



# EUROSAI

Working Group on  
Environmental Auditing

## NEWSLETTER 2014

### MESSAGE FROM THE CHAIR



Dear Colleagues,

In October the 12<sup>th</sup> EUROSAI WGEA Annual Meeting was held in Vilnius, Lithuania and this meeting virtually marked the beginning of a new working period. According to the Strategy and Activity plan which was introduced at the

meeting, EUROSAI WGEA will turn special focus on the coexistence of humans and nature, the citizen perspective, during that period.

An actor George Holland once said: "Where the quality of life goes down for the environment, the quality of life goes down for humans". This thought carries an important and daunting truth in it. During the next three years, we consider it as our responsibility to draw some wider attention on the citizens' perspective when analysing governments' success in protecting environment within the working group and the member SAIs.

In this light, and taking into account the members' preferences, the next topic seminar will be held on energy efficiency, savings and renewables. The seminar will take place in Tallinn, 23-24 April 2015. I am looking forward to seeing many of you in Tallinn!

In the meantime, however, I wish you a peaceful Christmas time and a fruitful new year!

Yours sincerely,

Alar Karis

Chair of EUROSAI WGEA

### Information from the 14th SC Meeting

In line with the 12<sup>th</sup> Annual Meeting, the EUROSAI WGEA Steering Committee gathered for a meeting in Vilnius. Among the issues discussed were the topics for the next meetings of the working group and cooperative activities in Europe. The Steering Committee and the secretariat studied and discussed the results of the survey conducted among EUROSAI WGEA members and planned next activities following the needs and experiences of members.

As the field of energy and energy efficiency is one of the most topical issues in Europe and in European SAIs, the subject should definitely also be covered within the EUROSAI WGEA activities. The survey among member SAIs presented that a large number of SAIs have recently conducted and/or are planning to carry out audits in the field, consequently there is much experience to share. Therefore, the SC decided that the next spring session will be on energy issues.



12<sup>th</sup> Annual Meeting in Vilnius

The 13<sup>th</sup> Annual Meeting will overall follow the same structure as previous events, with two main topics and a training day held one day prior to the meeting. In 2015, the training seminar will be on the topic of agriculture, incl. impact of agriculture (subsidies) on environment. The topics of the annual meeting will be industrial waste and chemicals and reaching the stakeholders. However, the environmental health aspect will be combined with all the annual meeting topics during the next working period.



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## FOCUS ON ENERGY

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Energy is a cornerstone of the modern world as economic development has relied on abundant fossil energy resources for hundreds of years. Growing concerns for varied environmental impacts e.g. greenhouse gas (GHG) emissions generated by energy production have led to the UN Framework Convention on Climate Change and further agreements to limit the emission of GHG-s. Scientists and administrators search for methods to increase energy efficiency and make renewable energy sources economically rational choice besides green considerations.

On 24 October 2014 the European Council approved the 2030 Framework for Climate and Energy, proposed by the European Commission with objectives to be met by 2030:

- a binding EU target of at least 40% reduction of greenhouse gas emissions by 2030, compared to 1990;
- a binding target of at least 27% of renewable energy used at EU level;

- an energy efficiency increase of at least 27%, to be reviewed by 2020 having in mind an EU level of 30% for 2030;
- the completion of the internal energy market by reaching an electricity interconnection target of 15% between Members States and pushing forward important infrastructure projects.

Clear targets call for measures to achieve the targets e.g. direct investments to improve energy efficiency in housing sector, shift to renewable energies or programmes to subsidise changed behaviour. Consequently SAIs need to be continuously engaged in auditing governments responses in achieving the challenges of the energy sector. About half of SAIs in EUROSAI WGEA have conducted audits on energy issues and a number declared their interest to do so in the last members' survey. Spring session in Tallinn on 23-24 April will bring together all SAIs who are interested in the topic to share knowledge and learn from each others' experience.

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## UPCOMING EVENTS

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### Spring Session on Auditing Energy Issues

The working group has several interesting events already scheduled for 2015. The first seminar will be held in spring on the most preferred topic of the working group's members – energy efficiency and savings. This spring session will be held in Tallinn, Estonia on 23-24 April 2015.

The agenda will incorporate SAI perspective to auditing energy efficiency and savings, as well as renewables. Presentations will also cover the wider trends and goals in the field in Europe.

