit including disbursements is \$633,000.