MESSAGE FROM THE CHAIR

Dear Colleagues,

The range of topics audited by supreme audit institutions (SAIs) has expanded throughout the years and continues to do so. Environmental auditing is no exception in this case. On the one hand, the topics analysed become more concrete, more detailed. But at the same time they become more interrelated and indivisible.

As I recently emphasised to the participants of the EUROSAI WGEA spring session, we have to take into account in our work also the new business trends and aspirations towards sustainable consumption. The keywords characterising today’s and tomorrow’s world are sharing, re-using, repairing, refurbishing, recycling. All of these ideas are contributing to the achievement of a more sustainable world.

Speaking of the keywords or the key concepts of today and tomorrow, we inevitably also come across sustainable development and the sustainable development goals (SDGs). The relevance of sustainable development for SAIs is well demonstrated by the fact that it has been chosen one of the main topics of the forthcoming XXII INCOSAI Congress to be held in December 2016.

For us, auditors, such wide and borderless concept might seem confusing and immeasurable at first. However, we have to acknowledge that we are currently also on a learning position and we have the opportunity to develop our skills in line with the expansion of the issue on global, regional and national level.

Hereby I seize the opportunity to invite the EUROSAI WGEA members to take part in the training seminar on auditing sustainable development. Even though auditing sustainable development cannot be the sole responsibility of environmental auditors in an audit institution, we can be the pioneers and lead by example!

I wish you all a good summer and hope to welcome many of you already at the 14th EUROSAI WGEA Annual Meeting and training seminar in the end of September!

Yours sincerely,

Alar Karis
Chair of EUROSAI WGEA
**UPCOMING EVENTS**

**14th Annual Meeting and Training Seminar on Sustainable Development**

The next annual meeting and training seminar will be held in Skopje, the former Yugoslav Republic of Macedonia on 26-29 September 2016.

The training seminar, held on 26 September, one day prior to the annual meeting, will focus on **auditing sustainable development**. The aim of the training seminar is to provide an overview of the recent trends and developments regarding sustainable development and sustainable development goals, introduce the relevant audit experience, and implement the theory in practical exercises.

The 14th Annual Meeting (27-29 September) has two central topics. **Market based instruments for environmental protection** will be addressed in a one day session with the aim to introduce the INTOSAI WGEA research project and experiences related to already conducted or ongoing audits. **ISSAIs of environmental auditing** will be the topic for the second day when experiences related to implementing the specific environmental auditing standards will be discussed. The third day of the annual meeting will be dedicated on cooperative or coordinated environmental audits and EUROSAI WGEA strategy.

Both, the training seminar and the annual meeting will include keynote presentations by experts from relevant institutions, sharing SAI experience and practical exercises and discussions on the respective topics.

Please keep in mind that the registration deadline for the meeting is 15 July 2016. Further information may be found at [www.eurosaiwgea.org](http://www.eurosaiwgea.org).

**REFLECTIONS FROM THE SPRING SESSION**

The Spring Session on Recycling was held in Tallinn, Estonia on 27-28 April. The 1.5-day seminar brought together 40 participants representing 17 SAIs, ECA and 1 external institution.

The seminar started with the introduction of recently updated INTOSAI WGEA guidance material on auditing waste management and a keynote presentation on the trends and developments in waste management and recycling, complemented by examples from Estonia. The seminar agenda also included a panel discussion on evaluating waste management policy and plans against waste hierarchy, SAI presentations and group discussions.

The range of topics covered during the seminar varied from waste management and economic instruments to energy production and biodegradable waste.

One of the most influential ideas presented at the seminar was that waste should not be considered as a bad thing but rather as a resource. There is a need to change the attitude and thinking in the society in order to successfully shift the economy from linear to circular model. The change has to start from individuals and seemingly simple actions such as separate collection of waste. Waste prevention, however, is more to do with producers and eco-design.

It was concluded that the problems related to recycling and waste management are rather similar in different countries, which could pose a great opportunity also for cooperative activities between SAIs. However, one of the major issues for SAIs in this field is the
(in)reliability of waste data – the problem which seems to appear in all countries.

More detailed summaries of the presentations and discussions from the Spring Session will be available in the seminar report, which will be finalised by the secretariat in June 2016. The presentation slides are accessible at the EUROSAI WGEA website.

The secretariat was delighted to receive a very positive feedback from the participants to all the sessions and would like to thank all the participants and especially the presenters and session moderators for contributing to the success of the seminar!