### Open Electricity Market Seminar

SAI of Estonia, in cooperation with EUROSAI WGEA secretariat, is planning a seminar on European open electricity market issues. As most SAIs do not yet have much experience in auditing the subject, speakers

represent different stakeholders of the system, so to get a comprehensive understanding of the open market functioning.

The seminar will take place in Vihula, Estonia, 9-10 June 2015.

### 13<sup>th</sup> Annual Meeting

The 13<sup>th</sup> Annual EUROSAI WGEA Meeting will be dedicated to the topic of industrial waste and chemicals. We will also have a cross-cutting audit topic under discussion – this time it will be reaching the stakeholders. A training seminar on auditing environmental issues of agriculture will be held one day prior to the annual meeting.

The 13<sup>th</sup> Annual Meeting will take place Malta, first half of October 2015.



## NEWS FROM MEMBERS

### CLIMATE CHANGE AND ENERGY

#### **The Swiss federal and cantonal building programme: Evaluation of the estimation model for calculating CO<sub>2</sub> and energy impacts**

SAI of Switzerland

The Swiss federal and cantonal building programme, financed through a partial earmarking of the CO<sub>2</sub> tax, is divided into two parts. Part A encourages renovation of the building envelope and is fully financed by the CO<sub>2</sub> tax. Part B supports cantonal programmes promoting renewable energy, waste heat utilisation and building technology in renovations and new buildings, with global contributions from the Confederation.

The Swiss Federal Audit Office (SFAO) examined the assumptions taken and methods used to estimate the CO<sub>2</sub> savings. For this matter, interviews and workshops with experts representing both industry and research have been conducted. The estimation model was analyzed in detail with respect to three groups of incentive measures and three cross-cutting themes. The main focus with regard to the incentive measures was on estimating energy savings. The cross-cutting themes concerned aspects of the estimation model applicable to all measures: the model building, the conversion of energy into CO<sub>2</sub>, and grey energy.

The audit report is available on our website (in German, Summary in English):

[http://www.efk.admin.ch/images/stories/efk\\_dokumente/publikationen/evaluationen/Evaluationen%20\(44\)/12472ZF\\_e.pdf](http://www.efk.admin.ch/images/stories/efk_dokumente/publikationen/evaluationen/Evaluationen%20(44)/12472ZF_e.pdf)

For further information, please contact Mr. Martin Koci, [martin.koci@efk.admin.ch](mailto:martin.koci@efk.admin.ch)

#### **Finalized audit on the amendment of the legislation concerning support for photovoltaics**

SAI of Denmark

In September 2014 the report about the amendment of the legislation concerning support for photovoltaics was

published. The objective of the study was to assess whether the Ministry of Climate, Energy and Building has had sufficient focus on the financial implications of the legislation concerning support for photovoltaics, and whether the Minister for Climate, Energy and Building had informed the Folketing (Danish parliament) correctly and adequately in this respect. The report answers the following questions:

- Has the quality of the assessments made by the Ministry of Climate, Energy and Building of the financial implications of the legislative work concerning support for photovoltaics been satisfactory?
- Has the Minister for Climate, Energy and Building informed the Folketing correctly and adequately about the financial implications of the legislation concerning support for photovoltaics?

A summary of the report is available in English:

<http://uk.rigsrevisionen.dk/media/2006376/25-2013.pdf>

For further information, please contact Mr Jan Østergaard ([joe@rigsrevisionen.dk](mailto:joe@rigsrevisionen.dk))

#### **Tradable allowances and the environment**

SAI of Netherlands

The NCA has published a background study on Tradable allowances and the environment. A system of tradable allowances is a so called market based instrument (MBI). Tradable allowances are permits granted by the government to private companies to do something, up to a given limit, that is or may be harmful to the environment. This study explains the whys and wherefores of trading systems for CO<sub>2</sub> and NO<sub>x</sub> emission rights, fishing quotas, milk quotas and animal allowances in the form of 25 questions and answers. This background report is based on a literature survey and describes the conditions that need to be put in place in order for a system of tradable allowances to operate efficiently and effectively. The English translation of this 2013 report is now available.



