

INTOSAI



How SAIs May Co-operate on The Audit of International Environmental Accords

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INTOSAI Professional Standards Committee

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List of Abbreviations and Acronyms

ACAG: Australasian Council of Auditor Generals
ADB: Asian Development Bank
AFROSAI: African Organization of Supreme Audit Institutions
ARABOSAI: Arab Organization of Supreme Audit Institutions
ASOSAI: Asian Organization of Supreme Audit Institutions
CAROSAI: Caribbean Organization of Supreme Audit Institutions
CBD: Convention on Biological Diversity
COMTEMA: La Comisión Técnica Especial de Medio Ambiente
CPA: Cooperative Performance Audit
DMS: Department of Meteorological Services
EMAS: European Union's Eco-Management Audit Scheme
EUROSAI: European Organization of Supreme Audit Institutions
FSM: Federated States of Micronesia
GAO: Government Accountability Office
GEO: Global Environment Outlook
IDI: INTOSAI Development Initiative
INCOSAI: International Congress of Supreme Audit Institutions
INTOSAI: International Organization of Supreme Audit Institutions
ISSAI: International Standard of Supreme Audit Institutions
MEA: Multilateral Environmental Agreements
OAG: Office of the Auditor General
OLACEFS: Organization of Latin American and Caribbean Supreme Audit Institutions
PASAI: Pacific Association of Supreme Audit Institutions
PRAI: Pacific Regional Audit Initiative
RWGEA: Regional Working Group on Environmental Auditing
SAI: Supreme Audit Institutions
SC: Steering Committee
SPREP: The Secretariat of the Pacific Regional Environment Program

UNEP: United Nations Environmental Programme

UNFCCC: United Nations Framework Convention on Climate Change

WCPO: Western and Central Pacific Ocean

WGEA: Working Group on Environmental Auditing

A. INTRODUCTION

1. In the last few decades, Governments have entered into international and trans-regional agreements, and successfully negotiated on global environmental issues ranging from climate change, biodiversity and desertification, to hazardous waste and chemicals, renewable energy and energy saving. The transboundary nature of both environmental issues and government environmental policy implies that co-operation among SAIs is desirable.

2. Brought about by the increasing number of international accords both global and regional, dealing with environmental issues, the Montreal Protocol on ozone depletion, the Basel Convention on the transboundary movement and disposal of hazardous waste, the Oslo and Paris Conventions on marine pollution, the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) are just some of the examples of conventions/treaties/agreements.

3. Global issues dealing with various environmental concerns were put together in over 280 international agreements/accords which the United Nations Environmental Programme (UNEP) has identified in 2009. Based on recent studies, the assessment of the implementation, compliance and effectiveness of multilateral environmental agreements is in many cases complicated and plagued with gaps in data, conceptual difficulties and methodological problems. Most Supreme Audit Institutions (SAIs) with their specific competencies are uniquely poised to assess these gaps and report to parliament and inform the national and international community on the basic question of availability and adequacy of data and information as well as about the compliance and effectiveness of government policy related to the international commitments made.¹

4. Based on the ISSAI Framework on the Overview of ISSAI Maintenance Frequency, the ISSAI 5100 series are scheduled to be reviewed every five years. Thus, based on that at the 15th Assembly Meeting in Estonia in June 2013, the INTOSAI Working Group on Environmental Auditing (WGEA) agreed in principle the review of 4 ISSAIs of ISSAI 5100 series, as one of the WGEA projects in Work Plan of 2014-2016.

5. The 13th Steering Committee² (SC) Meeting of WGEA on April 2014 held in Lombok, West Nusa Tenggara, Indonesia, was another opportunity to discuss the objectives of WGEA and the different project outlines of all the projects as well as the key milestones to achieve the outcome of those projects. In addition, the SC meeting also discussed other issues such as increasing cooperation between Regional WGEA and matters such as progress made by the secretariat as well as some future plans. The review work plans/project plans were also finalized and approved.

¹ Auditing the Implementation of Multilateral Environmental Agreements (MEAs) – Primer for Auditors

² 13th Steering Committee² (SC) Minutes of the Meeting, Lombok, Indonesia

6. During the 16th WGEA Assembly Meeting³ held in Manila from September 29 to October 2, 2014, the importance of the following areas were emphasized in Parallel Session No. 1:
- the inclusion of the trans-regional audit in environmental audit as one of the audit approaches,
 - the importance of understanding whether the participating countries were signatories to a certain international agreement, if not then understand whether they were affected by that international agreement, such as, transport of trans-boundary waste issue;
 - the need for clarity on concurrent audit;
 - the importance of the use of United Nations Environmental Program (UNEP) guidance as reference for the standard - Auditing Multilateral Environmental Agreements (MEAs), A Primer for Auditors issued in 2010;
 - the consideration to widen the scope to be more general not just specific on the International Accords audit;
 - the need to harmonize relate to the ISSAI 5800 (about the Guidance on Cooperative Audits), ISSAI 2000, 3000, and 4000 series;
 - the suggestion to compile all approaches into a scorecard system which could be a single parameter for all international accords⁴. Such scorecard system would encourage harmonization and serve as audit criteria for a number of audits.

7. Such environmental audits are important for two reasons. First, most environmental issues have a transboundary character. Environmental problems like global warming acid rain and ocean pollution are global problems. Regional environmental issues also often transcend national borders, for example, water quality in major rivers, fish stocks and fishing, and investigation of environmental crimes.

