

Improving National Performance: Environmental Auditing Supports Better Governance and Management – Executive Summary

Contribution of the International Organization of Supreme Audit Institution's Working Group on Environmental Auditing to the United Nations Conference on Sustainable Development

Environmental auditing supports better governance and management

Good governance, the process of making decisions and determining whether or not to implement them, is essential to ensuring that promises on environmental protection and sustainable development produce credible results. It is a key requirement for an effective institutional framework for sustainable development, one of the main themes at the United Nations Conference on Sustainable Development (or Rio+20) in Rio de Janeiro, Brazil to be held on 20–22 June 2012.

National auditors and their audits play a critical role in supporting good governance by advancing accountability and transparency. They do so by providing practical, objective, and rigorous examinations of how environmental and sustainability programs, laws, regulations, and targets are managed, implemented, and monitored at the national and international levels. Some countries have regional auditors or evaluators who play a similar role. This paper summarizes some key observations from two decades of work by supreme audit institutions, which play a major role in auditing government accounts and operations. It includes the results of a 2011 survey, which identifies the important observations that supreme audit institutions around the world are consistently finding when conducting their environmental audits. The paper also addresses the position put forward by the International Organization of Supreme Audit Institutions (INTOSAI) for consideration by the delegates at Rio+20.

Supreme audit institutions (SAIs) have different names—sometimes National Audit Office, Court of Audit, Audit Board, and Office of the Auditor General—and have different mandates. However, they share similar responsibilities to provide legislatures and society with the information they need to hold governments accountable. SAIs audit governments' financial management, their compliance with domestic laws and international agreements, their implementation of domestic and international policies, and their performance. SAIs are independent and non-political, and their work is fact-based. Between 1993 and 2011, national audit offices in over 100 countries conducted more than 3,200 financial, compliance, and performance audits related to the environment.

Environmental audits have resulted in governments taking action to improve water quality in rivers, to strengthen the protection of flora and fauna, and to reduce pollution. Benefits to environmental governance include the development of new legislation and regulations and stronger compliance with those that already exist. Audits have resulted in improved implementation of multilateral environmental agreements through better designs for linking programs and better mechanisms for reporting results.

The vast majority of SAIs' environmental audits have examined national and sub-national programs on such areas as

- climate change mitigation and adaptation;
- air issues such as acid rain, ozone layer depletion, and toxic air pollutants;
- toxic substances management;
- biodiversity;
- genetically modified organisms;
- protected areas and natural parks;
- environmental assessment;
- the green economy;
- sustainable energy;
- sustainable development;
- environment and human health;
- drinking water, water quality, and water quantity;
- non-hazardous and hazardous waste;
- resource industries such as forestry, fisheries, oil and gas, and mining;

- Millennium Development Goals (part of the United Nations Millennium Declaration); and
- multilateral environmental agreements (MEAs).

With regard to MEAs, around 80 audits were conducted between 2003 and 2011 on agreements such as the

- Kyoto Protocol,
- United Nations Framework Convention on Climate Change,
- United Nations Convention on Biodiversity,
- United Nations Convention to Combat Desertification,
- Montreal Protocol, and
- Basel Convention.

A comprehensive database of these audits can be found at www.environmental-auditing.org.

International organization of SAIs supports environmental auditing internationally

The International Organization of Supreme Audit Institutions (INTOSAI, www.intosai.org), as a non-governmental organization, is the professional association of SAIs in countries that belong to the United Nations or its specialized agencies. INTOSAI provides a forum in which government auditors from around the world can discuss issues of mutual concern and keep abreast of the latest developments in auditing and other applicable professional standards and best practices.

Since 1992, INTOSAI has had an active Working Group on Environmental Auditing (WGEA). This working group has assisted SAIs in acquiring a better understanding of the specific issues involved in environmental auditing; facilitating the exchange of information and experience among SAIs; and publishing guidelines and other informative material for their use. Joint auditing by SAIs of cross-border environmental issues and policies, and the audit of international environmental accords, has had the working group's special attention.

