



Auditing Climate Finance: Research and Audit Criteria for Supreme Audit Institutions



INTOSAI
Working Group
on Environmental
Auditing

Foreword and Acknowledgements

Climate finance is becoming an important topic of consideration as the world is becoming increasingly concerned about the effects of climate change. Climate finance is an essential component in enabling climate action, since large-scale investments are needed to both mitigate climate change and adapt to its impacts.

For the 2020-2022 Work Plan of the INTOSAI Working Group on Environmental Auditing (WGEA), the Supreme Audit Institution (SAI) of the United States volunteered to lead a research project focused on developing approaches to audit climate finance.

This research was conducted to help SAIs audit their governments' contributions toward the United Nations' 2030 Agenda for Sustainable Development (2030 Agenda) Sustainable Development Goal (SDG) Target 13.a — implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change (UNFCCC) to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through the capitalization as soon as possible. As such, this research paper is meant to identify the indicators SAIs use to assess progress toward achieving this target effectively and efficiently. This research paper includes key questions and example indicators to help SAIs plan effective audits related to SDG 13.a. Readers can refer to individual chapters or use the entire paper to plan audits. We conducted the research for use by SAIs in all countries looking for guidance on how to audit climate finance contributions.

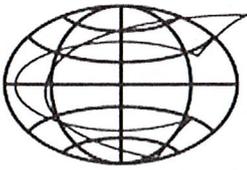
The research paper is consistent with relevant INTOSAI Principles and Standards. The structure of the research paper is in line with the drafting convention of documents that are not part of the INTOSAI Framework of Professional Pronouncements.

We would like to thank the INTOSAI WGEA Steering Committee for their valuable comments, as well as the subcommittee SAIs: Bangladesh, Brazil, Canada, China, the European Court of Auditors, Fiji, Finland, the Maldives, Nepal, the Netherlands, New Zealand, Nigeria, Sri Lanka, Sudan, and Thailand.



Dr. Sami Yläoutinen

Auditor General of SAI Finland
Chair of the INTOSAI WGEA



INTOSAI

Goal Chairs
Collaboration
PSC – CBC – KSC

Annex-II

Quality Assurance Certificate of the Chair of the INTOSAI Working Group on Environmental Auditing

This is to certify that *Auditing Climate Finance: Research and Audit Criteria for Supreme Audit Institutions* which is placed at level three of Quality Assurance as defined in the paper on "Quality Assurance on Public goods developed outside Due Process" approved by the INTOSAI Governing Board in November 2017 has been developed by following the Quality Assurance processes as detailed below:

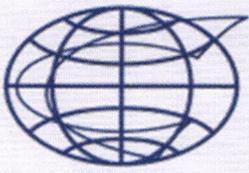
- i. The project proposal was developed by the team with consultation of INTOSAI WGEA Steering Committee Members;
- ii. The project was discussed during the 20th INTOSAI WGEA Assembly meeting held online in January 2021;
- iii. The project output draft was circulated among team members, Steering Committee members, and has gone through more than 30-day exposure (from 13 April to 16 May 2022) for comments and circulated among WGEA members via an online portal.

The product developed is consistent with relevant INTOSAI Principles and Standards. The structure of the product is in line with the drafting convention of non-IFPP documents.

The product is valid till 30 September 2028 and if it is not reviewed and updated by 30 September 2028 it will cease to be a public good of INTOSAI developed outside the Due Process.

Helsinki, 8 June 2022

Dr Sami Yläoutinen
Auditor General of the National Audit Office of Finland
Chair of the INTOSAI WGEA



INTOSAI

Goal Chairs
Collaboration
PSC – CBC – KSC

Quality Assurance Certificate of the Chair of Knowledge Sharing and Knowledge Services Committee (KSC)

Based on the assurance provided by the Chair of the *INTOSAI Working Group on Environmental Auditing (WGEA)* and the assessment by the Goal Chair, it is certified that *Auditing Climate Finance: Research and Audit Criteria for Supreme Audit Institutions* which is placed at level **3 (Three)** of Quality Assurance as defined in the paper on “Quality Assurance on Public goods developed outside Due Process” approved by the INTOSAI Governing Board in November 2017, has been developed by following the Quality Assurance processes as detailed in the Quality Assurance Certificate given by the Working Group Chair.

The product is valid till **30 September 2028** and if it is not reviewed and updated by **30 September 2028** it will cease to be a public good of INTOSAI developed outside the Due Process.

Girish Chandra Murmu
Chair of Knowledge Sharing and
Knowledge Services Committee

Contents

Executive Summary.....	7
1. Introduction: Climate Change and its Consequences.....	8
2. Institutional Framework of Climate Finance.....	11
3. Project Scope and Methodology.....	14
4. The Role of SAIs in Auditing Sustainable Development Goals.....	15
5. Results of the WGEA Members Survey.....	18
6. Potential Indicators for Assessing SDG Target 13.....	20
7. Roadmap for Designing Audits.....	29
8. Concluding Remarks.....	30
Bibliography.....	31

List of Abbreviations and Acronyms

2030 Agenda	United Nation’s 2030 Agenda for Sustainable Development
ECA	European Court of Auditors
GAO	U.S. Government Accountability Office
GHG	Greenhouse Gas
IAEG-SDGs	UN Inter-Agency and Expert Group on SDG Indicators
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ISAM	IDI’s SDGs Audit Model
ISSAI	International Standards of Supreme Audit Institutions
IPCC	Intergovernmental Panel on Climate Change
OECD	Organisation for Economic Cooperation and Development
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USAID	U.S. Agency for International Development
WGEA	Working Group On Environmental Auditing

List of Figures

Figure 1:	Key Climate Change Agreements and Dates.....	7
Figure 2:	Climate Finance Financial Flows.....	11
Figure 3:	Performance Audit Elements of a Finding Using UN Sustainable Development Goals and Tools as Criteria.....	15
Figure 4:	Using Elements of a Finding Framework to Guide Audit Work on Climate Finance Contributions.....	15
Figure 5:	Criteria for Good Performance Measures.....	19
Figure 6:	National Audit Office of Finland Ongoing Climate Finance Audit.....	20
Figure 7:	SAI Mexico 2018 Climate Finance Audit.....	22
Figure 8:	European Court of Auditors 2021 Audit on Sustainable Finance.....	23
Figure 9:	European Court of Auditors 2020 Tracking Climate Spending Review...	24
Figure 10:	GAO’s Best Practices for Collaboration.....	25
Figure 11:	Using Best Practices for Collaboration as Criteria For Audit on Climate Information.....	26

Executive Summary

Sustainable Development Goal (SDG) 13 calls to take urgent action to combat climate change and its impacts. Target SDG 13.a provides high-level targets to help national governments contribute to global climate finance goals. The indicators defined by these targets are useful for focusing national government efforts, but are generally too high level for SAIs to use as criteria for performance audits of specific government initiatives. To address this challenge, this research paper focuses on assessing national progress towards SDG 13.a and conducting performance audits.

This paper focuses on SDG Target 13.a and its indicator—the mobilized amount of climate finance towards the \$100 billion annual commitment. Moreover, challenges in auditing effectiveness and efficiency of climate finance are addressed. The focus on climate finance is important because it is the main tool for helping recipient countries reduce greenhouse gas (GHG) emissions and prepare for inevitable changes to the climate, otherwise known as climate adaptation.

The primary goal of this paper is to meet the INTOSAI mandate that mutual experience benefits all by sharing experiences of SAIs and developing approaches in auditing climate finance. To that end, this project aims to provide 2 tools:

1

Indicators or criteria that SAIs can use when auditing climate finance (see Chapter VI); and

2

A roadmap for designing a series of audits that can collectively provide information on progress toward higher-level climate finance targets (see Chapter VII).

The areas of audit related to climate finance and SDGs are relatively new. This document provides readers a first step in an emerging area.

Introduction: Climate Change and its Consequences

According to the 2021 report from the Intergovernmental Panel on Climate Change (IPCC), human influence has warmed the climate at a rate that is unprecedented.¹ The report also says that the scale of recent changes across the climate system as a whole and the present state of many aspects of the climate system are unprecedented over many centuries to many thousands of years. Observed and projected consequences of the increasing concentration of greenhouse gas (GHGs) emissions in the atmosphere include altered weather patterns, increased frequency and intensity of some types of extreme storms and droughts, changed crop yields, increased ocean acidification, and increased flooding in coastal areas which could contribute to significant economic risks and costs. For example, in 2021 alone, there were 20 separate billion-U.S. dollar weather and climate disaster events across the United States, with a total cost of at least \$145 billion, according to the U.S. National Oceanic and Atmospheric Administration.