8. The results of the 7th Survey showed that 66% of the SAIs that participated in the survey have co-operated with another SAI on environmental issues since January 1, 2009. The intensity of mutual contact seems to be on the rise, as in 2009, half of the respondents had cooperation experience. Frequently, given reasons as to why 1/3rd of SAIs have not engaged in cooperative activities are:

- a) lack of resources (62%),
- b) lack of skills or expertise within the SAI (51%) and,
- c) lack of partners (27%).

9. In the same survey, it was emphasized that the proportion of SAIs highlighting a resource and skill shortage has nearly doubled since 2009. SAIs have mostly engaged in an exchange of audit information or environmental auditing experience between SAIs (74%) and co-operated with another SAI on an audit related to an international environmental accord (66%). These two areas of cooperation also topped the list in 2009.⁵

³ Minutes of the 16th WGEA General Assembly Meeting in Manila, Philippines

⁴ Minutes of the 16th WGEA Assembly Meeting held in Manila

⁵ The 7th WGEA Survey 2010

10. Second, environmental audits may help to develop competence. Concurrent, coordinated or joint audits can be seen as a way of sharing methodology and audit approaches, and transferring environmental auditing skills among member countries.

11. Co-ordinated by INTOSAI WGEA Secretariat, a survey thereafter was sent to all the INTOSAI members for comments, whereof 32 of the SAIs responded. In addition, 8 SAIs have on a previous occasion already given their comments, which means that the total of 40 SAIs gave comments on the survey all together.

12. Recently, the 7th WGEA Survey results showed that the legal mandate of the majority of the SAIs who responded enables them to undertake performance, compliance, and financial audits on environmental issues. Likewise, majority of the SAIs stated that they had a mandate allowing them to conduct performance (94%), compliance (91%), and financial (88%) audits⁶.

13. It should be stressed that ISSAI 5140 is meant as a guide to help SAIs create their own agreement with other SAIs, which suits their specific needs and circumstances.

14. So far, based on the INTOSAI WGEA Database on Environmental Audit a total of 71 audit reports have been published related to Cooperative Environmental Audits⁷.

15. In June 2007, fourteen (14) supreme audit institutions from six (6) continents embarked on a unique cooperative effort to audit climate change programs and for the first time worked cooperatively to design and undertake performance audits of their national governments' implementation of commitments and programs related to the mitigation of, and adaptation to, climate change⁸. They include SAIs from both developing and developed countries. The project involved a diverse, group of offices—from Australia, Austria, Brazil, Canada, Estonia, Finland, Greece, Indonesia, Norway, Poland, Slovenia, South Africa, the United Kingdom, and the United States—that have varying degrees of experience in auditing governments' management of climate change.

16. To support the national audits, the participating SAIs developed a framework audit approach, including potential audit objectives and criteria, and questions that could guide any audit work undertaken. Each SAI designed, carried out, and domestically reported national audits to respond to their country's climate change priorities and in accordance with their internal practices and standards. Coordinated audit has helped the participating SAIs in terms of capacity building and strengthening their audits through information exchange with peers. This approach has been highly successful in achieving the objective of encouraging and supporting effective national audits of climate change programs. The governments of all these countries have indicated that

⁶ The 7th WGEA Survey 2010

⁷ Appendix 1 – INTOSAI WGEA “Cooperation Between SAIs: Tips and Examples for Cooperative Audits (2007)

⁸ Joint Report on Coordinated International Audit on Climate Change – Key Implications for Governments and their Auditors (2010) can be found at <http://www.environmental-auditing.org/Home/FocusonClimateChange/GlobalAuditonClimateChange/tabid/245/Default.aspx>

climate change is an important issue and have made commitments to reducing greenhouse gas emissions and to address adaptation to climate change⁹.

B. OBJECTIVES

17. The primary objectives of this guide are:

- To define the different types and nature of cooperative audits; and
- To identify the advantages and disadvantages of each type of cooperative audits
- To identify the approaches by which SAIs can co-operate in conducting audits of international environmental accords;
- To describe a protocol or agreement for SAIs to use when performing the audits (planning, field work and reporting)

C. GENERAL CONCEPTS

➤ International environmental accord/agreement

18. As defined in the Auditing the Implementation of Multilateral Environmental Agreements (MEAs) - Primer for Auditors published by UNEP¹⁰, the term “Multilateral Environmental Agreement” or MEA is a broad term that relates to any of a number of legally binding international instruments through which national Governments commit to achieving specific environmental goals. These agreements may take different forms, such as “convention,” “treaty,” “agreement,” “charter,” “final act,” “pact,” “accord,” “covenant,” “protocol,” or “constitution” (for an international organization). The 1969 Vienna Convention on the Law of Treaties defines a “treaty” as “an international agreement concluded between States in written form and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its particular designation.” As a practical matter, though, “treaty,” “convention,” and “agreement” are often used interchangeably.¹¹ Despite the difference pronunciation of the name, the issuance of United Nations Resolution No.70/2015 Transforming our World: The 2030 Agenda for Sustainable Development considered as one of the MEAs that play an important role in the policies, programs, and activities of governments around the world¹². Further information regarding this is discussed within the ISSAI 5130 document¹³.

➤ Cooperative audits defined-

19. Cooperative audits are audits in which two or more audit institutions are involved. This paper specifically examines cooperative audits conducted by

⁹ Coordinated International Audit on Climate Change - Key Implications for Governments and their Auditors (November 2010)

¹⁰ Auditing the Implementation of Multilateral Environmental Agreements (MEAs): A Primer for Auditors could be found at: <http://www.environmental-auditing.org/LinkClick.aspx?fileticket=NrVuKEhCRq8%3d&tabid=128&mid=568>

¹¹ Part II Par. 2.1 The Role and Purpose of MEAs

¹² More information on The 2030 Agenda for Sustainable Development could be found at: <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication>

¹³ ISSAI 5130 currently is being reviewed and to be endorsed after INCOSAI XXII, 2016.

