

“Lifting the Game” of Performance Auditing for the Success of the Sustainability Development Goals (SDGs)

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Abstract

Environment and sustainable development challenges are matters of global concern. Trillions of dollars of mostly public money are invested every year in domestic and international policies and programs to address these challenges. The effectiveness of these policies and programs are critical to the environmental sustainability. The evidence of effectiveness is traditionally provided by evaluations undertaken mostly by the private sector and academic institutions. However, the effectiveness of governments' policies and programs are also examined by independent auditors general (also known as supreme audit institutions—SAIs) through what is commonly known as performance audit. Compared with traditional evaluations, performance audits, have a greater capacity to influence the implementation of policies. Despite this, performance audit in the environment field has received very little academic attention.

With the aim of addressing this knowledge gap, following a literature review and conceptual grounding, this thesis undertakes three empirical investigations into environmental performance auditing:

- (1) A longitudinal analysis of two decades (1992-2012) of global environmental performance audit data that also considers some socio-economic data, such as gross per capita national income and developmental level of countries (SAIs) to investigate trends;
- (2) A global survey of SAIs to investigate their current practices and challenges they face in environmental performance auditing; and
- (3) A comparative study of environmental performance auditing in three countries—Australia, Canada and India—to further understand practice and the influence of socio-economic factors and local institutional arrangements and traditions.

The results suggest that globally environmental performance auditing has been growing, both in number and complexity; and increasingly more SAIs have been undertaking such audits. However, the growth has been uneven. About half of the environmental performance audits over the two decades have been produced by ten SAIs and half of the SAIs have not produced any environmental performance audits during this period. There is a link between socio-economic conditions and environmental performance auditing both globally and at individual SAIs level. The largest concentration of SAIs that have not produced any environmental performance audits over the two decades, is in Africa, a region of low socio-economic development, suggesting capacity gaps. Such SAIs in Africa and other regions need the attention of governments and donor agencies for capacity building in performance auditing generally and in environmental performance auditing particularly.

SAIs predominantly select environmental topics for performance auditing using a structured approach based upon risk assessment, materiality and salience. However, they also select environmental topics based upon a sectoral approach and requests from stakeholders including members of legislatures. Criteria for environmental performance audit are generally developed based upon official information, in consultation with auditees and are explicitly expressed. The topics selected for audit and methods and approaches to environmental performance audit are also influenced by the socio-economic status of the SAIs. The developed country SAIs generally focus on auditing the performance of environmental initiatives related to higher order—quality of life—issues such as climate change, whereas the developing SAIs generally concentrate on undertaking performance audit of environmental programs related to subsistence such as water supply and sanitation. Compared with developing SAIs, developed SAIs generally use more system-oriented approaches and more consultative methods in their environmental performance auditing. Generally, SAIs identify both the lack of sufficient mandate and sufficient resources (both financial and human) as constraints to undertaking more environmental performance audits. Institutional arrangements such as mandate do affect environmental performance auditing. Reporting styles of performance audits vary significantly not only between SAIs, but also between different reports of the same SAI. This difference is technical in nature and is a consequence of: (a) non-adherence to their existing standards due to deficient quality control; and (b) absence of reporting standards. SAIs individually and collectively need to enhance their reporting standards and compliance with them to maintain rigor of their work.

Key current and emerging challenges confronting environmental performance audits are of three types and relate to: (a) Environmental policies that are within the realm of governments, such as deficient policy formulation, data and monitoring difficulties; (b) SAIs but mostly within the realm of governments such as mandate and resources; and (c) SAIs that need to be addressed by themselves such as communicational and relational matters.

While environmental performance audits have had positive impacts on the governance and performance of environmental policies and programs, actions for improvement both by governments and SAIs are necessary to meet the growing challenges of the future. Governments may consider addressing deficiencies related to environmental policies, mandate and resources. SAIs may consider enhancing their standard of reporting and means of reporting to be able to reach wider audiences. Overcoming their insularity, they may collaboratively work with others, such as civil society organisations, universities and research organisations to make their audits more participatory and more accessible to the wider society. SAIs may consider promoting research to develop new tools and methods for auditing amid growing complexity of government business characterised by multilateralism, public-private partnership, privatisation and outsourcing. Further, SAIs may wish to strengthen the beneficial but visibly stressed mechanism of international cooperation—the Working Group on Environmental Auditing (WGEA)—to continue derive the benefits of international cooperation into the future.

While performance auditing in a specific field has been studied, some of the conclusions have wider applicability. For example, capacity building in SAIs, development of a reporting standard for performance audit, taking a collaborative approach to performance auditing and improving communication by SAIs have applicability across the board. In view of the adoption of new sustainable development goals in late

2015, this research is particularly timely in underlining key issues which can make a positive difference to the contribution of SAIs to meeting these global challenges.