



## New Zealand Office of the Auditor-General

### UPDATE ON ACAG/SPASAI RWGEA ACTIVITIES FOR THE 11<sup>TH</sup> INTOSAI WORKING GROUP ON ENVIRONMENTAL AUDITING – ARUSHA, TANZANIA, JUNE 2007

#### 1 Introduction

This paper provides an update on activities of the ACAG/SPASAI Regional Working Group on Environmental Auditing (RWGEA) in 2005-2007.<sup>1</sup>

#### 2 Background

The ACAG/SPASAI Regional WGEA was formed in 2002. The New Zealand Office of the Auditor-General is the regional coordinator for the RWGEA.

Representatives from the following 12 Audit Offices in the region attend RWGEA meetings:

- Australia – Australian Capital Territory, Australian National Audit Office, Queensland Audit Office, New South Wales Audit Office, Western Australia Audit Office, Victorian Audit Office
- New Zealand – Office of the Auditor-General
- Pacific Island States - Fiji, Kiribati, Tonga, Solomon Islands, Cook Islands.

The New Zealand Parliamentary Commissioner for the Environment is a member of the RWGEA.

The Regional Working Group has met four times since it was formed. All meetings have been in Australia, hosted by Australian audit offices. The emphasis of the first three meetings was training and workshops. The most recent meeting, held in Canberra in October 2006, considered the role of auditors in sustainable development.

#### 3 Planned activities

A draft work plan is included at the end of this paper. Planned activities include:

- Greater integration of RWGEA with work of WGEA steering committee [We intend to invite the new WGEA chair to our next RWGEA meeting, and possibly one of the authors of the four current WGEA project papers]; and
- Continuing to promote training in environmental auditing for less experienced offices.

#### 4 4th ACAG/ SPASAI Regional Working Group on Environmental Auditing Meeting

The 4<sup>th</sup> meeting of the RWGEA was held in Canberra, Australia in October 2006. The meeting was jointly hosted by the Australian National Audit Office (ANAO) and the Australian Capital Territory (ACT) Auditor-General's Office.

Other agencies represented included the Victorian Commissioner for Sustainability, New Zealand Parliamentary Commissioner for the Environment, and the Australian Department of the Environment and Heritage.

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<sup>1</sup> The working group is a joint ACAG/SPASAI group to enable the Australian state audit offices to be involved.

## Format of the workshop

The overall theme of the workshop was sustainable development. The workshop consisted largely of presentations, with questions and discussion after each session. The workshop concluded with an open session which considered training, and updates from participants on planned audits. This session also provided feedback to the workshop organizers.

The meeting included presentations from 5 external speakers:

- Hugh Wareham, Director, Office of the Commissioner for Environmental Sustainability (Victoria) – *Key issues and lessons learned from strategic audits of Victorian government agencies' environmental management systems*. For role of Commissioner see [www.ces.vic.gov.au](http://www.ces.vic.gov.au).
- Helen Beaumont, Deputy Parliamentary Commissioner for the Environment, New Zealand - covered the concept and models of sustainable development, the role of the New Zealand PCE, and current environmental issues in New Zealand. For more information see [www.pce.govt.nz](http://www.pce.govt.nz).
- Dr Bob Beeton *Challenges in Measuring Sustainability in the 2006 National State of the Environment Report*. A major State of the Environment report for Australia was issued in December 2006. It is available at [www.deh.gov.au/soe/2006](http://www.deh.gov.au/soe/2006).
- Dr Deb Foskey (Greens MP, ACT) spoke about her efforts to apply a sustainability framework in examining the budgeting and reporting process of ACT government agencies and suggested that Public Accounts Committees could take a leadership role in monitoring the sustainability of government spending and programmes and assisting with strategies to measure progress towards sustainability.
- Mark Flanigan, Assistant Secretary, Policy and Compliance, Department of Environment and Heritage, Australia, presented on the Australian Commonwealth Government's approach to compliance and enforcement activities for areas of national environmental significance. For more see [www.deh.gov.au/epbc/compliance/index.html](http://www.deh.gov.au/epbc/compliance/index.html).

