



INTOSAI  
Working Group  
on Environmental  
Auditing

# MINUTES 14<sup>th</sup> Meeting of the INTOSAI Working Group on Environmental Auditing

6 - 10 November 2011  
Buenos Aires, Argentina



## Monday, 7 November 2011

### Excursion Day

The participants went on an environmental excursion, visiting the delta of the Paraná River. In the evening a welcome reception was hosted by SAI Argentina.

## Tuesday, 8 November 2011

### Day 1

### Opening and Welcoming Remarks

*Address by C.P.N. Oscar Lamberto, President – COMTEMA OLACEFS*



*Mr Lamberto* welcomed the participants and thanked them for travelling from all over the world to Buenos Aires, the venue of the meeting.

He quoted the Chilean thinker Manfred Max-Neef: "Economy is just a subsystem of the biosphere, and putting the economy over the environment puts at risk the life of millions of inhabitants of the planet". He illustrated this thought with some concrete examples, e.g. the governing of market rules over scarce water resources. He concluded that the efforts of environmental auditors were aimed at keeping the environment healthy.

*Mr Lamberto* hoped that the following days would be full of intense debates and that every participant would return

home satisfied with the productive meeting.

He also thanked SAI Argentina for their careful organisational work aimed at making the WG14 a success.

*Address by Mr Mihkel Oviir, Auditor General of Estonia*



*Mr Oviir* welcomed the 140 participants from more than 60 countries. He thanked the hosts for excellent organisation and facilities that would certainly contribute to the success of the meeting.

*Mr Oviir* spoke about the different crises in the world: the recent financial and economic crisis and the environmental crisis that had been there for a very long time already. Financial and economic issues were in his words constantly on the table, whereas the environmental issues had remained of secondary importance. He still saw a bright side – attention to environmental matters had grown in comparison with what it used to be 20 years ago. Now political leaders were speaking about

sustainable development and other environmental issues, but still not nearly enough. Despite of more than 500 environmental agreements signed by the governments in reality not much had changed. The governments did not always manage to "walk the talk". He deemed it fortunate that a great number of audit offices had realised how serious the issue was and were ready to improve their capacity and undertake environmental audits.

*Mr Oviir* also spoke about the latest INCOSAI in Johannesburg and took the opportunity to thank all the active SAIs for their input to the final accords and recommendations.

*Mr Oviir* noted that in 2010 WGEA had received a very clear mandate for building relations with other international organisations. Thus *Mr Oviir* was very pleased to welcome the representatives of many international organisations at WG14: UNEP, World Bank, Transparency International, ACCA, OECD, Interpol and others.

In the same spirit of cooperation *Mr Oviir* was very happy to announce that WGEA had been asked by UNEP to co-sponsor the World Congress on Justice, Law and Governance in 2012 in Rio de Janeiro. He introduced

that this congress was scheduled to provide input to the Rio +20 summit. Given that SAIs were most knowledgeable about the topic, Mr Oviir pointed out that it meant great recognition of INTOSAI work.

Mr Oviir pointed out that the congress and the RIO+20 summit were seen to be great opportunities to implement the two INCOSAI recommendations from the previous year, concerning international multilateral agreements and promotion of sustainable development reporting, environmental accounting and data management. These topics had also been given special attention in the ongoing WGEA work plan. This was an indication of the WGEA's commitment to carry out the INCOSAI recommendations through knowledge sharing, capacity building and methodology improvement.

Mr Oviir wished that everyone would have a fruitful meeting.

*Address by Dr Leandro Despouy, President – SAI of Argentina*



*Dr Despouy* welcomed the participants and thanked them for visiting Argentina.

He touched upon the intense work of SAIs in general and SAI Argentina in particular, the international activities within INTOSAI and WGEA, initiatives with RIO+20 and joint audits and experiences in environmental auditing, which were very positive and growing in importance daily, shaping public policies and important legal decisions.

He also stressed, however, that the importance of environmental auditors' work went beyond that because of the growing challenges depicted by many alarming indicators for quality of life on the planet.

Dr Despouy went on to give specific examples from recently published reports.

Dr Despouy finished by reminding the audience of the ideas of Immanuel Kant on world peace. Speaking about the recent mass rebellions in the western world and the Middle East, he added that the environment was what concerned all and was linked to the individual and collective lives of people and the future generation: "It is not true that we have inherited the Earth from our ancestors. Actually it is the world that we have borrowed from our children and as everything on loan; it has to be returned in good condition."

*Address by Dr Fernández, Chief of Cabinet of Ministers of the National Government of Argentina*



*Dr Fernández* referred in his address to the reform of the national constitution in 1994, which had granted every person the right to a healthy environment, where the promotion of economic activities met the needs of the present generation without jeopardising the future generation. He underlined that despite the reform it was still necessary to analyse what legacy there would be left for the next generation.

Dr Fernández welcomed the participants to this high-level meeting in Buenos Aires.

Dr Fernández spoke about the role of Juan Perón in pursuing environmental goals, work that had been started more than 40 years ago. After his many years in exile in Europe, Perón had come back with green,

ecological ideas. He had not been understood well then and economic interests prevailed. Dr Fernández continued with mentioning that mining exploitation, uncontrolled fishing, industrial revolution, use of fossil fuels, greenhouse effect – all those continued to mean an awesome perspective for humanity.

Dr Fernández called for action and saw encouragement in the work undertaken by the many SAIs that had come from all over the world. What had to be ascertained was whether the existing environmental policies were being enforced. Thus he urged the audit institutions to check that and inform the world what impact the government policies had on the environment. This was also what SAI Argentina had been doing.

Dr Fernández expressed the hope that the WG14 participants would enlighten each other with mutual contributions and the recommendations developed as a result would be implemented in the participating countries. Dr Fernández also pledged full institutional support to the meeting by the Argentine authorities.

Dr Fernández then declared the meeting open.

*Tõnis Saar, Secretary General of the Secretariat of INTOSAI WGEA, Chair of WG14*



*Mr Saar* thanked the high-level panel addressing the opening of the meeting for sharing their many wise thoughts with the participants. He promised to put these into action, making good use of the coming three days of the meeting.

The Chair introduced himself and extended his warm welcome to old and new friends. He also thanked SAI Argentina for their hard work in preparation of the meeting and the high-level panel at the opening session. He introduced the agenda of the meeting and added some housekeeping remarks.

## **Innovative Audit Experience**

**SAI presentations: The Netherlands, Brazil, Iran, Argentina**

### **Audit on Spatial Planning**

*Matthias Fabriek, Auditor, Netherlands Court of Audit*



*Mr Fabriek* spoke about innovative ways of presenting information and audit results by using modern technology. He pointed out the population density of the Netherlands as compared as an example to Argentina on the world map. He explained that due to very high population density in the Netherlands, it was very important how the available space was used. This had been the major reason for selecting such audit topic. The auditors had wished to draw attention to the many spatial planning policies in the Netherlands and had analysed how spatial policies had influenced the specific areas. The audit had looked at tools used by the government for implementing the policies, concentrating on one specific tool, money which had

been invested by the national government. The focus had been on how money was spent on spatial planning in one annual programme. The information had been presented in the form of a video, infographic and a geo-viewer using GIS data, made available in the SAI web site.

Mr Fabriek demonstrated excerpts of the video, explaining the national spatial strategies, giving examples e.g. cycling routes, farmland walks, areas that could be built on, areas that had to remain green. Some areas had up to 8 policies being implemented, so the auditors had raised the question of effectiveness.

He also showed the infographic, with information and money flows from government ministries to the projects. It was possible to see what projects there were, how much money they were receiving and how much money was to be spent in 2010.

Mr Fabriek introduced the geo-viewer, an open-source, which presented the map of the Netherlands, where the user could zoom in and click on projects to see the amount of money allocated for a project, the amount spent up to the moment and the amount to be spent in 2010.

Mr Fabriek pointed to some lessons learned from the innovative approach: first, geographical and financial information was hard to match, given the different goals; secondly, innovation cost a lot of time. He concluded, though, that all in all the effort had been worth it. He also gave a glimpse of the 2<sup>nd</sup> part of the project, underway at that time: the plan was to select an area with multiple spatial policies and assess the efficiency of national policies in that particular area.

*The Chair* considered visualisation very important for presenting audit results.

## **Discussion**

*Q (Vivi Niemenmaa, Finland):* How was the infographic created, what software was used and did the SAI have in-house knowledge concerning GIS?

*A:* The drawings for the infographic were made in-house, an external party produced the final picture. It was important to have all the final information before handing over to the contractor.

There are in-house experts for GIS, after taking an ESRI course. On the first level GIS was used to show the results on a map and on the second level - to analyse the data.

*Q (Assefa Desta, Ethiopia):* What other audits have been undertaken in this way, e.g. concerning efficiency, effectiveness, and has any misuse been uncovered?

*A:* No audit was carried out in the first phase; the goal was to provide insight and an overview. The second part will follow later and its aim will be to audit efficiency.

*Q (Sheraz Manzoor Haider, Pakistan):* Will the data be used for one audit, or for many audits?

*A:* The geo-viewer and web site will be extended over time – more information will be added as it is collected and the information will be used in other audits. The maps used date back some years, but in a few years' time new information will be needed for the same area. Efforts are underway to find ways of updating the information on a yearly basis.

*The Chair* concluded that the use of new technology, especially if it was open source, was a challenge but offered great advantages.

### **Work Performed Involving the Precautionary Principle**

*Rafael Lopes Torres, Secretary of External Control, Brazil*



*Mr Torres* talked about audit work involving the precautionary principle, enshrined in principle No 15 of the Rio Declaration: "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

*Mr Torres* noted that the Brazilian Court of Accounts was not only conducting audits, but had wider powers. The case under review was not audit but a request from the Federal Prosecution Office regarding the legality of a fishing regulation concerning the number of vessels allowed to catch the mullet, issued jointly by the Ministry

of Fisheries and the Ministry of the Environment. The mullet had been classified as a species in threat of overfishing. After analysing the available documents and listening to the parties the auditors had found that there was insufficient scientific information to support the increase in the volume of fishing. The conclusion had been: with no scientific information to support such numbers the regulation was considered not to follow the precautionary principle. The recommendations had included the development of a management plan for sustainable fishing of the mullet, jointly by both ministries. In the meantime, until proper scientific data would become available, the number of vessels was to be advisably based on historical data. It had also been established that the real economic advantage for mullet fishing lay in its roe and after removal of roe the fish had been cast back into the sea. Such predatory practices would have to be prohibited.

*Mr Torres* informed that the ministries had issued a new regulation along the lines of the recommendations and were seeking to establish control criteria for sustainable mullet fishing.

*Mr Torres* pointed to the tension arising from the different goals of the two ministries. The result of the case had been also a signal to policy makers about the importance of sustainable policies.

The innovative element had constituted the direct use of the precautionary principle to support a decision of the court for the first time.

*Mr Torres* concluded that, if no scientific information existed, the approach would have to be more conservative, contrary to the approach of the Ministry of Fisheries. The Court had set a precedent by showing that it was possible to use the precautionary principle to support its decisions.

*The Chair* praised the leadership role of the audit office in this matter.

## Discussion

*Q (European Court of Auditors):* Have you examined the capacity of the fishing vessels?

*A:* The work involved just the number of vessels. But the capacity is very important as well and the work to be undertaken on developing the management plan for sustainable fishing should involve this discussion as well.

*Q:* The use of the precautionary principle is relevant and useful for the Ministry of the Environment, but not for the Ministry of Fisheries. How did the audit achieve reconciliation between the two?

*A:* It is an important process for both to make sure that a balance is reached. The approaches of the two are not entirely black and white. The productive sector was abuzz after the decision, protesting that the decision went too far, that many people would lose their jobs etc. The answer is to help the parties understand the need to manage the resources sustainably. It is a continued process of awareness-raising - sustainability means possibilities left for the future as well.

*Q (European Court of Auditors):* Europe has its Common Fisheries Policy. But problems are similar. In Europe 80% of fishing stock is endangered. The European Court of Auditors does not have similar powers. A 2007 report revealed that the difficulties first and foremost lay in getting accurate data. Thus the instruments developed in Europe were not useful. Why would the fishermen provide false data? Because they are in a schizophrenic situation, having to make their vessels profitable in the short term and facing the diminishing resources in the long term. But data is very important. Equally important and difficult to implement is the need for an inspection system. Does the audit office in Brazil also have inspection and sanctioning powers?

*A:* The Court of Accounts can apply sanctions, if the recommendations and requirements are not met. In the case under review the most important objective was to introduce new behaviour. In Brazil the sustainable management plan exists only for the lobster. The above comment is correct - people have to realise that sustainability is important. The process is just beginning. Maybe Europe is in a more advanced stage. The government must be shown that more and better data is needed about fishing resources.

*Q (Argentina):* Argentina had a similar problem with overfishing. Two very difficult audits were conducted, involving the hake and the squid, and both were found to be endangered species. The existing fishing guidelines were never respected. How was it possible to reconcile the different approaches of the two sides?

*As regards data - in the two audits in Argentina, it was difficult for the auditors to check the data received from the National Fisheries Department. How was this managed in the case under review?*

*A:* This case was not a proper audit. The mandate was to analyse the specific situation regarding the mullet. No data was available. If data exists, one has to decide if it is good or not. In this case the number of vessels set was probably completely arbitrary and the Ministry of Fisheries maybe allowed the industry to prompt the number. In Brazil the fishing industry is small in comparison with the length of its coastline. Therefore the Ministry of Fisheries was established: to promote fishing. Consequently the situation is bound to worsen in the future.

*The Chair* concluded: as had become clear on the training day, one could not get around data issues - it was the ultimate challenge.

On the basis of the presentation by Mr Torres the Chair concluded that the answer to the question of whether and to what extent the auditors would have to be criticising the policies of the government had been clear: there was a need for a certain type of leadership to tell the government that they needed a policy or that their policy was not sustainable. Also auditors would have to encourage the other side to present their data to show that things were going in the right direction.

*Mostafa Ali Asgharpour, Deputy Senior President, Iran*



*Mr Asgharpour* thanked the host and organisers on behalf of the Islamic Republic of Iran for the invitation to participate and speak in the meeting and for their efforts in creating knowledge based content for the meeting.

He then proceeded to present some details of the environmental audit of the Caspian Sea. He first listed the reasons for choosing the topic: water had special status in Islam, the Holy Quran described water as the source of all life, therefore it was very important that water was used properly and pollution was avoided. The lack of connection of the Caspian Sea to other lakes was making it a unique water body and as such more susceptible to pollution coming from oil, industrial, chemical and household

pollution.

Mr Asgharpour listed the objectives of the audit (examining the conventions for the Caspian Sea, the existence of required standards and guidelines for the evaluation of pollution, the pollution by each bordering country and the sufficiency of the actions by the countries), described the scope of audit (measures and activities taken in the form of objectives and using the presented criteria since 2003 when the Tehran Convention had been ratified) and audit criteria.

Further the methodology and innovative audit elements were introduced, i.e. the concept of pathological approach - a holistic approach to the whole problem, identifying the symptoms and damageable areas and their causes. Therefore the whole Caspian Sea had been the object of the audit.

The most important findings had been the following: the Tehran Convention had created a legal framework, albeit still insufficient for the protection of the Caspian Sea, because no standards and guidelines had been developed thereafter. Pollution continued to exist, with more than 2 million tons of pollutants (nitrogen, phosphates, oil) being released into the sea annually, mostly carried by river currents. 86% of all pollution was coming from rivers flowing into the Caspian Sea from Russia, Iran, Azerbaijan and Kazakhstan.

The measures which had been taken so far to combat pollution (meetings, training, common research etc) were useful, but never sufficient.

The presenter finished by describing the recommendations: in order to improve the enforceability of the Tehran Convention, regulations and by laws had to be developed and preventive measures had to be taken to reduce pollution; the bordering countries would have to create and implement common standards and indices; the SAIs would have to conduct common audits, focusing on the major factor - river currents; in order to combat the serious risks related to developing new oil fields, a protocol on oil spill accidents and technical guidelines would have to be adopted.

## **Discussion**

*Q (Ludovick Utouh, Tanzania):* Was the audit conducted by the SAI of Iran alone or was it a cooperative audit involving other Caspian Sea countries? If alone - how did the others react to the findings and what could the SAI of Iran do to implement the findings?

*A:* Five countries were involved in the audit. The SAI of Iran sent information to five other countries in order to work together and asked them to prepare their own evaluations and recommendations so that joint work can continue in the future to help the governments and communities of all of the countries.

*Q (Malaysia):* Given the size of the area – the whole Caspian Sea - what tools were used to evaluate the pollution of the water?

*A:* Some information came from SAI of Iran, the rest from the Tehran Convention data.

*The Chair* praised the SAI of Iran for having undertaken the very difficult task of capturing the whole area. He encouraged others to base their audits on international agreements.