Supreme Audit Institutions (SAIs). The audits can be divided into three types: joint, concurrent (or parallel), and co-ordinated audits.¹⁴

20. These refer to activities in which several countries are involved, e.g. the audit of financial assistance to strengthen the agricultural and regional infrastructure, or of donor funds. For example: auditing of the tsunami fund was becoming common interest of many supreme audit institutions due to huge amount of money involved from donor countries to tsunami-hit countries. Therefore, it is necessary to have a sound report which is transparent and accountable for donors, which usually raised funds from people. For a donor country, however, it was more efficient to involve local auditors in their supreme audit institutions audit so that they gain a better understanding of the real condition of tsunami victims.¹⁵

D. TYPES OF COOPERATIVE AUDITS

21. ISSAI 5800 - Guide for Cooperative Audits between Supreme Audit Institutions is a very good reference for this section, as well as “Cooperation Between Supreme Audit Institutions – Tips and Examples for Cooperative Audits” (2007)¹⁶. The provisions can be customized to refer specifically to International Environmental Accords only. For each type (concurrent/parallel, joint and co-ordinated), the following topics are suggested: Nature, Advantages, Disadvantages and Examples.

22. Environmental audits of international accords, bilateral or multilateral agreements can be carried out either as:

- compliance audits or
- as performance audits, which also include compliance, or
- financial audits, or
- the comprehensive audit, which is the combination of first-three types of audits

23. Either approach can be justified, depending on the scope and mandate of each SAI. However, based on the surveys, many SAIs will prefer to use the performance audit approach, as this methodology is widely used and well known. SAIs may also wish to consider the extent to which they will include certain financial aspects, such as the identification of potential and for actual environmental liabilities.

24. Since this ISSAI is meant to be guide for SAIs when auditing international environmental accords in co-operation with other SAIs, it does not recommend one specific audit type; both compliance audit and the broader performance audit may be used.

¹⁴ Cooperation Between Supreme Audit Institutions – Tips and Examples for Cooperative Audits” (2007)

¹⁵ ISSAI 5800, par. 2.1

¹⁶ Cooperation between Supreme Audit Institutions – Tips and Examples for Cooperative Audits can be found at: <http://www.environmental-auditing.org/LinkClick.aspx?fileticket=IFRPAQN%2fTmk%3d&tabid=128&mid=568>

25. The basic principles of good auditing and the main generally accepted standards (general standards, field standards and reporting standards) are valid for both audit types as well. Thus, the booklet is concerned only with how SAIs might co-operate, and the advantages and disadvantages of each kind of co-operation.

BOX 1. EXAMPLE OF COOPERATIVE AUDITS

26. The Pacific Association of Supreme Audit Institutions (PASAI) cooperative performance audit for climate change adaptation and disaster risk management and strategies. In October 2012, Auditors-General from the PASAI decided at the 15th PASAI Congress to approve PASAI's fourth cooperative performance audit. It was decided that the topic would be climate change adaptation and disaster risk reduction strategies and management. Ten SAIs drawn from eight Pacific Island states participated in the audit, namely; Cook Islands, Federated States of Micronesia (FSM), the FSM State of Kosrae, the FSM State of Pohnpei, Fiji, Palau, Samoa and Tuvalu.

Support for the Cooperative Audits

27. The audit involved the INTOSAI Development Initiative (IDI), the Asian Development Bank (ADB) and PASAI. Australia's Victorian Auditor-General's Office also supported audit teams under the ACAG/PASAI twinning arrangements. The PASAI Regional Working Group on Environmental Auditing (RWGEA) was also involved. The Secretariat of the Pacific Regional Environment Program (SPREP), a key regional stakeholder, provided specialist technical expertise on climate change adaptation and disaster risk reduction measures in the Pacific. SPREP also supported audit teams on technical climate change matters over the course of their audit.

Source: Report of the Coordinated Pacific Region Performance Audit: Climate Change Adaptation and Disaster Risk Reduction Strategies and Management, April 2015.

D.1 Concurrent audits

D.1.1 Definition

28. Concurrent audit (or parallel audit¹⁷ as defined in ISSAI 5800) is an audit conducted more or less simultaneously by two or more SAIs, but with a separate audit team from each SAI and reporting only to each own elected assembly or government and reporting only the observations and/or conclusions to its own country¹⁸.

D.1.2 Advantages

29. Several advantages of this type of audit namely:

- Legal problems, if any, are minimal, as each country deals only with its own jurisdiction.
- Problems with the exchange of information are few, if any.
- Political sensitivity is lower than with a joint audit.

¹⁷ ISSAI 5800 par. 1.3

¹⁸ Auditing the Implementation of Multilateral Environmental Agreements (MEA) Primer for Auditors 2010

- “Tabling” problems in the legislative assembly (parliament) or the government due to timing are eliminated, since the report deals only with the SAI’s own country.
- Each SAI has more freedom to determine the resources it will make available for its particular audit.
- Potential strain on relationships among SAIs is diminished, i.e. disputes over scope, content, observations, resources, deadlines, publication, etc. should be minimized, if not eliminated.
- Impact and newsworthiness in each country are increased, if tabling is within a reasonable number of months (perhaps 6). SAIs can also note in their reports that other SAIs are doing similar work. If any of the other SAIs have tabled, reference could be made to their findings, although this could be a sensitive issue.
- Logistics are easier, with much less need than a joint audit for direct coordination.
- The right experts can perhaps be more readily involved at the right time.