The survey was completed by 10 EUROSAI WGEA members and by the SAI of Kuwait. The received answers revealed the situation in them. For example, in Norway 100 per cent of the biodegradable waste is managed and almost none of it goes to landfills. The survey also helped identify the ways how different countries manage the waste (e.g., it is separately composted by residents, it is collected and composted by a waste manager, it is used to generate energy, etc.), as well as indicated common problems, which were later discussed during the session.

The SAIs which participated in the session showed a great interest in sharing their experiences and getting answers to issues and points of concern.

The participation of the SAI of Kuwait in the session was very welcome: experience of the SAI not EUROSAI member was a very valuable and insightful input allowing for interregional comparison.

Session on Managing of Biodegradable Waste

Lithuania

Representatives of the National Audit Office of Lithuania were invited to moderate the session on managing of biodegradable waste at the EUROSAI WGEA spring event in Tallinn. In order to get a wider perspective on this area and make the session discussions the most efficient, a related survey was circulated to the WGEA member countries, which intended to participate in the seminar. The survey questions covered the definition of biodegradable waste, year when the separation or sorting of the waste started, whether it is mandatory in a respondent’s country, whether the responding SAI has conducted audits examining the management of biodegradable waste, etc.

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NAO study on the Green Deal and Energy Company Obligation (ECO)

United Kingdom

In April 2016 the NAO published a report on the Green Deal and Energy Company Obligation (ECO), two government household energy efficiency schemes. Through the Green Deal, households could take out loans to pay for energy efficiency measures which they repaid through their energy bills. Through ECO, energy suppliers install measures that save a set level of carbon dioxide or reduce bills, with their costs passed onto their energy customers. The government wanted the schemes to work together to reduce carbon dioxide emissions. It also wanted the schemes to focus on improving ‘harder-to-treat’ properties, stimulate private investment in energy efficiency measures and tackle the causes of fuel poverty.

The NAO found that demand for Green Deal loans has been far lower than the Department hoped, with only 14,000 households having taken out loans. It found that the Department responsible for the scheme (the Department of Energy & Climate Change, DECC) did not do enough to test the design of the Green Deal with consumers to ensure there would be demand for the loans. Despite government investment worth £240 million the Green Deal has not saved any additional carbon dioxide compared to what would have been achieved by other schemes.

Energy suppliers have met their obligations under the ECO scheme, with measures installed through the scheme so far expected to save 24 MtCO₂ over their lifetime. Suppliers have also achieved over £6 billion notional bill savings in homes most likely to be occupied by vulnerable people, although DECC is unable to measure the impact of this on reducing fuel poverty. ECO has made less progress in insulating ‘harder-to-treat’ homes than DECC initially planned. The NAO also found that suppliers’ costs to meet their obligations were increased by DECC designing the scheme to support the Green Deal, reducing its cost effectiveness.

For further information please contact Simon Bittlestone, at simon.bittlestone@nao.gsi.gov.uk


the Netherlands

The Minister of Economic Affairs wants to hold a public dialogue so that timely steps can be taken towards a completely sustainable energy supply in 2050. In December 2015, the NCA contributed to the dialogue by looking back at the energy policy audits we carried out between 2006 and 2015.

The current energy policy focuses on three goals: affordability, reliability and sustainability. Looking back at energy policy, we can see that there has been little change over the past decade but the emphasis has been shifted by each new government. We can also see that the focus on affordability and reliability has had reasonably good results but the results in the field of sustainability have not been so positive.

Other EU member states are ahead of the Netherlands when it comes to the proportion of sustainable energy in the total energy supply. Our audits have found that the greening of energy policy has been held back by lack of coherence and prioritisation of the three policy goals and secondary goals, such as sustainable energy versus a reduction in CO₂ emissions.

Optimising one may be at the expense of the other. The politicians are responsible for the choices, of course, but their reasons must always be transparent so that parliament and the public are aware of the consequences. The absence of a coherent approach to the policy has consequences for its impact. Many of the instruments used to green energy policy are not effective or efficient enough. Lessons have been learnt, however, from subsidy schemes for sustainable energy. The lack of a coherent approach to energy issues also influences the quality of supervision.
The Minister of Economic Affairs’ accountability to parliament is also open to improvement. To improve the coherence of energy policy, the Minister should first operationalise the goals and specifically compare them against each other. He should then closely monitor his policy and adapt his ambitions, instruments or budget to any setbacks in its implementation. Finally, we recommend that more of the instruments selected be more compulsory in nature, especially regarding energy savings.

For further information please contact Ms Willemien Roenhorst at w.roenhorst@rekenkamer.nl at the Netherlands Court of Audit.

