



# EUROSAI

Working Group on  
Environmental Auditing

## NEWSLETTER 1/2017

### MESSAGE FROM THE CHAIR



Dear Colleagues,

Recently, the X EUROSAI Congress was held in Istanbul, Turkey. The Congresses are important milestones for the EUROSAI organisation – retrospect is made on the

previous three years, and intentions introduced for the upcoming.

The EUROSAI Working Group on Environmental Auditing (WGEA) is also preparing for the next three-year working period. Being the Chair of such an active and dynamic working group is an honour and I am most pleased to continue chairing the EUROSAI WGEA for another three years.

In retrospect at the ending working period, I must thank all EUROSAI WGEA members – your contributions to the activities of the working group have been invaluable and I hope to see this well functioning cooperation continue in the future.

Within the past three years, we have managed to hold three successful Spring Sessions: on auditing energy issues, waste recycling, and water management; three training seminars: on auditing infrastructure, agriculture, and

sustainable development; as well as three Annual Meetings, where also a number of topics have been covered.

While we have some strong traditions established, it is also good to see that the members are eager to undertake new projects, such as developing e-learning tools. The kick-off of the Water-MOOC (Massive Open Online Course) project has been outstandingly popular among the EUROSAI WGEA. I do hope and believe that this enthusiasm leads to a good outcome also!

Yours sincerely,

Alar Karis  
Auditor General of Estonia  
Chair of EUROSAI WGEA





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## UPCOMING EVENTS

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### 15<sup>th</sup> EUROSAI WGEA Annual Meeting and Training Seminar on Environmental Data and Information Systems

IMPORTANT! Change in dates!

The 15<sup>th</sup> Annual Meeting of EUROSAI Working Group on Environmental Auditing will be hosted by the State Supreme Audit Institution of Albania and held from **18 to 20 October** in Tirana, Albania. A training seminar on Environmental Data and Information Systems will be held one day prior to the Annual Meeting, on **17 October**.

The main topics for the Annual Meeting will be auditing Land Use and development, and Greening the SAIs. As usually, we will have an Information and Experience Sharing Market and Business Meeting to share news on other auditing activities and cooperation projects.

The invitation to take part in the Annual Meeting, as well as the training seminar will be sent to all EUROSAI WGEA members in June. Please note that the registration deadline will be 8 September 2017.

See the EUROSAI WGEA webpage for further information on upcoming events: [www.eurosaiwgea.org](http://www.eurosaiwgea.org)

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## EUROSAI WGEA NEWS

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### Participation at X EUROSAI Congress

The EUROSAI Working Group on Environmental Auditing had a chance to present the activity carried out during the last 3 years, as well as the activities intended for the future to the X EUROSAI Congress.

The EUROSAI Congress took note of the EUROSAI WGEA 2014-2017 Activity Report and approved the EUROSAI WGEA Strategic Plan for 2017-2020. Moreover, the Congress extended the mandate of EUROSAI Working Group on Environmental Auditing for another 3 years and supports the prolongation of National Audit Office of Estonia's mandate as the Chair of the Working Group for the next working period.

### New Strategic Plan

In the course of spring, a new **EUROSAI WGEA Strategic Plan for 2017-2020** was drafted. Significant input for the Strategic Plan was received from EUROSAI WGEA members already at the 14<sup>th</sup> Annual Meeting, where all participants expressed their ideas and expectations to the working group during a brainstorming session. The aim was to keep the Strategic Plan concise and straightforward, but yet to capture the objectives of the working group. The draft Strategic Plan also includes three annexes: List of EUROSAI

WGEA members, Steering Committee Terms of Reference, and Activity Plan for 2017-2020. The draft strategic plan was sent for commenting to all member SAIs in March.

After accumulating and considering all comments from the working group members, the draft Strategic Plan was submitted to the Congress for adoption. The EUROSAI WGEA Strategic Plan for 2017-2020 was adopted by the X EUROSAI Congress and enters into force at the next EUROSAI WGEA Annual Meeting.

### Call for Steering Committee

In connection with the new working period, there is also a need to **form a new Steering Committee**. An invitation was sent to all working group members to consider whether they would like to become a member of the EUROSAI WGEA Steering Committee (SC). All interested SAIs that have not yet done so, are encouraged to express their wish to become a SC member to the EUROSAI WGEA Secretariat by **31 August** via letter or e-mail. Current members who would like to continue at the SC are also expected to confirm their continued interest.



### Workspace at the EUROSAI WGEA website

A workspace has been created at the EUROSAI WGEA website with the aim to enable our members to share audit planning documents among their colleagues from other SAIs and, therefore, further contribute to knowledge and experience sharing. The workspace is accessible only for logged in users.

On the website, we have created a unique user for each SAI and all EUROSAI WGEA members have been approached with this issue.

As a pilot, we gathered water-related planning documents from our members and were very glad to see that this initiative was positively welcomed. From now on, all EUROSAI WGEA member SAIs will be able to upload the

planning document files to the password-protected area themselves, as well as raise discussions on related topics.