D.1.3 Disadvantages

30. Several disadvantages of this type of audit are as follow:

- The definition of the concurrent or parallel audit implies that each SAI will report only to its own legislature or government on only those observations and/or conclusions pertaining to that particular country or government.
- There may be less overall impact and attention by legislators, governments, media, environmental groups, etc. since individual SAIs’ reports are likely to be tabled on different on different dates (especially true if tabling dates are widely varied). Impact could be also depending on the audit scope.
- Concurrent or parallel audits are less co-ordinated than joint audits; therefore, their scopes could vary considerably.
- Individual reports are likely to focus less on shared problems among countries.
- Exchange of information between SAIs is probably not as good as it would be with joint audit.
- It is more difficult to conduct interviews with organizations. Interviewees are likely to be more disturbed if different SAIs ask them the same questions, etc., at several interviews.

31. The lessons learned so far are that a concurrent audit is time-consuming. It is difficult to plan ahead, especially given the need to decide on the audit work priorities and to integrate them with other priorities of both SAIs. at the same time, the concurrent audit approach to this particular audit has so far led to more findings than would probably have been the case if each party had conducted its own audit independently.

D.1.4 Miscellaneous

32. If, as a result of an audit, a SAI has discovered non-compliance with any international accords by countries besides those participating in the particular audit,

each participating SAI would have to determine whether and how to bring this non-compliance to the attention of its own legislature or government as well as to the SAIs from those countries that are affected by but not participating in the actual audit. Furthermore, in cases where a SAI identifies non-compliance by its own country with any international accords, it will also have to decide how publicly to report that non-compliance.

33. A concurrent audit approach will normally be preferable where there exist many differences between the participating SAIs, for instance legal difficulties with regard to different dates of presentation to the respective legislators or governments, or where the co-operative venture concerns sensitive environmental and political questions.

D.1.5 Examples of concurrent/parallel audits

34. One good example is the Cooperative Performance Audit (CPA) conducted by the Pacific Association of Supreme Audit Institutions (PASAI) from 2011 to 2012. It was focused on the operations of key agencies in each PASAI member country. This involved fishery management authorities or ministries as well as those agencies responsible for maritime surveillance and response. It was intended that each participating SAI would report its findings in its own jurisdiction and that a high-level regional perspective would be contained in this regional overview report, the 2013 Pacific Regional Report of the Cooperative Performance Audit: Managing Sustainable Fisheries in PASAI.

35. The CPA program was conducted under the Pacific Regional Audit Initiative (PRAI). A key aspect of the PRAI is to build capacity in individual SAIs through participation in cooperative performance audits and cooperative financial audits. This aligns with the strategic objective of INTOSAI for greater cooperation among SAIs. At the 2008 PASAI Congress, auditors-general decided that the first CPA program should be environmentally focused. This was a very good fit with the INTOSAI WGEA work plan that aims to facilitate concurrent, joint, or co-ordinated audits in each of the INTOSAI regions, including PASAI.

36. The overarching PRAI objective is 'to raise Pacific public auditing to uniformly high standards'. To achieve this objective, one of the PRAI outputs is to build and sustain public auditing capability through the conduct of cooperative audits with participating Supreme Audit Institutions (SAIs) in the Pacific region.

37. The PRAI work program notes that SAI capacities differ across the region but they all face similar human resource capacity challenges. In seeking to address this issue, one of the strategies used is to develop performance auditing capacity through a cooperative approach. This component of the PRAI supports cooperative performance audits that result in individual national reports and an overview regional report of Pacific auditors-general to focus on managing sustainable fisheries as the preferred audit topic was influenced by scientific information that a number of tuna

species are under stress in the Western and Central Pacific Ocean (WCPO) owing to unsustainable fishing practices.

38. Nine (9) PASAI member SAls participated audit offices took part in the audit. The audit teams worked together on the planning phase and the reporting phase of the audit, using a peer review approach. They received support from expert advisors including in-country support during fieldwork, audit analysis and report drafting. The provision of offsite electronic communication between the advisors and team members was also beneficial.

39. The overall audit conclusion was that most of the audited Pacific island states need to strengthen their tuna fishery management arrangements in the areas of multiple international, regional and sub-regional fishery governance arrangements and Pacific island states need to be mindful of their obligations in this regard.¹⁹

D.2 Joint audits

D.2.1 Definition

40. Joint audit is an audit conducted by one audit team composed of auditors from two or more SAls, who prepare a single, joint audit report for publishing in all participating countries.

D.2.2 Advantages

41. Some advantages of selecting this type of audit are as follow:

- Scope can be a more co-ordinated and directed than in concurrent audits.
- Exchange of information, methodology, etc. is improved.
- Joint interviews are usually easier to set up than separate ones. The logistics of scheduling one meaning rather than two or more are easier both for interviewers and interviewees.
- Joint interviews will be more acceptable to interviewee since they don't have to answer the same questions in successive interviews with different SAls.
- The credibility and perhaps the impact of the report will probably be increased with SAls speaking as one body rather than separately.
- The credibility and perhaps the impact of the report will probably be increased with SAls speaking as one body rather than separately. (see also disadvantages.)
- Other points of view can be brought to the audit, which may result in more findings.
- Reporting can be more focused. (see also disadvantages.)
- A joint report can have more impact on and attention by legislators, governments, media, environmental groups, industry, etc., because it focus on all the parties being audited and the problems they share, such as risk to human and environmental health and safety. This might also depend on the audit scope.