The most pronounced negative effects of climate change are likely to occur in less economically developed countries. For example, projections for continued sea level rise are an existential threat for low-lying atoll nations in the Pacific like Kiribati, a Least Developed Country² only about six feet (less than two meters)

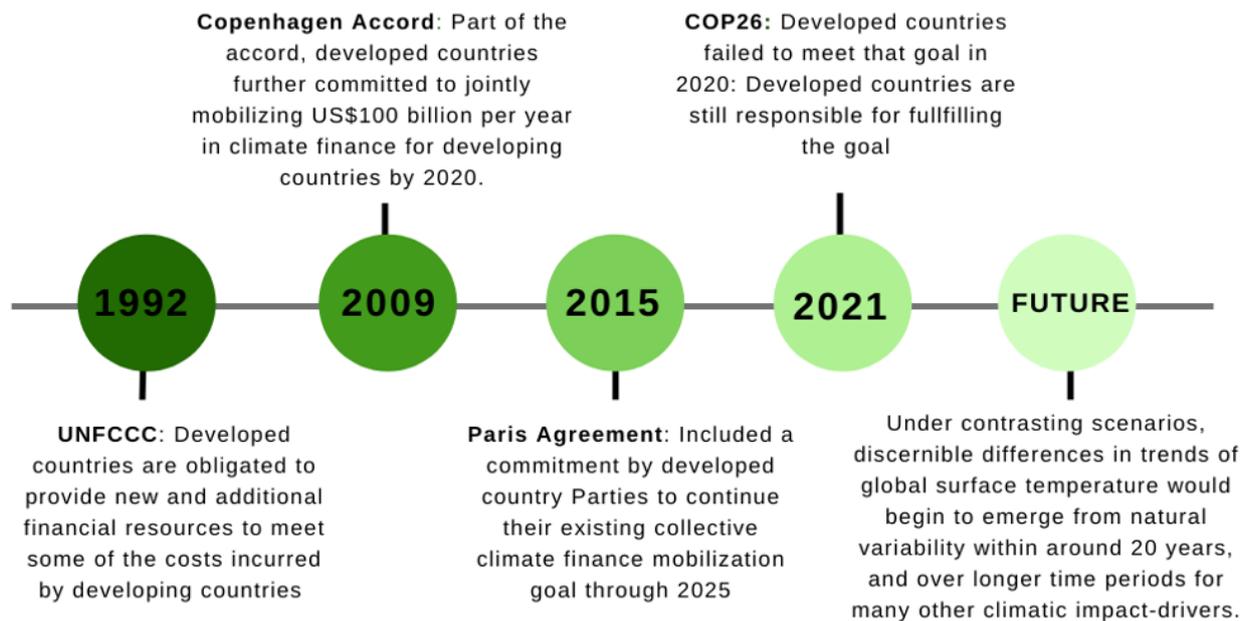
above sea level. In Africa, where 32 of the world's 48 Least Developed Countries are located, some of which are also landlocked, the IPCC report warns that at 1.5C of heating, heavy rainfall and associated flooding are projected to intensify, while extreme drought is already being felt in southwest Africa.

Global surface temperature will continue to increase until at least the mid-century, regardless of emissions reductions efforts. Many changes due to past and future GHG emissions are irreversible for centuries to millennia, especially changes in the ocean, ice sheets and global sea level. From a physical science perspective, limiting human-induced global warming to a specific level requires limiting cumulative CO₂ emissions, reaching at least net zero CO₂ emissions, along with strong reductions in other GHG. Scenarios with very low or low GHG emissions lead within years to discernible effects on GHG and aerosol concentrations, and air quality, relative to high and very high GHG emissions scenarios. Under these contrasting scenarios, discernible differences in trends of global surface temperature would begin to emerge from natural variability within around 20 years, and over longer time periods for many other climatic impact-drivers.

1 Intergovernmental Panel on Climate Change, *Climate Change 2021: the Physical Science Basis*, (Geneva, Switzerland: 2021).

2 Least Developed Countries (LDCs) are "low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets." See United Nations Department of Economic and Social Affairs Economic Analysis, "Least Developed Countries (LDCs)", <https://www.un.org/development/desa/dpad/least-developed-country-category.html>, [accessed March 9, 2022].

Figure 1: Key Climate Change Agreements and Dates



In response, the international community has taken steps to address climate change (see fig. 1). Under the United Nations Framework Convention on Climate Change (UNFCCC), developed countries are obligated to provide new and additional financial resources to meet some of the costs incurred by developing countries in undertaking certain obligations under the convention, as well as to assist particularly vulnerable developing countries in meeting the costs of adaptation to climate change. As part of the Copenhagen Accord (2009), developed countries further committed to jointly mobilizing US\$100 billion per year in climate finance for developing countries by 2020. The accompanying decision by the 21st Conference of the Parties to the UN Framework Convention on Climate Change that adopted the Paris Agreement (2015) included a commitment by developed country Parties to continue their existing collective climate finance mobilization goal through 2025 through various sources and financial flows in

the context of meaningful climate change emissions reduction and adaptation actions. The Paris Agreement reaffirms that developed countries are expected to be donors of climate finance, providing financial assistance to countries that are less developed and more vulnerable, and that are expected to experience the most pronounced negative consequences of climate change. In the most recent Conference of Parties, COP26, the Glasgow Climate Pact noted “with deep regret” that developed countries failed to meet that goal in 2020. A September 2021 assessment by the Organisation for Economic Cooperation and Development (OECD) estimates that total climate finance reached \$79.6 billion in 2019 and states that the \$100 billion goal was unlikely met in 2020.³ The COP26 outcome made it clear that developed countries are still responsible for fulfilling this goal as soon as possible, and stipulates that they must report on their progress.

³ Organisation for Economic Cooperation and Development (OECD), Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data, (Paris, France: 2021). The OECD notes that the necessary verified data needed to finalize the 2020 determination officially will not be available before 2022.

The focus on climate finance is important because it is the main tool for helping recipient countries reduce GHG emissions and adapt to inevitable changes to the climate. However, quantifying contributions and measuring progress can be difficult, and the numbers themselves do not give a clear picture. For example, some funds are provided to international banks, where they are assembled with other funds and used for purposes that are not always transparent without an audit of the international banks. In other cases, following the contributions of one country can be difficult. A 2013 audit by the Supreme Audit Institution of the United States (U.S.), the Government Accountability Office (GAO), of the U.S. fast-start finance contributions, found that the largest contributing agency—the U.S. Agency for International Development—was unable to track climate change obligations and expenditures because of the lack of a dedicated budget code for climate

change assistance.⁴ In addition, the audit found that the overall effectiveness of fast-start finance activities was difficult to determine because of the challenges involved in monitoring and evaluating assistance to address climate change. The same challenge was observed recently in the performance audit of Finland’s international climate finance.⁵

A 2020 follow-up audit to the 2013 U.S. GAO audit found that not all of the agency’s operating units reported attributed funding data for indirect adaptation assistance activities.⁶ In some cases, monitoring and evaluation systems may have improved considerably since the fast-start finance period; but, given that the \$100 billion commitment made by countries in 2009 and again in 2015 is at a larger scale, it is imperative that accountability measures are in place to ensure effective use of funds to support the program’s goals.

4 U.S. Government Accountability Office, *Climate Change: State Should Further Improve Its Reporting on Financial Support to Developing Countries to Meet Future Requirements and Guidelines*, GAO-13-289 (Washington, DC: 2013). In 2009, under the United Nations Framework Convention on Climate Change, the United States and other developed nations pledged to contribute about \$30 billion between 2010 and 2012 in “fast-start finance”—new and additional climate finance for developing countries to address climate change.

5 National Audit Office of Finland, *Finland’s International Climate Finance – Steering and Effectiveness*, (June 2021).

6 Government Accountability Office, *Climate Change: USAID Is Taking Steps to Increase Projects’ Resilience, but Could Improve Reporting of Adaptation Funding*, GAO-20-555 (Washington, D.C., United States: 2020).

