

State owned forest company Sveaskog – Contradictory targets and operations

EUROSAI-WGEA seminar on forest management
Oslo 16 May 2012

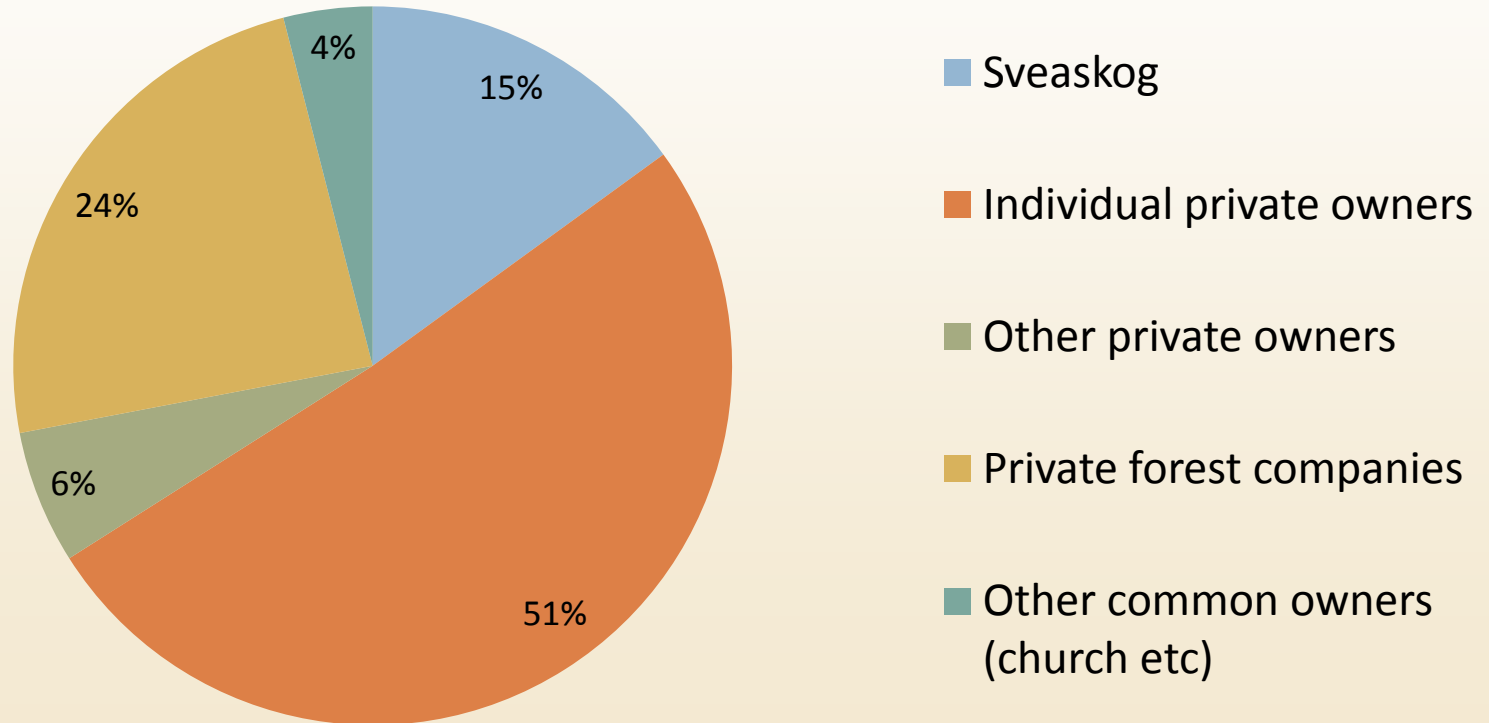
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16 MAY 2012



RIKSREVISIONEN

Sveaskog – largest forest owner in Sweden



Audit questions

Overall objective was to examine whether Sveaskog fulfils its mission and whether the Government manages the company in accordance with the parliament's decisions and intentions.

- › Has the forest company Sveaskog fulfilled its missions and operations according to the decisions and intentions of the parliament?
 - *Has it fulfilled its goals within the sector - its special missions and targets?*
- › Has the government managed Sveaskog in accordance with the mission and goals given by the parliament?



Assessment criteria

Goals and mission according to parliament

- › Overall goal: role model in the environmental field
- › to be an independent player in the timber market, contribute to increased competition and provide purchasing sawmills with timber
- › not to be a long-term owner of forest industry
- › transfer land to the state for nature reserves, offer replacement land and sell land to strengthen private agriculture and forestry

Swedish Forestry Act

- › equal emphasis on two main objectives: production goals and environmental goals.

Companies Act

Sveaskog must follow the Companies Act. The objective is to give shareholders returns (profit)



Audit methodology

- › Document review
 - Main documents: minutes from board meetings (10 years)

- › Interviews
 - Representatives of the board
 - CEO and officials from the company
 - Ministry officials (Ministry of enterprise)
 - National Environmental Protection Agency
 - Environmental NGOs

- › International comparisons



Findings

- › Not easy for the company to balance different targets, both environmental and financial:
 - Sveaskog preserved an extra 60,000 hectares in a special deal with the EPA in 2009 without getting paid – a great step towards reaching the milestone goal of preserving an additional 900,000 hectares of forest land by 2010
 - The problem: According to its mission and targets Sveaskog should operate on commercial grounds – always. When preserving a great amount of productive land without any type of compensation, it did not follow the Companies Act.
 - But, Sveaskog should also be a role model in the environmental field. According to the company and the Government, abstaining from any kind of compensation was part of being a role model in the environmental field.

Impact of the audit

- › A new mission to Sveaskog, presented in a government act just before the report was published...
- › The new mission simplified the company's operations and special targets – but also made its role in attaining the environmental targets and forest policy goals less pronounced. A company among others.

Major challenges

- › Doing a corporate control audit with strong elements of performance audit. How to balance the company's different missions when assessing its performance?
- › Secrecy in state-owned enterprises (time consuming)
- › Ministry not cooperative
 - No answers in interviews or only short written answers given during interviews
 - New mission
- › Internal challenges
 - Fear – parts of analysis excluded and “toothless” analyses and conclusions

SNAO experiences

Challenges	<ul style="list-style-type: none">• Lack of openness in the company – data collection time consuming• Internal fear – report could have been tougher
Methodology	<ul style="list-style-type: none">• Combining performance audits and corporate control is difficult – special missions less important than financial targets?
Findings/Recommendations	<ul style="list-style-type: none">• Findings and recommendations in part rendered uninteresting because of the new mission
Impact	<ul style="list-style-type: none">• New, revised mission for the forest company Sveaskog• New mission focuses on the financial targets and operations – bad for the environment?
Scope and audit questions	<ul style="list-style-type: none">• Compliance? Or effectiveness?• Too narrow – overall performance audit on the effectiveness of forest policy instruments preferable