In the Workspace, there is a separate sub-site for agriculture, biodiversity, energy and climate change, infrastructure and land use, waste, and water related audits. In each of these sub-sites it is possible for you to upload audit planning materials and start discussions.

Currently, only the 'Water' site is filled with materials, but contributions are welcomed also under other topics.

Recently, all EUROSAI WGEA members were approached with instructions for setting a password for SAI users. In case you did not receive this information, please contact us at [eurosaiwgea@riigikontroll.ee](mailto:eurosaiwgea@riigikontroll.ee).

## FOCUS ON WATER

### Spring Session on Water Quality and Management

On 25<sup>th</sup> and 26<sup>th</sup> April, a spring session was held in Ljubljana, Slovenia, kindly hosted by the Slovenian Court of Audit. The spring session was dedicated on auditing different aspects of water quality and management, covering topics such as availability and sustainable management of water, conservation of fresh water ecosystems, connection with the Sustainable Development Goals and SAIs' role and experience in auditing these issues.



*Spring Session venue: Ljubljana Town Hall*

The seminar kicked off with two key note presentations. Ms Claire McCamphill from the European Commission

(Directorate-General for Environment) presented the progress on implementing the Water Framework Directive (WFD), as well as the current work of the European Commission to improve implementation. Ms McCamphill concluded that in order to meet the requirements set in the WFD, the pre-existing permits and authorisations ought to be updated. Furthermore, the WFD basic measures and project support funds could be a priority for auditors.

The second external speaker, Mr Giuseppe Sgorbati from the European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL) focused on agriculture and water protection, especially water protection requirements and problems deriving from agriculture.

The two key note presenters were then joined by Mr Klaus Stern (European Court of Auditors) and Mr Heinrich Lang (Austrian Court of Audit) to continue the discussion with the moderation of Ms Airi Andresson (National Audit Office of Estonia). The main conclusion from the panel discussion was related to the quality and availability of data. It was stressed that even though the data needs to be accurate, and the problems with data quality as well as compatibility are frequent problems, the existing data can still be used for auditing. The lack of data may never be an excuse for no action!



The seminar continued with a number of SAI presentations and several discussion sessions in smaller groups. All presentation slides and the seminar programme are available at the [EUROSAI WGEA webpage](#).

This seminar will also give a great input for an upcoming project of developing a Massive Open Online Course (MOOC) on Auditing Water Issues. Read more about that project below.

The Spring Session on Water Quality and Management was attended by 43 participants from 20 Supreme Audit Institutions and 3 external institutions.

The EUROSAI WGEA Secretariat takes this opportunity to once more thank all participants of the seminar for making it a success! Moreover, we would like to thank our host, the Court of Audit of Slovenia, for the professional organisation of the event, and their impeccable hospitality!



*Slovenian hospitality at its finest: a farewell lunch at the main street of Ljubljana Old Town*

### MOOC on Auditing Water Issues

EUROSAI WGEA is undertaking the development of a Massive Open Online Course (MOOC) on Auditing Water Issues. This course will cover all aspects of fresh water management extending from natural water bodies and flood control to water infrastructure projects. The water MOOC is planned to consist of reading material, video lectures, exercises, tests, audit cases based on the practice of several Supreme Audit Institutions from the EUROSAI region.

The EUROSAI WGEA secretariat will coordinate the development of the MOOC. This specific MOOC will be created in cooperation with University of Tartu, which will provide the online platform and technical as well as instructional support to the project. Furthermore, several EUROSAI WGEA members will be included in the project as partners or contributors, providing audit cases, commenting the material, etc. The MOOC is planned to be launched in the 2<sup>nd</sup> half of 2018.

## NEWS ON COOPERATIVE AUDITS

### Cooperative audit relating to Marine Protected Areas

On 14-15 December 2016 the Audit Office of the Republic of Cyprus hosted the kick off meeting of the cooperative audit on marine protected areas, to be performed by EUROSAI WGEA members. The audit is co-led by the SAIs of Cyprus and Malta, and the participating SAIs are Albania, Greece and Portugal. The SAI of Slovenia will be

contributing to the joint report with findings of a relevant national audit that has already been published.

The aim of the cooperative audit is to identify and evaluate the actions taken by governments of Mediterranean countries and Portugal to protect marine biodiversity, through the designation and proper management of marine protected areas and provide common conclusions and recommendations.



During the meeting held in Nicosia the discussions covered the audit scope, audit questions and criteria to be used, as well as an indicative timeframe and milestones for the completion of the audit.



*Cooperative audit meeting in Cyprus*

In order to collect and assess comparable information on national governments' actions, the partner SAIs have agreed on a common framework of audit issues and corresponding audit questions to be addressed in the national audits. Five major topics were identified by the SAIs as important for assessing governments' actions regarding the protection of marine biodiversity, namely national strategies, designation of marine protected areas, design of management plans, implementation and monitoring and feedback.