## ECA audited greenhouse gas emission trends of EU institutions

European Court of Auditors

2014 has been a busy year so far for ECA in terms of the publication of audit reports with an environmental angle, with reports covering water policy (Special Report 4/2014), renewable energy (Special Report 6/2014), aquaculture (Special Report 10/2014), biodiversity (Special Report 12/2014), and the carbon footprint of European Union (EU) institutions (Special Report 14/2014).

For example, Special Report 14/2014 on how EU institutions manage their greenhouse gas emissions found that progress in introducing the European eco-management and audit scheme (EMAS) has been slow, information available on the actual amount of emissions is patchy and only a few institutions and bodies use green procurement systematically.

Where EMAS has been introduced, it has triggered improvements in environmental performance and financial savings.

While the EU institutions managed to reverse the trend of increasing greenhouse gas emissions caused by energy consumption in their buildings, the patchy data available did not allow clear reduction trends for other emission sources to be identified.

The majority of EU institutions had not set any quantified targets for reducing their emissions.

While there was some use of green procurement criteria, most procurement procedures did not use ambitious green criteria. More than half of procedures examined by ECA were assessed as 'not green' or only 'light green'.

ECA made recommendations for a common policy for reducing the carbon footprint of the EU institutions and bodies, with quantified reduction targets for greenhouse gas emissions.

This audit report (along with all other ECA reports) is available in all languages of the EU at <http://www.eca.europa.eu/en/Pages/PublicationSearch.aspx>

For more information please contact Mr. Peter Schoenberger ([peter.schoenberger@eca.europa.eu](mailto:peter.schoenberger@eca.europa.eu))

## Energy and energy-efficiency are main audit areas in Hungary

SAI of Hungary

The State Audit Office of Hungary believes that auditing environmental topics is the key to reach sustainable development and sustainable economy.

Our office considers energy and energy-efficiency as main area for our audits in the near future: we continue to conduct audits of the municipal waste-management companies and also municipality owned companies providing district heating services.

There are 22 regional state-owned forestry-management companies in Hungary, whose audit is also included in the audit plans.

In 2013 our Office performed audit on the financial management of some agricultural research institutes and gene conservation institutions of the Ministry of Rural Development in 2013, audit is planned to continue with studying the remaining research institutes.

## WATER AND COSTAL AREAS

### Caspian Sea related environmental audit

SAI of Azerbaijan

The Chamber of Accounts of the Republic of Azerbaijan conducted environmental audit in several organizations as well as in Caspian Complex Environmental Monitoring Office.

During the audit it was defined that there are still some problems to be solved, such as contamination of the Caspian Sea with the domestic and industrial water waste, damages as a result of fluctuations in sea level of the Caspian Sea, decrease in biodiversity etc. in our republic.

Caspian Complex Environmental Monitoring Office conducted environmental monitoring in coastline, in the beaches, also in enterprises connected with the sea, floating facilities and on the open sea according to fixed coordinates in the Azerbaijan part of the Caspian Sea. Its main aim is to gather information for analyzing and investigating effects of all types of wastes (liquid, gas, solid etc.) produced in the enterprises at the sea and coastline, which have direct or indirect (through collector, channel,



river etc.) anthropogenic impact on the Caspian Sea. Effects can be to sea water, flora and fauna, also other water bodies. The Caspian Complex Environmental Monitoring Office analyses achieve the implementation of measures for minimizing them.

During the audit a number of recommendations were made regarding several matters, such as prevention of the contamination of the Caspian Sea, renewal and increase of biological resources and conducting monitoring in this area, effective use of funds allocated for environmental purification and monitoring of the Caspian Sea and adapting the signed agreements to the relevant legislation. The recommendations were accepted by the auditee for implementation.

Discussions regarding two protocols of the Convention on “Frame Convention on the Protection of the Marine Environment of the Caspian Sea” with the participation of Caspian’s coastal countries and representatives of United Nations Environment Programme (Protocol on the Protection of Biodiversity and Protocol on Environmental Impact Assessment in a Transboundary Context), were held in Baku on 22-25 April, 2013. These discussions led to establishment of Permanent Secretary of the Convention in the region, a new project of Global Environment Fund (GEF) suggested for the Caspian Sea region It indicates that international organizations and Azerbaijan give great importance to this sphere.