## **Integrated Management Project and Master Plan of the Pilcomayo River Basin**

*Silvia Leicher, Audit Team Leader, Argentina*



*Ms Leicher* gave an in-depth overview of the audit conducted of the integrated management project and master plan of the Pilcomayo River basin. The river basin and the project were shared by 3 countries: Paraguay, Bolivia and Argentina. The basin had numerous natural resources, but its environmental sustainability was compromised as a result of severe erosion and sedimentation. Thus the Pilcomayo River was the only river in the world whose river bed faced extinction due to siltation. This affected the way of life of the people residing by the river and also fair distribution of water between Argentina and Paraguay. Infrastructure and natural resources were affected by landslides. Further environmental problems were caused by mining, oil

extraction, deforestation, decertification, arid conditions, and degradation of fishing resources. All this was leading to impoverishment, loss of cultural reproduction and migration in the local communities, which were engaged mostly in subsistence farming and fishing.

In 1994 the Formosa Declaration had been signed by the presidents of the 3 counties to set up a structure to help solve the problems. Ms Leicher described the structure of the bodies that had been established on the basis of the declaration (International Coordination Commission (IC), Delegate Council and Executive Directorate of IC).

In 2000 a funding agreement with the European Communities had been concluded for the period of 2002-2008 (later extended to 2010) to improve the livelihoods of the inhabitants of the Pilcomayo river basin and their natural environment, promoting regional integration. One of the main expected results of the agreement had been a master plan for the integrated management of the river basin extending until 2025.

The audit had examined the processes in 2007-2009. The methodology had included interviews, analysis of documents, and triangulation or cross-analysis of information from various sources, which had allowed verification of the consistency of information by comparing the data obtained from the different sources. The main events of the audit period had included institutionalisation of the international governing body, development of the master plan (validated by 2 of the 3 countries, Bolivia still pending validation), pilot actions in 16 communities on various projects (food production support, fishing activities, riverbed protection), studies (regarding the supply of drinking water, evaluation of irrigation projects and systems, soil rehabilitation etc).

The most important audit findings were the following: the international coordination committee was having limited functions, there had been irregularities in the institutionalisation process (the sequence of events had not followed what had been originally agreed), there was no funding strategy for projects already formulated, the master plan was not yet validated by Bolivia and in Argentina, the local communities had not been sufficiently involved in the development of general and annual plans causing further delays in implementation.

The audit recommendations had been aimed at rectifying the identified problems: regular frequency would have to be kept for meetings between the Delegate Council and IC, the link with local communities would have to be strengthened, a funding strategy would have to be developed, validation of the master plan would have to be completed, local communities would have to be more involved in developing plans.

Audit conclusion: the master plan did address the basic problems, pilot studies and actions were underway, and despite the described difficulties, the whole project had attained a reasonable level of development. The master plan was an open and flexible tool promoting the integrated management of the river basin by the local inhabitants and public and private organisations. Implementation of the recommendations would help improve quality of life of the people.

## Discussion

*Q (Rubèn Medina Estrada, Mexico):* It is important that the whole project spans the period until 2025. In the Mexican institutions there is not enough highly qualified staff for water analysis. How did this project combine the efforts of the institutions, public or private? Do the required resources exist in the SAI? Both in the north and in the south the borders of Mexico with the neighbouring countries are lined by water. Even before starting jointly to analyse pollution, it is necessary to talk about the quality and quantity of water - how to harmonise the opinions between the neighbours. In the case of Mexico this is difficult to achieve.

*A:* It is difficult to reach agreement on water quality between the 3 countries. A workshop was organised before the master plan was developed. But basic parameters are still pending definition. So

much so, that there were delays in launching the 2009 annual schedule, caused by the failure of experts to agree on basic reference values for an early warning system concerning pollution. In Argentina the monitoring actions are rather intensive and the national institutions work quite well on water quality. But it is very difficult to reach consensus among countries to take the necessary measures - in the case of the river basin early warning is very important and requires consensus and shared interpretation of changes that have occurred.

At the end of the discussion the representative of the *European Court of Auditors* took the floor to thank the SAI of Argentina for the invitation and express his gratitude to the SAI of Argentina and SAI of Estonia for organising the meeting.

## International Funding of Environmental Projects

*Jill Goldsmith, Director, Energy, Climate Change and Sustainability, UK NAO*

*Stephen Lintner, Senior Technical Advisor, World Bank*



*Ms Goldsmith's* presentation, created originally for the UK parliament, aimed to generate discussion on climate change funding, and the role of WGEA and INTOSAI in the process as well as increase awareness about the funding landscape and its implications for auditing.

Ms Goldsmith pointed out that as the UNFCCC financial mechanism, the Global Environment Facility (GEF) was the main financing tool for climate change. The GEF had started as a pilot in the World Bank, but had been restructured and made independent, with the World Bank remaining its trustee and providing administrative support. The GEF was working on the basis of a 4-year strategy and replenishment cycles.

She went on to describe that the GEF constituted also the financial vehicle for many other MEAs (ozone, biodiversity etc.) and worked with various other multilateral organisations.

In time the process had become more complicated - in 2001 in Marrakech, four additional funds had been created (e.g. Strategic Priority for Adaptation; Adaptation fund - set up by Kyoto Protocol members, with a separate funding source, namely from the Clean development Mechanism (CDM)).

In Cancun the Green Climate Fund had been started, but the process was still ongoing, decisions had to be taken about how it was to be governed and when the fund was to be launched.

As regarded the amounts the GEF still accounted for the vast bulk of money. The GEF main fund was USD 2.8 billion; with co-financing the amounts were significantly larger. Other sums were to be placed in the fund - but not much had been spent by that time, preparations were going to take time.

Ms Goldsmith explained that the GEF was operating in 4-year cycles. The latest having being GEF5, agreed in 2010: in total terms the fund had been increased by 34%. Climate change funding made up 40% of the total funding and those amounts had been increased by 65%.

Ms Goldsmith also described the wider landscape of climate change funding and recent developments therein. Other funds dedicated to climate change included UN REDD Programme Fund, Climate Investment Funds and various others (bilateral funds, donor country funds, e. g. UK Environmental Transformation Fund, developing country based funds, e.g. Indonesian Climate Change Trust Fund, Amazon Fund in Brazil), the EU Fund for Energy Efficiency, Fast Start funding, that had agreed in Copenhagen. She described some of them in more detail.

She finished by giving an overview of the expected developments in climate change funding (in Durban, 2011): a standing committee on climate change finance was to be set up; there would also be an international consultation and analysis framework and an assessment and reporting framework.



*Stephen Lintner* spoke in detail about the World Bank, its structure and work in the area of climate change, environment and natural resources management, as well as the major shift to focus on results and value for money.

Mr Lintner explained that the World Bank was a multilateral development bank, established in 1944, owned by over 185 countries. Its headquarters were in Washington DC, and offices in over a 100 countries. The World Bank had five different arms, with complementary goals, but most of them were involved in matters of climate change, environment and natural resources management. The environment and sustainability

management was integrated into all World Bank activities, with focus on reducing poverty, sustainable development and the environment, promoting country driven development effectiveness, green growth and social inclusion. The World Bank was trying to make climate change (both mitigation and adaptation) a development issue.

Mr Lintner informed the participants that the World Bank operations varied widely from supporting policy change, budgets (especially in the current economic crisis), providing investment loans, working on community level, working with the GEF etc. The focus was set on trying to leverage World Bank lending with special programmes so that money put into the climate fund leveraged other international donors.

The World Bank wanted its beneficiaries to create multi-year planning frameworks with budget priorities determined. For example during the World Bank's work in the early years of re-independence in Estonia the government had established as budget priorities energy, transport and environmental management and the money had been structured around the themes of priority through multi-year planning and budgeting.

Mr Lintner noted that in climate change and environmental matters not all countries were facing the same types of risks. At that moment the World Bank had 432 active environment and natural resource management projects, constituting 11% of total World Bank lending. It was important to have balance with other types of concerns (e. g. social issues, so that development would be comprehensive and balanced, not distorted).

Mr Lintner explained that the World Bank assistance took many different forms (lending, guarantees, the GEF, carbon funds, Forest Carbon Partnership Facility). The GEF had at that moment 232 projects, worth USD 1.8 billion of GEF grants and another USD 5 billion of World Bank co-financing. The aim of the World Bank was set to create synergies via leveraging the smaller amounts.

As regards financial management and auditing the World Bank was having a longstanding relationship with INTOSAI, based on a Memorandum of Understanding between 16 financial institutions and donors and INTOSAI. The emphasis was on capacity building in the lending countries and increasing the capacity of financial audits and SAIs. Mr Lintner informed that the World Bank was having 50 active projects with SAIs, geared towards overcoming the challenges in dealing with the rapidly changing world, value for money and accountability of public funds.

Mr Lintner assured that all World Bank managed funds had to have approved financial management systems and were subject to audit by SAIs. In the system of World Bank formal controls SAIs played an important role, conducting financial and performance audits.

The World Bank was putting strong emphasis on results - how to go from spending money to having the desired outcomes. The country plans were results-based. Work was still ongoing for developing the relevant matrixes. All projects were subject to monitoring progress and independent evaluation. The focus was on strengthening country capacity. The World Bank was using country monitoring systems and community scorecards. The World Bank was also supporting the statistical capacity of the countries. Innovative geospatial databases were used as well.

Mr Lintner imparted that a new proposal for a Policy on Programs for Results was being considered in the World Bank to start lending against results to countries. Some countries were interested, they wished to get focused on results. Other countries were rather against taking such risks.

The World Bank was also using the corporate scorecard in order to measure progress and the effectiveness of the World Bank's own organisation and see if the World Bank was changing to meet the challenges. The first World Bank scorecard had just been released – the bank had done well, but there was room for improvement.

Mr Lintner finished with the following reflections and conclusions:

At the level of World Bank and other donors, greater focus was being put on results; there was a shift from inputs to outcomes, quite a significant trend in Mr Lintner's opinion. At the same time, the World Bank had never before taken on such complex environmental issues, like climate change or the global forest management agenda. Many of these required innovation, and risk-taking. Importantly, Mr Lintner felt that it had to be accepted that there were going to be risks. Sometimes it was not possible to be only focused on results, given that they could be seen over a very long period of time only. For example, the Baltic Sea project was for 20 years, and that work had been going on for the Mediterranean Sea for 40 years. Innovation, changes in behaviour were bound to take longer to produce results.

Mr Lintner noted that both qualitative and quantitative assessment was needed for many complex development challenges; however some aspects did not render themselves to be measured properly and did not have good indices yet. But this did not in his mind mean that one would have to shy away from attempting.

Mr Lintner thought that financial audits were already well developed, but performance and value for money auditing were still emerging, especially in environmental issues. He praised the WGEA's cutting edge work in this respect and regarded defining the value of audits as a tool to improve outcomes and efficient use of funds a major challenge.

*Jill Goldsmith* continued to discuss the implications and risks for auditors in the area.

Ms Goldsmith posed a question of how to tackle the risks to the efficiency of the funding allocation process. She pointed out that there would be many people involved; various strategies would be produced to support their applications for funding. Multilateral organisations needed to set criteria, review the strategies, and develop their own funding strategies, both at the multilateral level and individual donor country level. There was a risk for duplication, high administrative burden. The allocation process was taking time - sometimes it took years after establishing a fund for projects to be designed and their results to appear.

Ms Goldsmith noted that defining the available funds could pose another problem, given the many funding sources. She pointed to the ability to direct money to the right priorities and achieve real transformation through the many different funding sources.

Ms Goldsmith listed financial management risks caused by a long complex funding chain: risks from errors, risks to transparency and double counting. Risks existed also at the developing country level – how to monitor where the money was going and what was actually received.

Further she listed the performance risks – in efficiency, delivery, evaluation, etc. and raised the question of whether lessons were being learnt from both successful and less successful projects.

Mr Goldsmith noted that in auditing development aid from a developed country perspective the auditors were auditing aid flows. She stressed that environmental audit was more complicated. In the first stage SAIs conducted financial audits to make sure that money was paid over and was received, and that all the money was properly recorded in the government accounts.

As regarded transparency, the auditors could help the lawmakers understand how and where the money was being spent. Performance audits could be designed to complement the work of the aid auditing colleagues. It was in Ms Goldsmith's mind important to realise that the results matrixes were different. It was possible to use existing matrixes and detect which other matrixes were needed.

Ms Goldsmith finished by discussing the potential of INTOSAI and WGEA. She felt that the organisations could encourage increased transparency and better results. She elaborated that there was an opportunity to use the RIO+20 meeting, and include the topic in the future work plan. She also pointed out that SAIs could create more awareness about their own role, so that decision makers would build audit into their thinking.

Ms Goldsmith saw a lot of potential in experience sharing via guidance development and training courses.

## **Discussion**

*The Chair* thanked the presenters. He proceeded with his own questions and commented on the SAIs' position in the accountability frameworks in their countries - scrutinising the government spending and financial statements. He was wondering how auditors were able to be sure that the budget was complete, that the ministry of finance did not "own two bank accounts". He pointed out that auditors were not able to audit what they "could not see".

The Chair further inquired, with regard to the reporting mechanism, whether it was not logical to have a country level proper discharge.

He also noted that many countries were working with one-year plans and budgets whilst the World Bank was talking about long-term planning and long-term results. He wondered whether there was a need to turn into long-term perspectives in the countries as well.

*A (Stephen Lintner):* The question is, are the SAIs getting the full picture of government cash flows and also commitments – in some countries all is clear but some governments have off record items that cannot be seen. This is not to the World Bank's liking. All World Bank and regional development bank agreements are public. A number of commercial agreements create liabilities that are off book and not completely transparent. Also there is old debt (e.g. former USSR) that cannot be seen. It is impossible to audit, if the full picture is not known. The World Bank works hard on these issues that can be very controversial. The World Bank has even suspended projects because of the lack of transparency.

The SAIs are expected to have a role in World Bank projects. In some countries SAIs conduct audits themselves, in others they work jointly with independent auditing firms or authorise the latter to do the work.

Together with the World Bank the development community has been trying to promote, at least for development assistance, transfer to multiyear budgeting, to at least a three-year cycle. Even if a one year budget allows a lot tighter control. But the short cycle makes the developing systems complain that they do not know what the money flows are going to be.

*A (Jill Goldsmith):* Multiyear budgets should be supported. This is the approach taken in the UK, as it is clearer what money is available, especially in times of austerity.

As regards WGEA, what others think the WGEA needs to be doing? There is plenty of time for developing new plans for the next work plan period.

*Q (Horacio Pernasetti, Argentina):* There are amazing amounts of money, but the greatest concern is as to how the funds are spent and the need to increase transparency as much as possible. It would be a good idea to do some reconciliation and see the extent of performance (by region and country).

The results perspective of the World Bank is excellent. In Argentina the SAI conducts all the financial and results audits of the World Bank funding. A concern is that most of spending goes for consulting, engineering, programme design, instead of using the money for the primary purpose, e.g. forest protection or local indigenous peoples. The latter never even know about the existence of those funds. As mentioned during the training course preceding the meeting involvement of the direct beneficiaries is very important, otherwise it is difficult to measure results.

*Q (Ethiopia):* The presentation was very useful. There seem to be a lot of funding available for climate change, environment and natural resources management. Some of the money has not been utilised. There is a monitoring and evaluation system looking into why this money has not been utilised. What is the result of the monitoring and evaluation?

What are the general criteria which grant access of countries to funding, so as to change the environment in the countries?

*Q (Ludovick Utouh, Tanzania):* The presentation greatly enlightened us on the availability of funding on climate change. The problem is that we are not given assurance of the availability of the resources to SAIs for them to contribute effectively and bring about the change in climate change matters. The issues of climate change transcend beyond borders. It would have been more beneficial if the funding was to assist the individual country SAIs in conducting joint, cooperative audits. Currently the World Bank funding is based on country assessment and therefore the priorities of one country need not coincide with those of another country. In light of the risks to efficiency on allocation process, mentioned by Ms Goldsmith, is there a mechanism of ensuring that the SAI of a country gets a proportional amount to have the capacity to bring about effective change in the area of climate change?

Has the World Bank conducted a financial audit to ensure that the funding so far has created value for money?

*Q (European Court of Auditors):* Similarly with the auditor general of Argentina we are impressed by the figures and concerned about the value of the figures. In the EU the country budgets and the EU budget do not fund projects but rather policies. There is no instrument to know exactly how much is to be spent on climate change, especially adaptation. Funds for mitigation are easier to identify. But in the EU there is no budgetary instrument and no accountability system to show the funds, which can be committed to adaptation of climate change. Climate change is a horizontal issue and should be integrated into other budgets.

*Q (Rubèn Medina Estrada, Mexico):* Mexico has been trying to implement a results-based budget since 2006. There are debates of whether it should be a multiannual or biannually planned budget and what are the possibilities to measure a budget by results.

Mr Estrada also asked about the obligations for countries concerning the recording and attributing CDM related matters and using the benefits arising from the CDM.

*Q (Pakistan):* SAIs audit the World Bank projects, but their mandate is limited to financial statements and effectiveness of the projects has never been part of the mandate. Auditors are led by terms of reference. In some countries the scope and terms are clearly defined in legislation, in other countries the SAIs have taken initiative themselves. Value for money is never in the terms of reference. Evaluations are undertaken by review missions or by external evaluators, but they are not as independent as SAIs, for there is a client-patron relationship and if they give a negative report, they may not get the business next year.