Participating SAIs are currently in the process of performing the national audits, which are expected to be completed by the end of the current year. According to the agreed timeframe, the joint report is planned to be issued in the first half of 2018.

### **Cooperative audit on Air Quality**

The cooperative audit on air quality had its second successful meeting on the 26<sup>th</sup> and 27<sup>th</sup> of January in Kraków, hosted by the co-coordinator the Supreme Audit Office of Poland (NIK) and attended by 14 European SAIs and the European Court of Auditors.

The agenda of the two-day meeting covered presentations and heated discussions, contributing to the goal of the meeting, which was to finalise the audit framework,

discuss and tackle any stumbling blocks encountered and share information on different audit approaches.

Prior to the meeting each SAI had to fill in some questionnaires and the results were presented at the meeting. We also talked about our milestones and what should be expected from each SAI to make sure the audit will be successful. The co-coordinators agreed make a template for the joint audit as well as a more detailed program. Since the meeting a digital platform has been set up for information sharing between the participating SAIs.



*2<sup>nd</sup> meeting of the cooperative audit in Kraków*

Another meeting, this time of the coordination team, took place on 10-11 April 2017 in The Hague. The co-coordinators started working on a dummy for the joint audit and discussed other issues like data collection method, further division of tasks and new ways of using the digital platform.

The SAIs are now working on answering question one 'What is the main problem in your country regarding to air pollution?' from the audit framework. The co-coordinators will analyse all the answers and formulate one answer for the joint report.

The third meeting for the cooperative audit will be held in Luxembourg on the 8<sup>th</sup> and 9<sup>th</sup> of November and hosted by the ECA. During the meeting the SAIs will present their preliminary results, the co-coordinators will present the draft of the joint report and we will again discuss matters as achieved results and quality control.

*For more information, please contact Mr Wojciech Dudek (SAI Poland) at [Wojciech.Dudek@nik.gov.pl](mailto:Wojciech.Dudek@nik.gov.pl) or Ms Sadaf Qutbyar (SAI Netherlands) at [S.Qutbyar@rekenkamer.nl](mailto:S.Qutbyar@rekenkamer.nl)*



## Cooperative audit on Energy Efficiency in Public Sector Buildings

On 2 and 3 February, the National Audit Office of Estonia hosted a meeting attended by 8 SAIs. For the meeting, the audit leaders - Estonia, Latvia and Lithuania - had developed a preliminary set of audit questions and potential criteria for each sub-question. At the meeting in Tallinn, the audit framework and activities were agreed on.



Cooperative audit meeting in Tallinn

The main goal of the cooperative audit is to determine how member states have implemented the EU Energy Efficiency and Energy Performance of Buildings directives, how different states are funding energy efficiency renovations and how efficient the monitoring and supervision systems are.

To date, the audit cooperation agreement has been signed by all 8 participating SAIs (Belgium Flemish region, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Portugal, and Slovakia) and national audits have started. Participating SAIs have started or will start shortly conducting the audit. The results and common audit messages will be discussed at a meeting, which is planned to be held in Belgium in the beginning of 2018. The cooperative audit is planned to be finished in 2018.

For further information regarding this audit, please contact the secretariat at [euosaiwgea@riiqikontroll.ee](mailto:euosaiwgea@riiqikontroll.ee)

## NEWS FROM MEMBERS

### WATER MANAGEMENT AND FISHERIES

#### Implementation of the Water Framework Directive (WFD) in the Walloon region



Belgium

In December 2016, the Belgian Court of Audit published a report on the implementation of the WFD in the Walloon region.

The good status of the Walloon ground and surface water bodies is a strategic challenge. The Walloon region fully covers its own needs and provides a significant part of water supplies to the two other regions in Belgium (97% in Brussels and 20% in Flanders).

First of all, the Court found that the management of water quality in the Walloon Region has improved over the last fifteen years due to the implementation of the WFD.

Nevertheless, the audit highlighted significant weaknesses concerning the following areas:

- *Compliance with the enactment requirements of the WFD (including its related directives)*

There were numerous delays in the enactment and implementation of the obligations set by the directive, leading to substantial disputes, including financial penalties. To date, the implementation of the principle of cost recovery is still not effective.

- *Funding of the programs of measures*

The financial side of the programs of measures is not guaranteed. The budgetary choices of the government don't allow to fully fund the programs of measures.

- *Integrated strategy for water management*

The cross-cutting approach promoted by the WFD is not met as the programs of measures are mainly a



catalogue of pre-existing measures. A coordination body is also lacking, as well as a centralized monitoring to ensure that the planned measures are actually implemented.

▪ *Relevance of the measures*

*Several measures (of the first and second RBMPs), especially in the agricultural sector, lack ambition and relevance as they are not applied on critical water bodies because of their voluntary nature.*

In conclusion, these elements and also the extension of the deadlines from the second to the third RBMP's for most water bodies lead the Court to assess the risk that all water bodies in the Walloon territory will not reach good status by 2027 as high.

The Court of Audit formulates therefore a number of recommendations including the significant increase of ambition of the programs of measures, particularly in the agriculture.