Institutional Framework of Climate Finance

The Paris Agreement and the SDGs provide a set of common national, regional, and global indicators and targets to help national governments reduce GHG emissions, and adapt to climate change. These two agreements also provide frameworks for climate finance targets and indicators. In addition, the Green Climate Fund is a global fund that was created by the UN Framework Convention in 2010 with the goal of supporting the efforts of developing countries to respond to the challenge of climate change. Climate finance through the Green Climate Fund is one mechanism of several to contribute to the targets and indicators established by the Paris Agreement. A variety of stakeholders are also involved in climate finance, including global organizations such as the Green Fiscal Policy Network, the Global Environment Facility, and the World Resources Institute, as well as UN agencies and development banks involved in multilateral climate finance. Bilateral aid agencies also play an important role in international climate finance.

The Paris Agreement

The Paris Agreement is the first binding universal agreement to fight against climate change. Its goal is to limit global warming to below 2 degrees Celsius compared to pre-industrial levels. It establishes a transparency framework for tracking the progress of countries towards achieving their individual GHG

reduction targets. The Paris Agreement reaffirms that developed countries should take the lead in providing financial assistance to countries that are less developed and more vulnerable and also encourages voluntary contributions by other parties. It also established the objective of making finance flows “consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”⁷ Moreover, the climate finance should aim to achieve a balance between adaptation and mitigation, taking into account the priorities and needs of especially those countries that are particularly vulnerable to the adverse effects of climate change, such as the Least Developed Countries and Small Island Developing States (SIDS). As of March 2022, 193 Parties are party to the Paris Agreement.⁸

There is no consistent definition of climate finance set forth in the Paris Agreement. In its broadest interpretation, climate finance refers to the flow of funds toward activities that reduce GHG emissions or help society adapt to climate change’s impacts. Still, in order to meet this goal, countries must continue to improve tracking of climate finance, to share learnings and to understand where we can collectively do better. For the purpose of this paper, climate finance refers to funds intended to be used for activities that aim to address the causes and impacts of climate change.

⁷ Paris Agreement to the United Nations Framework Convention on Climate Change, Dec. 12, 2015, T.I.A.S. No. 16-1104, Article 2.1c..

⁸ UNFCCC, “UNFCCC Status of Ratification”, Paris Agreement - Status of Ratification | UNFCCC [accessed March 2, 2022].

While countries have been engaging in transparency arrangements under the UNFCCC for many years, the Paris Agreement sets out a new Enhanced Transparency Framework (ETF) for action and support. Its modalities, procedures, and guidelines were adopted by Parties at COP24 in Katowice, Poland, in December 2018. Under the Paris Agreement's reporting process, developed countries have the obligation to regularly report on financial, technology-transfer and capacity-building support provided and mobilized to developing countries.

Agenda 2030 and Sustainable Development Goals

"Transforming Our World: The United Nations 2030 Agenda for Sustainable Development," includes 17 goals and 169 targets for all countries to pursue as they look to the future.⁹ These are collectively referred to as Sustainable Development Goals, or SDGs. The 2030 Agenda members committed to engage in systematic follow-up, monitoring and review to contribute to effective implementation and help countries maximize and track progress. The core of the review framework is expected to occur at the national level.

One of the goals is SDG 13: take urgent action to combat climate change and its impact. This research paper is focused on the target of a component of this larger goal, SDG 13.a, to implement the commitment undertaken by developed-country parties to the UNFCCC to a goal of mobilizing jointly \$100 billion annually by 2020; from all sources; to address the needs of developing countries in the context of meaningful mitigation actions; and transparency on implementation; and fully operationalize the Green Climate Fund through the capitalization as soon as possible.

The Green Climate Fund

The Green Climate Fund is a global fund that was created by the UNFCCC in 2010 with the goal of

supporting the efforts of developing countries to respond to the challenge of climate change. It is one of the key mechanisms of mobilizing and tracking climate finance progress toward the \$100 billion annual goal. The Green Climate Fund is a critical part of the Paris Agreement as it assists developing countries in raising and realizing their emissions reduction commitments made under the Paris Agreement.

The Green Climate Fund operates through a network of partners including national and international commercial banks, multilateral, regional and national development finance institutions, equity fund institutions, UN agencies, and civil society organizations. Projects financed through the Green Climate Fund can be structured through grants, concessional debt, and guarantees or equity instruments.

As of January 26, 2022, the Green Climate Fund included 190 different projects, with a total value of \$37.1 billion in committed pledges—including \$6.8 billion implemented and an additional \$10 billion committed.

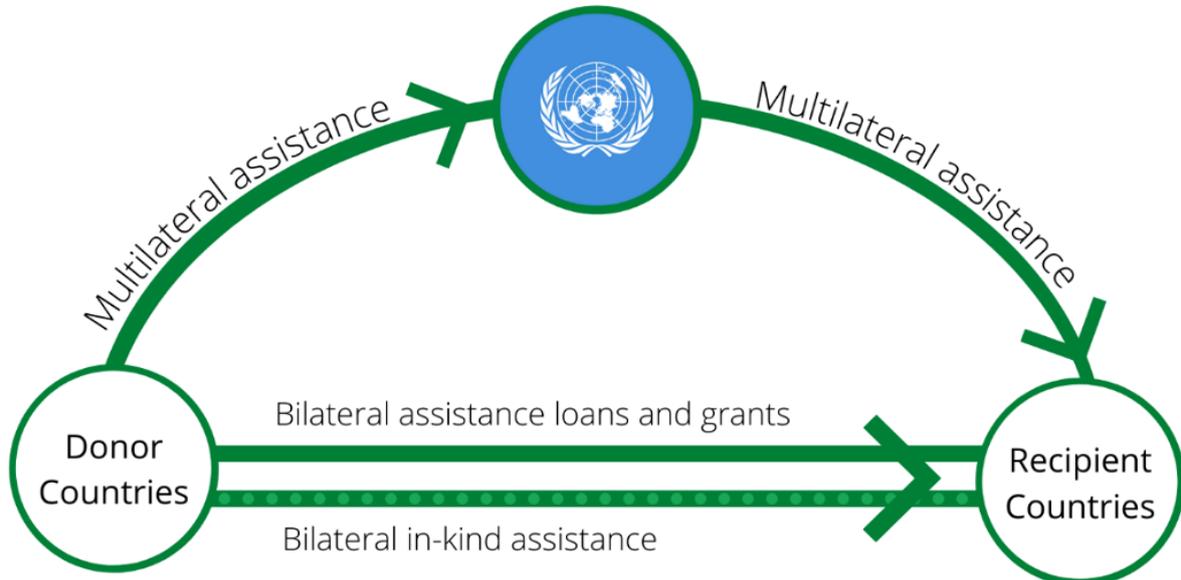
Stakeholders and Financial Flows

A variety of stakeholders in addition to the UN and its parties are involved in climate finance. Some of these stakeholders are involved in multilateral climate finance, including the development banks such as the World Bank, Asian Development Bank, African Development Bank, Inter-American Development Bank, and European Bank for Reconstruction and Development. Others monitor the progress of climate financing projects—including the European Environment Agency, Green Fiscal Policy Network, UN Environment Programme, and World Resources Institute.

SDG Target 13.a is to implement the UNFCCC by establishing an overall UN goal for climate finance. This includes a collective commitment to a goal of mobilizing jointly \$100 billion USD annually by 2020

⁹ UN General Assembly. Transforming Our World: the 2030 Agenda for Sustainable Development (A/RES/70/1). October 21, 2015: <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication> [accessed February 21, 2019].

Figure 2: Climate Finance Financial Flows



from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible. Funding to make progress toward this goal flows both through multilateral funds such as the Green Climate Fund, the EU development fund, and the World Bank, and through various bilateral channels including through grants, loans, investments, and in-kind support (see fig. 2).

Project Scope and Methodology

The 193 countries that adopted the 2030 Agenda in 2015 committed to engage in systematic follow-up, monitoring, and review of the SDGs to contribute to effective implementation and help countries maximize and track progress.¹⁰ In the first years, the review processes are expected to focus on the integration of the SDGs into national development plans, strategies, and policies. This has typically involved mapping the SDGs to existing government policies, programs, and agencies. A theme of these initial mappings has been the crosscutting nature of the goals across multiple policies, programs, and agencies, and the need for coordination and collaboration. In later years, the review will focus on actual achievement of the SDGs, monitoring progress against targets and indicators, evaluating policies and programs, and reporting on progress.