Audit Office attendees also gave presentations:

- Peter McVay and Cameron Mathie, ANAO presented on their report *Auditing Sustainable Procurement in Australian Government Agencies*. The audit looked at the procurement practices of 71 agencies. The audit report is available at [www.anao.gov.au](http://www.anao.gov.au).
- Allen Parker, Audit Manager for Performance Reviews, Cook Islands, gave a presentation on waste management in the Cook Islands, including a new landfill facility funded by the Asian Development Bank and a private sector recycling initiative. An effective waste management system was overdue in the Cook Islands, especially given the fragile ecosystem and dependence on tourism. [Allen Parker said that the Cook Islands Audit Office would consider a performance audit of waste management in the future, and would be interested in similar audits by other offices.]

## 5 Open session

The workshop concluded with an open discussion on the following topics:

- training/mandate issues;
- planned audits/scope for joint audits; and
- feedback on the workshop and possible topics for the next meeting.

### Training and mandate

- Capability & mandate for conducting environmental auditing is an ongoing issue for Pacific Island Offices;
- IDI and SPASAI have assisted with training in the past in environmental auditing and in performance auditing. The SPASAI secretariat has advised the IDI of the interest in a training programme on environmental auditing. At this point IDI has not committed to support this;
- The Pacific Islands Forum has endorsed a Pacific Regional Audit Initiative (PRAI), which is intended to strengthen Pacific public sector auditing. The Asian Development Bank is working

with SPASAI members and other development organisations to design the initiative, which will include diagnostic studies of each SPASAI member including their environmental auditing capability. Training needs may be clearer as a result of this work;

- The New Zealand and Australian “aid” model for the Pacific tends to involve contracting consultants or sending Australian or New Zealand public servants to the Pacific for a short period to assist. A secondment of an experienced environmental auditor to a Pacific Island Audit Office may be a very practical way of assisting;
- “Dealing with the boss” & mainstreaming environmental issues – in some cases, delegates at the workshop are the advocates for environmental issues within their offices; and
- Legislative support for environmental auditing – while environmental auditing can be done under both the financial and performance audit mandates, a performance audit can have more impact. Some Audit Offices lack a performance audit mandate let alone a mandate to audit environmental sustainability.

### **Planned Audits/joint audits**

- Choosing topics – how to incorporate environmental considerations into the topic selection phase for performance audits? The concept of “environmental materiality” could be used at the project scoping stage, in the same way that financial materiality is used to focus audit effort;
- The group noted that collaborative, cross state performance audits are difficult logistically. The Australian states that have tried this found the experience testing;
- Climate Change issues are critical for the whole region. Issues for islands are different from developed countries – the issue for small island states is primarily one of adaptation to events such as rising sea level and extreme weather events rather than reducing emissions. The issues will require political decisions, eg environmental refugees, possible relocation of Pacific Island populations and related issues for receiving countries;
- A concurrent audit could have impact – each Audit Office could do a programme or project audit, during Kyoto period 2008-2012, on its Government’s response to the issue; and
- Several of the Pacific Island Audit Offices conduct financial audits in relation to overseas funding for projects and programmes, for example projects funded by the United Nations Development Programme, the UN Environmental Programme, Asian Development Bank. There could be scope to consider the effectiveness of such funding, rather than a pure financial audit, in the future, and scope for Pacific Island Audit Offices to do this concurrently when the same funding agencies provide assistance to more than one Pacific Island country for environmental projects.

### **Feedback on the workshop**

- The RWGEA agreed that the meeting was very useful and that the group should continue to meet every 18 months. The interaction in the group is very useful for breaking isolation, sharing ideas and making useful contacts;
- Next meeting – aim for more time for workshops and discussion rather than presentations and consider audit methodologies (for eg the Canadian 4th E guide); and
- Consider having next meeting in the Pacific rather than Australia (although this does raise issues for some Australian State offices).