The working group has worked with the United Nations Environment Programme to develop the guide, *Auditing the Implementation of Multilateral Environmental Agreements (MEAs): A Primer for Auditors*. The objective of the guide is to serve as a useful resource for auditors worldwide. Auditors may use the guide when they evaluate the implementation of those agreements by their national governments. They may also use it when they assess whether the policy tools that their governments use to manage and protect the environment and implement MEAs have produced the intended results. In addition, the guide can be useful in improving future MEAs, because it identifies key aspects that auditors look for in their audits. These aspects are important to good governance and accountability.

The working group has also produced a number of other guidance documents to aid auditors in auditing a variety of issues, including climate change, waste management,

water, forestry, and sustainable development. An important upcoming research paper on environmental data will address the resources and options available to SAIs in accessing and using national and international data in their environmental audits. Another forthcoming WGEA research paper will focus on sustainability reporting in the public sector.

Under the auspices of the working group and its regional groups, a number of cooperative audits between different SAIs have been undertaken. **The Coordinated International Audit on Climate Change: Key Implications for Governments and their Auditors (2010)** involved fourteen supreme audit institutions (Australia, Austria, Brazil, Canada, Estonia, Finland, Greece, Republic of Indonesia, Norway, Poland, Slovenia, South Africa, United Kingdom, and the United States of America) from six continents who worked cooperatively to design and undertake performance audits of their national governments' implementation of commitments and programs related to the mitigation of and adaptation to climate change. The project involved SAIs from both developing and developed countries and included the results from 33 audits.

Among the six regional groups of the Working Group on Environmental Auditing, over 50 cooperative audits have been conducted since 1995, including

- Pacific Association of SAIs—solid waste management audit (2011, 10 SAIs)
- Organization of Latin American and Caribbean SAIs—Compliance Against United Nations Framework Convention on Climate Change Commitments audit (2011, 7 SAIs) and Environmental Protection and Conservation of Natural Resources of the Amazon Region audit (2010, 5 SAIs)
- African Organization of SAIs—Lake Victoria Basin audit (2002, 5 SAIs)
- European Organization of SAIs—Convention on the Protection of the Black Sea Against Pollution audit (2011, 6 SAIs)

SAI survey results identify key factors contributing to poor progress by national governments toward sustainable development

In 2011, a survey of the members of the INTOSAI Working Group on Environmental Auditing was conducted for this paper to identify the main observations that SAIs around the world are consistently finding when conducting their environmental audits. The 10 top issues identified by 52 countries are listed below along with examples of the type of issues identified.

- **Unclear/overlapping responsibilities.** Audits have concluded that the institutional framework for sustainable development is cross-governmental and requires more work from governments in order to integrate economic, social, and environmental aspects. Governments have adapted to this new reality by creating more integration among ministries, departments and agencies, and programs and projects. However, there is a lack of clarity regarding the specific role each one of those entities plays and what they are responsible for, resulting in overlapping responsibilities across agencies and departments. These overlaps compromise the effectiveness of policy coordination and duplicate efforts.

- **Lack of coordination between sub-national levels and the national level.** Audits have noted that environmental problems occur at all levels, from local to global, and involve municipal, regional, and national governments. Governments need to improve the integration and coordination of their work at different levels. In the interest of transparency and accountability, local entities involved in implementing national policies need to report on how they spent any funds they received and what results were achieved.

- **Absent or deficient policies or strategies.** According to some audits, some governments have not yet created effective policy tools and systems to govern environment and sustainable development. Some have not improved public policy tools and processes as recommended. Targets, objectives, or commitments may be in place for some policies, but they are not always supported by comprehensive and specific national, regional, or sectoral strategies and plans. Without the involvement by all affected levels of government, an overall policy or strategy cannot achieve the desired national results.

- **Insufficient assessment of the environmental effects of governmental policies and programs.** Audits have noted that governments are not using policy tools to ensure more timely consideration of environmental aspects before large sums are committed to a policy, program, or project. High-level regulatory impact assessment or strategic environmental assessment is not a concern for many governments.