*A (Stephen Lintner):* It is important to recognise that historically the funds have been very much project-based. The funds have evolved because of different needs emerging. The funds have slightly different objectives, charters and financiers. Over time consolidation is expected.

Control financially is easy. But regional management (the point made by Tanzania) is difficult. The Nile basin, Lake Victoria or the Baltic Sea projects all work with concerned countries and come up with a strategic approach. But the World Bank also has to have a sovereign guarantee from the governments concerned. A strategy lays things out, but in order to transfer significant amounts of funds, investments, there have to be agreements with sovereign governments, which is a challenge and an opportunity.

How does one know what happens to the money locally and in aggregate? For historical reasons most of the work is done by evaluators (e.g. in the GEF). There is a continuum between auditing and evaluation. How does one deal with performance audits and determine whether it complements, overlaps or duplicates the work carried out by evaluators?

Pakistan made a good point asking how independent the evaluators were. The answer – they are pretty independent. But at other levels - less independent. The SAIs are very independent already by nature. Conducting performance audits SAIs are in a space where a lot of work has been done by evaluators.

Argentina is correct in saying that communities have to be involved. The World Bank is finding that if you give communities a voice, you let them know that financial flows will be coming to the community. This is also the reason for developing the geospatial maps in the World Bank, so that people would be more knowledgeable, join in the planning and enjoy the results, thus adding a lot more public accountability.

The answer to the question by the Ethiopian colleague, why money is not made available more rapidly is, that the process just takes a long time, starting from the political agreement, then developing the governance of the fund, ensuring citizen participation. The establishment of a fund brings together the funding countries, the World Bank, civil society organisations, indigenous peoples' organisations. The next step is getting the money paid in. The government can pledge the money, but parliament has to authorise it and then the money has to be transferred to the World Bank or UNDP, and the process might not be so efficient. After that follows project design, which has to be approved. So there are benefits to be derived from engagement and transparency, but inefficiency is a downside.

The Baltic Sea project is a case in point. It is known that a lot of pollution came from inadequate municipal waste treatment and that was easier to rectify. But half of the pollution came from agriculture, and because of the collapse of the communist system, before things could proceed, it was necessary to wait for the completion of the land reform, and the change in thinking took a long time.

*Q (Jill Goldsmith):* What are the three things that the WGEA could do to make a real difference?

*A (Stephen Lintner):* It would be good to think how the WGEA can help SAIs address the issues via better guidance, training and how to achieve country led development effectiveness. How to take the movement from WGEA further into government structures, the recipient governments themselves and give them clear skills to steer and design their own work? Some countries are further ahead in some aspects, others in others.

As the developing community is shifting more towards results, how to monitor this evolving process? How to deal with the continuum audit vs evaluation? A performance audit looks a lot like evaluation. Actually, they are interdisciplinary. There are no problems between evaluators and auditors, but greater clarity is needed, given the different historical traditions.

The bottom line is - you are operating in an area which is not precisely defined, and this allows a lot of professional opportunities, using the wisdom of the old and the energy of the young.

*Q:* Does the World Bank have future plans for using its experience in the Middle East?

*A (Stephen Lintner):* I was actually in Jordan 10 days ago, discussing further plans. The World Bank has a new vice president for Middle East, Ms Inger Andersen, who has 30 years of experience in working in the region and on environmental matters. Previously she was the GEF Coordinator for UNDP for the Middle East and Sub-Saharan Africa. She has worked on the Nile Basin Programme and the Red Sea and Gulf of Aden Programme; other themes have included biodiversity, air and water pollution, as well as citizen engagement (on a project in Egypt).

In some countries the World Bank uses a national environmental assessment system (Tunisia). The World Bank is doing a lot in the region.

Mr Lintner offered to provide further information later in the sidelines of the meeting.

*The Chair* concluded that more discussion was needed regarding the complex issue of international funding of environmental matters. He felt that the topic was not to lose its importance and SAIs and WGEA were to play a more significant role in it, as governance, accountability and transparency were the WGEA's values. The Chair thanked the presenters and the participants for sharing their thoughts.

## Regional meetings

For the remaining time of the meeting day, regional working groups on environmental auditing (RWGEAs) were allotted time to gather and hold their side meetings. The regional coordinators were asked to send summarised overall conclusions of the meetings to the WGEA Secretariat for incorporating them into the WG14 minutes:

### AFROSAI

More than 27 participants from 14 SAIs attended the meeting. The discussion topics were related to the selection of new AFROSAI chair, Second Annual AFROSAI WGEA meeting, First AFROSAI Steering Committee, AFROSAI webpage, joint environmental audits.

Regarding the selection of new AFROSAI chair, the ongoing chair, Mr Ludovick Utouh, the Controller and auditor General of Tanzania, informed the members that end of tenure for SAI Tanzania chairmanship of AFROSAI WGEA would be the year 2013. He highlighted the need to start looking for the heir, as the purpose of the meeting was not to select or propose the next chair. With these remarks, one of the members responded by urging the incumbent chair of the INTOSAI WGEA to consult the INTOSAI WGEA heads of SAIs regarding volunteering for the position upon falling vacant in 2013 after his tenure of office.

Regarding the second Annual AFROSAI WGEA meeting, members agreed that meeting would have to be convened before the INTOSAI WGEA annual meeting or Steering Committee, in this case before the WGEA Steering Committee meeting in India, June the following year. It was agreed that the chair would get into contact with the Cameroonian head of SAI to establish the dates for this meeting; members would be informed on the agreed dates.

On the AFROSAI Steering Committee agenda, one member suggested that the regional chair would have to assume chairmanship of this committee. This idea was unanimously agreed by all members. The First AFROSAI WGEA Steering Committee meeting convened in Buenos Aires, Argentina on Thursday, 10th November 2011.

On the joint environmental audits agenda, Mr Utouh encouraged more SAIs to undertake this challenge. He encouraged members to think of joint audits as environmental problems had no political boundaries. In this regard he cited examples of other regions that had advanced in doing these types of audits. He highlighted some challenges of joint audits, mainly the funding aspects. Following the importance of joint environmental audits in the region, a suggestion came from one of the participants that the Steering Committee take up the challenge of coming up with proposals for projects. It was suggested that once these projects had been identified, it would be easy to solicit funds from development partners.

On AFROSAI webpage agenda, members were informed that the webpage was under construction by SAI Morocco. It was agreed that all matters, reports, articles or papers regarding environmental auditing be sent to SAI Tanzania for coordination and subsequently to Morocco for publication. Steering Committee would coordinate the collection of the information to put on the webpage to make the website a library for whoever would look for different information.

Finally, the meeting was closed by the chairperson at 5:00 by thanking members for their contributions

## **ARABOSAI**

The SAIs Morocco and Kuwait attended the meeting which was lead by the SAI Morocco on behalf of SAI Egypt. The two SAIs discussed the content of the report prepared by SAI Egypt as a chair of ARABOSAI WGEA.

## **ASOSAI**

During the 14th meeting of the INTOSAI WGEA, the ASOSAI WGEA Secretariat organized a regional meeting among the participants from the ASOSAI region.

Participants from 11 ASOSAI members attended the regional meeting and the discussion topics were the host of 3rd ASOSAI WGEA meeting and Seminar to be held in 2012 and its proposal theme.

After the discussion, SAI Malaysia volunteered to host the above said meeting, the time of the meeting would be decided after consulting between the host SAI and the secretariat.

Regarding the theme of the seminar, majority of SAIs expressed their interest towards the topic of EA on water issues, so that it was no doubt selected as the theme of the 3rd ASOSAI WGEA meeting and Seminar.

## **EUROSAI**

During the 14th meeting of the INTOSAI WGEA, the EUROSAI WGEA secretariat organised a regional meeting among the participants from the EUROSAI region.

More than 20 participants from 12 SAIs attended the meeting. The discussion topics were related to the EUROSAI and INTOSAI WGEA's goals on establishing coordinated and effective processes with relevant organisations and institutions, as well as to the recommendation made by INCOSAI last year. INCOSAI encouraged SAIs to increase awareness of the importance of environmental auditing among key international organisations and build working relationships with them.

The participants discussed how SAIs can, individually or jointly, interact and disseminate audit results to external relevant organisations and institutions.

The EUROSAI WGEA members had several ideas regarding how SAIs can contribute to interaction with external organisation on national level. Such as conduct meetings with external organisations, for example on annual basis, for brainstorming purposes as well as ex ante and ex post meetings of audits.

In addition, the participants came up with several ideas on what EUROSAI WGEA can do. Among other things contribute to distribution of national audits, making reviews and communication products of audits and SAIs activities, and to survey international organisations.

## **OLACEFS**

*Oscar Lamberto, Auditor General, Argentina*

*Summary to be updated*

## PASAI

Four representatives from the PASAI region held a regional meeting during the WGEA meeting. The representatives did some planning for the next ACAG PASAI RWGEA meeting, to be held in Sydney Australia in April 2012. The regional coordinator (New Zealand) told the regional meeting about the planned survey of PASAI members on preferred topics for cooperative audits in the PASAI region in the future. The survey was planned for December 2012, and the meeting agreed that the survey results would help shape the agenda for the RWGEA meeting. The RWGEA coordinator would look to find speakers and presentations relevant to the preferred topics, and the RWGEA meeting could do some further scoping of the topics to assist the next cooperative audit programme get started.

The group agreed to use the survey to see if PASAI members would be interested in a training day associated with a RWGEA meeting, and if so on their training needs and to get ideas for the agenda for the RWGEA meeting.

As a result of discussions, the regional meeting agreed that the 2012 RWGEA meeting should feature presentations and discussions on:

- topics for future cooperative audits in the PASAI region (based on survey responses)
- innovative audit approaches – this suggestion was inspired by the presentations at the WGEA meeting
- innovative ways of sharing knowledge about environmental audits within SAIs
- cooperation – how more experienced SAIs can assist less experienced SAIs in the PASAI region

The group supported the idea discussed at the WGEA meeting of the WGEA developing guidance on auditing coordination and effectiveness of grant and donor funding for environmental projects. This was a very relevant topic in the Pacific.

**Wednesday, 9 November 2011**

**Day 2**

## RWGEA Progress Reports and Discussion Outcome

### ACAG/PASAI

*Jonathan Keate, Senior Solicitor/Sector Manager, New Zealand*



Mr Keate started his presentation by noting that the Pacific Regional Audit Initiative (PRAI), a capacity building exercise, had been going on for the last couple of years, focusing on financial and performance audits. The partners were PASAI, Asian Development Bank, IDI, New Zealand and Australian Government aid programs. The initiative had 4 main aspects - strengthened permanent secretariat in Auckland NZ, raising financial audit capability in small islands Tuvalu, Nauru, Kiribati (sub-regional audit support programme), cooperative performance audits, better policies and practices in SAIs. The first three cooperative performance audit topics were solid waste (completed), drinking water (to be finished

shortly), and sustainable fisheries - tuna (underway).

Mr Keate introduced the steps that had been followed for cooperative audit: the topic-selection had been based on WGEA guidance, a planning meeting had been held, work plans had been developed and discussed using peer review, the audit proper had been conducted, a reporting meeting had been held after completion for draft report review by peers, a summary regional audit had been developed and the success of the audit had been evaluated and a new topic prepared.

Mr Keate noted that the waste audit materials were available on the PASAI web site: <http://www.pasai.org>. The WGEA Guidance had been useful for the 10 Pacific countries involved in the waste audit. The audit had

looked at the existence of the legal framework, implementation and monitoring. In most cases the framework was in place, there were some good practices, but also problems regarding implementation and monitoring. The same approach had been used for the next cooperative audit on access to safe drinking water where 7 existing and 3 new countries had participated. As Mr Keate explained, island water resources were fragile, susceptible to drought, and only 1 in 8 people had access to piped water. Some communities depended on rain water. Recently some islands had been running out of water completely and had had water delivered from outside. The MDGs had been used in the planning stage - it was clear that some islands would not meet the targets. The audit was mostly finished, with only the regional overview to be completed. A lesson learned - the focus had been too broad.

The audit of sustainable fisheries had used the WGEA guidance for planning; the data gathering tool and audit design matrix had been especially useful. Mr Keate introduced that the audit looked at the effectiveness of the management of offshore fisheries (in exclusive economic zones - EEZ), especially the tuna. He regarded tuna a very good topic for audit. A change in fishing methods (purse seine) had considerably increased fishing volumes, causing danger of overfishing, at the same time the benefits did not flow to the local islands. 58% of the world tuna was coming from the Western Pacific. The challenges for auditors included the following: complicated EEZ arrangements, accuracy of the data on fish stocks, sensitive commercial licensing arrangements.

Mr Keate listed the overall gains and successes of cooperative audits: excellent support from donors and partners, the usefulness of the peer review approach, involvement of new countries in each new audit. A performance measurement framework was being developed for better evaluation.

The next regional meeting would be in April 2012 in Sydney, focused on cooperation and following the WGEA work programme. A survey would be held to establish whether to continue with cooperative audits with environmental topics, also to determine the training needs.

Mr Keate suggested, influenced by the international funding discussion of the day before, that with a lot of aid money available, it would be useful for the WGEA to work on the coordination of donor funding.

*The Chair* hoped that PASAI would continue with cooperative audits on environmental topics. He referred ASOSAI, who was also planning cooperative work on water issues to PASAI, so that their knowledge and experience could be shared.

## **AFROSAI**

*Robert Cheyo, Principal Auditor, Tanzania*



Mr Cheyo started with mentioning that SAI Tanzania was the regional coordinator of AFROSAI.

The AFROSAI work plan for 2011-2013 had been approved in November 2010 in South Africa and it addressed all the issues in the INTOSAI WGEA work plan: enhancing the training of auditors in environmental issues, promoting communication among member countries and organising coordinated or joint audits. The priority topics included waste water, water supply, air pollution, mining, fisheries, forestry, waste management, possibly climate change and impact of tourism on climate change.

SAI Tanzania encouraged coordinated audits to address regional issues, like water and waste management, nature protection etc. The Lake Victoria audit was underway at that moment. The draft audit reports had been prepared and were being reviewed by experts of the participating countries of Tanzania, Kenya and Uganda. The joint report was to be ready by early January 2012.

Mr Cheyo introduced other initiatives in AFROSAI region:

- SAI Tanzania had sent the terms of reference to SAI Ethiopia for a joint environmental audit on the impact of tourism on wildlife conservation
- The Lake Chad audit was led by SAI Chad, involving the countries surrounding the lake.
- The plans for regional capacity building included an advanced environmental audit course to be held in 2011-2013.
- Many AFROSAI countries also participated in the WGEA/IDI training.

Mr Cheyo also informed that SAI Tanzania had represented the region at the EUROSAI meeting in the Netherlands in October 2010.

The first AFROSAI annual meeting had been held in Arusha, Tanzania 3-7 October 2011. Participants had included Dr Kreilhuber from UNEP, also experts from the Tanzanian Ministry of the Environment.

Resolutions of the meeting:

- A new chair had to be selected for AFROSAI. The term of the current chair Tanzania (from 2007) would end in 2013. The decision would be taken at the second annual meeting in Yaoundé, Cameroon in 2012. The precise meeting date would be determined later.
- SAIs were encouraged to engage in transregional joint audits.
- At the first annual meeting the definition of environmental audit had caused some controversy as some participants had had different views concerning the definition. Very useful information on the subject had come from the training day organised prior to WG14.
- AFROSAI was to establish its own web site.
- SAIs had to improve the working relationship with local and international environmental organisations to improve the effectiveness of their work.
- The first AFROSAI Steering Committee had been formed at the annual meeting with Zambia, Botswana, Nigeria, Egypt, Ethiopia, Kenya, Namibia and Tanzania as members.

*The Chair* thanked the presenter and commented on his own participation at the first AFROSAI annual meeting. He had been astonished by the progress made. The Chair recalled that there had been a great need for such a meeting 3-4 years earlier and thanks to the efforts of SAI Tanzania and its Auditor General Mr Ludovick Utouh, this meeting had really been a success.

## ARABOSAI

*Mohammed Diyer, President of the Regional Court of Accounts of Oujda, Morocco*



*Mr Diyer* presented the report of ARABOSAI WTEA (Working Team of Environmental Auditing) on behalf of Egypt, the regional coordinator who could not attend.

He introduced the progress under the Work Plan for 2010-2012, between its second (Cairo, 2010) and third meetings (Tunisia, April 2011):

- The results of analysing the first survey had been presented at the third meeting.
- The SAIs' experience in environmental audit of sanitary and industrial drainage - the performance indicators had been approved at the third meeting.
- Performance indicators in the field of solid waste had been presented by Kuwait at the third meeting and had to be revised by the next meeting in line of comments received.
- Performance indicators in the field of sustainable development had been presented by Tunisia at the third meeting and the SAIs had been invited to provide their own suggestions and relevant experience to Tunisia.
- Tunisia had developed the WTEA home page in the ARABOSAI web site. Suggestions as regards further work and periodic updates had been made at the third meeting.