## 6 Preparation for the meeting

Prior to the meeting, participants were asked to provide a short written report of activities and future plans for their country/territory/state, including:

- recently completed, current and planned environmental audits or audits of sustainable development programmes or activities;
- current environmental issues/government action on environmental or SD matters;
- progress in promoting "green housekeeping" in their own Audit Office (the RWGEA work plan requires members of the group to advocate green housekeeping in their Office);
- any difficulties or barriers to progress on environmental or SD auditing;
- suitable topics for joint or concurrent audits; and
- priorities for the RWGEA in the year ahead.

Reports were received from five Australian Audit offices, the New Zealand OAG, Fiji and Tonga.

Some of material is briefly summarised in the following table.

**7 Recently completed/planned environmental audits or audits of sustainable development activities from the ACAG/SPASAI region**

Office	Completed	Planned / Current	Other
Australian Capital Territory Auditor-Generals office	<p>The ACT Audit Office uses its scarce resources to address environmental issues within audits of larger scope. Audits with some environmental component include:</p> <ul style="list-style-type: none"> <li>▪ Data Reliability for Reporting on the ACT 'No Waste by 2010' Strategy; and</li> <li>▪ Reporting against Ecologically Sustainable Development.</li> </ul>	<p>The audit planned for 2006-07 that will have an environmental input is:</p> <ul style="list-style-type: none"> <li>▪ Management of rural land – the audit will assess whether agencies can manage and protect the natural, cultural, social, aesthetic and educational value of the Territory's rural precincts;</li> <li>▪ Progress in implementation of Triple Bottom Line - the audit would examine progress in implementation of Triple Bottom Line in the management of the Territory. Consideration could be given to the integration of TBL into decision-making, budgeting, and reporting; and</li> <li>▪ Public transport - the audit would examine the efficiency and effectiveness of the provision of certain aspects of public transport services, including planning, acquisition and maintenance of vehicles, and client services.</li> </ul>	
Queensland Audit Office (QAO)	<p>The QAO undertook a probity audit of a ballot process in relation to the Queensland Government's phasing out of broad scale clearing of remnant vegetation by the end of 2006.</p>	<p>The QAO's current operational plan includes a forward program of potential topics under the headings of Financial Management; Infrastructure; Governance; and Service Delivery.</p> <p>Under Infrastructure, QAO has identified the following potential environmental related topics –</p> <ul style="list-style-type: none"> <li>▪ Infrastructure Planning and Management; and</li> <li>▪ Water Resource Planning and Management.</li> </ul> <p>Under Service Delivery QAO has identified the following potential environmental related topics –</p> <ul style="list-style-type: none"> <li>▪ Waste Management;</li> <li>▪ Managing Energy Demand in Queensland;</li> <li>▪ Food Safety; and</li> <li>▪ Vegetation Management.</li> </ul>	
Office of the Auditor General Western Australia	<p>In 2006 the tabled reports dealing with one clear environmental matter, and two with broader sustainability concerns:</p> <ul style="list-style-type: none"> <li>▪ Management of Ramsar Wetlands in WA;</li> <li>▪ Management of the Waterwise Rebate Program;</li> </ul>	<p>The Office has planned several audits which involve sustainability and environmental concerns:</p> <ul style="list-style-type: none"> <li>▪ Agency readiness to comply with upcoming Contaminated Sites legislation;</li> <li>▪ Compliance with Native Vegetation Clearing regulations;</li> </ul>	<p>The Office has also taken part in an employee exchange in 2006 – a staff member from the Commissioner for the Environment and Sustainable Development in the</p>