¹⁹ Pacific Regional Report of the Cooperative Performance Audit: Managing Sustainable Fisheries (2013)

D.2.3 Disadvantages

42. Several disadvantage of this type of audit, namely:

- Political sensitivities in participating countries may differ and will have to be considered.
- The possible need to balance the audit independence of each individual SAI participating in a joint audit against the handling of material or finding that may give rise for difficulties for one of the participants in its own jurisdiction.
- Difficulties in ensuring that the scope of the joint reports remains within each SAIs power.
- Legal difficulties may exist where there are different dates of presentation to the respective legislators or governments.
- Compromises to achieve consensus in the working groups (audit teams), may weaken or have a negative effect on logistics, scope, methodology, resources, timing, findings, reporting and reviewing of each other's files, etc. it is therefore necessary to establish a mechanism for resolving disputes over such matters.
- The risk of strain on relations among participating SAIs is greater.
- Differences of opinion among SAIs such as contradictory conclusions in the final report, whether major or minor, may diminish the credibility of the report and the SAIs.
- Reporting of a joint audit could be more general, as the auditors participating in the working groups (audit teams) may try to issue a unanimous report and therefore avoid certain specific observations, or soften the findings and/or conclusions that might not have unanimous agreement.
- If observation and/or conclusion are too general in nature, the credibility of the report and the SAIs may be reduced.
- The logistic and organization will become more complicated, which will have a significant impact on the audit costs (i.e. for coordination).

D.2.4 Miscellaneous

43. Disadvantages can be minimized by conducting joint audits within geographical regions, for instance co-operation among the SAIs in the Nordic countries, between the SAIs in the USA and Canada, among the SAIs in Western European countries or among SAIs in countries in South America, etc. INTOSAI's geographical regions AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS, and PASAI may also be a way of grouping. (this will of course also be relevant if SAIs is conducting concurrent audits).

44. Conducting joint audits within geographical regions can reduce the costs and may also simplify logistics and make easier to choose the most relevant international accords for environmental audit (common problems or issues).

D.2.5 Examples of joint audits

45. At the eighth meeting of OLACEFS' Special Technical Commission on the Environment (COMTEMA), held in April of 2009 in Buenos Aires, Argentina, participants agreed to carry out a cooperative audit to examine the compliance by regional governments with commitments related to the United Nations Framework Convention on Climate Change (UNFCCC). The project involved the SAIs of 9 countries: Argentina, Brazil, Colombia, Costa Rica, El Salvador, Honduras, Panama, Paraguay and Peru. The Brazilian Court of Audit co-ordinated the joint effort owing to its participation in the coordinate international audit on climate change authorized by the WGEA and led by the SAI of Canada.

46. To support the national audits, a framework audit approach was developed, similar to the one adopted in the WGEA co-ordinated international audit. The SAIs of Argentina, El Salvador and Paraguay also used the 2010 WGEA publication "Auditing the Government Response to Climate Change" to develop their audit criteria. Each SAI designed, carried out, and domestically reported national audits to respond to their country's climate change priorities and in accordance with their internal practices and standards. The topics covered governance of climate change efforts, elaboration and communication of Greenhouse gas inventories, and elaboration and implementation of mitigation and adaptation policies.

47. After completion of all individual audits, a meeting was held in May in Lima, Peru to discuss the joint report. This report has been officially released during the October 2011 XXI OLACEFS General assembly in Venezuela.

D.3 Coordinated audits

D.3.1 Definition

48. A third option would be a coordinated audit, which is either a joint audit with separate national reports (as outlined for concurrent audits) or a concurrent audit with a single, international joint audit report in addition to separate national reports, or any form of co-operation between joint and concurrent audits.

D.3.2 Advantages and Disadvantages

49. The use of this type of audit may eliminate or minimize some of the disadvantages mentioned under both concurrent and joint audits. This line of action can particularly be useful jurisdictional problems arising from different SAI mandates which may have impact on how and when specific observation /conclusion ought to be reported. Thus, an additional allocation of time and budget will be necessary to prepare national audits report and a joint report.

50. Furthermore, since a co-ordinated audit is a combination of concurrent audit and joint (or vice versa), it also ought to be more flexible with regard to co-operation itself.

The use of this type of audit can therefore be favorable/preferable when and if SAIs want to gain more experience on international co-operation in general.

D.3.3 Examples of co-ordinated audits

51. . Coordinated audit on the enforcement of European Waste Shipment Regulation performed by eight SAIs in Europe in 2012 was one of good examples to illustrate how co-ordinated audits are an excellent approach to address trans-boundary environmental issues. The team comprises of SAI of Bulgaria, Greece, Hungary, Ireland, Poland, Norway, the Netherlands, and Slovenia. The audit shows that all eight participating countries have implemented the EU regulation on waste shipments and generally comply with the formal implementation requirements. However, the audit also showed that there are several significant weaknesses and challenges in the implementation practice of the regulation.

52. The punctuality of submitting reports, differences in enforcement, differences in resources and prioritization, and difference in classification on waste were some issues identified within the coordinated audit. Based on the issues identified, the participating SAIs made several recommendations which include: a) developing strategic plan for the enforcement of the EWSR; b) allocating proper resources with regard to the risks of illegal shipments; and c) consolidating and intensifying international co-operation in order to develop and adopt good practices. The report become a resourceful information for the European Commission to evaluate the regulation

53. Another example of this audit is an audit performed in 2010. The Office of the auditor General (OAG) Botswana embarked on an audit, “Coordination on the Implementation of the United Nations Convention on Climate Change and the associated Kyoto Protocol.”