## Coastal management audit

### SAI of Cyprus

The Audit Office of the Republic of Cyprus has completed an audit on coastal management. Due to the importance of tourism to the economy of Cyprus, the coast is susceptible to excessive development. Therefore, proper and sustainable coastal management is very important, for both environmental and financial reasons. The audit examined the financial management of beaches (e.g. beach facility rentals), beach habitat preservation for key marine species (sea turtles and Mediterranean monk seals), potential pollution from vessels, interventions in beach protection zones (BPZ) and coastal erosion.

The audit was conducted using both traditional techniques (questionnaires, on-site visits, collection and analysis of data and information), as well as more innovative

techniques, such as the use of the digitized cadastral base, on which the BPZ was superimposed, in conjunction with satellite imagery, to identify constructions/interventions within the BPZ.

The environmental aspect of the audit revealed weaknesses in the implementation of national and EU legislation and International Conventions and Protocols relating to the management of coastal ecosystems. With relation to “Natura 2000” coastal areas we noted that their designation as Special Areas of Conservation was pending, as was the issuance of Nature Management and Protection Decrees as per national legislation.

Furthermore, the audit revealed numerous cases of illegal or insufficiently justified, from an environmental point of view, constructions within the BPZ and/or “Natura 2000” coastal areas. In addition, a permit was granted for the development of a golf course with villas, near (and therefore affecting) one of the most significant turtle nesting beaches in Cyprus.



The full report in Greek, as well as a summary in English, is available on the website of the Audit Office, [www.audit.gov.cy](http://www.audit.gov.cy).

For more information, please contact Mr. Akis Kikas, Senior Principal Auditor ([akikas@audit.gov.cy](mailto:akikas@audit.gov.cy))

## NAO report on Strategic Flood Risk Management

### SAI of United Kingdom

The National Audit Office of the United Kingdom has examined the strategic approach to flood risk management in England. The winter of 2013-2014 was the wettest for 250 years, causing severe flooding and



widespread disruption to thousands of homes and businesses. As of March 2014 it is estimated that 1 in 6 homes in England is at risk from flooding and coastal erosion. Furthermore, the UK government's 2012 Climate Change Risk Assessment reported that climate change will significantly increase flood risk in the UK.

The Environment Agency (the Agency) takes a strategic overview role in flood risk management and is achieving value for money in terms of improving cost-effectiveness and adopting methods for prioritising service delivery. Economic appraisals for capital projects also provide a healthy return on investment. However, current funding is insufficient to meet many of the maintenance needs the Agency has identified for its flood defence assets and the impact of climate change will further increase pressure on defences. The National Audit Office therefore concluded that achieving value for money in the long-term remains subject to significant uncertainty.

In 2009, the Department for Environment, Food and Rural Affairs published a long term investment strategy for flood defence. This stated that investment needed to increase every year by £20m, plus inflation, until 2035 to maintain the overall level of risk. Between 2010-11 and 2014-15, the Agency's funding for maintaining flood defences decreased by 6% in real terms. This means that flood defences providing lower levels of protection will only be maintained to a minimum level. As a result some assets may deteriorate faster, making them less effective and increasing replacement costs in the long term. From 2015, the capital budget will be approved for a 6 year period, which should improve medium term planning.

The report made recommendations around ensuring the long-term value for money of the maintenance programme, to improve general understanding about responsibilities for flood risk management, and to further build on improvements already made to flood risk modelling.

## NATURE CONSERVATION

### Conservation of forest resources and biodiversity

#### SAI of Bulgaria

In 2014, the Bulgarian National Audit Office (BNAO) carried out two environmental audits in key areas related to conservation of forest resources and biodiversity within the framework of two coordinated audits.

Performance Audit on Prevention and Reaction on Forest Fires is focused on the national authorities' activities for prevention and reaction on forest fires.

The results of the national representative survey on the public opinion showed that the authorities' reaction on forest fires is estimated more successful than prevention and people do not feel well informed about adequate actions for prevention and reaction in case of forest fires.

Despite the measures undertaken by the authorities for ensuring effective prevention and reaction to forest fires, it is necessary to: adopt a coordinated approach for developing a unified policy in the field of early forest fires detection; focus on forest fire risk analysis and risk evaluation; set up specific detailed rules and regulations for the forest sector processes and improve communication with population.