	<p>and</p> <ul style="list-style-type: none"> <li>▪ Regulation of Animal Feedstuffs, Hormonal Growth Promotants and Veterinary Chemicals.</li> </ul> <p>Currently the Office is undertaking a Performance Examination of Community Consultation by Government which deals with issues affecting sustainability / inclusion matters.</p>	<ul style="list-style-type: none"> <li>▪ Preparedness for oil and other toxic spills in WA ports; and</li> <li>▪ A planned follow-up audit on NRM groups is being reconsidered in response to review/s by other organisations.</li> </ul>	<p>Office of the Auditor General of Canada has been working with the WA Office, while a WA OAG officer is with the CESD in Canada.</p>
<p>Victorian Auditor-General's Office</p>	<ul style="list-style-type: none"> <li>▪ Government advertising (September 2006);</li> <li>▪ Westernport Region Water Authority (August 2006);</li> <li>▪ Protecting our environment and community from failing septic tanks (June 2006); and</li> <li>▪ Fire prevention and preparedness (follow-up to our 2003 report) (October 2005).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintenance and replacement of water infrastructure;</li> <li>▪ Environmental management in Victorian parks;</li> <li>▪ Urban planning;</li> <li>▪ Biosecurity: Adequacy of primary industry and health planning; and</li> <li>▪ Irrigation efficiency on farms.</li> </ul>	<p>Possible topics for inter-jurisdictional audits (a brainstorm list)</p> <ul style="list-style-type: none"> <li>▪ land clearing</li> <li>▪ health of the Murray-Darling system</li> <li>▪ regulation of pollution</li> <li>▪ greenhouse strategies</li> <li>▪ regulation of wind farms</li> <li>▪ protection of threatened species</li> <li>▪ sustainable fisheries</li> <li>▪ water conservation/recycling</li> <li>▪ hazardous waste management</li> </ul> <p>Options could include the sharing of methodologies, sharing of data, sequential audits of the same topic, and joint collaborative audits.</p>
<p>Australian National Audit Office</p>	<ul style="list-style-type: none"> <li>▪ Cross Portfolio Audit of Green Office Procurement 2005-06;</li> <li>▪ The Administration of the National Action Plan for Salinity and Water Quality 2004-05; and</li> <li>▪ The ANAO (Assurance Audit Services Group) conducts verification of Triple Bottom Line Reporting by Commonwealth agencies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Protection of Critical Habitat and Listed Threatened Species under the Environment Protection and Biodiversity Conservation Act 1999 – (due for publication early 2007).</li> </ul> <p><i>Future:</i></p> <ul style="list-style-type: none"> <li>▪ Water – planning and governance of the National Water Fund initiative; and</li> <li>▪ Reserves – the administration, efficiency and effectiveness of the National Reserve system.</li> </ul> <p><i>Longer Term:</i></p> <ul style="list-style-type: none"> <li>▪ Salinity and water quality;</li> <li>▪ Sustainable procurement – follow up; and</li> <li>▪ Measures to address climate change and reduce greenhouse gas emissions.</li> </ul>	

