

Environmental auditing supports better governance

Good governance, the process of decision-making and the process by which decisions are implemented or in turn not implemented, is essential to ensuring that environmental protection and sustainable development promises produce credible results. Governance is one of the key themes to be addressed at the United Nations Conference on Sustainable Development (or Rio+20) to be held in Rio de Janeiro, Brazil on 4-6 June 2012.

National auditors and their audits play a critical role in supporting good governance by advancing accountability, and providing practical, objective and rigorous examinations of how environmental and sustainability programs, regulations, targets and laws are managed and implemented at the national and international level. Some countries have regional auditors or evaluators that play a similar role. This paper summarizes some key observations from two decades of work by supreme audit institutions, which play a major role in auditing government accounts and operations.

Supreme audit organizations (SAIs) go by different names – sometimes National Audit Office, Court of Audit, Audit Board, and Office of the Auditor General – and have different mandates but similar responsibilities to provide legislatures and society with the information they need to hold governments accountable. SAIs audit governments' financial management, compliance with domestic laws and international agreements, domestic and international policy implementation and performance. SAIs are independent, non-political, and fact-based in their work. Between 1993 and 2011, National audit offices in 107 countries have conducted over 3200 environmentally related financial, compliance and performance audits.

Environmental audits have resulted in governments taking action to improve water quality in rivers, strengthen protection of flora and fauna, and reduce pollution. Benefits to environmental governance include the development of new legislation and regulations and stronger compliance with those that already exist. The implementation of multilateral environmental agreements has been improved through elements such as improving the designs of linked programs and better results reporting mechanisms.

The vast majority of SAIs' environmental audits have examined national and sub-national programs such as climate change, acid rain, toxic substances, biodiversity, protected areas and natural parks, environmental assessment, green economy – sustainable energy, sustainable development, environment and human health, forestry, fisheries, mining, waste, water, and multilateral environmental agreements (MEAs). With regards to MEAs, around 80 audits were conducted between 2003 and 2011 on agreements such as the Kyoto Protocol, UN Framework Convention on Climate Change, UN Convention on Biodiversity, UN Convention to Combat Desertification, Montreal Protocol, and Basel Convention. A comprehensive database of these audits can be found at www.environmental-auditing.org.

Since 1992 the International Organization for Supreme Audit Institutions (INTOSAI), the professional association for SAIs, has had an active Working Group on Environmental Auditing. The Working Group has assisted SAIs in acquiring a better understanding of the specific issues involved in environmental auditing; facilitating the exchange of information and experience among SAIs; and publishing guidelines and other informative material for their use. Joint auditing by SAIs of cross border environmental issues and policies, and the audit of international environmental accords, has had the Working Group's special attention.

The Working Group has worked with the United Nations Environment Programme to develop a *Guide on Auditing the Implementation of Multilateral Environmental Agreements*. The objective of the Guide is to serve as a useful resource for auditors worldwide who evaluate the implementation of those agreements by their national governments and whether the policy tools that their governments use to manage and protect the environment and implement MEAs have produced the intended results. The guide can also be useful in improving future MEAs as it identifies key aspects that we look for in our audits that are important to good governance and accountability.

The Working Group has also produced a number of other guidance documents to aid auditors in auditing a variety of issues including climate change, waste management, water, forestry, and sustainable development. An important upcoming guidance document in 2012 will be on environmental data.

Under the auspices of the Working Group and its regional groups, a number of cooperative audits between different SAIs have been undertaken. The *Coordinated International Audit on Climate Change: Key Implications for Governments and their Auditors* (2010) involved fourteen supreme audit institutions (Australia, Austria, Brazil, Canada, Estonia, Finland, Greece, Republic of Indonesia, Norway, Poland, Slovenia, South Africa, United Kingdom, and United States of America) from six continents who worked cooperatively to design and undertake performance audits of their national governments' implementation of commitments and programs related to the mitigation of and adaptation to climate change. The SAIs involved included those from both developing and developed countries and the results from 33 audits.

Amongst the six regional groups of the Working Group on Environmental Auditing, over 50 cooperative audits have been conducted since 1995. Important ones have included:

- Pacific Association of SAIs – Solid Waste Management Audit (2011, ten SAIs)
- Organization of Latin American and Caribbean SAIs – Compliance against United Nations Framework Convention on Climate Change Commitments Audit (2011, 7 SAIs) and Environmental Protection and Conservation of Natural Resources of the Amazon Region Audit (2010, 5 SAIs)
- African Organization of SAIs – Lake Victoria Basin Audit (2002, 5 SAIs)
- European Organization of SAIs – Convention on the Protection of the Black Sea Against Pollution Audit (2011, 6 SAIs)

Putting Our Audits to Work

In 2011, a survey of the members of the INTOSAI Working Group on Environmental Auditing was conducted for this paper to identify the key observations that SAIs around the world are consistently finding when conducting their environmental audits. The ten top issues identified by 37 countries are listed below along with examples of the type of issues identified.

- **Unclear/overlapping of responsibilities** – In some audits the institutional framework for sustainable development is cross-governmental and requires more work from governments in order to integrate economic, social, and environmental aspects. Governments have adapted to this new reality by creating more integration among ministries, departments and agencies, and among programs and projects. However, there is a lack of clarity regarding the specific role each one of those entities plays and

what they are responsible for, resulting in overlapping of responsibilities across agencies and departments that compromise the effectiveness of policy coordination and generate duplication of efforts.