WASTE MANAGEMENT

Audit report: Mining waste – financial risks for the State (RIR 2015:20)

Sweden

The audit report was published in December 2015. The purpose of the audit was to audit whether the current system of financial guarantees for mining activities minimises the risk of central government needing to pay for post-treatment of closed down mining activities.

To avoid society, that is the taxpayers, having to pay for necessary post-treatment of contaminated mining areas, operators of mining activities must provide financial guarantees. If the operator is declared bankrupt or is otherwise unable to fulfil its obligation to remedy environmental damage or carry out post-treatment of the mining area, the State must be able to exercise the guarantee. The total amount of financial guarantees for mining activities issued is about SEK 2.7 billion.

There are problems both in determining the financial guarantees and in monitoring allocated guarantees and in environmental supervision of mining activities. Taken together these problems mean that the current system of financial guarantees for mining activities do not sufficiently minimise the risks that central government and thereby tax payers will have to pay for necessary post-treatment of closed-down mines.

The environmental consequences of mining activities are in many cases not limited in time. At the same time the financial guarantees are often based on covering post-treatment and follow-up inspections and maintenance for 30 years after mining activities have been discontinued. There is a risk that guarantees will be insufficient to cover the cost of inspection and any maintenance measures for the entire period of remaining environmental consequences.

There are examples of mines that have been declared bankrupt a short time after mining operations started and where central government expenditure for post-treatment of these contaminated areas amounts to considerable sums.

For a summary of the audit report, please refer to the Swedish NAO’s website: http://www.riksrevisionen.se/PageFiles/23229/Summary_RiR_2015_20%20(2).pdf

WATER AND COSTAL AREAS

Special Report 3/2016 “Combating eutrophication in the Baltic Sea: further and more effective action needed”

European Court of Auditors

The European Court of Auditors has carried out in recent years a series of performance audits on the effectiveness of EU policy in protecting the water quality and in providing access to drinking water to its citizens. Special Report 3/2016 is the fifth one and it follows the Special reports listed below:

- Special Report 9/2010 "Is EU Structural Measures spending on the supply of water for domestic consumption used to best effect?"
- Special Report 2/2015 “EU funding of urban waste water treatment plants in the Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives”
- Special Report 23/2015 “Water quality in the Danube river basin: progress in implementing the water framework directive but still some way to go”
EU policy combating eutrophication

Eutrophication is a process caused by excess of nutrients in the water which can significantly reduce the utility of the sea by reducing biodiversity, spoiling the appearance of the coast and depleting fish stocks. It is a long date concern in the Baltic Sea, bordered by eight EU Member States (SE, FI, EE, LT, LV, PL, DE and DK) and Russia. All coastal countries as well as the EU are signatories of the Regional Sea Convention on protection of Marine Environment (1974), governed by the Helsinki Commission (HELCOM). In 2007, HELCOM proposed an action plan for the Baltic Sea (BSAP) aiming to restore the good environmental status of the sea which includes national targets for nutrient inputs reduction. Each of the signatories had to adopt its own national plan to achieve those targets.

The EU initiated its policy to combat eutrophication in the 90’s through two directives as regards the sectors which are the main sources of nutrients: the urban agglomerations and the agriculture (Council Directives 91/271/EEC and 91/676/EEC, known as “the Urban Waste Water Treatment Directive” and “the Nitrates Directive”). Two more recent directives, the Water Framework Directive (Directive 2000/60/EC) and the Marine Strategy Framework Directive (Directive 2008/56/EC) take stock of the achievements and limitations of the former sectorial directives in preventing deterioration of the waters’ environmental condition (including their trophic status) and provide for the implementation of programmes of measures to restore the good status of surface and underground waters (both chemical and ecological) by 2015, as well as the good environmental status of marine waters by 2020. The programmes of measures for the Marine Strategy Framework Directive should, as far as possible, build on the objectives and activities of the existing Regional Sea Conventions.

The EU contributes with significant amount of money to the construction of infrastructures necessary for the implementation of the Urban Waste Water Treatment Directive and to the agri-environmental payments to farmers that implement measures going beyond the rules of Nitrates Directive.

Recognising the importance of the Baltic Sea environment for the socio-economic development of the region, the European Council adopted in 2009 an EU Strategy for the Baltic Sea Region (EUSBSR). One of its objectives is to achieve the reductions of nutrient inputs established in the BSAP. The EUSBSR promotes cooperation among neighbouring countries and innovation as a way to achieve its aims, but doesn’t involve EU funding, legislation or institutions.