<p>New Zealand Office of the Auditor-General</p>	<ul style="list-style-type: none"> <li>▪ Department of Conservation: Planning for and managing publicly owned land;</li> <li>▪ Horizons and Otago regional councils: Management of freshwater resources; and</li> <li>▪ Ministry of Agriculture and Forestry: Managing the biosecurity risks associated with high-risk sea containers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implementation of the Sustainable Development Programme of Action; and</li> <li>▪ Local Government Waste Management Plans.</li> </ul> <p>New Zealand is undertaking broad scoping exercises in the areas of:</p> <ul style="list-style-type: none"> <li>▪ Water;</li> <li>▪ Energy; and</li> <li>▪ Land transport planning.</li> </ul>	<p>A strategy for environmental auditing and sustainable development</p> <ul style="list-style-type: none"> <li>▪ The New Zealand OAG is currently considering the Office's role in the areas of environmental auditing and sustainable development.</li> </ul>
<p>Tonga Audit Office</p>	<p>The Tonga Audit Office involvement in environmental auditing is still limited to National Executed Projects (NEX). These projects are funded by overseas agencies (such as UNEP, UNDP) to enable Tonga to implement its obligations under various conventions on environmental issues. The Tonga Audit Office is undertaking financial and compliance audits of the following projects:</p> <ul style="list-style-type: none"> <li>▪ International Water Programme Project;</li> <li>▪ Climate Change Project;</li> <li>▪ Biodiversity Project;</li> <li>▪ Persistent Organic Pollutants (POPs) Project; and</li> <li>▪ Biosafety Framework Project.</li> </ul>	<p>It is intended to carry out an audit to describe and assess the current legislative framework for management and implementation of environmental protection issues in Tonga and to recommend areas for improvement in their management where appropriate.</p>	
<p>Office of Auditor-General - Fiji</p>	<ul style="list-style-type: none"> <li>▪ Squatter Sanitation - an audit of the government department responsible for the administration and management of squatter settlements focused on the negative impacts of these squatter settlements on the environment and human health;</li> <li>▪ Review of the use of Asbestos in Fiji - In Fiji, asbestos is still being imported and widely used and hence poses risks to human health and the environment. The audit found that Fiji regulating and health agencies are currently not adequately equipped and coordinated to deal with the 'asbestos problem'; and</li> <li>▪ A review was undertaken to ensure compliance with importation, exportation, sale, storage and use of ozone depleting substances in Fiji and to recommend various measures that could be put in place to ensure that environmental and social interests are not adversely affected.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management of Land Degradation in the Agriculture and Forestry Sector; and</li> <li>▪ Management of Industrial Pollution in Major City Areas.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Parliament has amended the Fiji Audit Act to include a mandate for the conduct of Performance Audit by the Fiji Audit Office. The Office now has a unit that conducts both performance and environmental audits; and</li> <li>▪ Parliament has also enacted the Environmental Management Act in 2005 which requires the Auditor General to conduct Sustainable Development Assurance Audit of Government Ministries and Departments. The implementation date of the Act is yet to be determined by the Government.</li> </ul>

## 8 Action items from meeting/draft work plan

Issue/agenda item	Comment	Decision/Action
<b>RWGEA – next meeting arrangements</b>	<p>Frequency of RWGEA meetings to remain at 18 months.</p> <p>The RWGEA is next due to meet around April 2008.</p> <p>The Cook Islands has previously volunteered to host a RWGEA meeting.</p> <p>In the past it has been difficult for Australian state offices to attend overseas meetings.</p> <p>Some Australian Offices are not comfortable with Pacific Island representatives always attending meetings in Australia.</p>	<p>The New Zealand Secretariat to discuss the issue of the venue for the next meeting with the New Zealand Auditor-General, with a view to raising the matter with Australian A-Gs at an ACAG meeting.</p> <p>Update – NZ raised the issue with John Rosier from the ACAG secretariat.</p> <p>The Victorian Audit Office has agreed to host the next RWGEA in Melbourne in early 2008.</p> <p>We would like to invite the new WGEA chair to our next RWGEA meeting, and possibly one of the authors of one of the four WGEA papers</p>
<b>Survey on environmental auditing</b>	<p>The 5<sup>th</sup> survey on environmental auditing was sent to 186 SAls.</p> <p>The survey is to be used to develop the WGEA work plan for 2008-10.</p> <p>Seven out of 13 countries in the SPASAI region responded.</p> <p>The survey results will be presented to the next Steering Committee and WGEA meetings in 2007.</p>	<p>The WGEA secretariat is concerned with the response rate to the survey from SPASAI members.</p> <p>Members should let the NZ Secretariat know of any difficulties with such surveys.</p> <p>The NZ secretariat will see if regional results are available for distribution following the next Steering Committee meeting.</p>
<b>Fundraising</b>	<p>External funding for WGEA activities.</p>	<p>From discussion at Steering Committee meeting in Vancouver, this is no longer a priority area for the WGEA.</p>
<b>Work plan for regional work group</b>	<p>Not discussed in detail at Canberra meeting – three major issues previously identified:</p> <ul style="list-style-type: none"> <li>a. raising profile of EA as a priority in offices;</li> <li>b. putting own house in order; and</li> <li>c. sharing information</li> </ul> <p>Possible courses of action:</p> <ol style="list-style-type: none"> <li>1. presentation to AG's on environmental auditing</li> <li>2. More training for PI auditors in this area</li> <li>3. Strategies for getting EA onto work agendas – ACAG agendas, Performance Auditors executive meetings.</li> </ol> <p>Note – the WGEA Steering Committee is developing the next WGEA work plan for 2008-10. This plan should inform the work plan of RWGEAs</p>	<ul style="list-style-type: none"> <li>a. Members of RWGEA advocate for “green housekeeping” in our offices.</li> <li>b. NZ Secretariat to ensure the RWGEA is represented in appropriate SPASAI newsletters and Greenlines.</li> <li>c. NZ Secretariat to discuss with John Rosier a briefing for Auditors-General on EA at an ACAG meeting. This has previously been suggested but has not occurred.</li> <li>d. Greenlines (newsletter of WGEA) – each RWGEA member to advise NZ Secretariat of names and addresses for national and regional environmental and other organisations that might be interested in receiving Greenlines.</li> </ul>