- **Lack of analysis (economic, social, and environmental) supporting decisions.** In some audits, the findings have noted that policy makers are not taking into account the three pillars of sustainable development—economic, social, and environmental aspects—when making decisions. Sustainable development governance requires better integration of economic, social, and environmental policies, particularly within the broader development planning frameworks.

- **Lack of long-term planning to implement environmental policies and programs.** Audits have noted that issues requiring long-term planning to resolve, such as climate change adaptation, do not have corresponding planning processes or plans in place.

- **Inadequate financial management of environmental policies and programs.** Audits have noted that financial management problems can be caused by insufficient planning, resulting in unanticipated costs of implementing environmental policies and programs. Other problems include the absence of an appropriate financial management framework to support the implementation of environmental policies and programs, the lack of financial management skills, and the misuse of funds.

- **Lack of enforcement of domestic environmental legislation.** National audits have indicated that environmental laws are not self-executing, and governments must ensure compliance with domestic environmental legislation by taking appropriate, effective, and proportionate policy measures. Compliance requires administrative capacities and strong government commitments to implement and enforce the regulatory framework.

- **Deficient monitoring and reporting systems.** Audits noted that high-quality accountability and reporting systems are often lacking. Evaluations of key policy choices and instruments are not always in place. In the absence of a good evaluation, it is difficult for governments to report and measure their progress toward sustainable development or to identify where further policy action is required.

- **Lack of environmental data for decision-making.** Audits have noted that government bodies do not have sufficient and robust environmental data to support their decisions and to evaluate their performance. There are problems in data availability, timeliness, quality, and accuracy. Overall, there is a lack of knowledge and information about various aspects of ecosystems and a failure to adequately use the existing information to support management decisions. Independent environmental audits can collect and report information for decision makers where it is lacking.

For the participating national governments at the United Nations Conference on Sustainable Development to be held in Rio de Janeiro, Brazil on 20–22 June 2012, the results of this survey and national audits can be applied in two ways.

First, national governments can use the survey results and national audit reports, findings, and recommendations to improve the effectiveness and cost-efficiency of a range of domestic environmental and sustainable development programs, policies, and tools. The results of twenty years of national auditing work can also be used to better design and implement national policies and programs moving forward.

Second, at the international level, the results of this survey and the audits conducted by SAIs can provide national governments as well as MEA secretariats with important input for evaluating the implementation of international commitments. The survey and audit results also show national governments and MEA secretariats the key features of good governance against which compliance can be measured.

Input by SAIs to the Rio+20 process

The United Nations has recognized the important role of INTOSAI and the SAIs it represents through two recent resolutions. On 26 April 2011, the United Nations Economic and Social Council (ECOSOC) recognized the important role of INTOSAI and the necessity of SAI independence by adopting resolution 2011/2. In the second point, ECOSOC

takes note with appreciation of the work of INTOSAI in promoting greater transparency, accountability, and efficient and effective receipt and use of public resources for the benefit of citizens and of the 1977 [INTOSAI] Lima Declaration of Guidelines on Auditing Precepts and the 2007 [INTOSAI] Mexico Declaration on Supreme Audit Institutions Independence, which set out the principles of independence in government auditing, and encourages the wide dissemination of these principles.

Following this meeting, the United Nations General Assembly adopted Resolution A/66/209, “Promoting the efficiency, accountability, effectiveness, and transparency of public administration by strengthening supreme audit institutions,” on 22 December 2011. As a result, the General Assembly for the first time expressly recognized that

- SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence; and
- SAIs have an important role in promoting the efficiency, accountability, effectiveness, and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed upon development goals, including the Millennium Development Goals.