The second part of Mr Diyer's presentation was devoted to ARABOSAI WTEA participation in the WGEA activities, with a focus on progress made in the WGEA guidance translation project.

The following translations had been approved:

- Auditing Mining ( the full translation – SAI of Oman)
- Auditing Sustainable Fisheries Management ( the full translation –SAI of Kuwait )

Progress had been made with other translations:

- Auditing Forests (the first and second chapters – SAI of Jordan)
- Auditing Sustainable Energy (the first four chapters – SAI of Egypt)

Mr Diyer noted that all approved translations would be posted on the WTEA web site.

At the third meeting Egypt had presented a report about attending WG13 in China in June 2010 and SC10 in Morocco in March 2011.

An overview had been also given about the current status of work undertaken within the framework of the WGEA work plan for 2011-2013:

- The progress on the guidance on auditing water issues, in which all members of WTEA participate, focusing on the distribution of work between the parties.
- The progress on the guidance on fraud and corruption in environmental auditing, led by Egypt.
- The progress on the research project with the changed title: "Impact of Tourism on Preserving Wildlife".

Other issues discussed at the third meeting:

- Tunisia and Iraq had offered to translate international environmental standards.
- Follow-up on implementation WTEA work plan 2010-2012 concerning the status of unfinished work on performance indicators and translation work and the guidance related work undertaken under the current WGEA work plan for 2011-2013.

*The Chair* expressed his understanding of the very difficult issues in the ARABOSAI region in general and in Egypt in particular and regretted that the representatives from Egypt had not been able to attend. He asked the presenter to pass on everybody's regards to the Egyptian colleagues and pledged the WGEA support and help to them.

## **ASOSAI**

*Yongning Gao, Deputy Director, China*



*Mr Gao* described the ASOSAI WGEA work since WG13 in Guilin, China in 2010.

He introduced the 3rd survey of environmental auditing in ASOSAI community. In February 2011 SAI China had conducted the 3rd survey to collect information and practices about cooperative environmental audits and ideas for future cooperative audits. 27 SAIs had replied, serving as a good basis for further activities. Mr Gao noted that the results showed that many SAIs had knowledge about cooperative environmental audits, but only China, Indonesia, South-Korea and Malaysia had actually conducted cooperative environmental audits. Parallel audits seemed to be preferred, but there were challenges related to language and technology.

Experience sharing was encouraged. The results of the survey had been presented the day before at the regional meeting.

Mr Gao explained that the 2011-2013 ASOSAI WGEA work plan had been drafted on the basis of the WGEA plan for 2011-2013 and the ASOSAI strategic plan until 2015. The plan foresaw enhancing dissemination and exchange of information and experience about environmental auditing as well as facilitating cooperation. The ASOSAI Secretariat had asked comments and feedback from SAIs and the SAIs had been briefed about the results the day before at the regional meeting.

Mr Gao listed the ASOSAI countries that had participated in the IDI transregional programme on performance audit on environmental issues in forestry: Bangladesh, Bhutan, China, Indonesia, Malaysia, Nepal and Thailand. He noted that all four phases - online training, 12-day training in Indonesia, pilot audit and audit review meeting – had been completed.

He informed about a Russia-China joint seminar on environmental audit that had taken place in Russia in September 2010 as part of the regular work mechanism agreed between the two SAIs in 2006. A wide range of topics had been discussed and possibilities for cooperative environmental audits explored.

Mr Gao also pointed out that China had participated in the 8th and 9th EUROSAL meetings in 2010 and 2011. These experiences had been very useful in helping to create a better understanding of EUROSAL and enhancing cooperation with other SAIs.

Mr Gao introduced the region's plans for 2012:

- Preparations for a meeting and seminar of ASOSAI WGEA in 2012. The time and topics would be determined on the basis of a questionnaire sent to all SAIs. SAI Malaysia had volunteered to host the meeting.
- The majority of SAIs seemed to be interested in environmental auditing of water issues, some SAIs wished to organise cooperative audits, also on water issues. Mr Gao noted that China was going to explore the possibilities of setting that as a sub-theme for the meeting, and invite the relevant experts. The time of the meeting would be decided later in consultation with the host.
- Official launch of a parallel audit to be conducted between China and Russia in 2012. The theme: environmental protection and maintenance of biodiversity in the catchment area of the Heilongjiang (Amur) River.
- Cooperative environmental audit of the Mekong River basin management had been the outcome of a workshop held in Bangkok 19-21 January 2011, facilitated by GIZ, the German International Cooperation organisation and ASOSAI. The proposed budget had been submitted to GIZ and confirmation was being expected shortly. The format would be parallel audit, with the riverside countries participating and Thailand as team leader.

*The Chair* thanked China for having chaired Theme II at the INCOSAI in Johannesburg. He also recalled fondly the WG13 meeting in Guilin. The Chair was happy to note that under the leadership of China the Asian countries had become very active in environmental auditing.

## EUROSAL

*Herdis Laupsa, Senior Audit Adviser, Norway*



Ms Laupsa gave an overview of the EUROSAL activities since WG13 in China in 2010.

Ms Laupsa pointed out that two EUROSAL annual meetings had been held: in 2010 and in 2011, with the former devoted to sustainable energy and the impact on environmental audits and the latter to transport related environmental issues and auditing the 3 E-s (Economy, Efficiency and Effectiveness). There had been 70-80 participants from ca 30 SAIs in both meetings.

Together with the meetings one-day training seminars had been carried out. In 2010 the theme had been sustainable energy, aimed at implementing the relevant INTOSAI guidance. The SAI of the Czech Republic had

organised the seminar.

In 2011 the seminar had been devoted to best practice in environmental audit: audit evidence and criteria in relation to ISSAIs. The aim had also been to raise awareness about the ISSAIs.

In May 2011 a seminar on waste had been held in Oslo. The focus had been on lessons learned, and best practise. 25 SAIs had been represented with 50 participants. Guests had included the OECD and European Commission. There had been workshops devoted to hazardous, medical and radioactive waste. INTOSAI WGEA activities had also been promoted (the relevant parts of the fraud and corruption guidance related to waste management and the guidance on waste management).

Mr Laupsa informed that given the beginning of the new 3-year planning period a new strategy and activity plan for EUROSAL WGEA had been developed. She noted that they were similar to the previous documents, having 4 strategic goals, of which climate change remained the same, but sustainability had been added, to reflect the INCOSAI recommendations.

EUROSAI was continuing its work with the same Steering Committee.

External activities included contributions to newsletters and magazines. Based on member feedback some assistance had been provided to the Auditor General of Norway in preparing for the INCOSAI. The Auditor General had also attended an European Court of Auditors seminar on environmental auditing.

Internal activities had been made up of Steering Committee meetings, interaction with INTOSAI colleagues, the publication of 2 newsletters annually and maintaining the web site.

Mr Laupsa informed that the following annual meeting would be held in October 2012 in Slovenia. The main themes would be sustainability and data sources, selected in the basis of member feedback and following the INTOSAI recommendations. In addition, as in 2010 and 2011, the secretariat would organize a separate thematic seminar in 2012 on ecosystems and natural resources. That had been considered a timely theme, since many audits had been conducted in the EUROSAI region on the subject.

The EUROSAI task force on the audit of funds allocated to disasters and catastrophes had been established, led by SAI Ukraine.

Ms Laupsa finished her presentation by giving a brief overview of the regional meeting held the day before. She also invited colleagues to visit the EUROSAI web site where the results of the regional work had been posted.

*The Chair* thanked Ms Laupsa for the presentation and EUROSAI WGEA for great support to WGEA. The Chair highlighted the waste shipment cooperative audit mentioned in the presentation and invited interested parties to join in, including SAIs from Africa.

## COMTEMA/OLACEFS

*Oscar Lamberto, Auditor General, Argentina*



*Dr Lamberto* recalled that COMTEMA, the Working Group of Environmental Auditing of OLACEFS, had been created in 1998, at the 8th meeting of OLACEFS. In 1998-2009 the chair had been Brazil; from 2009 Argentina had taken over the chairmanship. There were 10 original members, one had recently resigned and two had asked to join.

*Dr Lamberto* discussed the mission, vision and objectives of COMTEMA and touched upon the general and specific goals of the work plan for 2009 – 2011: strengthening the operation of COMTEMA in general and focusing on cooperative audits, training for SAIs, internal and external information exchange in particular.

*Dr Lamberto* listed the achievements of the 2009-2011 work plan period:

- 3 annual meetings had been held: 2009 in Buenos Aires, 2010 in Bogota and in 2011 in Buenos Aires.
- Cooperative audits had been organised on the following topics:
  - Coordinated performance audit on implementing the commitments of UNFCCC (9 SAIs, coordinator Brazil)
  - Coordinated performance audit on the environmental management for the conservation of natural resources in the Amazon region (5 SAIs, coordinator Colombia)
- Other activities had included translation of WGEA guides into Spanish and Portuguese, a survey by SAI Peru on training needs of SAIs, a new protocol on the management of the COMTEMA web site.
- In the field of technical and financial assistance cooperation was underway with the German organisation GIZ.
- COMTEMA had participated in the 19<sup>th</sup> and 21<sup>st</sup> OLACEFS assemblies with presentations. As an important outcome of the 21<sup>st</sup> assembly the COMTEMA budget had been increased.

*Dr Lamberto* finished by going over the work plan for 2012-2014, in which cooperative audit of water resources and of biodiversity was taking centre stage.

*The Chair* thanked the presenter and praised COMTEMA for its excellent work.

## Lessons Learned from Cooperative Environmental Audits

### Implementation of Parallel Audit on Mangrove Management in the Straits of Malacca

*Dato' Mustafa Bin Hj. Saman, Deputy Auditor General, Malaysia*

*Edward Ganda Hasiholan Simanjuntak, Audit Director, Indonesia*



*Mr Saman* expressed sincere appreciation to Dr Leandro Despouy and Mr Mihkel Oviir and the entire Secretariat for organising the meeting.

He spoke about the parallel audit related activities of SAI Malaysia and SAI Indonesia since the signing of a Memorandum of Understanding during INCOSAI XIX in Mexico City in 2007. Two parallel audits had been conducted on the basis of WGEA guides: forest management impact on the environment (2008) and mangrove management in the Straits of Malacca (2010). He noted that a further parallel audit was planned for 2012 on marine and fisheries management.

*Mr Saman* gave a thorough overview of the mangrove forests, their importance and use, their role in providing protection from storms and tidal currents, the need to create awareness among the communities of the importance of preserving the mangroves and the great concerns that had resulted from the 2004 tsunami. He explained the geography of the Straits Malacca, listed the areas in Malaysia and Indonesia which were involved and pointed to the risks arising from shipping and pollution to mangrove forests.

He then discussed the audit process and the 4 meetings the SAIs had held from planning to signing the audit report.

*Mr Saman* noted that the audit objectives of the SAIs had been slightly different (Malaysia: assessing whether the management of mangroves had been implemented efficiently and effectively in accordance to the relevant laws and regulations as well as achieved its stated objectives with consideration to environmental impacts; Indonesia: assessing the effectiveness of the activities of rehabilitation, utilization, protection, and conservation of mangrove forest in recovering and increasing mangrove forest functions as a buffer of coastal ecosystem).

*Mr Saman* touched upon the audit scope (again the periods looked at had not exactly been the same), audit entities and methodology (work with documents, observations and site visits using the modern technology of remote sensing, GIS, aerial views).

He introduced the results of the Malaysian audit: mangrove management had been in accordance with the relevant legislation and policies and was being properly implemented. However, the innovative techniques (comp mat, comp pillow) applied for rehabilitation and stabilisation of coastal mangroves after the 2004 tsunami had not completely produced the desired results and replanting mangrove trees had remained a challenge. *Mr Saman* noted that work was underway for improving the techniques.



*Mr Simanjuntak* spoke about the audit findings for Indonesia.

In 1998-2008 the sedimented land area had grown considerably. The size of the area had been calculated by using GIS. The status of this land had turned out not to be clear.

Rehabilitation of mangrove forests had not met the target in Indonesia.

He discussed the impact and results of the audit. Both countries had submitted the audit reports to their parliaments. Both governments were working with the problems indicated in the audit. The government of Indonesia had developed an action plan to follow up the

recommendations and the government of Malaysia was also taking measures to overcome the problems found.

Mr Simanjuntak pointed out, as a challenge that some technical knowledge would be required for such audits and that might not be readily available in the SAI, so outside experts would have to be used. He noted that there were also differences in legislation and the organisational structure, which sometimes affected the way parallel audits were conducted. Mr Simanjuntak explained that the solution to overcome the challenges had lied in communication, meetings etc.

The reporting requirements in SAIs had been quite different and they had had to be taken into account, e.g. in Indonesia the audit report could be released only after submission to the parliament.

Two WGEA guides had been used for the parallel audit (cooperation between SAIs and guidance on forests). Mr Simanjuntak noted that the work was easier and more focused if the same guidelines were used by both parties.

Given the complexity of the subject experts had had to be involved to help understand the technical issues. Mangrove management was a complex issue, bringing together economic, social and environmental aspect - all of which an auditor needed to understand.

The best results of parallel audit had been the sharing of knowledge, experience gained. Thus there was no doubt about the need to conduct more parallel audits, which always helped both SAIs.

*The Chair* thanked the presenters for very valuable learning points.

### **Challenges and Lessons Learned from Two Parallel Audits**

*Helge Strand Østtveiten, Director General, Norway*

*Sergey Antonov, Head of Unit, Russia*



The presenters took turns in explaining how the joint work had evolved, what challenges had been encountered and what lessons had been learned.

There had been two parallel audits. The first, on fisheries management in the Barents Sea, had been discussed at previous meetings. There had been a joint management system in place since the mid-1970s, which had worked in general very well all through the times of the Cold War. The reason for conducting the audit had been overfishing that occurred in 2002-2003.

The other audit had concerned radiation safety and protection of the environment against pollution from radioactive sources in North-Western Russia. The idea

had first been discussed by both SAIs in Arusha, Tanzania. From 1995-2009 the Norwegian Parliament had allocated more than NOK 1.4 billion for that purpose. In 2010 the audit report had been submitted to both chambers of the Russian Parliament and to the Norwegian Parliament.

Work had been conducted in two phases. In the first phase common general audit questions and audit criteria had been developed, reports had been written separately, but the same general outline had been followed. Finally a memorandum on common assessments and summaries of the national reports pinpointing the most significant findings had been jointly put together. The memorandum had become a symbol of cooperation. It had been signed by both Auditors General at a joint meeting.

The second phase had emerged from the desire to be more ambitious and work even more closely together. Strategic and operative plans had been formulated so as to allow joint interviews with both teams present and have the opportunity to ask questions. Interview guides had been prepared for those meetings. Common site visits had also been designed to inspect how the inspectors had been working at sea. Agreement with the coast guards of both countries had made the visits possible. In 2009 the teams had went out to sea for observing the work done by inspectors; inspections had also been conducted at the ports.

The audit teams had also amazingly been able to get access to nuclear waste sites in Russia. It had not always been easy, given the military secrets involved, but thanks to the Russian colleagues the auditors had been able to get access to the persons and institutions involved.

Two audit reports had resulted from the audit. The first audit report had looked at how nuclear materials had been protected against falling into the wrong hands, nuclear safety at the Kola Nuclear Power Plant, storing and handling of nuclear waste, emergency readiness and environmental monitoring and the use of the funds granted by Norway.

The second report had had a more narrow focus, deriving from risks uncovered in the first report: internal control and financial management of the grants both in Norway and Russia. Two funded projects had been scrutinised: removal and replacement of 180 nuclear generators from light beacons along the northern coast of Russia and dismantling of submarine No 609 in the Nerpa shipyard. The audit teams had been able to talk to the contractors and subcontractors, look at the accounts on the Russian side and see how the Russian authorities had been managing the funding from Norway. The reports had been submitted to the respective parliaments a few months earlier.

The positive results of cooperation had included added transparency and efficiency of spending the funds, improved effectiveness of state policy and environmental protection, independent assessments and awareness building among parliamentarians.

More specifically the results had been the following: more awareness of proper fund management created in the Norwegian Foreign Ministry; internal controls established in the Nerpa shipyard and the regional administration, issues of fraud and corruption highlighted.

The challenges had not been any real challenges once the parties had decided that they wanted the cooperation and had realised they were in "the same boat". Then every situation had become manageable.

At the beginning there had been language problems and work had had to be carried out via interpreters/translators, which had slowed down communication.

Communication between the audit teams and management had been found to be important - many physical meetings had been held, especially in the first phase. The aim had been to build trust - once that had been established, the rest had been easy.

It had also been crucial to maintain highly competent and stable teams - there had been little change in the composition of the teams over the 4-5 year period, with Mr Antonov the veteran of cooperation.

Things had been made easy by the full support from top management from the start.