*For further information, please contact Mr Michaël Stassart at [StassartM@ccrek.be](mailto:StassartM@ccrek.be)*

### Audit on water resources management



Norway

In October 2016, the OAGN published the report on the Norwegian Ministry of Climate and Environment's measures to ensure sound ecological and chemical water conditions and sustainable use of water resources.

In 2009, the Norwegian parliament adopted the European Union's Water Directive. The Ministry of Climate and Environment has since then established a framework for conducting 6-year planning cycles that involve all authorities who are in charge of regulating activities that affect the water conditions, such as agriculture, aquaculture and hydropower plants. The plans are developed by regional planning authorities with the input from municipal authorities and include targets and actions for improving water conditions. For the plans to include relevant measures, responsible sectoral authorities have to participate in developing the regional plans. The Ministry is responsible for establishing national programs

for monitoring biological, physical and chemical parameters in watercourses and coastal areas. The intention is that monitoring data is to be used as a basis for planning.

The audit focused on the planning and implementation of regional plans and program measures for the period of 2009–2015 and the development of plans and measures for the period of 2016–2021.

### Findings

- The form of organization established by the Ministry of Climate and Environment for the planning processes, provides municipal and regional planning- and sectoral authorities the opportunity to cooperate and make important decisions about the aquatic environment and sustainable use of water resources.
- Most municipalities did not prioritize the planning processes and were not able to provide the relevant input for the regional plans. Furthermore, many of the sectoral authorities did not participate in the planning processes and there are challenges in coordinating existing measures to achieve the targets set in the regional plans.
- The national monitoring programs were not extensive enough to provide planning authorities with data for most of the water bodies. The condition of 86 percent of the water bodies was assessed without monitoring data. Instead, the condition was established based on environmental expert assessments or with less reliable data.

*The full report is available in Norwegian on <https://www.riksrevisjonen.no/rapporter/Sider/Vann.aspx>*

*For further information, please contact Ms. Guri Andrea Lowrie, [guri-andrea.lowrie@riksrevisjonen.no](mailto:guri-andrea.lowrie@riksrevisjonen.no).*



## Audit of fisheries management in the North Sea and Skagerrak



Norway

The Office of the Auditor General of Norway's investigation of fisheries management in the North Sea and Skagerrak was published and delivered to the Storting on the 2<sup>nd</sup> May 2017 (Document 3:9 (2016–2017)).

Many of the fish stocks in the North Sea and Skagerrak were in a poor state in the 1970s and 1980s. More stringent regulations and controls have contributed to the restoration of these stocks, although demersal fish have not increased significantly, and some species are vulnerable or endangered. The authorities in Norway and the EU have considerable scope to regulate fishing. Cooperation with the EU and appropriate controls of fishing are essential to ensure sustainable management. Illegal discards of unintentional catches represent a particular challenge. The objective of this investigation was to assess whether the regulations, the controls and the cooperation with the EU are helping to ensure sustainable fisheries management in the North Sea and Skagerrak.

### Findings

- Norway and the EU cooperate on the management of many of the joint fish stocks, but a number of issues relating to joint management and regulations have still not been resolved
  - Norway and the EU do not agree on the management of certain shared stocks and regulate these stocks unilaterally.
  - Many joint management plans are either lacking or need to be updated.
  - There are still significant differences in the regulations.
- The Norwegian fishery authorities have placed too little emphasis on the management of coastal fish stocks.
  - The sharp rise in wrasse fishing has not been monitored closely enough.

- The decline in stocks of coastal cod and coastal sprat has not been adequately followed up with measures.
- Norway and the EU do not cooperate well enough on fishing controls
  - Norway does not participate in a practical cooperation with the EU regarding control.
  - Neither Norway nor the EU estimate and highlight the scope of illegal discards.
  - Norway and the EU exchange few statistics concerning catches, quotas and controls.
- The overall control resources in Norway are not being utilised well enough
  - The Ministry of Trade, Industry and Fisheries' follow-up of controls carried out by the fish sales organisations has been inadequate.
  - The Directorate of Fisheries' controls are too predictable and insufficiently targeted.
  - The cooperation regarding controls of scales and weighing is inadequate.
- Efforts to simplify the fishery regulations in Norway have so far produced few results
  - The regulations are extensive and difficult to enforce.
  - The Directorate of Fisheries is not authorised to destroy unlabelled equipment that it confiscates, and so it has to report these cases and thus invest substantial resources in cases that are subsequently dropped.

*The full report in Norwegian and a summary in English are available on <http://www.riksrevisjonen.no>. A full English translation will soon be available at <http://www.riksrevisjonen.no/en>.*

*For further information, please contact Ms. Kristin Rypdal, [Kristin.rypdal@riksrevisjonen.no](mailto:Kristin.rypdal@riksrevisjonen.no)*



## Small-scale water retention in Poland



Poland

The volume of water per one Polish citizen amounts to around 1600 m<sup>3</sup> annually. This is even three times less than in the majority of European countries. The total volume of water stored in artificial reservoirs in the last years amounted to about 4 billion m<sup>3</sup>. Considering that the flood reserve usually constitutes only half of the total capacity of the reservoirs, they do not provide a full protection against floods and draughts.