INTOSAI has increasingly recognized over the past two decades that the environment and sustainable development are important issues that require attention by the auditing community. Their importance was recognized by INTOSAI through the establishment of an active Working Group

on Environmental Auditing (www.environmental-auditing.org) in 1992, the same year that the United Nations Earth Summit was held in Rio de Janeiro. At INTOSAI's most recent triennial International Congress of Supreme Audit Institutions (INCOSAI XX) held in 2010 in Johannesburg, South Africa, the resulting Johannesburg Accords noted that “environmental protection and sustainable development is one of the most topical issues that face governments in the new millennium.” In addition,

...the expectation that sustainable development and environmental protection should be subject to independent audit by SAIs has grown in the last decades. By exercising the highest values of professionalism, independence, objectivity and transparency, and through effective cooperation with fellow SAIs on environmental issues of common interest, SAIs can make significant contributions toward addressing sustainable development issues that are becoming increasingly regional, and even global, in nature.

At this congress, all SAIs committed to prioritizing environmental and sustainable development issues in their audit work, while multilateral environmental agreements and coordinated audits between SAIs were underlined as focus areas.

At the 21st UN-INTOSAI Symposium, “Effective Practices of Cooperation between Supreme Audit Institutions and Citizens to Enhance Public Accountability,” the United Nations invited INTOSAI to contribute to the 2012 Rio+20 UN Conference on Sustainable Development. The Governing Board of INTOSAI, along with the WGEA, proposes that the delegates at Rio+20 consider the following in their deliberations:

- Emphasize that efficient, accountable, effective, and transparent public administration has a key role to play in the implementation of the internationally agreed upon development goals, including the Millennium Development Goals (MDGs) and multilateral environmental agreements.

- Emphasize the need to improve the efficiency, transparency, and accountability of public administration in order to contribute more effectively to the implementation of the MDGs, multilateral environmental agreements, and sustainable development.
- Recognize the role of SAIs in the improvement of efficiency, transparency, and accountability of public administration, which is conducive to achieving the internationally agreed upon development goals, such as the MDGs, and multilateral environmental agreements.
- In order for SAIs to effectively carry out their work, emphasize the importance of SAIs' independence from the agencies they audit as well as protection from any form of outside influence, and call upon UN member states to implement and apply the principles set out in the Lima and Mexico declarations.

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We propose that the UN Conference on Sustainable Development include in the final document a reference to the crucial role SAIs play in achieving international development goals by identifying the gaps and building accountability into the implementation process of the global sustainable development agenda.

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The WGEA acknowledges the vital role of national legislatures in achieving internationally agreed upon development goals and in reporting progress. It is essential to further strengthen reporting requirements in two areas.

First, every year national legislatures vote on national budgets and review reports of budgetary expenditures. In most cases, these reports do not provide an overview on the governments' progress in meeting international obligations and the expenditures associated with them.

We suggest that the final UNCSD document include a reference to the necessity of improving national reporting by including in the annual reports of the governments to national legislatures—such as reports on the governments' national accounts or state of environment reporting—information describing how international environmental commitments are being met along with the related domestic and international funding of these activities.

Second, many countries do not report on the sustainable use of natural resources. Governments' annual reports routinely account for national fixed assets such as buildings and roads. However, information on natural resources such as on national forests, biodiversity, fish stocks and freshwater is omitted. Data is often lacking since there are no agreed upon standards for environmental accounting or statistics—there is no “common language” for reporting on these natural resources. A similar picture exists in governments' sustainable development reports, which often contain nothing more than information on the trends and status of natural resources.

We suggest that the final UNCSD document state that “generally accepted standard-setting bodies of government reporting” should establish principles and standards for the development of environmental accounts and sustainable development accounts.

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By complementing country-level annual accountability frameworks with the two types of reports we have proposed, SAIs would be empowered to audit these reports annually and publish their findings. Currently, few national reports on progress against development goals and multilateral environmental agreements are audited and the results publicly debated. As a result, international forums and agreement secretariats might be accepting reporting commitments and results that have not been verified.

While acknowledging the major role of a framework on global environmental governance and, more specifically, international treaties in setting and promoting the sustainable development agenda, we wish to underline the decisive role of individual countries in the processes for policy-making and implementation.

To enable an improved assessment of countries' progress in addressing sustainable development, we propose that the UNCSD encourage all countries to develop and implement a sustainable development policy that is supported by a mid-term action plan (for example, covering a 10- to 12-year time frame), performance indicators, and an external review process (instead of the proposed voluntary peer review process).