

Canada's Collaborative Audit on Climate Change

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Canada has been a strong supporter and active participant in the INTOSAI Working Group on Environmental Auditing (WGEA) since its creation in 1992. We have led and contributed to a wide variety of projects and have learned a great deal from our colleagues along the way. Collaborative audit is an area that has always been intriguing to us as a means of more holistically examining multijurisdictional, and complex environmental issues, but has been difficult to execute internationally on a wide scale, due to our geographic location.

This paper will describe how the *INTOSAI WGEA Coordinated International Audit on Climate Change: Key Implications for Governments and their Auditors*, published in 2010, inspired us toward a new audit initiative in Canada. The *Coordinated International Audit* involved 14 countries and was the first of its kind for WGEA. Our Canadian Collaborative Audit on Climate Change is the first time Canada's 10 provinces', three territories', and the federal government's audit institutions have endeavored to cooperate and perform audits on the same issue. Our overall objective for this project is to work together to determine the extent to which federal, provincial and territorial governments in Canada are meeting commitments to reduce greenhouse gas (GHG) emissions and to adapt to climate change. By working together we can examine issues more comprehensively and have more impact than we can individually. Another implicit objective of this project is to learn from each other for the purposes of future national and international collaborative work.

Background

Canada is a federal state, comprised of 10 provinces and three territories. The Auditor General of Canada reports to Parliament, Canada's federal legislature, and each of the provinces have their own legislation and their own Auditors General who report to the Legislative Assembly of their respective province. The Office of the Auditor General of Canada (OAG) is also responsible for audit in the three territories, as territorial governments have powers delegated to them by the Government of Canada. The Canadian Council of Legislative Auditors' (CCOLA) membership consists of each of the provincial Auditors General and the federal Auditor General. CCOLA has encouraged collaborative audit-related work among the provinces where possible and was a key factor in the decision to conduct this work together.

Although other audit topics were discussed initially, including forestry and water issues for example, climate change was an obvious choice for our first collaborative audit. Climate change is a key issue in Canada and each of our jurisdictions and vast regions are currently affected by it in varying ways. These including severe heat waves, flooding, invasive species, melting permafrost, rising ocean levels and temperatures, erosion of the coasts, and extreme weather events. Each government within Canada has reacted differently to these threats, resulting in a

patchwork of climate change policies across Canada that include carbon pricing, cap-and-trade mechanisms, coal phase out, carbon capture and storage, and support for clean energy technologies, among others. Each province also has its own emissions reduction targets, and its own adaptation plans and strategies, as does the federal government. Canada has made international commitments to reduce GHG emissions and has recently committed to work with the provinces and territories on options to meet these commitments. A key contribution of our audit is to provide a baseline on the extent to which these provincial, territorial and federal commitments have been met.

Lessons Learned from the *Coordinated International Audit on Climate Change: Key Implications for Governments and their Auditors*

The international collaborative audit offered important information for future audit through its methodology and an extensive “lessons learned” review published in 2010. The Canadian collaborative project was founded on the following three pillars based on advice from the international project:

- Establishing a **shared vision**;
- Securing **commitments** to achieve this vision; and
- Encouraging and taking **action** in line with the commitments.

These were identified as requirements for breakthrough results by the WGEA project leaders in 2010. Consequently, one of the first steps in our Canadian project was to develop a Project Charter in order to establish and articulate our shared vision and to record our agreement on timelines and resource commitments to deliver a collaborative audit on climate change. This Charter was approved by all Auditors General in April 2016.

Other key lessons we took from the international work include communication, knowledge building and flexibility.

Communication

Any successful collaboration requires effective communication. This was highlighted in the 2007 WGEA publication *Cooperation Between SAIs: Tips and Examples for Cooperative Audits*. During the WGEA audit, communication was accomplished through inclusive and active participation in meetings, frequent emails, and delegating and distributing roles to share the workload. Face-to-face interactions were noted as critical to the project’s development. Although it was established that communication was quite regular, after the audit, partners noted there was room for improvement, such as more commitment to regular, necessary and agreed-to communication within the group. The Canadian collaborative took this advice and committed to monthly tele-communication. Multiple email updates accompanied these calls as well as some in-person meetings.

Knowledge Building

The WGEA partners reflected in 2010 that the WGEA project helped auditors develop new skills and knowledge through discussions over the course of the project. Similarly, several of the audit offices involved in our collaborative initiative had not conducted audits on climate change before and needed to develop and enhance their knowledge of business regarding climate change policies. As the lead, the Federal OAG invited experts to discuss the subject matter with the participants and answered questions that arose through the process. Furthermore, the federal OAG, in partnership with some of the more experienced provincial offices, developed climate

change audit planning guidance, including example audit logic matrices and working papers to provide additional guidance.

Flexibility

During the planning stage of the international audit, a matrix was designed with several questions intending to give SAls the flexibility of choice from a menu of options. The matrix helped to find common ground for later findings and results, while accommodating the various mandates of the partners. Initially, Canada had planned to use a similar matrix, as each office has differing mandates, and each jurisdiction had taken different action on climate change. However, through the planning stage participants were keen to plan for comparative results and wanted to receive additional guidance. The trade off to this has been less flexibility. As a group, it was decided to establish audit logic matrices, for the two key subject areas (mitigation and adaptation). The matrices include “minimum questions” for the audit Offices to answer (Figure 1). Participants agreed to conduct audit work to answer both sets of minimum questions. Some participants chose to go more in depth in their audit work for mitigation and/or adaptation.