54. The overall audit objective was to assess whether the Government of Botswana, through its Department of Meteorological Services (DMS) and in collaboration with its National Committee on Climate Change, appropriately co-ordinated the implementation of the UN Framework Convention on climate Change and its associated Kyoto Protocol. The methodological approach used was consistent with the INTOSAI WGEA’s 2010 guidelines on auditing government responses to climate change.

55. Among the audit’s key findings:

- There is no over-arching policy on climate change to harmonize the different pieces of the legislative framework that impact climate change policy. Such a policy would help to integrate climate change objectives into relevant policy areas aimed at the energy, business, transport, household, agriculture, forestry and land use, and public sectors.
- There is no established long-term action plan to successfully implement commitments made pursuant to the Convention. Such plan would provide

specific objectives and detailed performance indicators for achieving climate change commitments, identify the targets to be attained under each commitment, and identify the costs and benefits of implementation.

- The DMS has struggled to periodically update and publish national inventories of anthropogenic emissions by source, and removals by sinks of all greenhouse gases, as required by the Convention

56. The audit also identified strengths and limitations of the coordination process in implementing the UNFCCC and the Kyoto Protocol, and recommended that the National Committee on Climate Change be empowered to efficiently deliver on its coordination mandate.

57. Other recommendations called for:

- the development of a Policy on Climate Change that would address critical areas outlined in the UNFCCC and the Kyoto Protocol;
- the development of a National Framework of plans to ensure that relevant stakeholders integrate climate change issues into their development plans, thus making climate change risk reduction a priority;
- periodically updating and publishing inventories of anthropogenic emissions by source, and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, using comparable methodologies agreed upon by the Conference of the Parties.

| Table 1 | | | |
|--|--------------------------------------|--|---------------------------------------|
| Characteristics of the types of cooperative audits²⁰ | | | |
| Types of Cooperative Audits | Joint audit | Co-ordinated audit | Concurrent (or parallel) audit |
| Team | Joint audit team | National audit team per SAI with some coordination structure | National audit team per SAI |
| Audit approach (scope, questions, methods) | Identical for all participating SAIs | Co-ordinated/ harmonized to some degree, but differences between SAIs are possible | Chosen independently by each SAI |
| Report | Joint audit report only | National reports and/or joint audit report | National reports only |

D.4 Knowledge sharing concept

58. It is important that the SAIs are able to exchange information and transfer knowledge to each other on environmental issues. This can be done without

²⁰ INTOSAI WGEA “Cooperation Between Supreme Audit Institutions – Tips and Examples for Cooperative Audits” (2007).

participating directly in a joint, co-ordinated or concurrent audit. But the actual experience of carrying out audits on environmental issues together with colleagues from other countries will likely result in a more effective exchange of knowledge.

59. Joint audits may be difficult to conduct, for the above mentioned reasons. But concurrent audits will also be difficult to conduct if the SAIs involved are not willing to truly work together. As always in any co-operative venture, the personalities of those involved will be a decisive factor in obtaining acceptable results in concurrent, co-ordinated or joint audits.

60. The SAIs must also give due attention to political factors when dealing with environmental duties, especially industrial and/or financial factors that may oppose environmental issues. The SAIs must be conscious of cultural differences such as history, religion, political system and languages. Such differences may have an impact on the way audits (joint, co-ordinated or concurrent) are carried out and reported and on how time-consuming they are.

61. In any case, there are a number of advantages and disadvantages to each type of audit, as mentioned in the previous sections. Whatever type of audit is chosen, the parties involved must have a sincere desire to co-operate with one another for a common purpose.

E. COOPERATION APPROACHES AMONG SAIS²¹

E.1. Steps in Cooperative Audits of an International Environmental Accords

62. In many cases, the need for an audit of an international environmental accord may occur within certain geographic perimeters, as the country's most affected by a particular transboundary environmental situation or problems are those in close proximity.

63. As already pointed out, co-operation among SAIs, for instance within one of INTOSAI's geographical regions, not only can reduce the cost of conducting environmental audits but it also may take easier for the SAIs to choose which accords are the most appropriate to audit co-operatively. In this respect, SAIs may use a step by step model when planning or conducting audits of international environmental accords. Also, SAIs shall decide in which step they would put more effort in order to achieve the success of the cooperative audit.

E.1.1 Step one – Planning the audits

64. Time table / Action plan²² - Planning the timing of the audit(s) is an essential component of the audit design outline. Where the audit is based on a formal audit agreement among the participating supreme audit institutions, it is likely that the key

²¹ INTOSAI WGEA "Cooperation Between Supreme Audit Institutions – Tips and Examples for Cooperative Audits" (2007).

²² ISSAI 5800 par., 3.1

points, such as basic steps of work, time for / form of completion of each step, have already been set out in that agreement. The degree of precision of and commitment to the time schedule will also depend on the form of audit.

65. To be able to join forces in such a co-operative venture, each SAI needs to carry out a number of preliminary inquiries or reviews. These can include determining:

- Which accords to be audited
- How and where to obtain information about the accords;
- Whether compliance can be measured or assessed;
- Whether there is an audit risk to the SAI (extent and nature);
- Whether such an audit might involve other SAIs; and
- Degree of SAI interest based on informal discussion with relevant SAIs;
- Whether taking part in a cooperative audit brings an added value in terms of audit report, planning, and exchange of expertise or costs.

66. Besides determining which accords to audit and if such an audit should involve other SAIs, each SAI must also decide on the scope, nature, timing, and type of audit and its feasibility.