Lessons learned: in addition to the practical activities a lot of experience had been gained. Common audit issues had led to a format of joint work, common estimates had gone into the final document - the memorandum. Each party had got new tools, leading to valuable conclusions of common policy or common interest, built on common concern for the environment.

*The Chair* thanked the presenters for their interesting take of the subject.

### **Environmental management audit coordinated with the SAIs of Brazil, Colombia, Peru and Ecuador in compliance with the Amazon Cooperation Treaty**

*Paul Noboa, Director of Environmental Audit, Ecuador*



*Mr Noboa* expressed his gratitude to the members of the WGEA and Argentina's Auditor General's office for succeeding in making everybody feel at home in Buenos Aires.

*Mr Noboa* started to introduce to topic by saying that Amazonia was the most extensive area of continuous forest in the world. Recent developments had accelerated the transformation of its ecosystems; economic production was causing intensive use of natural resources.

Population growth, the development of infrastructure had altered land use. Further problems included deforestation, loss of biodiversity, and the adverse impact of climate change.

*Mr Noboa* noted that 33 years earlier 8 Amazon countries: Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela had entered into the Amazon Cooperation Treaty - to promote harmonious and integrated development of the Amazonian basin.

The proposal for the cooperative audit had come from Colombia at the 7th COMTEMA meeting in April 2009, and the audit had been included in the 2009-2011 COMTEMA work plan. A memorandum of understanding had been signed in May 2009 for developing the audit and its modalities.

*Mr Noboa* recalled that on 15-17 September 2009 a regional seminar had been held in Cartagena, in which the terms of reference for the cooperative audit had been agreed. The regional and general objectives had been formulated and four investigative lines developed:

Line 1: Degree of compliance with the commitments implemented in the treaty;

Line 2: Ecological and Economic Macro-zoning;

Line 3: Cultural Diversity and respect to the rights of the Indigenous People;

Line 4: Protected Natural Areas.

The audit was to span the period 1 January - 31 December 2009.

As a result of the audit an individual report had been planned to be prepared for each of the four lines of investigation, to be built into a national report, and later a general international report would have to be compiled.

During the audit several meetings had been held to share methodology, discuss progress of each SAI, establish the reporting structure, allocate responsibilities in writing the reports, analyse and adopt the regional and international reports, and share best practices.

The audit had produced multidisciplinary teams that had had a good understanding and overview of the region.

Mr Noboa listed the conclusions, broken down by investigative lines:

Line 1: The standing national committees had not been able to comply with the commitments by the agreed deadlines.

Line 2: The tools of economic and ecological zoning had been used for mapping the most appropriate forms of land use, but not used as criteria for resource allocation in public policy; there had been no mechanisms to promote change in land use.

Line 3: The limited presence of public institutions in the Amazon region had been an obstacle for the control, monitoring and protection of indigenous territories. Some countries had started to develop mechanisms to ensure the rights of indigenous peoples, and promote and guarantee community participation,

Line 4: The countries had not incorporated in their policies and institutional strategies the inventories of renewable natural resources, they had not made efficient use of existing information to develop instruments that would help control and evaluate the existing resources in the Protected Natural Areas. There was not enough staff for monitoring of the protected areas, given the size of the area.

Consequently, the Amazon region faced a number of challenges:

- Need to strengthen the management of the Permanent National Commissions;
- The strategic plans and programs would have to match those set by the Amazon Cooperation Treaty;
- The work related to economic and ecological zoning would have to be included in the agenda of the Permanent National Commissions;
- Land use would have to be tracked and monitored;
- The cultural diversity component would have to be stronger in the agenda of the Permanent National Commissions;
- A permanent regional agenda would have to be built to develop prevention and conflict management systems;
- Citizen education strategies would have to be developed;
- Public policies would have to be put in place to protect ancestral knowledge;
- The governments would have to include the protected natural area component in their plans;

Mr Noboa concluded that all in all the governments would have to develop strategies for the implementation of mechanisms of coordination and decision making, for programs or projects that develop initiatives for border protected natural areas, for ensuring that commitments are met and the activities are coordinated in a flexible way; encourage the establishment of biological and cultural corridors, that facilitate the flow of species as well as the exchange and appreciation of traditional knowledge of local populations.

To meet the challenges the countries had to strengthen the institutions responsible for controlling and monitoring.

Mr Noboa noted that results of the cooperative audit were not binding, but regarded it still an excellent example of an integrated response to common problems. All stakeholders had been invited to participate in protecting the region - Amazonia had no borders. Many benefits had been derived from the cooperative audit work and Mr Noboa thought SAIs everywhere would have to be encouraged to replicate such efforts.

*The Chair* thanked the presenter and admitted that cooperative audits were a challenge, communication was often a problem, but the work was always very rewarding. He insisted that they were worth the effort and pointed to the existing multitude of experience and guidance.

## Cooperation with International Organisations #1

### Sustainability Reporting: What Are Governments and Auditors Doing about It?

*Gillian Fawcett, Head of Public Sector, Association of Chartered Certified Accountants*



*Ms Fawcett* gave a brief outline of ACCA – a global professional accountancy body, with more than half a million members and 83 offices across the world. She introduced that ACCA was dealing with the private and public sector, allowing cross-fertilization and learning between the sectors. ACCA was also working with SAs. She regarded ACCA well placed to drive the Corporate Social Responsibility (CSR) and sustainability reporting debate because of its global nature.

*Ms Fawcett* pointed to the fact that ACCA had been promoting sustainability reporting and CSR for 30 years, undertaking research, issuing awards to private sector companies and running campaigns. ACCA was striving to be a sustainable organisation and participates in the

Prince of Wales Supervisory Board of the Accounting for Sustainability Initiative and the working group of International Integrated Reporting Committee (IIRC).

*Ms Fawcett* noted that ACCA had been selected to participate in a 2 year pilot project looking into new ways of reporting. This was primarily targeted towards companies (e.g. Coca Cola and Marks & Spencers).

She further elaborated that ACCA had been producing its own CSR reports for the past 2 years, following broadly the indicators of the Global Reporting Initiative (GRI). Reporting was done against the organisation's priorities, governance, demographics (the gender, ageing of members and students), social aspects (e. g. social benefits for employees), environmental matters (water use, waste, carbon emissions). Materials used were measured by weight or volume. Paper consumption had been reduced by half - ACCA's policy was not to publish, where possible. Many other indicators had been included in the document, which was posted on the ACCA web site. *Ms Fawcett* concluded that reporting was not easy, there was room for improvement. The important thing to be kept in mind about reporting was in her mind to keep it simple.

*Ms Fawcett* then touched upon governments' activities with regard to sustainability reporting. She admitted that ACCA had not worked that much with the public sector. Looking into what the public sector was doing, it soon had become apparent that the attempt to cover the whole public sector was too much and the scope had thus to be narrowed down. Also, not much had been written academically about the public sector in the area. But *Ms Fawcett* noted that academic papers were on the increase, as public sector sustainability reporting was an emerging area.

*Ms Fawcett* informed that ACCA had engaged a student, Hannah Jones, to look into the matter and she had found that the commonly used definition in literature and case studies had been the UN definition by Brundtland: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". *Ms Fawcett* commented that the definition was very broad and could be interpreted in many ways. The definition included economic, environmental and social sustainability. She noted that governments were using the definition in interesting ways - it appeared that economic and social factors crowded the environmental factors out.

*Ms Fawcett* pointed out that there were differences in every aspect of sustainability reporting between the public and private sectors. These needed to be taken into account when developing reporting frameworks for the public sector. Some of the global standard setters had to her opinion failed to understand the different needs of the public sector.

*Ms Fawcett* gave an overview of the mentioned differences:

- Private sector driven by financial return, the public sector by social benefits, well-being and goods and services;

- With regard to domain: private sector focused on its direct impact, e. g. managing the environmental concerns through its supply chain model, public or local organisations very much on the geographical area;
- Private sector motivated by legal requirements, public sector by domestic political pressure, international pressure, aid and trading relations, austerity measures;
- Private sector using annual reports and standalone reports, public sector national accounts, sustainable development strategies, corporate plans, impact assessments. Many different reports in the public sector, but with focus on the budget mainly, whereas in private sector on profitability;
- Promotion of sustainability reporting: private sector via procurement and product development, the public sector through policy and legislation affecting social policy;
- Sanctions: the public sector affected by the political imperative - loss of power or the overall depletion of national resources; the private sector by legal action, customer boycott and financial failure.

Ms Fawcett emphasized the necessity of standard-setters recognising these differences.

Five case studies had been looked at: Canada, Mexico, Sweden, Philippines and the UK. Ms Fawcett noted that the problem with case studies was that they were set in time, and over time things were changing. The findings showed that in general sustainable development had been based on the Brundtland definition, but through time emphasis had shifted, e.g. in Sweden the environment had gained more priority.

The UK was going to be one of the first countries, where reporting on sustainability would be mandatory.

Ms Fawcett introduced that guidance and research had been provided by the following organisations:

- Global Reporting Initiative (GRI) had a sector supplement for public agencies
- Federation of European Accountants (FEE)
- INTOSAI
- European Policy Centre (EPC) – active in environmental sustainability reporting
- HM Treasury Government Financial reporting Manual (FReM)
- New Economic Foundation (Well-being & social good), which had used the happy planet index and according to that Costa Rica had been considered the happiest place on Earth. Bhutan had been reporting on well-being and social good.

Ms Fawcett next raised the question about the role of accountants and auditors in sustainability reporting. She elaborated that they were helping formulate budgets and develop strategies, performance management was critical in her opinion too. She also drew attention to their key role in governance, transparency and accountability and insisted that sustainability reporting would have to be linked to all three. She added that auditors developed frameworks and were involved in standard setting.

Ms Fawcett went on to list the challenges: focus on environmental auditing, but environmental, economic and social sustainability were interconnected and there was also the intergenerational timeframe to be taken into account. Measuring elements of sustainability and wellbeing - the World Bank had been more involved in qualitative measurement; it was quite broad and difficult, but increasingly on the agenda.

She stressed the need to recognise that auditors and accountants could not work alone; there was a need for specialists and experts from all the relevant walks of life.

Conclusions:

- More research necessary;
- National governments would have to consider sustainability in all of its social, environmental and economic elements;
- Development work necessary, to be undertaken by the IIRC and leading bodies responsible for developing guidance and frameworks specific to national governments;
- Focus on the future, but also on improving present well-being. The real role of auditors influencing the process and judging upon the suitability of the framework for the public sector.

Ms Fawcett next introduced a survey organised by the Federation of European Accountants that had involved 10 European countries. She noted that the results were not public yet, but key findings already showed that there was scope for realising resource efficiencies through reducing waste, water and energy

consumption. Ms Fawcett mentioned that sometimes pursuing environmental priorities was seen to be in conflict with efficiency, but underlined that it was not actually the case - the environment and efficiency were going hand in hand, especially in times of austerity. Consequently, the three E-s would have to be complemented by the fourth - the environment. She thought that using procurement practices, learning lessons in terms of how goods and services were purchased could also influence the environmental agenda. Setting targets and monitoring the performance against those targets over time was in her opinion of key importance.

Ms Fawcett also spoke about research concerning small and medium-sized enterprises (SMEs). She noted that SMEs were confused about terminology. They found it hard to understand what they were responsible for. SMEs were environmentally friendly, but just did not report it. SMEs' possibilities to influence the global sustainability standards and reporting frameworks were limited. At the same time they were disproportionately affected by the standards. They saw this as top down initiatives pressed upon them.

Ms Fawcett concluded that there was a need to move forward and overcome the challenges and find answers to the following questions:

- Can reporting frameworks adequately deal with all the complexities of business and governments?
- What is the right balance between mandatory requirements and best practice?
- How to overcome issues of data and reporting credibility?
- How to make better use of new media reporting e.g. social media?
- How to address the issue of costs and benefits?

Ms Fawcett's final "word of warning" - keep it simple!

*The Chair* thanked the presenter. In his opinion reporting was fascinating. The Chair agreed with the need for simplicity.

### **Fraud and Corruption in Environmental Issues**

*Lisa Ann Elges, Programme Manager, Transparency International*

*Oscar Rafael Pereira Aguilar, Regional Specialised Officer, Interpol*



*Ms Elges* thanked WGEA for inviting Transparency International (TI) to participate and speak at the meeting. She noted that there were key areas where it was possible work together to increase transparency, accountability and integrity in environmental management and climate change financing.

*Ms Elges* introduced TI: an international coalition against corruption with the secretariat in Berlin and 100 national chapters. Its stakeholders: the governments, banks and companies, the civil society. *Ms Elges* explained that TI did not investigate corruption, but promoted best practices to increase transparency, accountability and integrity and anticorruption safeguards.

TI definition of fraud: the abuse of entrusted power for private gain.

*Ms Elges* noted that a recent report had concluded that the world was getting better, only not in matters of climate change and corruption. That was a good reason for cooperating with TI.

*Ms Elges* gave a brief overview of the financing needed to overcome the challenges related to climate change. The sources of climate finance were both multi- and bilateral. Mostly taxpayers' money was used, but funds were also derived from the carbon market, from introducing new taxes, reallocations.

*Ms Elges* pointed out two issues that were raised due to the amount of public money involved: the accountability of the public money and the accountability of the private sector using public money put at their disposal for implementing climate change actions.

TI had been analysing the risks in climate change related to natural resources to see where there were overlapping areas, which could cause risks, e.g. the power, energy, water and forestry sectors combined with climate change themes.

*Ms Elges* introduced that in order to establish which sectors were most susceptible to fraud and corruption, TI had published a bribe payers index (out the week before), a survey of companies, to show in which

countries and sectors were most likely to pay bribes. It had appeared that the most corruptive sector was the construction and public works sector. These had come out at the bottom for over 10 years. Climate change and mitigation, fisheries, mining, oil and gas, utilities and the power industry also posed risks for corruption.

Ms Elges outlined the specific types of corruption and gave illustrative examples:

- Embezzlement of public money as a classic example of corruption. For example, after the 2007-8 elections, an African country had received USD 28 million for the government to relocate displaced persons, but 25% of the money had disappeared and huge numbers of people had remained homeless as a result.
- Conflicts of interest could arise especially in mitigation. An example was a solar panel project in one European country, under prosecution at that time. The local officials had given licenses to solar panel companies in an improper and corrupt manner, with undue benefits for themselves.
- Mismanagement of public resources. For example, carbon taxes had been introduced in some European countries, with revenues to be used for designated climate change related purposes, but in one case the carbon tax money had just gone to the national budget.
- In one European country a former minister of the environment had sold excess carbon credits to a company set up in the US by his friends and former colleagues below market value and had caused a loss of EUR75 million to the budget. The company had sold the carbon credits at the market and turned a EUR 45 million profit.
- Creative accounting and reporting. Ms Elges emphasized the importance to accurately report the amount of greenhouse gases countries were releasing and the amount of emissions they were cutting. She noted that the CDM and carbon market posed risks there. CDM projects had two objectives: to reduce greenhouse gases and support sustainable development in the partner country in the developing world. Ms Elges noted that it was difficult to establish if all what was claimed was true and pointed to the lack of transparency and accountability in the field. Ms Elges invited auditors from China and India to shed some light on how that was being done in their countries.
- As another example, the TI had analysed the cost of a huge solar power project planned for North Africa, which was to pipe solar energy to Europe. The planned cost would amount to EUR 400 billion by 2050. But TI analysis had showed that the total would be more approximately EUR 1600 billion, taking into account bribes etc.
- Extraction of natural resources. Ms Elges considered it a great source of revenue to benefit the country and could not be allowed to go wrong.
- Policy, law and regulation setting for undue influence. Ms Elges regarded it one of the key issues, but pointed to the assessment difficulties. She noted that business interests could influence legislation so that otherwise corrupt behaviour became legitimised.

Ms Elges brought out various resources and tools that TI could use: the Global Corruption Report on Climate Change (2012), the Climate Governance Integrity Programme, plans for research in climate change matters, e-learning regarding climate change matters, advocacy and networking.

She elaborated that TI would do mapping and assessment: who got the money, where from, what were their legal mandates, how it was banked, who received the money, how vulnerable the institutions were to corruption. The relationships would be looked at, the purpose of finance and modalities. TI would assess the likelihood and impact of diverting the finance.

She explained that TI was advocating the ratification and implementation of the UN Convention against Corruption. TI had also produced business principles for the private and finance sectors, integrity pacts and development pacts.

Ms Elges also introduced ALAC, a civil society answer to an anti-corruption hotline: it was an advocacy and advice centre operating in many countries. The citizens could call in about corruption. Ms Elges deemed it a very useful tool for learning how response to corruption was happening.

Ms Elges also listed some useful external initiatives and examples of good practice:

- The UNDP's leading work in governance assessment;
- Natural Resources Charter;
- Corruption risk assessment (CRA) for the water sector;
- Hydropower sustainability assessment protocol;
- Aid + climate financing tracking;
- Work in the World Resources Institute;
- Fiduciary standards and principles developed by the World Bank.

Ms Elges finally discussed ways of cooperation and following steps. She insisted that TI was being very objective and selective who to work with. Thus auditors needed to have a high level of integrity, independence and expertise.