A significant tool for flood protection and prevention of long-term draught results, yet underrated in Poland, is the so called small-scale water retention. Water is collected in small natural and artificial reservoirs, which also preserves natural environment and supports its development.



*Illustration from the NIK audit*

According to the audit of NIK local governments of the Silesia and Lesser Poland regions were not aware which areas under their jurisdiction are at risk of floods and draughts, the prepared small-scale water retention programmes have not been updated for years, and their implementation was delayed. Ten years after the small-scale water retention programme was launched in the Lesser Poland region, 62 (90%) tasks were not implemented at all (only one was being realised, whereas six were prepared to be executed). In the case of Silesia region, the small retention programme has been implemented for six years, yet 78 (82%) planned tasks (construction or modernisation of reservoirs, ponds, polders) were not executed.

Out of 349 municipalities located in the Lesser Poland and Silesia regions only 18 (5%) constructed small-scale water retention facilities (i.e. reservoirs, fishing ponds, dams) and 21 (6%) modernised them. Over half of the 314 (90%) municipalities that did neither construct nor modernise small retention facilities, did not find it purposeful, whereas almost quarter of them did not have the financial resources needed. NIK noted that these municipalities included also those affected by floods and floodings in the last years (Gilowice, Bielsko-Biała, Czechowice-Dziedzice, Wilamowice, Jasienica, Blachownia, Czernichów, Jeleśnia, Koszarawa, Lipowa, Radziechowy-Wieprz, Rajcza i Węgierska Górką).



*Illustration from the NIK audit*

The State Forests handled the issue of small-scale water retention much more effectively. Regional directorates in Katowice and Kraków, as well as their subordinate forest districts, identified threats of flood and draught, and the need to develop small retention. Forest divisions implemented 247 investment tasks, resulting in an increase of the water holding capacity in the managed areas by at least 4,4 million m<sup>3</sup>. Increased retention was also caused by forestation and restoration of forest stands, removal of soil and sediment from ditches, as well as re-cultivation of waterholes.



Illustration from the NIK audit

If the small-scale water retention activities are not carried out, variously sized and ranged heats and draughts, as well as floods, will occur and their effects will have to be eliminated, The audit revealed that municipalities have to identify needs and potential financing sources of small-scale water retention investments, and the Ministry of Environment is to undertake comprehensive measures to increase small retention, in cooperation with other public authorities responsible for water management.

For more information, please contact Monika Kopczyk, Economic Advisor from the Regional Branch of NIK in Katowice ([Monika.Kopczyk@nik.gov.pl](mailto:Monika.Kopczyk@nik.gov.pl)).

### Inefficient management of St Jernej Canal



Slovenia

The Court of Audit issued an audit report on the efficiency of managing St Jernej Canal situated in the Sečovlje Salina Nature Park - an area of recognised natural value and part of the Natura 2000 network of protected areas.

The audit revealed that in the period of 13 years at least EUR 14.3 million was spent for management of the Canal and disclosed several inefficiencies, such as illicit mooring of more than a hundred vessels to illegally set piers and buoys. Many of the vessels in the Canal are abandoned, damaged and fully or partially sunk which is considered a potential danger with possible harmful effects.

Within a span of more than 12 years, the Government of the Republic of Slovenia and the Ministry of the Environment and Spatial Planning failed to carry out activities to remedy the concerned situation. It did not exercise a single supervision procedure for removing the illegally set piers, mooring buoys and vessels from the Canal, or it carried out a procedure in order to find out when the piers and mooring buoys were actually set and whether any legal base for their removal existed.

The company Soline as manager of the Sečovlje Salina Nature Park failed to exercise the supervision activities in full due to absence of an adequately qualified nature conservation supervisor. The Municipality of Piran was also involved in the Nature Park management, being a holder of water rights to construct a local port but was unable to find a suitable investor in six years.

#### 6 Requirements of the Court of Audit

-  1. The Government is required to lay down the authorities for the removal of vessels
-  2. Ministry of the Environment and Spatial Planning is required to propose amendments to existing regulations
-  3. Company Soline is required to provide supervision

Court of Audit of the Republic of Slovenia - audit report Management of St Jernej Canal

When the audit report was issued, the Municipality of Piran and the company Soline commenced implementation of activities (exercising supervision and removing abandoned vessels along the shore) to bring about improvements in St Jernej Canal, which gives a ray of hope that this gem of Slovenian coastal area may be preserved.