As agreed upon in the project plan we presented to WGEA in fall 2020, this research paper supports government efforts to monitor and review national-level integration and achievement of SDGs associated with SDG 13.a. The primary goal of this

effort is to lay out a road map for how SAIs can conduct specific performance audits to evaluate national progress towards global goals, targets, and indicators as defined by SDG13.a (and, at the same time, the UNFCCC and Paris Agreement on which SDG 13.a is based). This is an emerging area with few studies from which to draw best practices. As such, we are offering this research as a first step and to provide SAIs with tools they can use in audits as best practices are developed.

Our methodology includes a review of existing relevant criteria, as well as information gathered from a WGEA Members survey.

¹⁰ UN General Assembly. Transforming Our World: the 2030 Agenda for Sustainable Development (A/RES/70/1). October 21, 2015: <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication> [accessed February 21, 2019].

4. The Role of SAIs in Auditing Sustainable Development Goals

In response to the 2030 Agenda, the INTOSAI strategic plan for the period 2017-2022 includes, as a crosscutting priority, contributing to the follow-up and review of the SDGs within the context of each nation's specific sustainable development efforts.¹¹ The strategic plan identifies four broad approaches SAIs can take to make valuable contributions at the national, regional, and global levels toward the achievement of the SDGs, including undertaking performance audits that examine the economy, efficiency, and effectiveness of key government programs that contribute to specific aspects of the SDGs.¹²

In March 2020, the INTOSAI Development Initiative (IDI) published the IDI's SDGs Audit Model (ISAM) to help SAIs contribute to the follow up and review of SDGs.¹³ ISAM defines the audit of SDGs implementation as a performance audit that focuses on achievement of nationally-agreed targets linked to SDG targets. The performance audit does not focus on entities, projects, programmes or processes, but rather the interplay between them for achievement of cross-cutting results. Besides

focusing on the achievement of outcomes, the audit methodology recommended in ISAM encourages SAIs to mainstream actions for enhancing audit impact throughout the audit process. ISAM is a practical 'how-to' guidance aimed to support SAIs in conducting high quality audits of SDG implementation based on the International Standards of Supreme Audit Institutions (ISSAIs).

This research paper has a similar goal and purpose as the ISAM—to help SAIs better understand how to apply existing criteria to performance audits, in an effort to improve their governments' preparedness for implementing the United Nation's 2030 Agenda—but with a specific focus on climate finance. As such, this research paper focuses on how to conduct performance audits on SDG 13.a, climate finance. This paper provides "how to" advice to SAI audit teams in using a whole-of-government approach to planning, conducting, and reporting on climate finance performance audits.¹⁴ This approach reflects the ISSAI Institutions that WGEA members have discussed related to government preparedness for implementing the 2030 Agenda.

¹¹ INTOSAI, Strategic Plan 2017-2022.

¹² The four approaches are: (1) assessing the readiness of national systems to report on progress toward the achievement of the sustainable development goals, and subsequently to audit their operation and the reliability of the data they produce; (2) undertaking performance audits that examine the economy, efficiency, and effectiveness of key government programs that contribute to specific aspects of the sustainable development goals; (3) assessing and supporting the implementation of SDG 16, which relates in part to transparent, efficient, and accountable institutions; and (4) being models of transparency and accountability in own operations.

¹³ INTOSAI Development Initiative, IDI's SDGs Audit Model – Pilot Version, (March 2020).

¹⁴ For the purpose of this research paper, the term "whole-of-government" refers to joint activities performed by diverse ministries, offices, and agencies, to provide a common solution to a particular problem or issue.

SAI performance audits attempt to provide insight into the management and outcomes of different government activities, asking questions about the value of government funding and exploring ways to spend money more effectively. Performance auditing is an independent examination of the efficiency and effectiveness of government undertakings, with due regard to economy and the aim of leading to improvements in achieving outcomes. SAI performance audits are a tool to gather findings that support national reviews of actual achievement of the SDGs monitoring progress against targets and indicators, evaluating policies and programs, and reporting on progress. An audit finding summarizes the evidence gathered and developed during a performance audit and is the factual basis for conclusions and any recommendations. In reporting a finding, an SAI audit team should include sufficient and appropriate evidence to ensure adequate understanding of the matters reported and provide a convincing and fair case. A finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates the audit objectives to the elements of a finding.

There are four elements of a finding: (1) criteria, (2) condition, (3) cause, and (4) effect. Not all audit objectives require all the elements of a finding, but an audit team should include the appropriate elements to produce accurate and defensible findings. The elements needed for a finding depend on the audit and the types of objectives being addressed.

1 Criteria are the standards used to determine whether a program meets or does not meet expectations. Criteria determine “what should be” and provide a context for understanding the results of an audit.¹³

2 Condition describes the situation that exists—“what is”—or circumstances that have been observed and documented during the engagement. At a minimum, all reports should include a description of condition.

3 Cause is the reason something happened or did not happen—the “why.” It is the underlying reason or reasons why things are not working as expected—that is, why the condition varies from the criteria.

4 Effect describes the actual or potential consequences of a condition that varies from the criteria—the “so what.” Determining effect is frequently necessary to stimulate agency action on recommendations. Thus, the determination of effect must be sufficiently convincing.

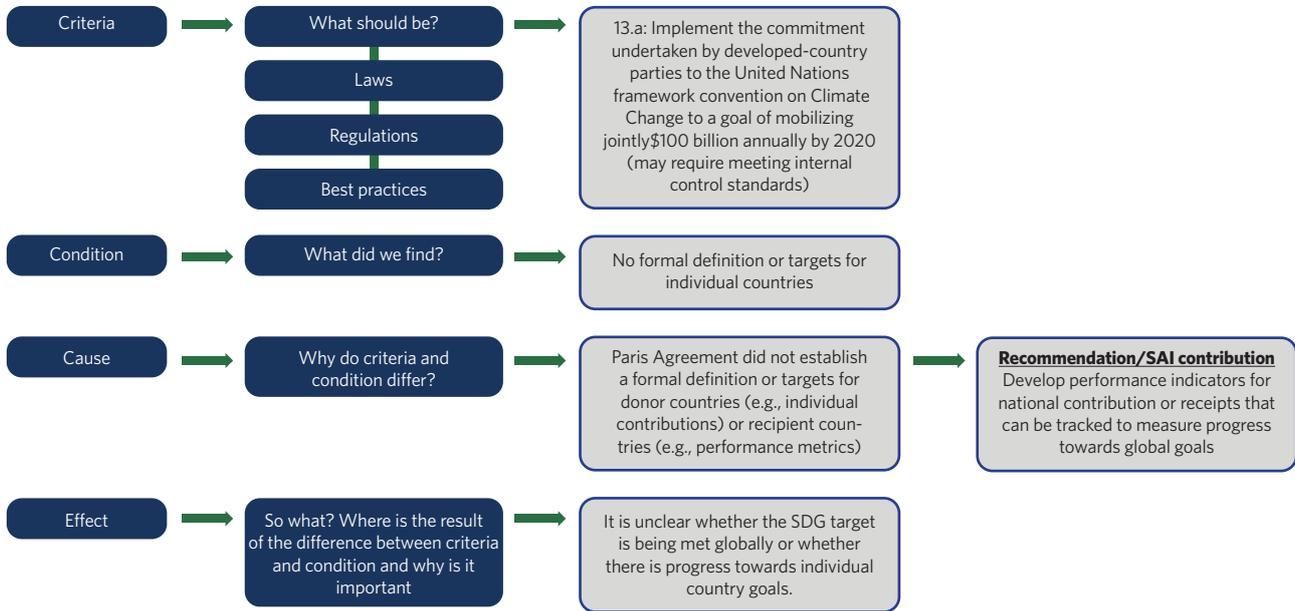
For an example of how to design a performance audit related to SDG 13.a using all four elements of a finding, see figure 3.

