Evolution and Trends in Environmental Auditing

How to use it!

Canada – Vivien Lo

Tutorial outline

1. Chapters 1-3
2. Two questions in small groups
   A. Share and learn about the most current environmental auditing techniques
   B. How are SAIs preparing themselves for the future of environmental audits?
3. Share your thoughts

At the end of 90 minutes...

- You are informed of the paper's contents. So you know how to best use it, share it with others.
- Take the time to discuss some of the topics in this paper with your colleagues
- Take some new information home to use

Evolution and Trends in Environmental Auditing

- Chapter 1 The Foundations of Environmental Auditing in SAIs
- Chapter 2 The Evolution of Environment in Governance and Auditing
- Chapter 3 The State of Environmental Auditing in SAIs
- Chapter 4 Future Directions
- Chapter 5 Conclusion
- 10 Frequently Asked Questions
- Useful Appendices!

Chapter 1 The Foundations of Environmental Auditing

Benefits for Environment

- Improvements in water and river quality
- Decrease pollution
- Reduced destruction from construction
- Decrease consumption of natural resources

Benefits in Government

- Improved environmental management
- Establish bi-national commission to address common issues
- Strengthen compliance to laws, regulations and international agreements
- Improved gathering and monitoring of environmental data
- Increased emphasis on reporting environmental results

Diversity of SAIs, mandates and audits

Did you know:

- There are three general types of SAIs: Offices, Courts and Boards
- The type of SAIs can affect how it communicates audit results
- Mandates can include environment but are not necessary
- Some SAIs do more than audits

Of the 119 SAIs that completed the WGEA 2006 Fifth Survey on Environmental Auditing:

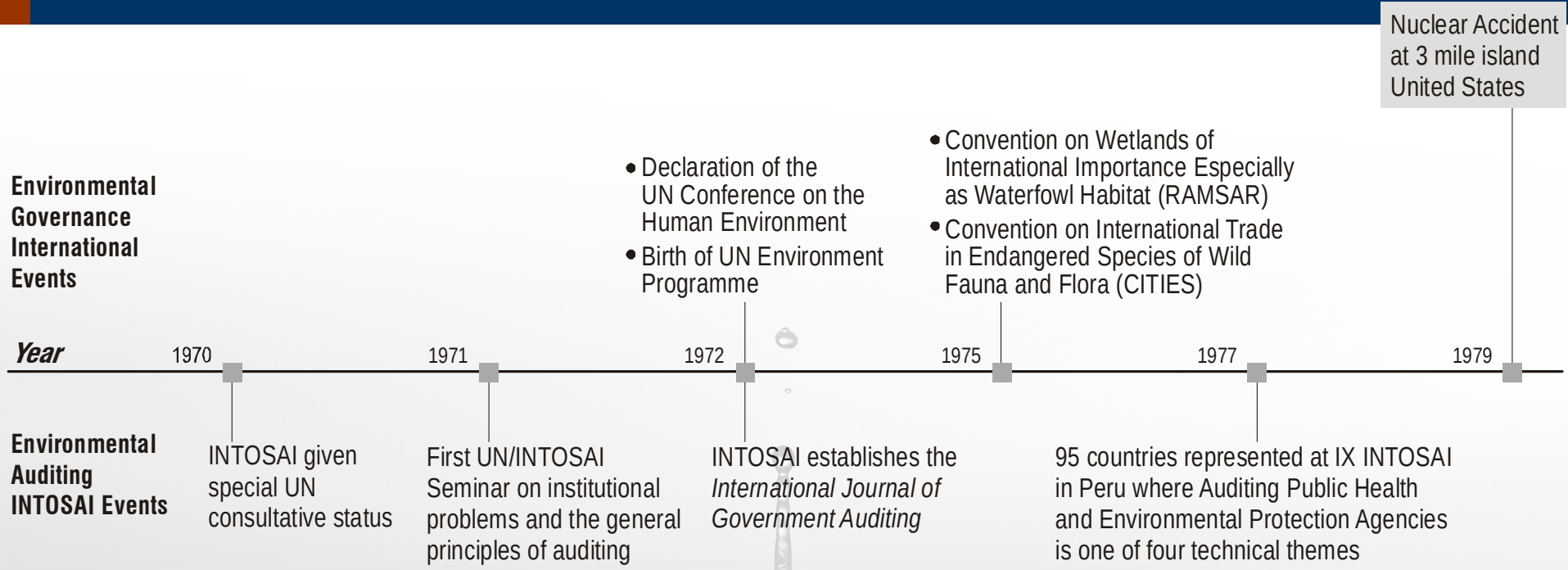
- 5 have only a compliance mandate
- 20 have an explicit environmental auditing mandate
- 68 help government departments with environmental issues in addition to auditing
- 106 have a performance mandate
- **88 have conducted environmental audits**