She pointed out that the international anticorruption conference in November 2012 in Brazil and the Rio+20 meeting would offer further opportunities for cooperation.

*The Chair* admitted it was hard to ignore the material presented by Transparency International and invited the participants to use it. He also pledged further cooperation.



*Mr Aguilar, Interpol* started by calling environmental crime one of the most profitable criminal activities. To fight that Interpol's Environmental Crime Programme strived to identify trends in environmental crime, to support the international exchange of skills and information throughout its 190 member countries, and to provide on-the-ground assistance in law enforcement operations.

Mr Aguilar proceeded to give a detailed overview of what Interpol was and did: there were 190 member countries, general secretariat in Lyon, France and 7 regional offices, also representatives with the UN and EU.

Mr Aguilar mentioned Interpol's mission: preventing and fighting crime through enhanced cooperation on police matters through a secure global communication network, 24/7 support to policing and law enforcement, capacity building, identification of crimes and criminals, business continuity and sustainability and adherence to the legal foundation.

Mr Aguilar noted that communication across borders and international cooperation was more important than ever before.

Mr Aguilar spoke about Interpol's priority crime areas and its databases and discussed what Interpol was doing with regard to corruption. He regarded developing countries to be especially affected by corruption, which was undermining their stability and damaging trust.

There were 3 major projects that Interpol had in the field of fraud and corruption:

- International asset recovery
- Corruption Response Teams (CRTs)
- INTERPOL Group of Experts on Corruption (IGEC)

Mr Aguilar listed the actions through which Interpol was fighting environmental crime:

- Encouraging the exchange of information and intelligence between agencies responsible;
- Encouraging the development of networks between traditional police agencies and environmental law enforcement agencies;
- Developing and enhancing skills in the field of environmental enforcement;
- Providing technical support and expertise to environmental law enforcement agencies;
- Ensuring an intelligence-led approach in the enforcement of environmental laws through the identification of international trends and patterns;
- Supporting an effective Environmental Crime Committee

Mr Aguilar mentioned that environmental crime was a far-reaching issue that crossed all areas of the environment, biodiversity and natural resources, involving illegal trade in endangered species, pollution of air, water and soil, over-exploitation of fishing grounds, climate change crime and corruption, illegal logging, natural resource theft, biosecurity.

Interpol's mission in fighting environmental crime was to assist its member countries in the effective enforcement of national and international environmental laws and treaties. The Strategic Plan permitted the flexibility to react to existing and emerging types of environmental crime.

Interpol had become actively involved in fighting environmental crime in 1992 when it had established the Environmental Crime Committee and had continued ever since.

Mr Aguilar also introduced the “ecomessage”, which entailed the following:

- Rapid entry and methodical report data;
- Format compatible with the INTERPOL databases;
- An efficient cross-reference;
- Organized and meaningful extraction of data;
- Facilitation of its implementation, for example, criminal intelligence analysis.

Mr Aguilar briefly touched upon the future plans and next projects:

- Interpol was working closely with national and international authorities in Asia to develop operational task forces;
- Interpol's Climate Change Crime and Corruption Project addressed one of the most serious global issues;
- The Electronic Waste Project was already co-ordinating and leading a global response to the issue of the import, export and disposal of hazardous electronic waste, a threat to ecosystems and human health alike;
- Project PREDATOR (survival of wild tigers).

*The Chair* thanked Mr Aguilar and hoped to continue cooperation in environmental matters with Interpol.

## Discussion

*Q (Horacio Pernasetti, Argentina):* A statement by the TI representative really caused concern, namely that creative accounting equals fraud. The recent global economic crisis is suspected to have started because of creative accounting, with respect to derivatives. An analysis of the instruments traded in electronic market places shows that the trade in the instruments representing for example mining, oil or agriculture products exceeds 2-3 times the actual products. This is true for soya, but also copper, oil etc. This leads to distortions in supply and demand and eventually affects the environment. Not only WGEA, but the INTOSAI as a whole should be more active in analysing creative accounting related to derivatives and commodities. This is a big challenge for the future.

*Q (Kjell Kristian Dørum, Norway):* As responsible for the fraud and corruption guidance I am very pleased that TI and Interpol are attending and addressing the meeting. The presentations were interesting, informative and inspiring. The SAIs share the same concerns of good governance, anticorruption and sustainable management of the environment and natural resources and therefore we should interact with these two organisations.

*Q:* A question to TI in connection with the system established by the Kyoto protocol and CDM. Most developed countries send funds to the least developed countries under the CDM, but this mechanism causes misappropriation of funds. In 2012 the Kyoto targets will have to be renewed. Don't you believe that CDM is a reason why countries are reluctant to implement changes and that CDM might itself be the reason for global climate corruption?

*Q (Jagbans Singh, India):* Are CDMs resulting in emission reductions? One of the factors for projects to be eligible as CDM projects is additionality, i.e. such a project must not be financially viable otherwise. But there are projects (in China, India, Brazil), which would have been viable without the CDM component but still were registered as CDM projects. It seems to be a win-win situation for all parties concerned, but auditors of the UNFCCC who do due diligence before registration, should be responsible for deciding, if it is justified. A case in point is the transfer of the public transport system in Delhi to compressed natural gas. They afterwards registered the undertaking as a CDM project and made a substantial amount of money out of it.

*Q (Sheraz Manzoor Haider, Pakistan)* Most of public vehicles in Pakistan have started to use compressed natural gas. If the ministry applied for CDM, would they have a case?

*A (TI):* TI cannot comment the environmental aspects, but can respond only from the governance point of view. Why CDM is so difficult to understand and monitor? It is because of the way it has been set up. The CDM process itself is transparent with documents posted on the web site and a transparent global consultation process. But the technical nature of the CDM process makes it difficult to

understand. CDM has an inbuilt auditing system, but there are limitations that a private sector auditor can do.

An example that Oxfam brought to our attention: as part of a CDM project in an African country, a UK company was to plant forest, which led to displacing 22 000 people. There were no controls, their houses were burned down, including a house with a baby still inside. Here are profound human rights aspects involved. Oxfam gave a prior warning, but nobody responded. If the organisations have no resources on the ground, then can they rely on civil society? With no monitoring these things continue to be happening. We are not only speaking about the violation of human rights here, but also violations against the environment, which is very important from the accountability aspect - the environment cannot speak up for itself, nor can the future generations yet, who are going to be affected by this.

*A (ACCA):* A word about creative accounting and market-driven behaviour - some of the derivative products are so complicated that even the accountants cannot understand them. The more the public sector starts applying the generally accepted international accounting standards, the less scope there is for creative accounting. Currently the governments use a very wide variety of methods for public sector accounting. A case in point is the current sovereign debt crisis. If everybody started to use the same standards, the governments will be less able to cherry pick what they wish to disclose in their accounts and what not.

*The Chair* thanked the panellists and concluded that the complexity of the reporting frameworks created confusion. If auditors could not see the whole picture, they were not able to give an accurate opinion about the government reports. The chair stated that capacity building was of crucial importance. One thing was clear - INTOSAI would have to and wanted to be more active in all of those areas - integrated reporting, sustainability reporting, also fraud and corruption issues, which would be more under scrutiny given the transregional and cross-border nature of environmental crime.

## **Parallel Sessions #1**

During the last session of Day 2, work was organised in 4 parallel sessions led by the SAIs leading the WGEA projects on the sessions' topics: auditing water issues, environment and sustainability reporting, fraud and corruption, land use and land management. The project leaders were asked to provide summaries on the sessions to the WGEA Secretariat to incorporate into the WG14 minutes:

### **Auditing Water Issues**

The water breakout session consisted largely of *Steve Elstein's* (USA) overview of the water issues project, presentations by several other SAIs on their own water projects, and feedback and discussion from other participants in the session. Mr Elstein identified the research questions for the water project, which are to (1) examine critical water problems and describe efforts by national governments and international institutions to respond to these issues, paying particular attention to the water-related impacts of emerging issues such as climate change; (2) catalogue and describe SAI audits on a range of water issues, focusing in particular on creative and innovative methods SAIs have used to analyze and report on their priority water challenges; and (3) provide information and insights on which water audit tools proved to be most useful under which circumstances. He provided an overview of the project's tentative findings, and noted that work was proceeding on schedule--with a draft report scheduled for completion in early 2012 that will be submitted for review first by the water subcommittee, and then by the Steering Committee (before eventually being circulated to all WGEA members). Excellent presentations on a wide range of topics were also provided by delegates representing the SAIs of Argentina, Bhutan, Mexico, and New Zealand. Audience members responded enthusiastically to all presentations, and many expressed support for the overall direction of the Water Issues Project.

### **Environment and Sustainability Reporting**

The project leader (Finland) gave an introduction to the subtopic and the purpose of the research project. This was followed by two presentations, "The role of local administration in environment and sustainability reporting" by SAI of Poland and "Trends in Australian Public Sector practice and reporting" by SAI of Australia. Both presentations were followed by questions and discussion. The latter part of the session was dedicated to group work, where first, challenges related to sustainability reporting were addressed and second, a glance of possible solutions for these issues were considered.

One of the outcomes of the discussion was that sustainability reporting is a continuous process and it needs to become a part of normal reporting practices.

## Fraud and Corruption

From the discussion between and after the presentations at this workshop, it appeared that fraud and corruption was a theme that engaged the audience. Inter alia, the discussion gave rise to the following concerns and comments: First of all, some of the SAIs raised the question of mandate, and were concerned that efforts from their side to address fraud and corruption issues more proactively soon could come into conflict with the work and the mandates of other authorities, such as the police. On the other hand, another SAI pointed out that their office had had good experiences with coordinating the handling of fraud and corruption cases with other authorities. As a general remark in this connection, however, it was emphasized that having sufficient legal competence in such matters was a very important requirement to ensure – under any circumstance – that coordination between the relevant authorities runs as smoothly as possible.

In their reply to these concerns, the SAI of Norway emphasized that they, as project leader, fully acknowledge that the mandates and contexts of SAIs vary a lot in this field, and that the level of ambition must be adjusted accordingly from country to country around the world. With reference to the many grey zones involved, the SAI of Norway also fully agreed that coordination with other relevant authorities is very important when addressing fraud and corruption. The project leader therefore expressed hope that the final document could provide some useful guidance also in this regard. As a general remark, the project leader also pointed out that the final guidance material will not have the status of an ISSAI, i.e. telling SAIs what they *should* do. The primary ambition of the project and the guide is to raise awareness among environmental auditors about the F&C challenge, and hopefully inspire those SAIs that are interested to ask some new questions in this regard, i.e. to reflect upon what they *could* do.

## Land use and management

Following the parallel session, the SAI of Morocco, as leader of the project, presented to the participants, especially to the subcommittee members, the progress of the project.

The discussions focussed on the content of lines intended for the research project. Participants gave their views and comments which included: the need of reducing the scope by cross-referring to other INTOSAI projects (on forestry, water, infrastructures, etc.) and to introduce other aspects of land use (other environmental issues in land use, economics instruments, environmental impact assessment, management of land data etc.).

Some new case studies were identified (Argentina, Fiji, Georgia, UK, the Netherlands).

During this session, the SAI of Czech Republic presented one case study entitled “Financial means provided for the improvement of nature and landscape”.

At the end of the session, members of the subcommittee were invited by the leader to participate actively in the project. SAI of Morocco also informed subcommittee members that the first draft of the project would be forwarded to them by the beginning of March.

**Thursday, 10 November 2011**

## Day 3

## Cooperation with International Organisations #2

### Environmental Performance Assessment

*Krzysztof Michalak, Environmental Performance and Information Division Environment Directorate, OECD*



*Mr Michalak spoke via Skype from OECD Headquarters in Paris.*

Mr Michalak informed that the objective of Environmental Performance Reviews (EPR) was working with member countries and partners to improve their individual and collective environmental performance, helping the countries to assess their performance. Thus it became clear to what extent the governments were implementing what they had promised.

He further elaborated that the objective was also to promote peer learning through continuous dialogue between the countries, build knowledge of good practices and problem-solving based on the experience of others with the ultimate goal to stimulate greater accountability among member countries and towards the public and build trust between stakeholders.

Mr Michalak pointed to the benefits for a reviewed country: the assessment was independent, objective, non-biased and non-conditional, conducted by an international economic organisation. Assessment was carried out by peers – “I am assessing you in the same way I would like you to assess me” - thus achieving a balance and avoiding extremes. He noted that it was easy to find fault and criticise, but in OECD’s assessments positive developments were always brought out first, followed by recommendations to address the remaining challenges.

Mr Michalak listed latest examples of the impact of EPR: help in establishing new national parks in Denmark, more government action on climate change in Canada, help in addressing environmental taxation issues in Germany, waste collection reform in Ireland, better enforcement of environmental legislation in Portugal, creation of environmental institutions in New Zealand, Chile and China.

He described that in carrying out EPR the following questions were asked: had national and international policy commitments been achieved efficiently and effectively; were the policy objectives based on an assessment of the benefits and costs (it might have been an easily achievable lousy objective or a too ambitious objective that would never be achieved because of excessive costs). The whole process from intentions through actions to results was reviewed. He noted that sometimes government officials were easy with promises, but finally the results were that counted.

Mr Michalak introduced the pressure-state response framework that was being applied for assessing performance. First the pressures (emissions, air and water quality, waste management) were reviewed, followed by the assessment of the government's response. He pointed out that some responses were difficult to measure. The assessment involved a review of the legal instruments (regulatory, enforcement, sanctions in case of non-compliance), but also finances and the response from the public. He stressed the importance of taking the country context into account. Size mattered - USA, Germany, China (a non-member), Slovenia or Luxembourg were not comparable. He listed the aspects that were reviewed: environmental indicators, trends over time in absolute and relative terms, change of the situation over the review period. Sometimes countries were compared for performance.

Mr Michalak noted that while there were also other reviews - economic, urban/rural development etc. – the peer review was the core function of OECD and the EPR OECD’s “flagship product”. More than 60 reviews had been produced over the 20 years, with each country having been reviewed twice. New reviews were to be started the following year with the third cycle. The work was being adjusted on the basis of lessons learned during the previous two work cycles.

Mr Michalak then discussed the EPR process:

- Kickoff mission to the reviewed country in order to agree on the scope and collect initial information and establish key issues.
- Collection of information proper, using questionnaires, existing background reports from both the government and other institutions. He noted that in the process products developed by SAIs had been used (SAI Norway on land use planning, SAI Slovenia reports on levying environmental taxes on electronic waste).
- Review mission, in the form of a policy dialogue with the government, to check the understanding of the issues developed so far, but also meeting independent experts, environmental NGOs, trade unions, companies. Also some representatives from the reviewed country were participating. Mr Michalak noted that six months had been set aside for writing the report, which would then be subjected to peer review (one day per country to discuss the findings).
- Finalisation of the report and presentation in the reviewed country. Monitoring the progress, with a mid-term progress report prepared after a few years.

Mr Michalak then described the contents of an EPR:

- The first part, "Towards Green Growth" - common to all countries, setting out key environmental indicators, progress and trends, policy implementation and institutional setting, national and international policy integration.
- The second part – country specific, with topics selected by countries themselves, e.g. Japan - climate change; Portugal - hydropower and coastal zone management; Germany - environmental technology; Italy - water governance.

Mr Michalak invited everyone to visit the OECD web site for more information.

## Discussion

*The Chair* thanked the presenter and noted with pleasure that the SAIs' reports were being used by the OECD. He also invited colleagues to make use of the OECD reports.

*Q (Assefa Desta, Ethiopia):* About the peer review - suppose the other party reviews us lightly, are we doing it lightly as well, and if aggressively, should we reciprocate? Why does it take 6 months to write the report?

*A (Krzysztof Michalak):* It is easy to criticise, and start with negatives. We believe this is not constructive, and we always start with positives. In the recommendations we try to be as aggressive as possible. The role of the OECD is to create a level playing field for all - the peers cannot be too lenient, nor can they be too aggressive.

It takes time to do in-depth assessment. There are 4 colleagues doing EPR of member countries, and there are several reviews ongoing simultaneously.

*Q (Chair):* Many speakers have mentioned the large number of international agreements. Heading towards Rio+20, there is the understanding that their impact is not so great. Based on your experience in the OECD have they made a positive impact on the environment or not?

*A (Krzysztof Michalak):* Countries today are less willing to undertake new political commitments on international level. Given the overflow of the number of those commitments of the past, it is actually good. Rather more focus should be placed on commitments already undertaken - and this is related to accountability, which is not built on new promises, but on the delivery of what was promised. The EPR programme in 1993 was set up to shift the emphasis from promising to assessing implementation. Thus the programme has shed a lot of light on how the current goals and targets are implemented and what the remaining challenges are. There may not be enough resources or critical mass for implementing any new promises.

*Q (Wynand Wentzel, South Africa):* What is the role of Auditors General during the peer review process - independent observer?

*A (Krzysztof Michalak):* The EPR uses reports from SAIs. We would like to have more meetings with SAIs in order to align the potential recommendations with those of the SAIs. The EPR for South Africa is scheduled for next year, so hopefully there are further opportunities to meet.