ECA’s audit

The Court examined to what extent nutrient inputs to the Baltic Sea have been reduced in relation to the reference period (1997-2003), and assessed the effectiveness of EU actions implemented by Member States to reduce nutrient loads into the water, notably the implementation of the Urban Waste Water Directive, the Nitrates Directive and relevant elements of the Water Framework Directive. The audit involved visits to 3 Member States, a survey to five others and desk reviews of EU co-financed projects in Russia and Belarus. The role of the Commission in the implementation of the relevant EU Directives was also examined.

Audit observations

We concluded that by the end of 2012 (latest available data) limited progress in reducing nutrient inputs to the Baltic Sea has been achieved, even though the nutrient load from urban agglomerations has followed a decreasing trend since the 80’s. Nutrient load from agriculture has remained stable or has increased in some countries.

The action of Member States to achieve their HELCOM nutrient reduction targets lacked ambition. It has been based almost exclusively on the implementation of EU sectorial directives of 1991, though not yet in full, and voluntary measures co-financed by the EU set up in their programmes of measures for the Water Framework Directive. EU co-financed expenditures in the field of urban waste water treatment have not been fully effective and the Commission follow-up of the Member States plans for implementing the Directive was not timely. Often, Member States haven’t imposed stricter quality standards for waste water treatment effluent from agglomerations located in the catchment areas of water bodies in poor condition. The Member States have not imposed compulsory measures, going beyond the rules of the Nitrates Directive, to farms located in those areas and agri-environmental measures have not sufficiently targeted them.
Member States programmes of measures for the Water Framework Directive lack of appropriate indicators to assess the reduction of nutrient loads to the river basins and when nutrient loads have been assessed the relative data is not always consistent with data used for HELCOM follow-up on the reduction of nutrient inputs to the Baltic Sea.

The EUSBSR has enabled the implementation of some best practices projects carried out in cooperation between EU and non-EU countries; however its impact on Member States’ actions to reduce nutrient inputs into the Baltic Sea is difficult to assess. Insufficient political commitment of Member States has resulted in very limited alignment of the Operational Programmes 2014-2020 with the EUSBSR objective of a Baltic Sea free from eutrophication.

The report is available in all EU languages on ECA’s website. For further information please contact Ms Maria del Carmen Jiménez at maria.jimenez@eca.europa.eu

On International Coordinated Audit on Protection of the Waters in the Bug River Catchment Area from Pollution (Follow-up Audit)

Ukraine

In 2006 the Accounting Chamber of Ukraine together with the State Control Committee of the Republic of Belarus and the Supreme Audit Office of the Republic of Poland conducted International Coordinated Audit on Protection of the Waters in the Bug River Catchment Area From Pollution. After its completion corresponding joint conclusions and recommendations were prepared for the governments of the audit member-states.

Taking into account the importance and relevance of the issue of purity of the Bug River waters as well as the necessity to implement requirements of the EU Framework Water Directive, in 2014 the Accounting Chamber of Ukraine together with the Supreme Audit Office of the Republic of Poland and the State Control Committee of the Republic of Belarus began an international follow-up audit of the previous control activity, which was completed in 2006.

All national audits in the framework of the aforementioned audit were finalized in 2015.

On 21 April 2016 the delegation of the Accounting Chamber of Ukraine headed by the Chairman Roman Maguta participated in the Conference on International Coordinated Audit on Protection of the Waters in the Bug River Catchment Area from Pollution (Follow-up Audit), which was organized by the Supreme Audit Office of the Republic of Poland in Lublin (Republic of Poland).

An important part of the Conference was the signing of the Joint Communiqué by the SAIs of the Republic of Belarus, Republic of Poland and Ukraine. Thereby the Parties formulated the overall outcomes and recommendations on the results of international coordinated audit and confirmed their decision to continue cooperation in this sphere by conducting national and joint international audits as well as by implementing recommendations of these control activities.

In particular the Parties stated in the Communiqué that one of the major prerequisites which constrained the quality improvement of waters in the Bug River catchment area was the lack of on-time execution of planned programs and other events aimed at ecologic sanitation of the waters in the river basin, caused by the deficit of financial resources. According to experts’ estimates, financial resources needed to improve quality conditions of the basin’s waters are more than 700 mln Euro.

As a result the audit confirmed the necessity for corresponding authorities in three countries to make extra efforts to attract additional funds, also from international resources.