Findings from environmental audits

- Gaps and weaknesses
- Complexity
- Cooperation required
- Weak functions and operations
- Data issues

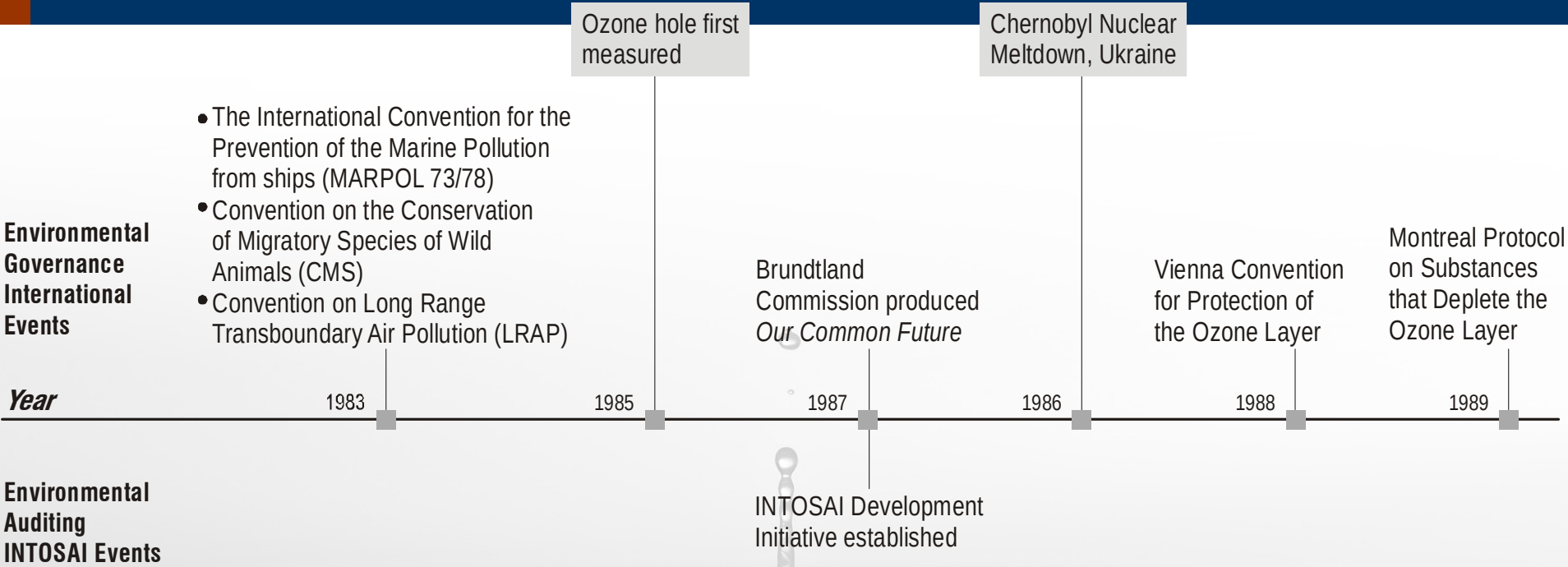
"Wait one moment! ...this isn't brains! it's egg salad!"

