

**Country Paper of Supreme Audit Court of Iran**

**Report on Assessment of Large Environmental  
Audit Projects**

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Auditing (WGEA)**

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# **Report on Assessment of Large Environmental Audit Projects**

## **1. Background and Audit planning**

### **a) The importance of the subject:**

Due to the following reasons, the Supreme Audit Court of I. R. Iran chose the “Assessment of Large Environmental Audit Projects” ” as a pathological approach:

1. In the laws related to the National Development Plans, the Iranian Legislature (Islamic Consultative Assembly) has ratified some commitments that help the creation of desirable environment. One of such commitments is the “assessment of large environmental audit projects”. Therefore based on this law<sup>1</sup>, “all large production and service programs and projects must be evaluated environmentally at the stage of feasibility and finding the right location. The compliance with the assessment results by the executors of programs and projects is mandatory.

2. With regard to the fact that sustainable development is the development without degradation and destruction of environment without deprivation of the future generation from natural resources, the proper implementation of the above mentioned law plays a significant role in realization of the national sustainable development.

### **b) Objectives:**

1. Examining the assurance of environmental assessment of large projects and plans

2. Examining the assurance of correct procedures and policies adopted in implantation of large projects and plans.

### **c) Criteria**

1. Obtaining permission for environmental assessment of large projects and plans

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<sup>1</sup> . Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Economic and Social Development of Islamic Republic of Iran

2. Timely environmental assessment of large projects and plans by environmental assessment working group of Department of Environment

3. The necessity to include capital assets plans in the annual budget bill based on the reports of the Department of Environment.

4. The preventive function of the measures taken by the Department of Environment in evaluating environmental projects

**d) Audit Scope:**

Examining large production and service plans and projects from the environmental assessment point of view through the proposed standards at national level in 2003 and 2012.

**2. Methodology:**

Supreme Audit Institutions as the most important supervision organizations have the ability to identify problems regarding the systems, procedures, rules, regulations, etc and as the result reflect such problems to their respective governments and therefore help them to achieve their environmental objectives.

In order to help the government including the Department of Environment and the President's Deputy of Strategic Planning and Control, the Supreme Audit Court of I. R. of Iran (SAC) has made every effort to make a pathological study, through examining the governing facilities for the assessment of environmental projects and plans, to review the adopted procedures and policies in assessment of environmental projects. The SAC using the audit findings has proposed some recommendations for improvement of the situation of environmental assessment. The SAC believes that if the current procedures are formed and implemented properly, the problem of having no environmental assessment permission will be improved at national level.

**3. Findings and recommendations**

**Findings:**

Based on the studies made:

3/1 Production and service organizations both in private and public sector while implementing the law<sup>2</sup>, have sent their large projects and plans for environmental assessment and obtaining permission from the department of environment. Through the cooperation of the Department of Environment and National Management and Planning Organization out of 1100 production and service projects at national level only 199 projects have been initiated without environmental permission.

3/2 Almost 75 % of the total 199 projects has not been completed. Some of the projects could be improved from the environment point of view regarding the fact that 25% of the same projects have been completed.

3/3 Altogether in 28 provinces, some companies have implemented their projects without getting environmental approval from the Department of Environment among which 4 provinces have the most number of projects without environmental approval. Also the audit result could find no projects without environmental approval in two provinces.

3/4 the legal duty related to the environmental assessment of projects in the above mentioned 199 projects has been ignored by both legal persons and companies. These projects are related to tourism industry, cement industry, Ministry of Petroleum, Ministry of Energy, Ministry of Road etc.

3/5 Some of the government projects without environmental approval have been sent to the Department of Environment too late (after approval by the legislature and inclusion in the national budget). This happens while according to law<sup>3</sup> all large production and service projects must be evaluated before implementation at the stage of feasibility study as well as location finding ( before the inclusion of the project in the national budget bill and the approval of the Legislature).

3/6 According to regulations<sup>4</sup>, all executive organizations are required to submit the report of the environmental assessment of their projects to the

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<sup>2</sup> . Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Development Plan

<sup>3</sup> . ibid

<sup>4</sup> . Executive by-law related to Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Development Plan

three-person working group formed in the Department of Environment consisting of the representatives of the following organizations: Department of Environment, the President's Deputy of Strategic Planning and Control and the executive organization under environmental assessment. The same working group is responsible for the examination and approving the reports of environmental assessment of projects.

Considering the fact that tens of projects are implemented annually, the existence of only a three-member working group is not sufficient for the approval of environmental assessment reports. Furthermore, the Department of Environment as the main national care taker of the protection of environment has only one representative in the same working group and therefore the combination of the working group consisting of three people is one of the major problems in assessing projects environmentally.

3/7 one of the major problems in evaluating projects environmentally is that the such duty is done using a long period of time. At the time of audit, it was known that some of the projects presented by legal persons and companies to the above mentioned working group were waiting in long queues for assessment. This happens while according to law<sup>5</sup>, the Department of Environment is responsible for providing the practical way for implementing the project works in a way that such projects are not delayed and at the same time environmental concerns are also considered.

3/8 According to law,<sup>6</sup> one of the most important duties of the Department of Environment is "protection from environmental pollution and degradation". Unfortunately, one of the major problems that threaten the executive organizations is that such organizations adopt reaction policies rather preventive ones. The delayed action of the Department of Environment in doing environmental assessments of some projects not only wastes financial resources but also hinders the implementation of projects and as the result the environment will be damaged.