The subject of the performance audit on the management of the national parks for the period 01.01.2010 - 31.12.2012 is related to the management actions performed by the specialized regional bodies of the Ministry of Environment and Water – the National Park Directorates.

The main conclusion is that the management of the national parks is not effective. The ineffective management of the national parks creates risk for guaranteeing the preservation of the biological diversity therein.

### Compensation for damage to nature areas. Follow up audit of the protection of nature areas

#### SAI of the Netherlands

In this follow up audit report, published in March 2014, the NCA concluded that both developers on the one hand and municipalities and provinces on the other are now paying



more attention to nature compensation, especially during the preparatory phases. The protection of newly developed nature areas, however, is not yet effectively arranged. It is therefore not certain whether new nature areas are of acceptable quality or whether they will remain intact in the longer term.

Secondly, the NCA concluded that supervision of compliance with the nature compensation requirement is still inadequate. Responsibility for supervision is not yet properly arranged. In consequence, it is uncertain whether the measures taken actually produce sustainable and permanent compensation for damaged nature areas.

Thirdly, the NCA concluded that the provinces do not have a good oversight of the current situation regarding nature compensation. In so far as they do register nature compensation, they do not do so uniformly and the information accordingly cannot be compared. As a result, the State Secretary for Economic Affairs, who is responsible for nature management, cannot form an overall impression of the situation and cannot monitor how nature areas of national or European importance are protected.

Lastly, the NCA concluded that a digital map of protected nature areas in the Netherlands is currently not publicly available. This makes it difficult for developers to determine where they must observe the nature protection regimes. On the basis of our audit, we took the initiative to compile our own map.

For further information please contact Ms. Willemien Roenhorst of the Netherlands Court of Audit at [w.roenhorst@rekenkamer.nl](mailto:w.roenhorst@rekenkamer.nl)

### **The Wadden Sea Area: nature protection, nature management and spatial planning**

#### SAI of the Netherlands

In this audit report, published in November 2013, the NCA concluded that the recent decentralisation of nature policy and the funds mobilised to improve the ecology and economy of the Wadden Sea area has not yet led to management of the area being streamlined. The absence of nature development in the Wadden area and the hoops initiative takers have to go through are due to one and the same problem: there are no fewer than 13 managing authorities in the area and they do not always work well

with each other. As a result, coordination and the exchange of information are poor and the authorities work inefficiently. As there is not a single nature manager for the area, moreover, implementation of the Wadden policy is not monitored and evaluated consistently and to the same degree. The extent to which central government targets are being achieved is therefore uncertain. Furthermore, the financial resources available from the Wadden Fund in 2007-2011 were not spent consistently with central government policy for the Wadden area. Only a small proportion of the millions of euros that were earmarked for the Wadden area in 2007-2011 actually benefited nature. Lastly, there is lack of coordination and steering in the Wadden policy. The new administrative organisation introduced by the recent partial decentralisation of nature policy does not clarify which tier of government (central government, provincial or municipal authority) is 'really' responsible for the Wadden area.

## MARKET BASED INSTRUMENTS

### **Implementation and impact of reforming the tax credit for green investments**

#### SAI of the Netherlands

The NCA published an audit report on the reform of the tax credit available for green investments in September 2014. The report is one in a series entitled Insight into Spending Cuts. In this series, the Court explains the practical impact and social consequences of various government measures taken to improve public finances. This present report considers the savings the government has achieved by reforming the taxation of green investments and compares the actual savings with the government's estimates. It also considers how much capital private investors have invested in green funds since the government took the measures.

### **NAO of Estonia involved in debate on environmental charges**

#### SAI of Estonia

There have been hot discussions and confrontations in public between Ministry of the Environment and industry



on whether and how much the environmental charges should increase in years 2016-2025 in Estonia. Ministry on the Environment is willing to set higher rates for environmental charges which have been historically very low and ensure that the rise of charges is covering at least the inflation rates. Their approach was supported by environmental non-governmental organisations. The industry lobby groups blamed the government for imposing the charges which are not based on solid data on environmental impacts and will influence heavily the economic survival of companies and cause unemployment and social problems in some industrial regions. Their proposal was to freeze the increase of some environmental charges (mineral resources) for coming years.