The GAO used the elements of a finding framework to guide audit work for a performance audit on climate finance and resilience (see fig. 4)¹⁴ GAO was asked to conduct this audit because the agency responsible for international assistance, the U.S. Agency for International Development, had begun to manage the risks climate change poses to its programs, requiring, in general, that operating units engage in climate risk management for their projects and activities. GAO was requested to review issues related to U.S. government foreign assistance for climate adaptation. By identifying the four elements of a finding, GAO developed a well-supported recommendation to improve climate finance reporting related to climate adaptation assistance.

¹³ Criteria can be found in such sources as laws, regulations, policies, written procedures, or accepted standards or practices. Criteria should be reasonable, attainable, and relevant to the matters being evaluated.

¹⁴ United States Government Accountability Office, *Climate Change: USAID Is Taking Steps to Increase Projects’ Resilience, but Could Improve Reporting of Adaptation Funding*, GAO-20-555 (Washington, D.C., United States: 2020).

Figure 3: Performance Audit Elements of a Finding Using UN Sustainable Development Goals and Tools as Criteria



Source: GAO

Figure 4: Using Elements of a Finding Framework to Guide Audit Work on Climate Finance Contributions

Element	Finding
Criteria	Standards for Internal Control in the Federal Government states that management should use quality information that is, among other things, complete and accurate to achieve the entity’s objectives, including obtaining relevant data from reliable sources.
Condition	The United States Agency for International Development (USAID) did not consistently report all funding data for activities that indirectly addressed climate adaptation. Direct adaptation assistance had the primary program goal of enhancing resilience and reducing vulnerability. The agency attributed funding that indirectly addresses climate adaptation assistance (i.e., indirect funding) from programs with other goals such as agriculture, where priorities include supporting food production and distribution. Not all missions with indirect adaptation assistance reported these funding data and reporting have varied.
Cause	The agency has not clearly communicated the expectation that all missions with indirect adaptation assistance report these funding data in a consistent manner.
Effect	The agency risks providing incomplete and inconsistent data to Congress and others.
Recommendation	The Administrator for the United States Agency for International Development should communicate to all missions and bureaus the expectation that they report data on all missions and bureaus the expectation that they report data on all funding attributed to the key issue of indirect climate adaptation.

Source: United States Government Accountability Office, Climate Change: USAID Is Taking Steps to Increase Projects’ Resilience, but Could Improve Reporting of Adaptation Funding, GAO-20-555 (Washington, D.C., United States: 2020).

Results of the WGEA Members Survey

The GAO conducted a survey of SAIs that are members of WGEA from climate finance donor and recipient countries in 2020. Across SAIs from donor and recipient countries, the overarching finding is that auditing the SDGs is challenging because SDGs are not designed with audits in mind. This is consistent with the ISAM definition of an audit of SDG implementation (see box).

Results: SAIs from Donor Countries

Among SAIs from donor countries (providing climate finance funds), common challenges to auditing progress toward SDG 13.a include:

- 1 There is no agreed upon definition of climate finance**, making it difficult for countries to measure progress towards climate finance goals established under the Paris Agreement and set as the target for SDG 13.a. Particularly, of the 14 SAIs from donor countries that responded to the survey, none reported that their government has a formal definition of climate finance. Also, 8 of 14 had no definition at all, and the remaining 6 had a general idea without any formal definition.
- 2 Few countries have objectives associated with climate finance contributions.** Specifically, half of the SAIs from donor countries (7 of 14) reported having no objectives associated with climate finance contributions.

ISAM Definition of Audit of SDG Implementation

An audit of SDGs implementation is an audit of **the implementation of the set of policies that contribute to the achievement** of a nationally agreed target linked with **one or more SDG targets**. It concludes on the progress made towards the achievement of the nationally agreed target; how likely the target is to be **achieved based on current trends**; and the adequacy of the national target in comparison with the corresponding SDG target(s).

An audit of SDGs implementation needs to be conducted **using a whole-of-government approach**. It needs to conclude on the extent of **coherence** and **integration** in the implementation of policies and to the extent possible, the audit could include objectives and questions that allow the SAI auditor to conclude on: **leave no one behind**; and **multilevel stakeholder engagement**.

- 3 Audits rarely provide information on overall climate finance contributions.** While many SAIs have conducted audits related to climate finance, few of those audits are of overall contributions or financial flows rather than individual projects of programs.

Results: SAIs from Recipient Countries

The results are similar among recipient countries (receiving from climate finance funds). Specifically, common challenges to auditing progress toward SDG 13.a. include:

- 1 There is no agreed upon definition of climate finance.** Specifically, 8 of 24 SAIs from recipient countries that responded to the survey reported that their country had a formal definition of climate finance.
- 2 Few countries have objectives associated with climate finance contributions.** 7 of 24 SAIs from recipient countries reported that their country has objectives associated with the climate finance that was received.
- 3 Audits rarely linked to strategic planning efforts.** Almost all recipient countries report of projects or programs funded through climate finance, and while many SAIs have conducted audits related to climate finance, few audits link projects or programs to strategic planning efforts such as National Adaptation Plans.

A UN Development Programme discussion paper on climate finance in the Pacific came to many of the same conclusions.¹⁷ Specifically, the paper found:

- 1 Climate finance is not clearly tracked.** The majority of climate finance flows to the Pacific are provided through short-term and project-based initiatives and are generally 'off-budget'. These narrow approaches also come with poor integration into development thereby making it harder to achieve long-term impact for communities.
- 2 Disconnect with on-the-ground needs.** Climate finances appear to be 'disconnected' from the priorities of people being impacted by climate change. Longer-term community resilience needs to be the key driver rather than simply filling in financing gaps.
- 3 Effectiveness is hard to measure.** There is an emerging view that a broader perspective is needed for assessing the effectiveness of climate-finance. Climate finance assessments that have been undertaken in the region, under the Pacific Climate Change Finance Assessment Framework, have utilised development effectiveness principles (as laid out in the Paris Declaration on Development Effectiveness) to frame a common understanding of effectiveness, for both recipients and suppliers (donor partners) of climate finance.
- 4 Not linked to strategic planning.** Climate finance is not adequately aligned to existing strategic plans in Pacific Island Countries. This is particularly evident in multi-country regional project approaches, resulting in climate programmes and investments that do not truly address what is needed.

¹⁷ UNDP, Climate Finance Effectiveness in the Pacific: Are We On the Right Track? (July 2021).

Potential Indicators for Assessing SDG Target 13

The targets associated with the SDGs are, by design, global in nature and universally applicable, taking into account different national realities, capacities and levels of development and respecting national policies and priorities. Each government can set its own national targets, based on national circumstances, and will decide on how these global SDG targets should be incorporated into national planning processes, policies and strategies. The 2030 Agenda explicitly recognizes the importance of national ownership of development strategies. Each country must define national targets based on national priorities. Adaptation to the national context is vital to ensure ownership of the SDGs.

Limitations of SDG Target 13.a as an Audit Criteria and Indicator

SAIs from both donor and recipient countries have the opportunity to contribute to the follow-up and reviews of SDGs, but there is a need for certain tools to do so, given the global natures of the SDG targets. Evaluating the indicator for Target 13.a — the amounts provided and mobilized in USD per year in relation to the \$100 billion dollar collective commitment through 2025 — it focuses solely on the \$100 billion goal, looking at the amounts provided and mobilized toward the collective commitment. For SAIs, this indicator has certain limitations, including:

- 1 This indicator is classified as a Tier II indicator —meaning the indicator is conceptually clear, has an internationally established methodology and standards are available, but data are not regularly produced by countries. The important aspect of the Tier II indicators for auditors is
- 2 There is no agreed upon definition of climate finance set out in the Paris Agreement or by the UN, and while some countries have defined the term, many have not.
- 3 The SDG indicator measures a collective commitment, rather than an individual one, but only a fraction of the SAIs surveyed reported that their government had objectives associated with climate finance contributions.
- 4 The SDG indicator only measures the amount (quantity) of climate finance but does not address the effectiveness or efficiency (quality) of the support.



Figure 5: Criteria for Good Performance Measures

Attributes	Explanation
Linkage	Indicators align with the targets and goals
Clarity	Indicators are clearly stated and defined consistent with measurement methodology
Measurable Targets	Where possible, quantifiable, numerical, or other measurable value
Objectivity	Free of bias or manipulation that distorts accuracy of performance assessment
Reliability	Standard procedures for collecting same data or results when applied consistently

Source: United States Government Accountability Office

Taken together, these limitations make it difficult for countries to measure progress towards climate finance goals established under the Paris Agreement and set as the target for SDG 13.a.