Chapter 2 The Evolution of Environment in Governance and in Auditing



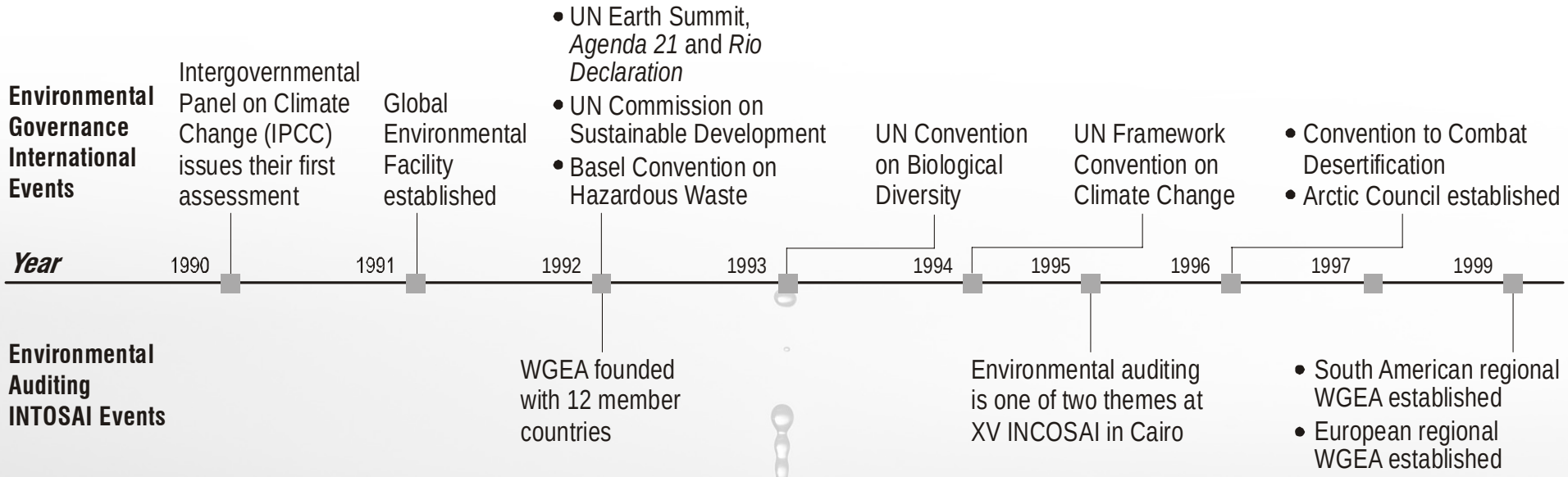
1970s

- Environment was gaining attention globally
- Internationally, countries became more organized to discuss environment
- Countries are establishing department for environment at home
- INTOSAI was already an organization with strong membership
- INTOSAI community was starting to do performance audits—including the first environmental audits



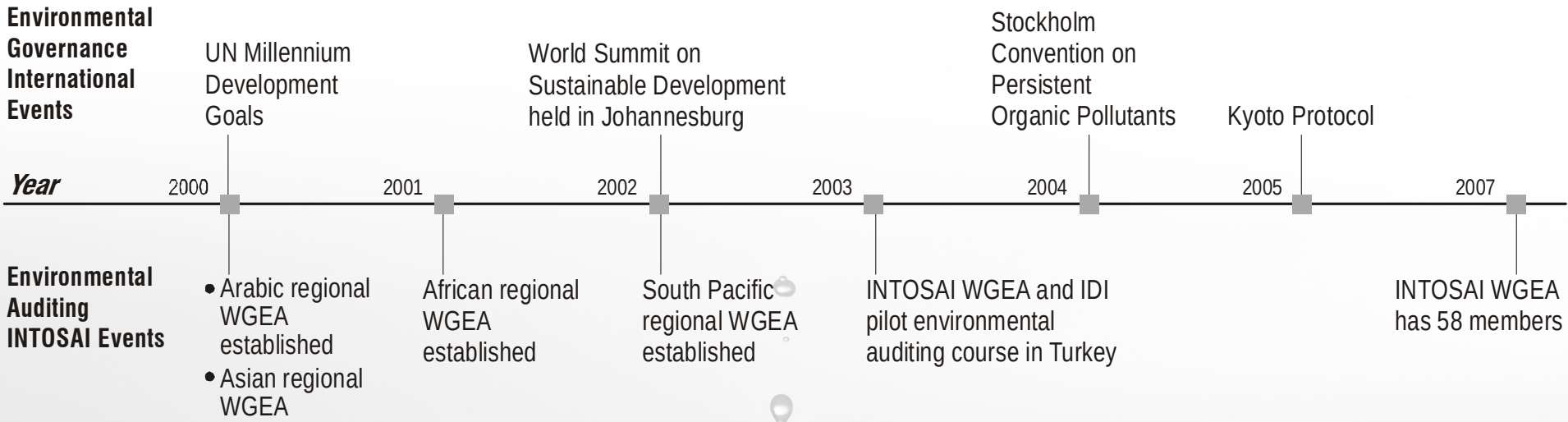
1980

- Sustainable development was introduced
- More international environmental agreements
- Growth of environment in the academic and professional realms
- Continued growth in domestic environmental laws, regulations, agencies—more $$$!
- SAIs environmental audits followed governments implementation of domestic environmental responsibilities