*The Chair* thanked the presenter and also commented on the novel way of communication via Skype, which had worked out well, despite some glitches.

## Effectiveness of Multilateral Environmental Agreements (MEA) - Latest Developments

*Arnold Kreilhuber, Legal Officer, Division of Environmental Law & Conventions, UNEP*



*Dr Kreilhuber* thanked SAI Estonia and SAI Argentina for yet another invitation to speak at the meeting.

He gave a brief overview of UNEP: founded 40 years ago, after the 1972 Conference on Human Environment in Stockholm had mandated to become the voice of the environment in the UN.

He then proceeded to compare the situation and developments with regard to the environment between the Rio Summit in 1992 and the Rio+20 meeting in 2012. 1992 had seen the birth of agenda 21 - a broad-based agenda for governments on environmental objectives and targets. Rio 1992 had also been the birthplace of the climate change, desertification and biodiversity

conventions, known as the Rio conventions. The WGEA had been established not long after the Rio Summit in 1992. In light of history, Dr Kreilhuber considered it to be a good time to take stock of the progress and potential lessons to be learned.

He felt that in the end it all boiled down to governance - how individual nations could come together to face the environmental issues, since no government or state could overcome these challenges alone; what was needed was international cooperation. The steady increase of environment related news showed that

governments had realised that environmental pressures needed to be addressed to safeguard the path towards more prosperity to all.

Dr Kreilhuber pointed out that recent years had seen a decrease in signing new MEAs, as most of the issues had been already addressed. The findings of the OECD supported this in his opinion as well, and he insisted it was time for implementation.

Dr Kreilhuber highlighted that signing and ratifying of a MEA (more than 500 in total) did not mean that the problems went away. Most countries had signed up to at least 9 of the 14 most important MEAs. Some had ratified less, but virtually every country had implementation to do of some environmental agreements. Altogether the number of signatories had increased by 350% since 1992.

He noted that since 1992 the role of the private sector had been increasing, especially in terms of standardisation, corporate and environmental responsibility (as the presentation by the ACCA had shown the day before). ISO certification of environmental management had grown 30% annually since. This indicated in his mind a positive shift beyond the government sphere.

Dr Kreilhuber deemed it rather astonishing that the aid dedicated to environmental purposes had not kept up with the growth of total foreign aid, it had instead fluctuated, decreased after 1992, peaked in 2003, when climate change had become a topical issue, and after 2008 the number had gone down again, to 4% from 5.5-7% (foreign aid dedicated to environmental purposes as a share of total foreign aid). He concluded that less money was available than in 1992.

Dr Kreilhuber went on to look at how the world itself had changed in 20 years. He pointed out that the world population had increased to 7 billion with the percentage of people living in megacities grown to 45%. GDP per capita had risen globally by 40% but huge differences remained and 1.4 billion people still had no electricity.

Dr Kreilhuber argued that climate change was still a big issue with the CO<sub>2</sub> emissions on a rise (80% of global emissions coming from just 19 countries), glaciers retreating (the global implications being investigated and found to have a bigger impact than thought 20 and even 10 years earlier), sea levels rising 2.5 mm a year. He added that energy and resource efficiency remained problems, with renewable energy accounting only for 13% of the global energy supply (solar and wind only 0.3%). He concluded that 20 years after Rio there was not too much progress to report and underlined that unless some action was taken there was a very potential threat of exhausting the natural resources.

Dr Kreilhuber further described the good and bad news for forests: reforestation since 1992 covered the area of the size of Tanzania, but lost forests covered the area the size of Argentina.

Food security and land use: the food production had to keep pace with the rising population. Food production was up 45% since 1992, but heavy reliance on fertilizers was detrimental to the environment. Fisheries would be a very big topic at Rio+20 and beyond. Dr Kreilhuber noted that the stocks were almost depleted and it was necessary to develop drastic measures to safeguard and use the fish stocks sustainably.

Fresh water: the MDGs regarding water would be met, but not for sanitation. Dr Kreilhuber insisted it was necessary to re-think the water issues, and allocate enough water for the environment so that the whole ecological basis could be maintained.

Biodiversity had declined by 12% (30% in the tropics) since 1992. 13% of land was now protected. Ecotourism was growing.

Dr Kreilhuber further pointed to the growing concern about oceans getting more acidic and plastics concentrations in world oceans, influencing both the ocean flow and wildlife. On the upside he noted that the number tanker oil spills had decreased, probably due to increased media attention, plus increased corporate responsibility and national measures.

General observations: environmental target and objective setting worked well, if they were precise. Lack of precision made it difficult for the auditors to measure the results effectively. A good example of the Montreal Protocol on Substances That Deplete the Ozone Layer: clear targets, measures and alternatives to ozone depleting substances and governments had proper incentives to change their practises. Dr Kreilhuber accented that that example ought to be replicated in other areas. Leaded gasoline was another success - after 20 years very few countries still used it.

Dr Kreilhuber regarded it crucial that the national implementation of MEAs would become more effective, but listed a number of obstacles which still remained: low level of understanding of the effect of MEA, insufficient legislation for their implementation, poor data concerning the costs and benefits, poor enforcement and few incentives. He described the negative environmental effects that followed: degradation of the environment, damage to human health, social problems, and negative impact on national economies, all undermining the effectiveness of MEAs even further.

Dr Kreilhuber insisted that auditors could be a positive force in promoting understanding of MEAs, the policies and other measures undertaken, and reversing the negative discourse concerning MEAs. One of the

concrete steps in this direction was to his opinion how the audit reports made visible the link between implementing MEAs and benefits derived from that.

Dr Kreilhuber finished his presentation by discussing past and future cooperation between UNEP and WGEA. A lot of progress had been made in recent years. The primer for auditing MEAs, the first gateway for auditors not familiar with the subject, was rather popular with the first print run exhausted. He noted that the primer was available online.

Dr Kreilhuber thought that UNEP could also help WGEA raise its voice in the environmental arena and negotiations.

He informed that UNEP had invited WGEA to participate in a new MEA-related project –for developing a review process for the implementation of MEAs at national level. Funding had been received and first pilot reviews were planned for 2012. He elaborated that the review would look at clusters of MEAs (biodiversity/chemicals and waste) in a very focused manner. Many countries were interested in participating. Next year 4-5 pilot countries would be selected. If the pilot projects were successful, a global review process was to be launched. Dr Kreilhuber emphasized that auditors could play an increasingly important role in the process and help bridge the gap still existing between the auditors and the policy-makers.

Dr Kreilhuber recalled another example of cooperation that had already been mentioned by Mr Oviir in his opening address: World Congress on Justice, Law and Governance for Sustainable Development the following year in Rio de Janeiro, just before the Rio+20 meeting. It was being organised by UNEP and would bring together chief justices, prosecutors, auditors general debate the progress in the field since 1992.

Dr Kreilhuber introduced the main themes for Rio+20: the greening of economy and institutional framework for sustainable development. The targets set in 1992 would be revisited, stock would be taken of what had and had not been achieved and the governments would be making renewed commitments. No new agreements were expected, the key words for Rio+20 were synergising, and better work.

Dr Kreilhuber's summary: SAIs were critical for environmental governance and their voice would have to be better heard. He thought UNEP could use the SAIs' expertise at national level, but could also help make it better known to policy-makers. To Dr Kreilhuber's opinion, the recent years had been very good for cooperation between the two organisations and he hoped to see it continue in the same way.

## Discussion

*The Chair* praised the very useful cooperation with UNEP. He assured that MEAs played a major part in the auditors' work, specifically the review of their implementation by governments.

*Q:* Which are the 19 countries generating 80% of the global CO2 emissions?

*A (Arnold Kreilhuber):* They are the industrial countries of the Northern hemisphere. In order to list them, sources have to be checked.

*Q (Horacio Pernasetti, Argentina):* The retrospective analysis in the presentation raises the question about progress or non-progress in environmental matters. The main 19 polluters are OECD countries, who also carry out their environmental peer review programme. Why is there no follow-up mechanism for MEAs, such as the UN Convention against Corruption has? National agencies review corruption and report back to the public and parliaments and they act as incentives towards implementation. The UN also has other sanctions - for violations of human rights, arms trafficking, etc. There are mechanisms to punish upon non-compliance for agreements. Are there any in the case of MEAs? Otherwise they remain just wishful thinking.

*A (Arnold Kreilhuber):* This crucial question comes up all the time. MEAs are part of international law, and there is no universal police force to police it, rather, they are based on commitment and goodwill of nation states. There are some frameworks (e.g. the WTO) to apply sanctions for non-compliance. But in environmental matters sanctions are more difficult to apply. CITES, the convention concerning trade with endangered species, has sanctions, which are easy to apply. For other MEAs the approach is not adversarial but managerial, aimed at providing help, technical assistance to non-compliers. Hardly ever drastic sanctions are applied. It would not do to have neighbouring governments criticising each other. There are many more interests at stake for governments. MEAs have compliance mechanisms; some have compliance panels made up of member governments. There are more difficult negotiations coming up in climate change matters in Durban because the global conditions have shifted. There are rapidly industrialising newcomers. The Kyoto paradigm is not there anymore and new incentives are needed for greener energy production.

*Q (The Chair):* Are there any obstacles to having sanctions applied within a country?

*A (Arnold Kreilhuber):* There are no obstacles for governments to set up a framework to sanction violations against a law. Environmental crimes are on the rise as well - they now rank third in the list of profitable incomes for mafia organisations, right after illegal gambling and drug smuggling. There is a possibility to declare an environmental crime at the national level. At the international level lawmaking is consensus oriented.

*The Chair* explained that some audit offices are court-type and that had inspired his question.

*Q (Rubèn Medina Estrada, Mexico):* Is it possible to have access to the UNEP web site where the data is broken down by country, so as to compare one country against others, check the reliability of the figures and make sure that the governments provide reliable information. What are the sources of the UNEP data?

In Mexico environmental crimes were recently included in the criminal code, resulting from international agreements. Penalties were increased as well.

*A (Arnold Kreilhuber):* The data is part of the report just published and can be downloaded from the UNEP web site. In 2012 UNEP is publishing Global Environment Outlook No 5, which is a huge global participatory process, involving scientists, policy makers. But linking concrete targets and objectives to measurable data still is a challenge.

*Q (Jill Goldsmith, UK):* What about funding? And has UNEP set out more precisely how could WGEA add its voice to the discussions, especially to the Rio+20 discussions?

*A (Arnold Kreilhuber):* Any help is appreciated. As regards funding, UNEP has a huge mandate to be the voice of environment in the UN. But the governments have not given UNEP the necessary tools to perform the mandate. For political reasons it is impossible to discuss the details. USD 190 million is UNEP's annual core budget. The rest of funding is not predictable, and makes UNEP vulnerable. UNEP would much prefer more coherent and predictable funding. The various fund flows have no coherence for environmental funding: Rio+20 could look into this, avoid duplication, moving in one direction, and build an international architecture to see how all the funding has worked.

*Q (Sheraz Manzoor Haider, Pakistan):* It is not always lack of governance or will that is a problem. There are weak political governments or those whose legitimacy is challenged (in the context of developing countries). They are always salvaging their regime, instead of mainstreaming environmental and other policy issues. They focus only on the economy and defence, and have no time or money to engage in more serious actions. Look at the poverty. For example, in a town near Islamabad the mafia wished to build a summer resort that would bring tourists and money for the whole population. There is a civil society bandwagon worrying about cutting down all juniper and pine trees in the area. Or look at the population growth with the 7th billion baby born. In Pakistan 67% of the total budget goes to debt servicing. Look at the money needed to build a new infrastructure to be able to use renewable energy. In Pakistan less than 2% of the budget is allocated for health and education.

The participants greeted the above comment with applause.

*Q: European Court of Auditors:* Thanks for the high-quality information; the European Court of Auditors will make use of that. A few years ago there was a mission to an Amazonian state in Brazil looking at deforestation. The Amazon is a human heritage site, and it needs help from all humankind. The talk about the environment also means sustainable development. So how is it acceptable, that the 19 wealthiest polluters continue polluting the planet, when the rest suffer and cannot feed their population? If the environment is fundamental for sustainable development, then social cohesion and quality of life are also fundamental. All over the world people are now rising against this system of development. And there is a communication issue as well - if we do not share the feeling that development must be for the benefit of all, no progress will be made.

*A (Arnold Kreilhuber):* It is a pleasure to hear the statements. They illustrate the bigger picture issues of past and future. We have reached the limits that nation states and old-fashioned diplomacy can achieve and need to look for new ways for global environmental governance. A lot of it has to do with choice and recognition that the global environment is really global. But it does not pay to demonise the 19 countries. For example the growing problem of black carbon is prevalent in Africa and India. It is still the nation states who ask; why they should contribute if others do not. Nobody wants to give more if they cannot get the same return. Rio+20 is going to be a challenge looking for new ways. The financial crisis and climate change negotiations have shown that it is difficult for nation states to agree to solutions that can create globally viable solutions for all. As regards the Pakistan comment, there are many challenges for governments, and they do not relate only to the environment. But the more the environment is mainstreamed, the easier it is going to be to embark on a sustainable path for development.

The Aarhus Convention is a useful instrument granting access to justice for the public so that citizens can take the governments to court over environmental issues. The whole process gets legitimised and the benefits accrue in the local communities, as it should be.

*Q (Zambia):* It is known which countries emit substances and deplete the ozone layer. What is the advantage for Kenya and Africa in general - a continent not polluting so much - of having the UNEP headquarters in Nairobi? Why aren't the headquarters in China or somewhere else where they pollute more?

*A (Arnold Kreilhuber):* The governments decided that UNEP should be based in Kenya. UNEP is one of the few UN agencies with headquarters in a developing country. This is an advantage to see firsthand what the challenges are for a developing country - a sobering experience. UNEP has regional offices all over the globe - Panama, Bangkok, Geneva, Washington and MEA secretariats in Bonn and Montreal. These various locations give a unique perspective for UNEP.

*The Chair* thanked Dr Kreilhuber and hoped that UNEP continued cooperation with WGEA.

## Parallel Sessions #2

The second half of the morning session was organised again in 4 parallel sessions led by the SAIs leading the WGEA projects on the topics of environmental data, wildlife conservation and tourism, environmental issues associated with infrastructure and Rio+20 Conference. The summaries of the sessions provided by the projects leaders were following:

### Environmental Data

Roughly 20 participants met to discuss some of the issues related to how auditors use environmental data. The session began with a presentation of a parallel Estonian-Russian audit looking at the ecological status of transboundary waters and the quality of monitoring data. The audit is not yet completed, but it raises issues about how to deal with situations where different countries have different monitoring systems, different sampling methods, and may have inconsistent results. The session continued with a brief presentation of the status of the WGEA research project on environmental data now underway. The session concluded with an open discussion about how auditors use environmental data, what sources they rely on, and what the options are for working with different kinds of environmental data. Some of the key points were:

- Publicly available information can help plan audits and select audit samples. These include media reports and court records.
- Websites may contain useful information, but the information needs to be evaluated carefully regarding its quality.
- Government sources of environmental data also need to be verified to ensure their suitability to support audit findings.
- Geographic information systems, aerial photographs, and satellite information can be an excellent complement to other sources of audit information, but they require training to use them properly.
- Transboundary audits require particular attention to data quality and compatibility issues.

### Wildlife Conservation and Tourism

More than 20 people participated in this parallel session.

Tanzania and Lesotho together presented the progress on the research paper which was followed by the discussion. The issues raised were as follows:

1. The paper must indicate the conflicts caused by the unprotected wildlife whereby they destroy the communities' crops.
2. Marine life should be included under definitions chapter.
3. The paper should indicate a need for a specific convention on nomadic wildlife that migrates between countries. With that mandate the problem of ownership of such wildlife would be solved.

## Environmental issues associated with infrastructure

The infrastructure meeting was attended by representatives from many SAIs, who asked a range of interesting questions about the presentations on audits from Brazil, ECA, Estonia and Thailand; and the presentation from UK on the outline for the infrastructure paper. The meeting discussed how the case studies would be relevant to the paper – as good illustrations of a wide range of audits: of compliance with environmental impact assessment procedures; of pre-audits; of completed infrastructure and the value it has delivered; and of maintenance and decision whether to upgrade or not.

The UK SAI welcomed the contributions made and invited those participants who wished to join the sub-committee to forward their details to her.

## Rio+20

The Rio+20 meeting was attended by around 50 representatives from a variety of SAIs, who asked a number of questions about the presentations on related audits from Bhutan, Argentina, Brazil, and Canada. Brazil and Canada discussed the status of the Rio+20 paper that would be presented at the United Nations Conference on Sustainable Development which held in Rio de Janeiro, Brazil on 20-22 June 2012. Along with details on the progress of the ongoing work, the executive summary for the paper was presented and discussed. It was noted that the executive summary along with a contribution had been submitted to the UNCSD secretariat. It was also noted that the executive summary would be translated into French, Spanish, and Portuguese and sent to all WGEA members in early 2012 (February-March) so that it could be sent to interested parties within and outside the governments of the various countries. Volunteers were sought for translation into other languages. Key suggestions for the paper included the suggestions that the paper not lose focus on multilateral environmental agreements. In addition, additional links would have to be made to other guides, in addition to the ones already referred to in the paper.