However, it is possible to further elaborate the criteria for both donor and recipient countries. The donor countries could consider including the commitments of contributions of various funds as audit criteria. This would be a financial or qualitative audit criteria for the donor countries, whereas in the recipient countries the question would be more related to effectiveness. The focus would be on whether the financial flows are meeting the needs of recipient countries as stated for example in UNFCCC National Communications, which are connected to the development priorities, objectives and national circumstances.

Alternative Indicators for Auditing Climate Finance (SDG Target 13.a)

One of the goals of this project is to provide alternative indicators that SAIs can use as criteria when auditing climate finance, as well as identify the characteristics of useful indicators. Figure 5 provides an example of the U.S. GAO’s criteria for good performance measures, which can be used in considering the strength of a specific indicator in designing an audit.

Alternative indicators that SAIs have used as criteria when auditing climate finance include:

- 1 National laws and policies
- 2 Rio markers developed for the OECD Development Assistance Committee’s Creditor Reporting System
- 3 Best practices for collaboration

In the future, SAIs could also apply other alternative indicators to audits of climate finance, such as the general principles of climate finance as defined in the UNFCCC and Paris Agreement or recipient countries’ National Adaptation Plans. Specific case studies from SAIs that have conducted climate finance audits using national laws and policies, the OECD Rio markers, and best practices for collaboration are described below.

National Laws and Policies

SAIs can use national laws and policies related to climate finance, adaptation, and mitigation as criteria in conducting audits. The National Audit Office of Finland, the SAI of Mexico, and the European Court of Auditors provide examples of using national laws or policies as criteria in their performance audits.

National Audit Office of Finland

In April 2020 to March 2021, the National Audit Office of Finland conducted a performance audit examining whether the management system of the Ministry for

Foreign Affairs of Finland (MFA) provides adequate conditions for effective and efficient climate finance. An effort was also made to examine whether Finland’s climate finance has been effective, based on the available information, and to what extent such information has been utilised in financial decision-making by the MFA. The audit was focused on the climate finance channels (financial flows) and management systems,

including bilateral and multilateral assistance, as well as development policy investments that are part of Finland’s development financing instruments. For audit criteria, the National Audit Office of Finland used the relevant policies and strategies of the government Finland, as well as the general principles of climate finance as defined in the UNFCCC and Paris Agreement and the SDGs (see fig. 6).

Figure 6: National Audit Office of Finland Climate Finance Audit

Audit Element	Audit Structure
Objective	Does the management system of the Ministry of Foreign Affairs provide adequate conditions for effective and efficient climate finance
Criteria	<p>Criteria for effectiveness: Finland’s development policies and strategies (increase of climate finance, balanced allocation of climate finance to mitigation and adaptation); UNFCCC & Paris Agreement (effective support to mitigation and/or adaptation; balanced allocation of climate finance to mitigation and adaptation; prioritisation of the most vulnerable regions, countries and people; promotion of gender equality and the empowerment of women; SDG13.a; OECD/DAC Rio Markers (contribution to the mitigation of climate change or adaptation to climate change; this objective should be explicitly indicated in the activity documentation).</p> <p>The audit of the management system of Finland’s climate finance was guided by the Common Assessment Framework (CAF) for public sector organisations’ quality assessment (https://www.eupan.eu/wp-content/uploads/2019/11/20191118-CAF-2020-FINAL.pdf)</p>
Audit Questions	<ol style="list-style-type: none"> 1. Has the planning of climate finance in the Ministry for Foreign Affairs been goal-oriented and transparent? 2. Has the Ministry for Foreign Affairs collected appropriate and reliable statistics on climate finance? 3. Does the Ministry for Foreign Affairs have access to information on the effectiveness of climate finance? Based on the available information, has climate finance been effective? 4. Has the Ministry for Foreign Affairs used the results information appropriately in the steering (planning, decision-making, monitoring and evaluation, reporting and communication) of climate finance? 5. Has the Ministry for Foreign Affairs organised the steering of climate finance appropriately?
Challenges	<ul style="list-style-type: none"> • Data challenges. • Lack of strategic objectives and priorities of Finland’s international climate finance. • Unclear definition of climate finance internationally and nationally. • A limited sample of financial mechanisms and interventions audited

Audit Element	Audit Structure
Key Audit Findings	<ul style="list-style-type: none"> ▪ No management system specifically for climate finance; decentralised management with no overall coordination; the human resources for the steering of climate finance partly meagre ➡ a risk to the quality of the steering. ▪ No (official) quantitative target for the level of Finland’s climate finance. ▪ No (strategic) plan for increasing the level of finance and balancing the support allocated to mitigation and adaptation; in general, no clear strategic objectives or priorities defined. OECD/DAC “Rio Markers” applied in a subjective way in tracking climate relevant interventions ➡ quality issues in the statistical data. Climate objectives not always part of the Results Framework of the interventions ➡ climate result indicators not always defined ➡ no systematic monitoring of the results. ▪ Inconsistent information available on the results and impacts of the various channels of climate finance. ▪ Limited utilization of performance information in decision-making, reporting and other communication. ▪ The result-based management, with Theories of Change and aggregate indicators, and the case management system of Finland’s development assistance provide a good basis for monitoring the effectiveness of climate finance, but there is still plenty of room for improvement in their use.



Recommendations	<p>The National Audit Office of Finland recommended the Ministry of Foreign Affairs to:</p> <ol style="list-style-type: none"> 1. Develop a public plan for how it will increase and allocate Finland's international climate finance. 2. Develop operational planning and decision-making related to climate finance. 3. Improve the monitoring, evaluation and reporting related to climate finance. 4. Improve the organisation of climate finance steering by, among other things, clearly defining the roles of the actors relevant to leadership of the climate theme
------------------------	---

Source: National Audit Office of Finland
[Audit report 6/2021 Finland's international climate finance – Steering and effectiveness \(vtv.fi\)](#)

SAI Mexico

The SAI of Mexico conducted a review of the 2018 Public Account, which included 22 audits of programs that were part of the adaptation and mitigation portion of the budget. The focus of these reviews was performance, which focused on the public problem of climate change and an assessment of the federal government’s strategies and policies related to climate change adaptation and mitigation. For audit criteria, SAI Mexico used the national General Law

on Climate Change, which states that the Climate Change Fund is created in order to attract public, private, national and international financial resources, to support the implementation of actions to confront climate change.¹⁸ SAI Mexico found that, in 2018, the country did not have a comprehensive national policy on climate change with a focus on coordination and cooperation between levels of government that would guarantee its implementation; because the agencies government entities did not have specific

¹⁸ Ley General de Cambio Climático [L.G.C.C.] [General Climate Change Law], as amended, art. 7(III), Diario Oficial de la Federación [D.O.], 6 de Junio de 2012 (Mex.)

attributions and instruments for diagnosis, planning, measurement, monitoring, reporting, verification and evaluation of their contribution to addressing the effects of climate change. Further, the audit found that the audited entities operated independently and were designed to address specific problems, without considering objectives, goals and indicators related to their contribution to a broader adaptation and mitigation strategy. See Figure 7 for information on the audit elements.

SAI Mexico also conducted two performance audits related specifically to the SDGs. Regarding SDG 13, they found that the Mexican government did not define indicators to verify its compliance. Further, they found that establishing country goals and metrics within the framework of the SDGs would allow auditors to evaluate the actions carried out by the Mexican government and to identify the strengths and weaknesses of the public policies implemented to achieve the objectives.

Figure 7: SAI Mexico 2018 Climate Finance Audit

Audit Element	Audit Structure
Objective	Review the 2018 Public Account, including 22 audits of programs part of adaptation and mitigation portion of the budget.
Criteria	General Law on Climate Change.
Challenges	<ul style="list-style-type: none"> Lack of indicators to measure progress. Lack of country goals or metrics to evaluate progress
Key Audit Findings	<ul style="list-style-type: none"> No comprehensive national policy on climate change. Audited entities operated independently The Government of Mexico did not define indicators for SDG 13 to verify compliance. Establishing country goals and metrics within the framework of the SDGs would allow auditors to evaluate progress.