1990s

- Extremely busy time for all environmental and audit professionals
- Growth in fields of interest to environmental auditors
- Effort to translate sustainable development into action by many actors—including government
- Among the environmental audits conducted by SAIs, it was the start of audits on international environmental agreements
- First cooperative audit on environment by SAIs
- WGEA was founded in 1992 with 12 member SAIs



2000s

- Global developments MDGs, WSSD and Climate change
- Government management of environment increasingly complex and collaborative
  - e.g. IEAs, Regional governance (EU), pooled funds
- Growth of IEAs audited by SAIs
- SAIs working with each other to tackle audits of pooled funds
- More audits on climate change and sustainable development
- SAIs audits of government actions on environment are also gaining complexity
  - New and old challenges
  - Specific environmental knowledge
- Meanwhile WGEA is growing

Chapter 3 The State of Environmental Auditing in SAIs

Chapter 3 describes state of EA in 4 themes

1. Building methods, capacity and knowledge
2. Emerging areas of environmentally-related Audits
3. SAI's special role in auditing international environmental agreements
4. Cooperating and building relationships

Improvements that come with practice

(Ch 3: Theme 1 methods, capacity and knowledge)

- Better understanding of complex environmental issues
- Increase confidence among auditors
- SAIs level of effort in building methods, capacity and knowledge

  Modest effort →

  Medium effort →

  Huge effort

Ch 3: Theme 2 Emerging areas of environmentally-related audits

- Auditing various aspects of Sustainability
  - Green accounts, triple bottom line, sustainable development assistance
- Audit decision-making process earlier, before funds are spent
  - Assess environmental implication of proposed action
- Climate change
  - Truly cross-cutting issue, strong economic and social consequences
  - Action against polluters, use of traditionally economic instruments, domestic and international action, affects all industries
- Emerging areas to audit depends significantly on government action
  - Overall: complexity public policy tools is increasing, funds spent on environment increased
  - SAIs obligated to follow the dollar and understand new policy tools and environmental consequences

Ch 3: Theme 3 Auditing IEAs

- International Environmental Agreements
  - Numerous regional, many more than 10 years old
- Challenges and opportunities for SAIs
  - IEAs are not always audit-friendly
  - Funds allotted to IEA
- Three WGEA guidance documents of interest
  - *Cooperation Between SAIs: Tips and Examples for cooperative audits* 2007
  - *The Audit of International Environmental Accords* 2001
  - *How SAIs may co-operate on audit of international accords* 1998

Potential benefits of auditing IEAs cooperatively

(Ch 3: Theme 3 Audits of IEAs)

- Considers other possible forms of reporting
- Global view for joint action
- Increased public awareness—stimulate government to take action
- Benchmark, compare and contrast country results
- SAIs learn from colleagues and improve methods of auditing
- Governments learn and improve on methods of domestic implementation
- Joint recommendations ease resolving common issues

Building relationships

(Ch 3: Theme 4 Cooperating and building relationships)

Make an impact!

1. Mandated relationships
   - Recommendations, publicly accessible, relation and responsibilities to elected members/executive of government
   - Government departments and agencies
2. Relationships between SAIs
   - WGEA, cooperative audits
3. Building external relationships
   - Communication challenges, better knowledge while conducting an audit, broader advice from knowledgeable organizations

Next Step

Two questions for small group discussion

Choose 1 or 2

1. Share and learn about the state of the art environmental auditing techniques from colleagues
   - What did you try recently?
   - New topic?
   - New audit approach?
   - New skills developed?

   climate change, MDGs, data, IEAs

   Others?

2. How are SAIs preparing themselves for the future of environmental audits?
   - Respond to Chapter 4 on future direction
   - Human development pressures on environment
   - SAIs office structure and EA
   - Government partnerships

   Other emerging themes?

Share your discussion

Question 1

- Did you learn something new?
- Is there a new idea that you can try at home?

Question 2

- What topics were discussed?
- Was there agreement, is there a range?

Who does this paper serve?

- The auditor
- The environmental professional
- Audit leaders
- Government leaders

Any other questions?

Thank you

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