NAO of Estonia has conducted several audits in previous years which have indicated that the rates of environmental charges are too low and not differentiated according to their harmfulness, they have no impact on reducing pollution and increasing resource efficiency and they do not cover the environmental damages caused by companies. Therefore the NAO spoke up on that topic in public.

Analysis of NAO of Estonia based on various expert opinions has shown that minimum increase in environmental charges (2-3% and more per year) is ineluctable. It is mainly because the state should give a signal to the industry to use the natural resources (especially non-renewables) more efficiently. In addition, environmental charges should include all the external costs caused by industry, otherwise the costs of environmental damages have to be covered by the other members of society or by future generations. At the same time the charges have to be fair and acceptable. Therefore it is the governments' task to impose charges which are justifiable, based on solid data and transparent calculation methods, and accepted by interest groups. Moreover, the government should consider the possibility to impose state revenue (royalty) for the use of one of its mineral resources - oil shale<sup>1</sup> (like it is done in many countries on oil, e.g Norway), so that the whole society could benefit from that, not only business.

<sup>1</sup> Oil shale - organic-rich fine-grained sedimentary rock, which is used in Estonia to produce electricity, heat and shale oil.

In November 2014 the government passed the regulation on environmental charges on state owned mineral resources which ensures the rise of charges by 3-6% per year and allows the revision of charges if the bases for them is changed due to better understanding of social, economic and environmental impacts.

For further information: Ms Viire Viss, Audit Manager, [viire.viss@riigikontroll.ee](mailto:viire.viss@riigikontroll.ee)

## WASTE MANAGEMENT

### Incineration of waste in Slovenia is not efficient

#### SAI of Slovenia

The recent audit report on establishing infrastructure for municipal waste incineration revealed numerous inefficiencies in managing municipal waste, particularly regarding its disposal. There is neither proper strategy nor action plan which would clearly determine how residues of municipal waste after mechanical -biological treatment should be disposed. There was an incineration installation with cogeneration plant established in 2009 but only 20 percent of all municipal waste generated in the country can be incinerated there. For the rest, there are no other methods for disposal rather than landfilling foreseen, which is environmentally the least suitable possibility.

Two other incineration plants, where all remaining residuals of municipal waste could be incinerated, were planned to be built several years ago with the support of the Cohesion Fund, but the investment was not realised due to slow process of preparing and verifying investment documentation and opposing of general public. The consequence of these delays was that both projects cannot be supported by cohesion policy in the period 2014 – 2020 because there will be no funds available for such purposes anymore and budgetary resources are too scarce to finance the investment. After 2016 the majority of existing landfills will have to be closed and there will not be any proper way to dispose municipal waste residues inside the country. The Court of Audit demanded re-evaluation of estimated quantities of waste generated and of residues after mechanical biological treatment and designing of new action plan to assure the maximum proportions of separately collected municipal waste, its



maximum material recovery to reach the minimum quantities of waste residues possible and clear determination of the method of its disposal.

## NEW WORKING GROUP IN EUROSAI

### **Establishment of the EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes**

SAI of Ukraine

The Accounting Chamber of Ukraine, after reporting in June 2014 to the EUROSAI Congress on the work done by the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes, chaired the same named EUROSAI Working Group. The appropriate resolution on transformation of the EUROSAI Task Force into the Working Group was approved at the IX<sup>th</sup> EUROSAI Congress, which was held in The Hague (the Netherlands) on June 16 – 19, 2014. It was agreed that the Accounting Chamber of Ukraine would chair the Working Group to 2017, continuing cooperation with the INTOSAI and EUROSAI Working Groups on Environmental Auditing. The Congress also authorized the Working Group to present its new Work Plan for the following period to the EUROSAI Governing Board in 2015.

Based on the main EUROSAI Working Group Mission, which is to coordinate and consolidate the efforts of the European SAIs in assistance to the national governments in developing effective and efficient instruments of disasters and catastrophes prevention and consequences elimination, the group will continue the practice of conducting the joint international audits in this area, implementation of the International Standards of Supreme Audit Institutions (ISSAI), and their further development, conducting trainings and advisory activities related to the most relevant topics for the group's members.

As of today, membership in the Working Group was confirmed by 17 SAIs and the Accounting Chamber of Ukraine invites the colleagues from all SAIs to participate and collaborate in the framework of the group as far as value of the issue is safety of millions of people.