Additional information available at: [sloaud@rs-rs.si](mailto:sloaud@rs-rs.si)



## ENERGY AND CLIMATE CHANGE

### EU budget on climate action: ambitious work underway, but at serious risk of falling short



European Court of Auditors (ECA)

Climate change is one of the greatest challenges facing the European Union (EU) and governments across the globe. In November 2016, the ECA published a performance audit No 31/2016 on the financing of climate action through the EU budget. In order to respond to climate change and the associated substantial investment needs, the EU has agreed that at least 20 % of its budget for 2014-2020 — one euro in every five — should be spent on climate-related action. This objective forms part of the EU's leadership in climate action.

The target to spend one euro in every five on climate-related action is to be achieved by incorporating or 'mainstreaming' climate action within different EU funding instruments. This means that, instead of creating one dedicated funding instrument, the objective is to be met through incorporating climate concerns into policy areas and the corresponding funds of the EU budget.

The ECA sought to determine whether the target to spend at least 20 % of the EU budget on climate-related action was likely to be met and whether the approach employed was likely to add value, by leading to more and better-focused funding on climate action.

The ECA found that ambitious work was underway and that, overall, progress had been made towards reaching the target. However, there is a serious risk that the 20 % target will not be met without more effort to tackle climate change. The implementation of the target has led to more, and better-focused, climate action funding in the European Regional Development Fund and the Cohesion Fund. In the European Social Fund, and in the areas of agriculture, rural development and fisheries, however, there has been no significant shift towards climate action and not all potential opportunities for financing climate-related action have been fully explored.

Overall, the Commission estimates that 18.9 % would be spent on climate action, thereby falling short of the 20 % objective.

The ECA concluded that there are serious risks to reaching the overall target of 20 % by the end of 2020 in the main contributing areas of agriculture, rural development and research. If calculated in accordance with internationally established methodologies for assessing levels of climate finance, the assessed contribution from agriculture and rural development would be reduced by up to approximately 33 billion euro. As regards research, the Horizon 2020 programme has fallen behind its target to allocate 35 % to climate action, with its contribution currently standing at 24 %. The Commission has no detailed action plan setting out how it intends to catch up.

The main recommendations are for a robust multi-annual consolidation exercise and a comprehensive reporting framework to be set up, and for there to be an assessment of climate change needs. The ECA also recommend that overestimates be corrected, that action plans be drawn up for areas that have fallen behind, and that actual spending and results be monitored. Finally, the ECA recommend the exploration of all potential opportunities to ensure a further, real shift towards climate action.

The audit report is available in 23 languages at <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=39853>

For further information, please contact M. Bertrand Tanguy at [bertrand.tanguy@eca.europa.eu](mailto:bertrand.tanguy@eca.europa.eu)

### Still much work ahead to implement a targeted climate policy



Latvia

The Ministry of Environmental Protection and Regional Development (Ministry) has not elaborated a high-quality action policy to tackle climate change. The funds available for this purpose have been spent for other needs, as well as invested in rather ineffective projects, according to the results of the audit 'Are the Funds allocated for Climate change mitigation used effectively and in compliance with legal framework?' conducted by the State Audit Office of Latvia (SAO).



As the result of the audit it was concluded that Ministry as the coordinating ministry in the field of climate policy has not elaborated an action plan for climate change mitigation which would define such important matters as the most efficient principles for the use of funds and climate policy goals in each sector of economy, as well as required financing for this purpose, inter alia also in the field of waste management which is under the full supervision of the Ministry.

For climate change mitigation purpose Latvia has joined two Greenhouse gas (GHG) emissions allowance trading schemes:

- International GHG emissions trading scheme (revenue is used for the Climate Change Financial Instrument – CCFI);
- EU Emissions trading system (revenue obtained by the state is used for the Auctioning Instrument of Emission Allowances – AIEA).

The lack of action policy in principle prevented the purposeful organisation of AIEA project competitions because priority support measures based on calculations were not specified, as a result failing to observe the OECD Recommendation on Good Practices for Public Environmental Expenditure Management.

CCFI projects implemented within the period from 2009 to 2015 in overall have achieved their goals, because the total planned reduction of emissions has been exceeded by 13 %. However, the overall result has been achieved at the expense of successful projects. If each of these projects is evaluated separately, one may come to the conclusion that almost every fifth project has not achieved even the minimum planned reduction of emissions. Taking into account calculations performed by scientists on the environmental impact caused by one tonne of CO<sub>2</sub> emission, auditors calculated that the decrease in CO<sub>2</sub> emissions that has not been achieved in a timely manner in the projects of the CCFI within the period has failed to ensure the reduction of environmental harm in the amount of at least EUR 1.9 million. As a result, EUR 3.8 million invested in these projects should be retrieved in order to invest these funds in further climate change mitigation activities; however, Ministry has been delaying to make a decision for two years and there is a risk of losing this financing.

Meanwhile, AIEA project competitions have been planned by the Ministry already since 2012, but actual implementation of projects has started only in 2016. Auditors concluded that financing has been invested in projects with up to 35 times lower effectiveness indicators than CCFI financing. As a result the effect of projects financed by AIEA on emissions reduction is very insignificant. One of the reasons is that Ministry has not specified emissions reduction as one of the most significant criterion in project selection. The SAO believes that investing funds in ineffective activities may jeopardize achievement of the common EU goal – reduction of the total amount of emissions by 40 % by 2030, compared to 1990.