NAO briefing on transport sustainability

United Kingdom

The transport sector has a significant detrimental impact on the environment, both through emissions of carbon and NOX gases and through local impacts such as noise pollution and habitat loss. Only 5 of 43 UK zones met EU Air Quality Directive limits in 2013, while expert advice on the UK’s carbon targets for 2050 suggests that the most cost-effective path requires significantly faster transport emission reductions than currently projected.
The Department for Transport supports the UK transport network, and has a strategic priority to deliver “safe, secure, and sustainable transport.” In April 2016 the NAO produced a briefing for the Environmental Audit Committee on sustainability in the Department for Transport, providing an overview of the department’s actions to encourage sustainability and examining the extent to which these actions support government’s environmental objectives. The briefing uses good practice criteria developed through previous briefings for the Environmental Audit Committee, and formed the basis of a committee evidence session held on April 26th.

We found that the Department for Transport understands the importance of the environmental challenges faced by the transport sector, and has ensured that its internal processes reflect this. It has a director general with responsibility for sustainability, and has set specific environmental targets for most transport areas. It also has an extensive appraisal system with clear requirements for consideration of sustainability, and works well with other government departments on key issues.

However our briefing also expresses concerns over the extent to which the department is taking advantage of its internal strengths to act as a leader for sustainability. Despite the department encouraging innovation to support sustainability stakeholders were often unclear as to the departments overall aims for the transport system. It was also unclear the extent to which sustainability was considered across the transport system as a whole.

For further information please contact Tom Glithero, at tom.glithero@nao.gsi.gov.uk

Environmental Audits conducted by the Chamber of Accounts of Republic of Azerbaijan

Azerbaijan


In 2014, audits were mainly conducted in structural units under the Ministry of Ecology and Natural Resources (forest development, geological exploration services, environmental protection, ecological monitoring of the Caspian Sea, expertise, hydro meteorological areas) and irrigation systems under Melioration and Water Management of the Republic of Azerbaijan.

In 2015, audits were conducted in “Azerbaijan Landscaping and Greening” OSJC, Baku Greening Management and two structural units under Melioration and Water Management of the Republic of Azerbaijan regarding the maintenance and caring of greenery around the highways in Baku, as well as in other cities and regions.

The relevant assessments were conducted and results were achieved with regard to audit questions in audit programs, as well as the use of funds allocated from the state budget and extra-budgetary funds.

Forecasting of the funds allocated to the auditee from the state budget and compliance with the relevant normative legal acts, the amount, distribution, structure and proper execution of budget funds, the compliance of procurement (goods and services) with the relevant regulatory acts, accounting and accountability, as well as the status of internal control were analyzed and results were achieved.

The full use of potential opportunities for increasing incomes by following existing legislation while planning, calculating and paying the incomes on extra-budgetary funds, closure of receivables, efficient use of funds received from use of information on hydrometeorology and environmental monitoring for the field development in line with the regulatory acts of the Republic of Azerbaijan, strictly following the regulatory acts of the relevant areas and taking the necessary actions for eliminating the revealed shortcomings were recommended. The recommendations were fulfilled by the auditees.

The financial statements were also analyzed along with efficiency indicators in the auditees and pronouncements were submitted for increasing the accountability.
Principles for effectively co-governing natural resources

New Zealand

The Auditor-General of New Zealand has released a report examining approaches to shared governance (known as ‘co-governance’) of natural resources.

Co-governance arrangements over natural resources are an emerging trend in New Zealand. They can involve shared governance or management arrangements between central and local government entities and indigenous people (Maori), over a natural resource such as a lake or river or a park or reserve. Such arrangements can recognise Maori traditional and cultural interests in managing the environment and natural resources.

One example the report considers is the Waikato River Authority, a co-governance entity with environmental management responsibilities for New Zealand’s longest river (the Waikato River). Half of the governing body of the Authority are appointed by the Crown and half appointed by the Maori tribes associated with the river. One of the Authority’s functions is to administer Crown funding for projects to improve the biodiversity and environmental health of the river.

The Auditor-General’s report Principles for co-governing natural resources outlines some of the ways to co-govern environmental initiatives.

The report draws on the experiences of eight co-governed initiatives to identify some principles to consider when setting up and running co-governance and co-management initiatives.

The principles are focused on the importance of investing in the relationship between the co-governors, and maintaining the investment. The principles are:

- Build and maintain a shared understanding of what everyone is trying to achieve;
- Build the structures, processes and understanding about how people will work together;
- Involve people who have the right experience and capacity;
- Be accountable and transparent about performance, achievements and challenges; and
- Plan for financial sustainability and adapt as circumstances change.

The report also highlights some practical lessons that could help to achieve successful co-governance, and should be of interest to SAIs that are looking at governance arrangements in the environment sector.

The report is not an audit of effectiveness of the arrangements as many are new, but there is scope to consider this in follow up work.

The full report can be found at www.oag.govt.nz

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