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AUDITING SUSTAINABLE ENERGY
Case study

Regina Charyparova

Supreme Audit Office
Czech Republic
Details on audit

• Title of the audit:
  Financial means allotted to support programmes for energy production from renewable energy resources

• Year of publication: 2009
Audit steps

• **Step 1** – Understand the sustainable energy issue and its influence on society, economy, and the environment

• **Step 2** – Understand the governmental response to sustainable energy issue

• **Step 3** – How to choose audit topics

• **Step 4** – Design the audit

• **Step 5** – Audit execution and reporting
Step 1

What energy resources are used in my country?

What is the situation of energy distribution in my country?

Do I have basic information on energy consumption, energy savings and energy efficiency?
Are there any provisions following from international agreements that are obligatory for my country?

- The United Nations Framework Convention on Climate Change
- UNFCCC Kyoto Protocol
How is the field of sustainable energy regulated by national legislation in my country?

- **EU Directive 2001/77/EC**, on the promotion of electricity produced from RERs in the internal electricity market

- **Act No. 180/2005 Coll.**, on the Promotion of the electricity production from RERs
Does my country have policies / programmes regarding sustainable energy?

- State Energy Policy

- The National Programme for Economical Energy Management and Use of Renewable and Secondary Energy sources
What instruments does my country use to manage the energy policy/programme?

- The State Programme in Support of energy savings and use of RERs – Part A, administered by Ministry of Industry and Trade
- The State Programme in Support of energy savings and use of RERs – Part B, administered by Ministry of the Environment
- EU-funded operation programmes
Step 2

Who are main players in the energy sector in my country and what are their roles and responsibilities?

- Ministry of Industry and Trade of the CR;
- Ministry of the Environment of the CR;
- State Environmental Fund of the CR;
- CzechInvest, the Investment and Business Development Agency;
- Selected beneficiaries of financial assistance.
Step 3

How to choose an audit topic on sustainable energy?

• review the spending of funds earmarked for support of the use of renewable energy

What to focus on when auditing energy generation instruments?

• e.g., when auditing the state programmes, a SAI may audit:
  ♦ specification of the programme objective and their compliance with the strategic objective of the state energy policy
Step 3

• e.g., when auditing the state programmes, a SAI may audit:
  ◆ quantifying the needs, and the ways of satisfying such need
  ◆ setting up steering documents for the programmes
  ◆ quantitative and qualitative characteristics
  ◆ setting up efficient internal control and audit systems by the administrators of the programmes …
Step 4

What are the most relevant audit objectives?

- Review the spending of funds earmarked for support of the use of renewable energy
Can the SAI in my country determine the framework scope of the audit?

- The State Programme in Support of energy savings and use of RERs
- EU-funded operation programmes
- The audit covered the 2005 - 2008 period
Step 4

How does my audit team identify the auditees in my country?

• Main players in the energy sector

What are the most relevant audit questions to ask?

• Is the state energy policy conducive to increasing the percentage share of RERs in the total final energy consumption?
Step 5

Audit execution and reporting (1)

• Verifying the existence of defined objectives of energy policies (programmes, projects, actions) and setting the ways to attain these objectives

• Verifying the existence, completeness, and veracity of preliminary analyses of the audited area

• Verifying the system of management and control of the progress of implementation of the national energy policy (programmes, projects, actions), and assessment of the internal control system
Step 5

Audit execution and reporting (2)

- Checking on the operability of the system employed in assessments of the implementation of policies (programmes, projects, actions)

- Audits at beneficiaries of support

- Elaboration of an audit report setting out the outcome of the audit

- Impact evaluation and monitoring
Step 5

Audit of grants on the side of grant provider:

•1 - Methodological and conceptual work in the field of grant provision for support of generation and savings of energy from RERs.

•2 - Programmes in the field of grants for support of generation and savings of energy from RERs.

•3 - Governance and administration of grant programmes for support of generation and savings of energy from RERs.
Step 5

Audit of grants on the side of grant provider:

- **4** - Organizational and supervisory activities regarding state funds which are allotted for measures to support of usage/generation and savings of energy from RERs.

- **5** - Ongoing monitoring from the side of grant provider and a level of final assessment.
Step 5

Audit of grants on the side of beneficiaries:

• 1 - Completeness and correctness of data presented in a grant request.
• 2 - Contractor and suppliers selection – a compliance with a low on public procurement.
• 3 - Project execution, a compliance with a grant agreement, an analytic project accounting.
• 4 - Achievement of planned parameters and fulfilment of stipulated objectives in the field of generation and savings of energy from RERs.
Step 5

Is the state energy policy conducive to increasing the percentage share of RERs in the total final energy consumption?

• Have the programme objectives been set in compliance with state energy policy priorities?

• Would the implementation of the programmes fulfil the declared objectives?
Step 5

• Has the system of state support been so adjusted as to ensure the maximum possible benefits to be derived from the implemented programmes?

• Has there been any disbursement (of public funds) from the state budget in support of science and research focused on the area of RERs?

• Is there any support available for projects geared to advance education and to raise awareness in the area of RERs?
Step 5

• Has there been an effective use of tax instruments, price regulation, sales prices, and other potential instruments applicable to the area of RERs?

• Has there been sufficient coordination in this area among the ministries concerned?

• In the cases where the government has accepted a commitment to raise the percentage share of RERs has this commitment been fulfilled, or to what degree has it been met?
Audit findings

• Inapproachability of the aim of 8% share of energy generation from RERs on gross domestic electricity consumption in 2010.

• Audited programme contributes only a little to increase of volume of energy production from RERs.

• Existing analysis reveal that biomass has the biggest potential in the Czech Republic.
Audit findings

- The price regulation guarantees profitability of all kinds of RERs.
- When the support is provided for resources that require highest investments, the price of electricity for final consumers is increased significantly.
- State policy aiming at setting priorities for using RERs and at targeted funding is missing.
Thank you for your attention!
Auditing the Sustainable Energy

What are your comments?