*For further information please contact Mr Jānis Salenieks at [Janis.Salenieks@lrvk.gov.lv](mailto:Janis.Salenieks@lrvk.gov.lv)*

### Evaluation of the incentive effect of Swiss Emissions Trading System



Switzerland

As a measure to not endanger jobs in Switzerland, in particular due to the relocation of production abroad, production facilities which emit large amounts of greenhouse gasses are exempted from the CO<sub>2</sub> tax in Switzerland, levied on fossil thermal fuels since 2008. The 55 largest exempted facilities in return must participate in the Swiss emissions trading system (ETS). This system regulates around 33% of CO<sub>2</sub> emissions from fossil fuels in Switzerland.

The evaluation's main objective was to find out to what extent the tax exemption of companies participating in the Swiss ETS compromises their incentives to reduce CO<sub>2</sub> emissions. In its analysis, the SFAO came across a series of regulatory shortcomings which call the impact of the Swiss ETS into question.

#### Swiss ETS generates hardly any incentives for CO<sub>2</sub> emission reductions

The high number of emission allowances allocated free of charge to the participating facilities together with the current low emission allowance prices create few reduction incentives for ETS participants. In addition, due



to the unexpected production suspension of an oil refinery as third biggest CO<sub>2</sub> emitter in Switzerland, there are enough emission allowances available in the current commitment period. The pressure on ETS participants to reduce CO<sub>2</sub> levels has thus practically vanished. This situation is exacerbated by the eligibility for them to buy foreign emission certificates. Even if no additional emission allowances were to be auctioned, the number already allocated meets the needs of the permitted emissions below the cap up to 2020.

The SFAO recommends the introduction of an appropriate control mechanism at the legislative level whereby over- or undersupply of the market can be responded to and unused emission allowances can be removed from the system.

### Going it alone should be reconsidered

The Swiss ETS is the smallest system worldwide in terms of trading volumes. The shortfall of production of big individual emitters or sharp production fluctuations can have a severe impact on a small system and its emission-reducing efficacy. In addition, most of the ETS companies are exposed to international competition. Against this backdrop, the link-up sought between the Swiss and European ETS would appear to be understandable and reasonable. However, should this link-up not come to fruition within a reasonable period of time, the SFAO recommends that the Federal Office for the Environment should examine alternatives to the Swiss ETS going it alone.

### Redistribution of CO<sub>2</sub> tax to exempted companies questionable

In the 2013-2020 commitment period, even companies exempt from the CO<sub>2</sub> tax benefit from the redistribution of the CO<sub>2</sub> tax in line with their wage bills, although they themselves did not contribute to it. In some cases, the amounts to be redistributed are substantial. In certain cases, they cover in full the costs of purchasing emission allowances up to 2020.

The SFAO recommends a legislative amendment which would exclude redistribution to exempted companies in the future.

*The full report in German with a summary in French, English and Italian is available on the website of the Swiss Federal Audit Office [www.efk.admin.ch](http://www.efk.admin.ch).*

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## FOREST MANAGEMENT

### The Control of Forest Regeneration Work



Romania

According to the activity program of the Court of Accounts for the year 2016, a control mission was conducted at the Administration of the National Forest Fund (ANFF), entitled 'Control of forest regeneration works to improve the environment through afforestation of degraded lands, ecological restoration and sustainable management of forests'

#### The Court of Accounts' observations

- There were no regeneration works carried out, according to the law, for around 500,000 ha of land (forests) that wasn't administrated as forestry, and where, mostly the forest vegetation was removed.
- They have not undertaken any steps in the development and promoting of normative acts for:
  - clarifying the legal issues relating to the transfer from the property of an company to the ANFF, and also clarifying the legal aspects of the infrastructure built specifically for forestry management, made up of dams, channels and collection drainage, wharves, yards and forest cantons, etc., with permanent risk of failure of the works of forest regeneration managed by the ANFF;
  - creating, with priority, the National System of Forest Belts Protection in order to prevent and diminish the consequences of natural phenomena and disasters;
  - the transfer of a degraded land area of 8,530 ha, from the State Domains Administration to the ANFF, in order to improve through forestation.



- The forest conservation and regeneration fund was wrongly registered in the ledger 'Income from exploitation grants for other operating expenses', the economic nature of the fund being matching for the account 'Other operating income'.
- The contributions to the Environment Fund, representing 2% of the proceeds from the sale of timber and/or wood materials obtained by the manager/owner of the forest, were calculated and transferred to an inferior level than the legal one.
- ANFF together with the central public authority responsible for forestry, will take all steps in the developing and approving of a normative act, regarding:
  - clarifying legal issues relating to the transfer, from the property of a company to ANFF, of the infrastructure built specifically for forestry management, and the mentioning in the income and expenses ANFF's budget of the necessary sources of infrastructure management financing;
  - creating a priority of the Forest Belts National System.
- The development and implementation of internal procedures, that leads to an operational identification of subordinate units which do not comply with the accounting principle of commitments and the accounting policies adopted by ANFF and laying out measures to remedy these deficiencies; changes in accounting policies so that the reflection in accounting of the setting up and use of the conservation and forest regeneration fund meets up to the economic content of operations.
- Recalculation of the contribution of 2% of proceeds from the sale of wood and /or wood materials obtained by the administrator or owner of the forest, since 2011 (tax limitation period), with exceptions provided by law and adjustment of the situation in relation with the Environment Fund Administration.