67. As mentioned earlier, each SAI can audit whichever international accord it finds appropriate. However, the SAIs should concentrate on auditing those international accords with which each country is obliged to comply (those it has ratified) and whether each country has set in place the necessary structures, legislation, strategies, implementation plans, compliance and enforcement mechanisms, reporting and monitoring procedures to implement the accord. SAIs would then determine whether there are any gaps in terms of governments' internal control in implementing particular accord and provide appropriate recommendations there to.

68. This accords chosen, should also be accords that offer the potential for an audit – whether concurrent, co-ordinated or joint, to achieve some results, both making a difference from an environmental point of view and providing for an exchange of information and experience.

69. The audit should, as a minimum, be a compliance audit but can be extended to include performance audit as well. Compliance auditing should determine if a country is in compliance or non-compliance with the obligation and/or commitments that follows from the audited accords based on the following elements:

- The existence of relevant statutes and regulations that may be related to accords; and
- An evaluation of the country's compliance with applicable statutes and regulations and with the accord itself.

70. Performance auditing is defined as described in INTOSAI's own auditing standards and is concerned with the audit of economy, efficiency and effectiveness and embraces:

- Audit of the economy of the administrative activities in accordance with sound administrative principles and practices; and management policies;

- Audit of the efficiency of utilization of human, financial, and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
- Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

71. With respect to environmental issues these are, on the other hand, defined and described in accordance with recommendation 1 of subtheme 1 A of the Cairo-statement (the framework approach) and encompasses:

- Financial, compliance and performance aspects in the definition of environmental auditing; and
- The concept of sustainable development as part of definition only as far as it is part of the government policy and/or program to be audited.

72. The main issue will be to perform in-depth analysis of non-compliance with the most significant international environmental accords, for instance those related to fresh water, marine pollution or climate change.

73. The SAIs themselves have to decide if they want to collaborate with other SAIs based on the preliminary inquiries or review only, or if they would like to evaluate their country's compliance with an accord before they enter into a co-operation with SAIs.

E.1.2 Step two – Implementation of the audits

74. To optimize and facilitate the audit effort, either a SAI decides to enter into co-operative venture before it has done a comparative study of its own country compliance with international environmental accords or if non compliance already has been unveiled, the need for some kind of formal agreement between SAIs participating in a concurrent, co-ordinated or joint audit is evident.

75. This agreement or protocol ought to cover such matters as the nature of the audit, reporting standards, timing, allocation of staff and other resources including financial arrangements. Furthermore, it should contain guidelines for resolving differences concerning scope, observations, recommendations, conclusions, etc.

76. Naturally, the decision to use such an agreement as well as its wording up to the participating SAIs. The use of such an agreement is important to ensure that all parties fully understand their responsibilities. An agreement of this kind will also provide a mechanism that may create a good working relationship between the participating SAIs and thus achieve better audit results.

77. The following points should be considered for inclusion in any agreements between SAIs conducting concurrent, co-ordinated or joint audits:

- Names of the participating SAIs.
- Type of audit – concurrent/parallel, co-ordinated or joint

- Definition of type of audit to be conducted on the accord, if different from the definitions used in this booklet.
- Name of the accord and/or particular section(s) to be audited.
- Information of the composition of the audit team(s) as follows:
 - Number of the representatives;
 - Levels of representatives from each SAI;
 - Qualifications of each representative including background and experience; and
 - Security clearance (if appropriate).
- Name of project/Team leader(s). In case of joint audits, it is desirable to have only one (1) SAI designated as project/Team leader.
- The allocation by SAIs of resources such as hours, money, and word processing services, consultant, specialists, etc.
- How such resources will be approved by the participating SAIs.
- The nature of audit (compliance and/or performance).
- Audit objectives, scope, criteria and methodology.
- Method of approval of audit objectives, scope, etc.
- The line of action to be used for the collection of audit evidence.
- Method and nature of clearance with audited agency (entities).
- Method and nature of the quality assurance review.
- Audit commencement and completion dates and any significant interim milestone.
- Languages and layout of the report drafts and final documents.
- Which SAI will be responsible for writing the reports or sections thereof.
- Who will be responsible for translation of the various sections of the report(s) into the languages of other participating SAIs.
- Establishment of an audit steering committee and its composition.

Its terms of reference may include the following items:

 - Audit objectives
 - Scope
 - Criteria
 - Methodology
 - Nature of the auditing standards to be applied
 - Nature of the auditing standards to be used
 - Staffing
 - Allocation of other resources
 - Contents of report(s) including recommendation, if any
 - Clearance of findings
 - Deadlines
 - Overall cost of audit
 - Resolving disagreements on any of the above
 - Any other special matters regarding that specific audit missions
- Cultural sensitivities
- Access to and release of data during the course of the audit – to whom, where, restrictions, security constraints, etc.

- Publishing date of report(s) and terms of release to legislatures or governments – when, where and how.
- Press releases, etc.
- Nature of security clearances if appropriate.
- Future follow – up, if any, and when, where and how.
- Physical locations, provision of office space, services and etc.
- Any other relevant points that will facilitate the conduct of the audit and the reporting of results.
- Modifications or Amendments – if necessary

78. As mentioned earlier, the use of this kind of agreement as well as its wording is for the SAIs themselves to decide. Nevertheless, If the SAIs involved do not have adequate experience with international co-operation, they ought to desist from including too many items/aspects into an agreement. In other words, an agreement ought to be designed in conjunction with the different SAIs experience with international co-operation, both generally and environmentally. For wording example of the Audit Agreement, SAIs could refer to Appendix 4 of the updated version of ISSAI 5800²³.

79. It should be underlined that in reporting on possible irregularities or instances of non-compliance with international environmental accords, SAIs must treat the findings with an appropriate degree of sensitivity both internally and externally.