Brazil and Canada welcomed the contributions made and invited those participants who wished to join the subcommittee to forward their details. The existing members of the subcommittee consisting of Brazil (co-chair), Canada (co-chair), United Kingdom (member), and China (member) welcomed three new members: India, Argentina, and Panama.

## IDI and WGEA Cooperation Project

*Bernardus Dwita Pradana, Programme Manager, IDI*



*Mr Pradana thanked the organisers for the invitation to participate in the meeting and present the work of IDI.*

*He informed that the activities of the most recent cooperation programme, the Transregional Capacity Building Programme on Environmental Audit of Forestry 2010-2012 were about to be completed. Mr Pradana was very pleased about the mention of IDI programmes by presenters in the previous two days (e.g. PASAI, AFROSAI etc)*

*Mr Pradana briefly reminded the participants of the change in IDI's direction, from training to the new concept of capacity building. He also discussed the history of IDI and WGEA cooperation in the last 10*

*years.*

In its 2007-2012 work plan IDI had shifted its strategic focus from a training arm to a capacity building arm of INTOSAI. The IDI mission was to help strengthen the capacity of SAIs, especially in developing countries, so that they could carry out their mandate. Mr Pradana explained that the capacity building meant help in creating an institutional framework, and encompassed both staff and organisational system development. More specifically: IDI provided audit methodology, helped develop competent staff and carry out audits within the IDI programme.

The earlier activities of IDI had included provision of the training infrastructure in the ASOSAI, AFROSAI and OLACEFS regions. The capacity building programmes on Environmental Audit had been first at a regional level and the Transregional Capacity Building Programme on Environmental Audit of Forestry was the first transregional programme in environmental audit topics.

Mr Pradana noted that the 2003-2007 AFROSAI-E waste management programme had become a champion and had been replicated in other regions. The 2009-2012 PASAI cooperative performance audit programme had been discussed in detail under the regional report by Mr Keate the day before.

Mr Pradana then described the transregional programme in detail:

The transregional programme had been agreed upon in 2010, its objective was to enhance professional staff development and organisational development in target SAIs in conducting performance audits of forestry. The programme consisted of 7 activities of which 6 were completed already. The outputs and outcomes of the programme were closely related to the audit plan and would have to result in putting more responsibility on SAIs to produce the outputs and disseminate and use them internally, thus institutionalising the audit for later use. The funding for the programme (USD 825 000) was very kindly provided by Norway.

Mr Pradana pointed out that the programme was based on ISSAI performance audit guidelines and the WGEA forest audit guide. The programme involved the use of innovative audit methods (GIS, GPS). As another novelty, entire audit teams were engaged, not individual participants - to make sure the expertise stays in the SAI. Capacity building interventions included a training course, forest visit, planning and reporting meetings, peer review etc. Both online and face-to-face activities were used for delivery.

Originally there had been only 12 SAIs with 36 participants, but due to the popularity of the programme, eventually 15 audit teams from 3 regions had participated. Even so, there had been others whom it had not been possible to accommodate.

Mr Pradana noted that the WGEA forest guidance included ten topics. The risk based audit approach had revealed that only 6 topics had been relevant for the participants and thus these 6 had been taken aboard.

He further introduced the seven activities undertaken: programme planning meeting (stakeholders agreed on programme design, roles and responsibilities, nominated teams); signing of programme agreement (to ensure commitment of the SAIs); online audit plan development; audit planning meeting (plus training course, forest visit and use of GPS and GIS and planting of an IDI/WGEA tree as symbol of cooperation); conducting the pilot audit; audit review meeting. The final audit reports were due by March 2012 and the wrap-up meeting would be held in Estonia in May/June 2012 to finalise the programme outputs. An assessment of the programme was planned in a year's time.

Mr Pradana finished by thanking all the supporters of the programme: WGEA Secretariat, the SAIs of Estonia, Indonesia, Malaysia and Tanzania, Norwegian Ministry of Foreign Affairs and all participating SAIs.

*The Chair* was very pleased to learn that the WGEA guides were used, but even more pleased about feedback, for this was in his opinion the first step towards improving the guidelines. He assured that the WGEA was looking forward to more cooperation and hoped that more resources would be available for that. The Chair commended the tremendous activity and communication that had been going on during the programme and thanked the IDI and wished good luck to foresters.

## **Environmental Auditing Training Facility**

*Nameeta Prasad, Director, India*



*The Chair* introduced Ms Prasad and the very exciting project, which had started as an idea a few years ago. He deemed it exceptionally good that the Indian colleagues had invested vastly in it and noted that they were seeking the WGEA support in the future. He pledged to give whatever he could, in order to fill the gap left by IDI's change of concept about training. He recalled that every survey had showed the urgent need for training and the training day before WG14 had been so popular that extra chairs had had to be brought in for the 60+ participants.

Ms Prasad presented the status of developing the partnership with WGEA, the project of global training facility, named International Centre for Environmental Audit and Sustainable Development (iCED). She informed that the centre would serve as a residential training facility, first for SAI India and other SAIs, but expressed also the hope of expanding its activities later to environmental and sustainable development research.

iCED had been set up in April 2011. It was to be built in Jaipur, 250 km from Delhi and be operational in 2012. The buildings would be "green buildings" with features to reduce its carbon footprint. It was the so-called hardware provided by SAI India.

Ms Prasad next pointed to the question of linking iCED with WGEA. She noted that India had been delivering an environmental audit training programme at another facility for 6 years. There had been many participants from other countries and the programme had been very popular.

Ms Prasad introduced the progress of the project: WGEA had set goal for cooperating with SAI India to provide training for auditors on environmental auditing on a regular basis on general as well as specific issues related to the field. SAI India had volunteered to use iCED as a global training facility for all SAIs. India's proposal had been accepted and the project plan had been approved in March 2011. The project subcommittee had been formed in August 2011.

iCED had already started operations. In line with the Rio+20 themes, a workshop, "Institutional Framework for Sustainable Development" had been held in September 2011.

Ms Prasad asked each SAI to fill out the one page survey form, a training needs assessment that had been distributed to the participants, to help develop the programme. She explained that the iCED would be designing needs based programmes and therefore SAI India was seeking feedback on the programmes, duration, training modules, conditions of participation and finance etc.

She described what was being planned on the basis of prior feedback: a 2 week beginners' course, 4 week intermediate course and very specialised and intensive 1 week courses devoted to specific themes. The latter were to be more like "handholding exercises" to help develop guidelines so that the participants would really know how to conduct the audit when they went back.

Work was ongoing to develop the details of training modules, based on the feedback from the survey, subcommittee members and WGEA.

Ms Prasad described the physical training facilities (training halls and auditoria, laboratory, conference rooms, library etc., plus accommodation and sporting facilities) and noted that the centre was being built at that moment and was expected to be ready in 2012.

She introduced the conditions of participation: all SAIs worldwide could participate by sending their staff but also people from crucial line departments if necessary.

Sources of financing might include the respective SAIs, self-financing or multilateral training tie-ups with other institutions.

Trainers would be provided by SAI India's faculty, the WGEA community and external organisations.

Mr Prasad noted that in addition to traditional modes of delivery (e.g. presentation), emphasis would be on case studies, hands on exercises. Innovative IT solutions (Skype, virtual class rooms) would be used. Distance education possibilities would be looked into at a later stage.

Finally Ms Prasad went over the project milestones worked out with WGEA: the remaining milestones included the 1st training programme in March 2013 and feedback in June 2013 at WG15 in Tallinn.

## Discussion

*Q (Horacio Pernasetti, Argentina):* Congratulations to SAI India for the efforts. SAI Argentina is ready to offer as much support as possible to see that the training facility is completed. During the pre-meeting training day it became clear that environmental audit is similar in many ways to any other audit and audit planning. Many auditors have received the IDI "train the trainer training" for basic audit modules. To save costs this new training facility should move on to specific content and focus only on the environmental aspects. Most training can be conducted via e-learning, thus reducing costs and increasing effectiveness.

*A (Nameeta Prasad):* The comments are highly appreciated. There are plans to use best practice, the WGEA and IDI reference material and e-learning. Cutting costs is always important.

*The Chair* agreed with Dr Pernasetti and promised to consider his comments when designing the work modules. He noted that there was always the question of balance - how much basics, how much specifics to provide. The IDI project had been actually designed to be training on performance audit, and the environment was used as an example.

Q (Steve Elstein, USA): I agree with the issue just raised. A few general remarks since it is the first time that this facility is discussed with a wider audience. I would just like to recognise this effort for what it is - an extraordinary contribution, to help fill a major need for us and the larger INTOSAI community. We need to think how we can best take advantage of it and also how to contribute to its success. This is one of the most stunning changes to come about in our history and it would be intriguing to look back 4-5 years from now and see into what it has evolved. Thanks, admiration and appreciation to SAI India!

*The Chair* named the project a big effort, investment and challenge for all. He recommended that the subject should be permanently on the agenda in the coming years, as training was crucial, but most important was taking the time and the space to deliver training and getting the message across to auditors worldwide.

## Greenlines

*Steve Elstein, Assistant Director, USA*



*Mr Elstein* briefly explained what Greenlines was: the WGEA newsletter published twice a year and containing a feature article, WGEA news and news briefs prepared by SAIs. He informed that the new Greenlines publication was out and copies had been distributed.

The feature story in the issue at hand was about the iCED facility in India. *Mr Elstein* had invited SAI India to write the feature to make the information known to the whole body of WGEA.

There was also a co-feature story by John Reed from Canada about the lessons learned from the

coordinated international audit of climate change.

*Mr Elstein* thanked all the feature story authors, given that they had not been easy to write. He particularly praised a recent feature on noise pollution from Thailand and Ms Lilliam Marin from Costa Rica, who had written the first ever feature article for Greenlines.

*Mr Elstein* invited comments and feedback so as to be able to make changes in the publication. He noted that an important suggestion had been made, concerning the need for longer deadline for sending in news briefs. 3-4 weeks in advance was not sufficient, so now there would be an early warning about two months in advance, followed by the call proper with a month's deadline.

*Mr Elstein* found it a great privilege and joy being involved in the Greenlines publication. He said, "This is your newsletter. I am just putting together the information that you write."

He finished by expressing thanks to the organisers.

The Chair thanked *Mr Elstein* for his continuous warm support to the Secretariat.

## Chair's Progress Report and WGEA Meetings

*Tönis Saar, Secretary General of the Secretariat of INTOSAI WGEA, Chair of WG14*

*The Chair* introduced the progress report:

WGEA had 72 members, with Bhutan the newest member. The Chair reminded that when Estonia had taken the chairmanship over 5 years earlier the number had been ca 50. No changes had occurred in regional leadership. WGEA was the only working group cooperating closely with INTOSAI regions and offered continuous support to regional WGEAs.

The 5 research projects and 2 guidance materials in the work plan for 2011 -2013 were to be completed by the end of the work period. The SC meeting on 11 November was going to discuss progress, The Chair noted that work on them was on schedule. Training modules on mining, climate change and forestry were being developed. Work was ongoing with the global environmental training facility. The aim was to incorporate the modules, once developed, into the global training facility. A guide for project leaders on how

to develop training modules had recently been completed, based on the IDI manual. Training modules would have to be similar to be easier to comprehend and easily deliverable in regions.

The Chair stressed that the preparations for Rio+20 were very important, so that WGEA could deliver its message in Rio.

The WGEA web site was constantly evolving and becoming a big source of information. It was being used by university students and SAIs, who also revisited earlier materials, so they would be kept on the web site.

The Chair informed that the questionnaire for the 7th survey on environmental auditing would be ready by the end of 2011 and would be sent out in February 2012. He invited everyone to send in their contributions, even if this was time-consuming, since the answers would form the basis for topics for future work plans.

The Chair thanked all countries who had sent case studies. Those had been posted on the web site as well.

Recent meetings: SC10 in Marrakesh, Morocco, regional COMTEMA and AFROSAI meetings, the INTOSAI Knowledge Sharing Committee SC meeting in Moscow, the 9th annual EUROSAI meeting and the INTOSAI Governing Board meeting.

The Chair informed that SAI India had very kindly offered to host SC12; exact time was still to be appointed (in mid-2012).

In June 2013 Estonia would be hosting WG15, its last WGEA meeting as a chair.

International cooperation was continuing with old partners (World Bank, IDI, OECD, UNEP) and new partners (ACCA, Transparency International, Interpol).

WGEA had applied to attend COP17 in Durban and had been allocated a stand there to advertise its work.

The project team for Rio+20 was progressing very fast, on schedule, and the executive summary was ready.

Co-sponsoring the World Congress on Justice, Governance and Law for Environmental Sustainability prior to Rio+20 with UNEP was a great honour.

The Chair thanked China for having chaired Theme II at INCOSAI, also the co-chair Poland and rapporteurs Mexico and Canada. He emphasised the INCOSAI accords as important guidance for further work:

- The SAIs would have to set a priority on environmental auditing and sustainable development issues in all government sectors - so that they would be mainstreamed into all audits in all sectors.
- The SAIs, WGEA and RWGEAs would have to increase awareness of importance of environmental auditing, national resource accounting among key international organisations and establish working relationships with them.
- Initially environmental accounting had not been included in the recommendations, but had been added in the course of discussion. It had first been mentioned in 1994, but not much had happened since. The Chair had asked the question at INCOSAI about their role in working with international organisations and had developed an understanding that it was necessary to seek cooperation and work towards establishing natural resource accounting and other auditing standards and frameworks from the INTOSAI perspective.
- WGEA would need to build a high level summary of findings regarding the implementation of MEAs and share the results with international organisations. This had been the most debated recommendation, and thanks to Dr Pernasetti's efforts the wording had been inserted into the final recommendation. The Chair regarded this task to be immense and hardly achievable in 1, 2 or even 3 work plan periods. However, the guidance was comprehensible - the way forward was cooperation with UNEP and other international organisations.
- WGEA was to promote and actively participate in developing sustainability reporting frameworks for the public sector and develop guidance on how to audit those reports.
- The SAIs would have to increase impact, focusing on accuracy and reliability and completeness of information, implementation of commitments of MEAs, and coordinated audits; SAIs were welcomed to make full use of the WGEA guidelines and lessons learned. WGEA would have to further develop methodology and techniques and apply modern IT solutions.

New chairmanship:

The Chair informed that Estonia was going to step down as WGEA Chair. According to INTOSAI good practice, the chairmanship was to last a minimum of 6 years, a maximum of 9 years. The Chair pointed out that as Estonia had chaired the working group almost 6 years and the AG of Estonia would retire in 2013, it was wise to start looking for the successor of the Secretariat early enough to ensure a smooth transition within 1.5 years. He recalled that this is how it had been arranged when Estonia had taken the chairmanship

over from Canada. The Chair emphasized that WGEA was the largest and strongest working group in the INTOSAI family and needed taken good care of.

The Chair imparted that the decision was to be made at SC11 on 11 November. The aim was to guarantee successful and uninterrupted work of the WGEA.

## Conclusion

*Address by Dr Horacio Pernasetti, Auditor General, Argentina*



Speaking on behalf of the College of Auditors of Argentina, Dr Pernasetti thanked all the participants for attending the meeting in such a remote place of the world. Dr Pernasetti described the way the College of Auditors worked in Argentina. Sometimes it was difficult for them to come to agreement, but that was never the case in environmental matters. Another area where they had come to an agreement quickly was the intention of making WG14 a good meeting. He thanked his colleagues, everyone who had worked with the meeting during those days. He also thanked the various government agencies, tour guides, hotel staff, and the interpreters, and gave a special thanks to the Secretariat and the meeting's Chair, Tõnis Saar.

The meeting days had provided vast amounts of information, which Dr Pernasetti insisted everyone would have to take back home to people who worked in audit projects. Dr Pernasetti shared with the audience an interesting experience of the day before: a politician friend had asked him why he bothered with the environment while the world had so many problems with the economy, the euro area etc. His answer had been: "Because we are thinking about our children and grandchildren."

*Address by Mr Mihkel Oviir, Auditor General, Estonia*

Mr Oviir commented on the rapid passage of time during the meeting. He hoped everyone had enjoyed the meeting and the discussions, and would carry home many brilliant ideas and had made many new contacts. He thanked the organisers for their hospitality and the participants for their contributions. He wished everyone a safe flight back home. He stressed the importance of making good decisions at SC11 the following day, since those would define future work. The SC support for the future chair of the WGEA was to his opinion more than important.

Mr Oviir extended an invitation to all participants to come to Estonia for WG15 in 2013. He admitted that it was going to be very hard to organise the event, given the standard set by Argentina. With thanks and against a big round of applause to the organisers, Mr Oviir officially closed the meeting.

*The Chair* thanked all parallel session leaders, the hosts, his own team at the Secretariat and the interpreters. The meeting thus stood adjourned.