### **Recommendations:**

3/9 The Department of Environment must act more effectively in provinces where there are projects without environmental assessments.

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<sup>5</sup> . Note of Article 105 of the Fourth Social and Economic Development Plan

<sup>6</sup> . Article 1 of Protection and Improvement of Environment Law

3/10 It is recommended that through the proper interaction of the National Management and planning ( which is responsible for preparing budget bill) and the Department of Environment ( which is responsible for environmental assessment of projects), the current procedures for preparing budget bills is modified so that projects are originally approved environmentally by the Department of Environment and then they are included in the national budget bill for approval of the Islamic Consultative Assembly (Iranian Parliament).

3/11 One of the solution to the problem of “ insufficiency of the three-member working group for assessing projects” which delays the issuance of environmental permissions is to hold independent working groups in Offices of Director General of the Department of Environment in different provinces and delegate necessary authorities to them which is possible through the modification of the regulations<sup>7</sup>.

3/12 One of the solutions for the proper and timely implementation of environmental auditing is the “principle of prevention”. The Department of Environment, in line with its major responsibility in “preventing from degradation of environment”, can do the following measures: Disseminating useful and comprehensive information about environmental rules and regulations; holding training courses for the officials of government organizations; reviewing the projects under study; visiting the project works done by auditees; and finally giving advice to auditees during the implementation phase of project works.

3/13 It is recommended that in order to prevent the degradation of environment, an expert and pathological study is conducted to make the pollutant organizations compensates for the losses they make to the environment.

#### **4. Impacts and results:**

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<sup>7</sup> . . Executive by-law related to Article 105 of the Third Development Plan also mentioned in Article 71 of the Fourth Social & Economic Development Plan

4/1 The report of the current audit results were submitted to the Speaker of Parliament, President's Deputy for Strategic Planning & Control<sup>8</sup> as well as Head of the Department of Environment.

4/2 The Islamic Consultative Assembly (Iranian Parliament) considered the audit findings of SAC. Accordingly, it assigned one of the technical parliamentary committees to evaluate the activities of the National Management and Planning Organization (responsible for preparation of national budget) regarding the environmental projects.<sup>9</sup>

4/3 the evaluation made till the end of 2012 and also the reports issued by the Department of Environment show that some of the projects included in the annual budgets of the executive organizations without getting approval from the Department of Environment. This has resulted in destructive environmental impacts all around the country.

4/4 the measures taken by the Department of Environment in evaluating the-waiting-in queue projects has been updated.

4/5 With regard to the fact that the regulations on " evaluation of projects environmentally" has been approved by government, there is little guarantee for their implementation. At the moment, a bill is being approved in this regard by the government to be sent to Parliament for ratification.

## **5. Challenges:**

Some of the main challenges in this audit are as in the following:

5/1 Lack of a comprehensive data center for locating projects qualified for environmental evaluation has created a situation where some of the projects lacking environmental evaluation have not been included in the statistics of Department of Environment.

Regarding the evaluation of projects had caused some of projects are not included in the statistics of Department of Environment.

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<sup>8</sup> . The same organization is responsible for supervision on the proper implantation of the environmental assessment of projects

<sup>9</sup> . The Committee on Article 90 of Constitution is one of technical parliamentary committees. Article 90 of the Iranian Constitution specifies that: "Whoever has a complaint concerning the work of the Assembly or the executive power, or the judicial power can forward his complaint in writing to the Assembly. The Assembly must investigate his complaint and give a satisfactory reply..."

5/2 With regard to the fact that the National Management and Planning Organization was replaced with The President's Deputy of Strategic Planning and Control, during the replacement phase some of the duties of the previous organization was ignored. In addition, due to the fact that management change took place in the new organization, receiving information by auditors was a slow process.

5/3 Lack of acquaintance with the environmental laws and regulations or not paying enough attention to such laws by some of the officials in public organization created the situation where the environmental laws are ignored.

5/4 One of the main reasons for ignoring environmental laws and regulations by both real persons and companies is the lack of sufficient guarantee to implement such laws. It is natural that if the level of environmental degradation is not equal to the compensation made by such companies, in that case the environmental laws and regulations will be ignored.

The challenges 1, 2 were resolved but dealing with the third and fourth challenges mentioned above requires further cooperation and interaction with private and public organizations as well as with related authorities and also through training and creating the right culture.

## **6. Lessons learned:**

6/1 through the pathological method applied in this paper we could not only identify problems but also conclude that in case all the capabilities governing the assessment of environmental projects are applied and implemented precisely and quickly, the situation of assessment of environmental projects by both the legal persons and companies will be improved considerably.

6/2 the improvement of consequences of environmental problems requires a long process and therefore prevention from some of the environmental problems are both easier and less costly. The environmental auditing can provide the opportunity for the government to prevent environmental catastrophes.

6/3 With regard to the fact that the objective of environmental auditing is to obtain assurance about adopting the proper and sufficient policies and



implementation of such policies in order to achieve sustainable development, our main priority is to review and improve the policies , processes and procedures.

6/4 For many people the word security means social tranquility, peace and lack of social disorders while this concept has wider dimensions so that one of its elements has been called “the health of environment”. As the result, lack of environmental security” creates more destructive consequences for human societies.

In the end, it is noteworthy to mention that the present paper was prepared based on the generally accepted types of environmental auditing. With regard to the fact that the Supreme Audit Court of I. R. of Iran has recently joined the INTOSAI Working Group on Environmental Auditing, it is ready to apply most of the guidelines developed by the same working group in its audits.

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