### Recommendations

- Given that in Romania there are about 500,000 ha of unmanaged forest, it is recommended that ANFF should take all steps for:
  - identification, delimitation and setting up perimeters of regeneration of the land covered with single or definitive cuts, for which were not executed the reforestation works and the completion of natural regeneration, within no more than two seasons of vegetation;
  - inclusion in the revenue and expenditure budget of ANFF sources of funding required to carry out forestation and maintenance;
  - execution by forestry districts of the ANFF, of the forestation work and maintenance, until the closing state of massive;
  - promoting the signing of forest management contracts by providing clear and attractive benefits to owners of forests;
  - recovery of the cost with forestation work and maintenance, where necessary, through enforcement, with priority for the regenerated land.

*The audit was conducted by the IX Department of the Romanian Court of Accounts, [DepartamentIX@rcc.ro](mailto:DepartamentIX@rcc.ro)*

## NEWS FROM OTHER WORKING GROUPS

### New dimensions of the activity of the EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes

*Ukraine, Chair of the WG*

In March 2017 in Rome, the Italian Republic, the third meeting of the EUROSAI Working Group on the



Audit of Funds Allocated to Disasters and Catastrophes was held, chaired by the Accounting Chamber of Ukraine and with the assistance of the Court of Audit of the Italian Republic.

The meeting was preceded by a seminar on 'Opportunities of the performance audits in the evaluation of the



activities aimed at prevention and consequences elimination of disasters’.

During the meeting, the Accounting Chamber of Ukraine presented the results of the International Coordinated Audit on Protection of the Bug River Catchment Area from Pollution (Follow-up Audit) and the annual monitoring on implementation of the recommendations of the International Co-ordinated Audit of Chernobyl Shelter Fund.

Besides, in the framework of the group’s activity, the participants of meeting signed common positions on cooperation and launched three new international audits on the following topics: the prevention and consequences elimination of earthquakes, prevention and consequences elimination of floods and waste management and utilization.

Following the meeting, the participants adopted a report on the group’s activities for 2014-2017 and agreed Strategic Activity Plan of the group for the next period.

Particularly, one of the strategic goals of the Working Group is to contribute to achievement of the Sustainable Development Goals.

In order to meet this goal the Working Group’s activity will focus on conducting measures of the follow-up of countries' efforts aimed at implementing the UN 2030 Agenda for Sustainable Development.

### **News from the ARABOSAI Committee on Environmental Auditing meeting in Kuwait**

*Kuwait, Chair of the WG*

The first meeting of ARABOSAI Committee on Environmental Auditing was held in the State of Kuwait during the period from 12<sup>th</sup> to 13<sup>th</sup> of February 2017.

Topics under discussion at the meeting:

- Discussing the issues related to environment preservation, sustainable development, and keeping pace with the global and regional concerns, which will enhance SAIs capacities in performing their audit role in the environmental field and raise the awareness of the community.
- Organizing a workshop on overfishing. A comprehensive report was prepared by the State Audit Bureau aiming at preserving and developing fisheries.
- Use of audits as a method to improve the use of public funds and enhance the environmental performance in the sector. Continuous search for best practices and the latest methods to identify and prevent environmental problems.
- Development of accessible scientific materials on the Internet whereas the Estonian National Audit Office has developed two online courses on “Introduction to Environmental Auditing on the Public Sector” and “Environmental Audit of the Infrastructure Environmental Impacts.”
- Continuous change in audit methods and the need to keep pace with and follow up this development to achieve the desired goals and cooperate with the external and internal communities in ARABOSAI.
- The State Audit Bureau of Kuwait is in the process of conducting an environmental audit on the protection of the coastal strip. SAB will conduct also an environmental audit to verify the efficiency and effectiveness of audit on nature reserves. Both audits will be published upon completion.
- The State Audit Bureau of Kuwait participated with a country paper on “How to improve the quality and impact of environmental auditing”, as well as reviewing the conference most important recommendations on the importance of the existence of an administrative body concerned with environmental auditing in SAIs. The State Audit Bureau of Kuwait also assessed the efficiency of the efforts exerted to protect fish resources from overfishing, entitled "Protecting the Fisheries, Joint Responsibility" for the development of over-fishing tools and means and their impact on the depletion of fisheries stocks, in addition to increasing the number of fishing vessels. The protection of fisheries through five factors: (time, location, fishing equipment, fishing vessels, identification of targeted biological species has been addressed).