Source: National Audit Office of Finland

European Court of Auditors Report on Sustainable Finance

In 2021, the European Court of Auditors (ECA) published a report on Sustainable Finance.¹⁹ This performance report was prompted by the European Union’s (EU) commitment to contribute to the transition to a net-zero emission economy. This transition requires significant private and public investments. The ECA examined whether the European Commission has been taking the right action to redirect finance towards sustainable investments (see fig.8). Overall, the audit

concluded that more consistent EU action was needed. The report said that while the Commission rightly focused on increasing transparency in the market, there were no accompanying measures to address the cost of unsustainable economic activities and many actions had been delayed. It also indicated that the Commission needs to apply consistent criteria to determine the sustainability of EU budget investments and better target efforts to generate sustainable investment opportunities.

¹⁹ ECA Special Report 22/2021 Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment, (2021).

Figure 8: ECA Audit on Sustainable Finance

Element	Structure
Objective	To examine whether the European Commission has been taking the right action to redirect finance towards sustainable investments
Criteria	2018 Action Plan: Financing Sustainable Growth. Reports of High-level Expert Group on Sustainable Finance. Sustainable finance practice in the private sector as benchmark for public sector sustainability classification
Challenges	<ul style="list-style-type: none"> ▪ Markets do not reflect the full social and environmental cost of economic activities. ▪ Lack of sufficient transparency and disclosure on sustainable activities. ▪ Some sustainable investments face potentially higher risks and costs of financing. ▪ Lack of clarity on sustainable investment needs and available projects
Key Findings	<ul style="list-style-type: none"> ▪ Measures to reflect the environmental and social cost of unsustainable activities were insufficient. ▪ Many measures suffered delays and required further steps to become operational. ▪ EU financial support for investments was not based on consistent sustainability criteria
Recommendations	<p>The ECA recommended the Commission:</p> <ol style="list-style-type: none"> 1. Complete the measures of the Action Plan and clarify compliance and audit arrangements. 2. Better contribute to sustainable finance by pricing GHG emissions. 3. Report on climate and environment related results of completed financing operations. 4. Generate a pipeline of sustainable projects. 5. Apply a “do no significant harm” principle. 6. Monitor the 2018 Action Plan

Source: European Court of Auditors

OECD Rio Markers

The OECD Development Assistance Committee gathers on an annual basis statistics on official development assistance and other resource flows to developing countries from bilateral and multilateral development co-operation providers. Since 1998, the Development Assistance Committee has monitored development finance flows targeting the objectives of the Rio Conventions on biodiversity, climate change and desertification through the database using the so-called “Rio markers”. The Rio markers were originally

designed to help members with the preparation of their National Communications or National Reports to the Rio Conventions, by identifying activities that mainstream the Conventions’ objectives into development co-operation. Members are requested to indicate for each development finance activity if the activity targets environmental objectives (as principal or significant objectives). The Rio markers on biodiversity, climate change mitigation and desertification were introduced in 1998, with a fourth marker on climate change adaptation being applied to 2010 flows onwards.

Rio markers are presented as one approach to track climate spending in a review published in 2021.²⁰ According to the report, many governments’ and Multilateral Development Banks’ tracking systems are based on Rio markers. SAs can use Rio markers as criteria in conducting audits on climate finance. The European Court of Auditors provides an example audit work using the Rio markers in a climate finance performance audits.

European Court of Auditors Review on Tracking Climate Spending

In 2020, the European Court of Auditors (ECA) completed a review on tracking climate spending in the EU budget²¹ ECA’s performance review was prompted by the European Commission’s commitment to spending at least 20 percent of the 2014-2020 EU budget on climate action by integrating climate-related spending into all EU policies. Tracking climate

spending allows the Commission to assess whether it is meeting this target. To do so, the Commission used the OECD Rio Markers to track climate spending (see fig. 9). The review noted that some of the Commission’s assumptions were not conservative enough and pointed out it was at risk of overstating climate spending. They also found that the negative impacts on the climate were not accounted for. Lastly, the review outlines the improvements made in current legislative proposals, but indicates that methodological flaws and challenges remain.

GAO Best Practices for Collaboration

Collaboration can be broadly defined as any joint activity that is intended to produce more public value than could be produced when the organizations act alone. As discussed above, a variety of stakeholders are involved with climate finance, and many of the meaningful results that federal governments seek

Figure 9: European Court of Auditors 2020 Tracking Climate Spending Review

Element	Structure
Objective	Tracking climate finance spending in the EU Budget
Criteria	OECD Rio Markers
Challenges	<ul style="list-style-type: none"> Need for a robust methodology, including dissemination of good practices and identifying targeted measures, clear milestones, and a plan for intermediate reporting at Member State level. Need to consistently apply methodology across all policy areas Offsetting expenditures likely to speed up climate change
Key Findings	<ul style="list-style-type: none"> Some assumptions were not conservative enough, so there was a risk of overstating climate spending. Negative impacts on the climate were not accounted for. Improvements have been made in current legislative proposals, but methodological flaws and challenges remain

Source: European Court of Auditors

²⁰ Institute for European Environmental Institute (2021). Review of approaches to tracking climate expenditure. A report for the National Audit Office of Finland. March 2021.

²¹ European Court of Auditors, Review No 01/2020: Tracking climate spending in the EU budget, (January 2020).

to achieve with these efforts require collaboration across governments, NGOs, financial institutions, and often more than one sector and level of government.

To identify best practices for collaboration, GAO identified mechanisms that the U.S. government uses to lead and implement interagency collaboration, as well as issues to consider when implementing these mechanisms.²² These practices can be applied both to assessing collaboration to achieve SDG 13.a and conducting individual performance audits. GAO found that, although collaborative mechanisms differ in complexity and scope, these mechanisms all benefit from certain key features (see fig. 10).²³ GAO found

that U.S. agencies have used a variety of mechanisms to implement interagency collaborative efforts and frequently use more than one mechanism to address an issue. These mechanisms can be used to address a range of purposes, including: policy development; program implementation; oversight and monitoring; information sharing and communication; and building organizational capacity, such as staffing and training.

As an example of how SAIs could use GAO best practices for collaboration as criteria, below is a case when GAO conducted an audit on the availability and accessibility of climate information and technical assistance to help decision makers build climate

Figure 10: GAO’s Best Practices for Collaboration

Key features		Key considerations
	Outcomes and accountability	Have short-term and long-term outcomes been clearly defined? Is there a way to track and monitor their progress?
	Bridging organizational cultures	What are the missions and organizational cultures of the participating agencies? Have agencies agreed on common terminology and definitions?
	Leadership	How will leadership be sustained over the long-term? If leadership is shared, have roles and responsibilities been clearly identified and agreed upon?
	Clarity of roles and responsibilities	Have participating agencies clarified roles and responsibilities?
	Participants	Have all relevant participants been included? Do they have the ability to commit resources for their agency?
	Resources	How will the collaborative mechanism be funded and staffed? Have online collaboration tools been developed?
	Written guidance and agreements	If appropriate, have participating agencies documented their agreement regarding how they will be collaborating? Have they developed ways to continually update and monitor these agreements?

Source: GAO | GAO-18-171

²² To examine mechanisms that the U.S. federal government uses to lead and implement interagency collaboration, GAO conducted a literature review on interagency collaborative mechanisms, interviewed 13 academic and practitioner experts in the field of collaboration, and reviewed their work. GAO also conducted a detailed analysis of 45 GAO reports, published between 2005 and 2012. GAO selected reports that contained in-depth discussions of collaborative mechanisms and covered a broad range of issues.

²³ For further explanation of the key features in GAO’s best practices for collaboration, see United States Government Accountability Office, Workforce Innovation and Opportunity Act: Federal Agencies’ Collaboration Generally Reflected Leading Practices, but Could Be Enhanced, GAO-18-171, (Washington, D.C., United States: 2018).

resilience.²³ Specifically, GAO considered the criteria as related to interagency collaboration to provide authoritative information on climate preparedness

and resilience to decision makers (see fig. 11). SAls could use these criteria similarly to audit aspects of climate finance and related projects.