- **Lack of coordination between sub-national levels and the national level** – Through the audits conducted, it has been noted that environmental problems occur at all levels from local to global, and involve municipal, regional and national governments. There is a need to improve integration and coordination between governance institutions at different levels. When local entities are involved in implementing national policies and in the interest of transparency and accountability for national funds and results, it is essential that some credible and verifiable means exist for reporting on how these funds were spent and what results were achieved.
- **Absent or deficient policy or strategy** – According to some audits some governments have not yet created effective policy tools and systems to govern environment and sustainable development or have not improved public policy tools and process as demanded. With regards to some policies, targets, objectives, or commitments may be in place but they are not always supported by comprehensive and specific national, regional or sectoral strategies and plans. Without the involvement by all affected levels of government an overall policy or strategy cannot hope to achieve the desired national results.
- **Insufficient assessment of environmental impacts of governmental policies and programs** – Audits have noted that governments are not using policy tools to ensure more timely consideration of environmental aspects before large sums are committed to a policy, program or project. High-level regulatory impact assessment or strategic environmental assessment is not a concern for many governments.
- **Lack of analysis (economic, social, and environmental) supporting decisions** – In some audits the findings have noted that policy makers are not taking into account the three pillars of sustainable development – economic, social, and environmental aspects - when making decisions. Sustainable development governance requires better “integration” of economic, social and environmental policies, particularly within the broader development planning frameworks.
- **Lack of long-term planning to implement environmental policies and programs** – Audits have noted that issues requiring long-term planning to resolve, such as climate change adaptation, do not have corresponding planning processes or plans in place.
- **Inadequate financial management of environmental policies and programs** – Audits have noted financial management problems can be caused by: insufficient planning resulting in the costs of delivering environmental policies and programs not being anticipated and programmes then requiring an extensive amount of unanticipated funds; lack of appropriate financial management framework to support the implementation of environmental policies and programs; and lack of financial management skills and misuse of funds.
- **Lack of enforcement of domestic environmental legislation** – National audits have indicated that environmental laws are not self-executing and governments must ensure compliance with domestic environmental legislation, by taking appropriate, effective and

proportionate policy measures. It requires administrative capacities and strong government commitments to implement and enforce the regulatory framework.

- **Deficient monitoring and reporting systems** – Through the audits it was noted that high-quality accountability and reporting systems are often lacking. Evaluation of key policy choices and instruments is not always in place. In the absence of good evaluation it is difficult for governments to report and measure their progress towards sustainable development and identify where further policy action is required.
- **Lack of environmental data for decision-making** – Audits have noted that government bodies do not have sufficient and robust environmental data to support their decisions and to evaluate their performance. There are problems in data availability, timeliness, quality, and accuracy. Overall, there is a lack of knowledge and information about various aspects of ecosystems and a failure to adequately use the existing information to support management decision. Independent environmental audits can collect and report information for decision-makers where information is lacking.

For the participating national governments at the United Nations Conference on Sustainable Development to be held in Rio de Janeiro, Brazil on 4-6 June 2012, the lessons are twofold. First, national governments can use the survey results and national audit reports, findings and recommendations to improve the effectiveness and cost-efficiency of a range of domestic environmental and sustainable development programs, policies and tools. The results of twenty years of national auditing work can also be used to better design and implement national policies and programs moving forward. Second, at the international level, the results of this survey and the audits conducted by SAIs can provide national governments as well as MEA secretariats with important feedback for evaluating the implementation of international commitments. They also show national governments and MEA secretariats the key features of good governance that should be built in from the start against which compliance can be monitored.

The full report will be published in time for the conference in Rio de Janeiro in June 2012.

Background on INTOSAI

The International Organization for Supreme Audit Institutions (INTOSAI, www.intosai.org), as a non-governmental organization, is the professional association of SAIs in countries that belong to the United Nations or its specialized agencies. INTOSAI provides a forum in which government auditors from around the world can discuss issues of mutual concern and keep abreast of the latest developments in auditing and other applicable professional standards and best practices.

INTOSAI has increasingly recognized over the past two decades that the environment and sustainable development is an important issue that requires attention by the auditing community. The relevance of this topic was recognized by INTOSAI through the establishment of an active Working Group on Environmental Auditing (www.environmental-auditing.org) in 1992, the same year that the United Nations Earth Summit was held in Rio de Janeiro. At INTOSAI's most recent triennial International Congress of Supreme Audit Institutions (INCOSAI XX) held in 2010 in Johannesburg, South Africa, the resulting Johannesburg Accords noted that "environmental protection and sustainable development is one of the most topical issues that face governments in the new millennium." In addition, "the expectation that sustainable development and environmental protection should be subject to independent audit by SAIs has

grown in the last decades. By exercising the highest values of professionalism, independence, objectivity and transparency, and through effective cooperation with fellow SAIs on environmental issues of common interest, SAIs can make significant contributions toward addressing sustainable developments issues that are becoming increasingly regional, and even global, in nature.”