Figure 1: Collaborative Audit Minimum Questions

Minimum questions – Mitigation

An example audit objective for the minimum mitigation questions could be: *To determine if the government is making progress towards commitments to reduce greenhouse gas emissions.*

1. What targets related to mitigation of GHG emissions has the government adopted?
2. Do documented strategies or plans exist to meet these commitments? (Y/N)
3. Is the government on track in meeting intended targets? Which ones have been met and which ones have not been met? Does the government have an adequate process to monitor progress?
4. Are there regular reports to the public or to other stakeholders? (Y/N) What elements are being reported on? Is the reporting regular and timely?
5. What policy instruments, actions or initiatives are expected to result in significant GHG emissions reductions?

Minimum questions – Adaptation

An example audit objective for the minimum adaptation questions could be: *To determine whether the government has taken appropriate measures to adapt to climate change risks.*

1. Has the government developed a policy / plan / strategy on adaptation? (Y/N)
2. Has the government produced a comprehensive national/provincial/territorial specific risk assessment? (Y/N)
3. Has the government implemented their actions as outlined in their policy / plan / strategy? / Does the government know whether they are on track to implement their policy / plan / strategy?

Conducting Canada’s Collaborative Audit on Climate Change

Planning

In August 2015, all of the COLA partners agreed, in principle, to participate in the collaborative audit by each conducting their own audit relating to climate change. They ratified the decision to conduct the collaborative work, and the kick-off meeting for the project took place in Toronto in November 2015. All of the provinces attended and the territories agreed to participate as well. Conversations followed on a monthly basis until the Project Charter was agreed upon in April 2016. The overall objective of the project, as defined in the Project Charter, is to work together

to determine the extent to which federal, provincial and territorial governments in Canada are meeting commitments to reduce GHG emissions and to adapt to climate change.

In addition to the guidance audit logic matrix, two working papers were developed to provide guidance on expectations of a mitigation plan and an adaptation risk assessment.

Implementation

The audits are currently being conducted simultaneously by the federal OAG and by each of the participating provinces and territories during 2016 – 2017. These audits will be tabled in their respective legislatures in accordance with reporting schedules for each participant. These tabling dates range from December 2016 to October 2017. A separate Final Summary Report will be developed after all of the reports have been tabled to collect key messages and communicate findings from all of the participants. It is planned for tabling in Parliament in Fall 2017.

During the course of the audit work, participants are able to discuss audit approaches and best practices to help facilitate the comparability of findings for the Summary Report. Audit evidence and specific information regarding the audits however, is not shared among participants in order to respect confidentiality and legal requirements.

Reporting

The Final Summary Report is intended to include key messages and highlight comparability between provinces, territories, and the federal government. A draft outline for the Summary Report with content headings was produced during the project planning phase. Anticipated challenges when writing the final Summary Report include: determining what processes will need to be communicated with audited entities prior to the publication of the report; determining if recommendations will be necessary and if so, to whom they will be made; where will it be tabled besides in federal Parliament; and how will the media be involved in the release of the report? An Auditor General level Communications Committee has recently been established to begin to answer these questions.

Our Lessons Learned

Many lessons have and will continue to be learned throughout the process as we continue collaborating during the implementation of the audits and coming reporting phase. Some of the lessons learned thus far include:

- Obtain buy-in and commitment from the highest levels in each of the 14 offices before proceeding. Approval in principle is helpful but approval of a project charter that commits to vision, resources and timelines is critical.
- Begin the project early. The project was started two years before the planned tabling date of 2017.
- Pay attention to early scoping, especially considering the amount of participants in order to have corresponding messages.
- Regular communication is important. We have monthly phone calls with all participants, supplemented by email communication. This involves calculating for time differences across six time zones.
- Consult with Legal Counsel during the conducting and reporting phases of the audit, particularly to know what information we are allowed to share amongst ourselves and when.

- Table each of the individual audits as close together as possible in order to maximize their impact.

Conclusion

Cooperative audits are important because we live in a highly interdependent and interconnected world. Thus, lessons from an international scope can be applied to a national level and a country's collaborative audit can help inform an international one. Environmental issues like climate change do not respect geographical borders or jurisdictions. By working together, this collaborative audit report is examining climate change adaptation and mitigation issues more holistically and therefore will have a greater impact than if it was completed by the participants individually. It also allows the participants to learn from one another and conduct future audit work together. Although timelines, methods, and differing legislations present challenges, collaborative audits like this one are being successfully undertaken and adding value.

Key Sources:

- *Coordinated International Audit on Climate Change: Key Implications for Governments and their Auditors* - <http://publications.gc.ca/site/eng/9.693945/publication.html> November 2010
- *Coordinated Audit on Climate Change: Project Leader's Final Report: Process Chronicle and Lessons Learned* - <http://www.environmental-auditing.org/LinkClick.aspx?fileticket=hGLRNFc7eFM%3d&tabid=245> November 2010
- *Cooperation Between Supreme Audit Institutions: Tips and Examples for Cooperative Audits* - http://www.environmental-auditing.org/Portals/0/eng07pr_fs_cooperationSAIs.pdf November 2007
- *Project Charter: Canadian Collaborative Audit on Climate Change* – 25 April 2016