Figure 11: Using Best Practices for Collaboration as Criteria For Audit on Climate Information

Element	Finding
Criteria	<p>GAO's key practices to enhance and sustain interagency collaboration include:</p> <ul style="list-style-type: none"> ▪ agreeing on roles and responsibilities and establishing mutually reinforcing or joint strategies and . ▪ having a clear and compelling rationale to work together to overcome significant differences in agency missions, cultures, and established ways of doing business. <p>For example, key features of interagency efforts to collaborate include clearly defined short-term and long-term outcomes, common terminology and definitions, agreement on how the effort will be funded and staffed and committed leadership.</p> <p>Executive Order 13653 on Preparing the United States for the Impacts of Climate Change calls on certain federal agencies to work together to provide authoritative information on climate preparedness and resilience.</p>
Condition	<p>Federal fiscal exposures due to changes in climate are partly driven by state, local, and private sector decision makers responsible for planning, constructing, and maintaining certain types of vulnerable infrastructure paid for with federal funds, insured by federal programs, or eligible for federal disaster assistance.</p> <p>The federal government's climate data—composed of observational records from satellites and weather stations and projections from climate models—are fragmented across individual agencies that use the information in different ways to meet their missions.</p>
Cause	<p>Because federal climate information efforts are fragmented, state, local, and private sector decision makers generally do not understand how to access and use the best available authoritative information they need to account for climate risk in planning processes, according to principles of risk management.</p>
Effect	<p>A national climate information system with federal leadership, authoritative federal data and quality assurance guidelines, and a nonfederal provider of technical assistance may make it easier for federal, state, local, and private sector decision makers to justify the costs of incorporating climate change information into planning efforts, thereby reducing long-term federal fiscal exposure.</p>
Recommendation	<p>To help federal, state, local, and private sector decision makers access and use the best available climate information, we recommend that the Executive Office of the President designate a federal entity to take the following two actions: develop and periodically update a set of authoritative climate change observations and projections for use in federal decision making, which state, local, and private sector decision makers could also access to obtain the best available climate information; and create a national climate information system with defined roles for federal agencies and nonfederal entities with existing statutory authority.</p>

Source: United States Government Accountability Office, Climate Information: A National System Could Help Federal, State, Local, and Private Sector Decision Makers Use Climate Information, GAO-16-37, (Washington, D.C., United States: 2016).

²⁴ United States Government Accountability Office, Climate Information: A National System Could Help Federal, State, Local, and Private Sector Decision Makers Use Climate Information, GAO-16-37, (Washington, D.C., United States: 2016).

Roadmap for Designing Audits

As noted earlier, SAIs have conducted audits of individual programs or projects related to climate finance. However, our survey results show that SAIs have rarely looked comprehensively across government at climate contributions or funded programs, largely because of the challenges cited in Chapters 5 and 6. One avenue forward is to design a series of audits that can collectively provide information on progress toward higher-level climate finance targets. Conducting a series of smaller, focused audits can, over time, inform larger governmentwide audit goals. In addition, integrating findings climate audits conducted by external bodies, such as the UN, could help SAIs measure progress toward higher-level climate finance targets.

Several SAI's reported the need to facilitate bilateral or multilateral audits which enable linking audits of climate contributions to the results and outcomes of the projects funded. One way to achieve this might be through cooperative audits. WGEA has experience facilitating climate change cooperate audits. Between 2007 and 2010, 14 SAI's from both developing and developed countries cooperatively designed and conducted audits of their national governments' programs related to mitigation and adaptation to climate change. The SAI's cooperatively developed a framework audit approach, as well as audit objectives, criteria, and questions to guide the audit work. Each individual SAI then conducted national audits and reported results domestically. Finally, a report of all SAI's findings through this effort was published by WGEA.²⁶

SAIs have a role in the internal control and oversight of country processes and programs. In particular, SAIs

can play a role reviewing the budget flow to recipient countries—bilaterally through loans, grants, and in-kind assistance, and multilaterally, including flows to multilateral development agencies from donors and from the multilateral development agencies to recipients (see fig. 2, referenced in Chapter II). For example, SAIs could conduct audits to evaluate compliance with resilience specifications for infrastructure funded through climate finance or the implementation of programs funded through climate finance.

More specifically, SAIs could help track and improve the accountability of the bilateral and multilateral flows of climate finance by auditing each flow of money or assistance. For example, SAIs could design audits to address questions such as:

- Does the financial flow make progress toward country goals?
- Is the financial flow “new and additional,” consistent with the UNFCCC?
- Is there a goal to measure progress towards? This question would be key because countries cannot measure progress without established goals.
- What evidence is available on the effectiveness of the climate finance in terms of promoting climate change mitigation and/or adaptation in the most vulnerable countries and areas, and targeting the most vulnerable groups of people?

SAIs could contribute to the overall goal of meeting SDG Target 13.a by auditing smaller-scale components of climate finance to help inform the big picture on climate finance in their country.

²⁶ INTOSAI Working Group on Environmental Auditing, Coordinated International Audit on Climate Change, Implications for Governments and their Auditors, (November 2010).

Concluding Remarks

Climate-related hazards pose increasing financial risks to national governments around the world in the form of loss of life, costs to respond, and costs to rebuild, among other things. SDG Target 13.a sets a high-level goal that recognizes the significant investments needed to support global climate finance goals. However, indicators do not exist for individual countries to assess progress towards this goal, and SDGs are generally too high-level for SAIs to use as criteria for performance audits of specific government

initiatives. While critical, the areas of audit related to climate change and SDGs are relatively new. This is an emerging area with few studies from which to draw best practices for planning audits. This research paper aims to help SAIs understand how they can design audits to review more specific aspects of climate finance financial flows to help give countries a better sense of their progress towards SDG 13.a.

Bibliography

European Court of Auditors, Review No 01/2020: Tracking climate spending in the EU budget, (January 2020).

European Court of Auditors Special Report 22/2021: Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment, (2021).

INTOSAI Development Initiative, IDI's SDGs Audit Model - Pilot Version, (March 2020).

INTOSAI, Strategic Plan 2017-2022.

INTOSAI Working Group on Environmental Auditing, Coordinated International Audit on Climate Change, Implications for Governments and their Auditors, (November 2010).

Intergovernmental Panel on Climate Change, Climate Change 2021: the Physical Science Basis, (Geneva, Switzerland: 2021).

Ley General de Cambio Climático [L.G.C.C.] [General Climate Change Law], as amended, art. 7(III), Diario Oficial de la Federación [D.O.], 6 de Junio de 2012 (Mex.)

National Audit Office of Finland, Finland's International Climate Finance - Steering and Effectiveness, (June 2021).

Organisation for Economic Cooperation and Development (OECD), Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data, (Paris, France: 2021).

Organisation for Economic Cooperation and Development (OECD) DAC Rio Markers for Climate: Handbook.

Paris Agreement. United Nations 2015.

United Nations Department of Economic and Social Affairs Economic Analysis, "Least Developed Countries (LDCs)", <https://www.un.org/development/desa/dpad/least-developed-country-category.html>, [accessed March 9, 2022].

United Nations Development Programme, Climate Finance Effectiveness in the Pacific: Are We On the Right Track? (July 2021).

United Nations Framework Convention on Climate Change. United Nations 1992 UNFCCC, "UNFCCC Status of Raitfication", Paris Agreement - Status of Ratification | UNFCCC [accessed March 2, 2022].

United Nations General Assembly. Transforming Our World: the 2030 Agenda for Sustainable Development (A/RES/70/1) (October 21, 2015).

United States Government Accountability Office. Climate Change: State Should Further Improve Its Reporting on Financial Support to Developing Countries to Meet Future Requirements and Guidelines, GAO-13-289 (Washington, DC: 2013).

United States Government Accountability Office. Climate Change: USAID Is Taking Steps to Increase Projects' Resilience, but Could Improve Reporting of Adaptation Funding, GAO-20-555 (Washington, D.C., United States: 2020).

United States Government Accountability Office, Climate Information: A National System Could Help Federal, State, Local, and Private Sector Decision Makers Use Climate Information, GAO-16-37, (Washington, D.C., United States: 2016).

United States Government Accountability Office, Workforce Innovation and Opportunity Act: Federal Agencies' Collaboration Generally Reflected Leading Practices, but Could Be Enhanced, GAO-18-171, (Washington, D.C., United States: 2018).



INTOSAI
Working Group
on Environmental
Auditing



wgea.org



[@WGEASecre](https://twitter.com/WGEASecre)