<b>Environmental Auditing training</b>	<p>Capability for conducting environmental auditing – this is an ongoing issue for Pacific Island Offices.</p> <p>IDI and SPASAI have assisted with training in the past in environmental auditing and in performance auditing.</p> <p>Invite Pacific Island Audit Offices to the annual performance auditing training that is available to Australian and New Zealand Audit Offices through membership of AGAG.</p> <p>Material being developed by the OAG Canada to assist auditors in considering environmental matters in their audits, called the “4<sup>th</sup> E Guide”, may be helpful to RWGEA members.</p>	<p>The Pacific Islands Forum has endorsed a Pacific Regional Audit Initiative (PRAI), which is intended to strengthen Pacific public sector auditing. The Asian Development Bank is working with SPASAI members and other development organisations to design the initiative, which will include diagnostic studies of each SPASAI member including their environmental auditing capability.</p> <p>The suggestion that PI offices should be invited to annual ACAG/NZ performance audit training should be discussed at the next meeting of the ACAG forum for managers of performance audit in ACAG offices. The NZ secretariat will ask the NZ attendee to raise the issue at the next meeting of that group</p> <p>NZ Secretariat to distribute Canadian 4<sup>th</sup> E guide to RWGEA members for discussion at next RWGEA meeting.</p>
<b>Website – update</b>	<p>Review and update website</p>	<p>Members to advise NZ Secretariat of new audits or other information to add to website.</p> <p>Website to be updated with minutes</p> <p>The website has been relocated from the NZ OAG website to the SPASAI website – <a href="http://www.spasai.org/www.spasai.org">http://www.spasai.org/www.spasai.org</a>.</p>
<b>Integration of RWGEA with WGEA and steering committee</b>	<p>There is scope for better integration of RWGEA activities with WGEA steering committee activities</p>	<p>NZ Secretariat to distribute draft WGEA work plan for 2008-10 when in appropriate form for consultation with RWGEA</p> <p>NZ secretariat to consult RWGEA on other WGEA documents as appropriate</p> <p>Invite WGEA chair to attend next RWGEA meeting</p> <p>Clarify WGEA expectations and support for RWGEA</p> <p>Invite a project leader from one of four current WGEA products to attend RWGEA meeting</p>
<b>Expand membership of RWGEA</b>	<p>Six out of 19 SPASAI members attend meetings of RWGEA.</p> <p>There are new members of SPASAI who may not have been invited to join the group when formed in 2001.</p>	<p>Ensure RWGEA activities covered in SPASAI bulletins and ensure all SPASAI members are aware of meetings and invited to attend.</p>
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