80. Because of differences in the audit approach and legal structure among SAIs, all auditing standards may not apply to all aspects of the work by all the participating SAIs. The SAIs should therefore be aware of the different roles and responsibilities that exist among them when staffing an audit team to perform a concurrent, co-ordinated or joint audit.

E.1.3 Step three – Reporting the audits

81. A crucial step within the sequence would be in developing a report based on the evidence found during the implementation of audit. This becomes crucial as it has to reflect the national nature of each participating SAI and also be comprised with a comprehensive information about the audited issues in order to bring greater impact of the audit.

82. According to ISSAI 5800, reporting the cooperative audit may take form of national audit reports or of a document drafted jointly²⁴. Several practical experiences derived from previous cooperative audits in OLACEF²⁵ region this step may include activities such as follow:

- Meeting for the presentation of the auditing result;
- Delivery of finished reports. Integration of the main messages in the joint report;

²³ ISSAI 5800 - Appendix 4 Standard Audit Agreement

²⁴ ISSAI 5800 par 3.3

²⁵ Inputs from SAI Mexico on the Draft Exposure of ISSAI 5140

- Clarification of findings and offering suggestions for the integration of the joint results;
- Determine the structure of the joint report;
- Determine and include the best practices found in the audit results.

E.1.4 Step four – Evaluating the audits²⁶

83. After the completion of an audit, a systematic evaluation ought to be carried out on the performance of the audit itself. Amongst other, such an evaluation should include experiences with the use of each type of audit, especially the advantages and disadvantages. It should also be made in order to summarize important information regarding the planning and execution of the audit work done.

84. This may also be seen as a useful way to provide data and lessons learned on how SAls may co-operate on the audit of international environmental accords in the years to come, including how to access and choose what type of audit to conduct. Furthermore, evaluations of this kind will be important with regard to future follow –ups.

E.2 Role of INTOSAI and Environmental Auditors in Co-operative Audits

E.2.1. INTOSAI’s Role as Broker

85. Adopting the general translation²⁷ of ‘broker’, within this context broker can be defined as person/organization who arrange or acts as intermediary or liaison. The idea of a broker’s function originates from recommendation 3 of subtheme 1.B of the Cairo statement, which states that INTOSAI should encourage SAls to co-operate where possible on audit of international environmental accords. This means INTOSAI shall made its best possible effort in order to promote cooperative audits.

- The function of the broker could be seen as to further the performance of the concurrent, co-ordinated or joint audits of international accords. This can be fulfilled by supplying information that makes it easier for SAls to select an auditable accord as well as finding audit partners. Relevant tasks of a broker may supply information on International environmental accords;
- The SAls’ interest in participating in a co-operative audit;
- The accord preferred for audit; and
- The intensity of co-operation desired.

86. The homepage of the WGEA (<http://www.environmental-auditing.org>), can play a crucial role in a broker’s function. Indeed, it does so already in some respects. WGEA could for instance gather and publish examples of the international environmental accords that may be subject to cooperative audits. A step in this direction was the supply of the information on international environmental accords via the homepage of the Working Group.

²⁶ ISSAI 5800 pars. 4.1 and 4.2

²⁷ Translation of Broker available at: <http://www.dictionary.com/browse/broker>. Accessed November 2016

87. The homepage can be expanded to include other issues and, if necessary, the structure can be adjusted to new subjects or functions. Homepages of individual SAIs can also play an important role by providing information on specific audits of international environmental accords. A list of reports on the audit of international environmental accords can be produced from the data received as a result of recent questionnaires sent to the SAIs. References may be added to the homepage and above - mentioned list.

E.2.2. Environmental Auditors' Role

88. The work of environmental auditors provides an invaluable source of independent, legitimate, and credible information that assesses the efficiency and effectiveness of environmental policy at the national level. This information not only can feed into Global Environment Outlook (GEO)²⁸ reports at the global, regional, sub-regional, and national levels, but also can make an important contribution to UNEP's overall mandate of keeping the global environmental situation under review. We encourage the WGEA to continue its work of promoting environmental auditing in as broad and integrated a manner as possible, bearing in mind the constraints inherent with highly diverse systems at the national level.²⁹

E.3 Exchange of information

89. One of the objectives of the INTOSAI WGEA is to facilitate the exchange of information and experience among SAIs. The importance of this was emphasized several times during the XV INCOSAI in Cairo, Egypt in 1995, where it was recommended that INTOSAI WGEA continue to gather information on environmental auditing and provide this information to interested INTOSAI members (refer to the Cairo Statement, page 5).

90. Furthermore, it was also recommended that the INTOSAI WGEA consider different options for developing means to support training and exchange of information and experience on environmental auditing among SAIs. (refer to the Cairo Statement, page 8.)

91. There are many ways of exchanging such kinds of information, ranging from direct contact among SAIs – either by conventional means of communication or by way of internet/online. – to the use of information bulletins like the *Greenlines* co-ordinated by U.S. Government Accountability Office (GAO)/ SAI of United States of America on behalf of the INTOSAI WGEA. These various methods of collecting and/or disseminating information ought to be valuable tools for SAIs who wish to draw on the work and experience of their colleagues.

²⁸ Global Environment Outlook – UNEP Programme Global State of the Environment Report 1997. Link: <http://web.unep.org/geo/sites/unep.org/geo/files/documents/geo1/misc/about.htm>

²⁹ International Journal of Government Auditing- "Environmental Auditing and Sustainable Development: SAIs Matter"

F. METHODOLOGY

92. ISSAI 1000 – General Introduction the INTOSAI Financial Audit Guidelines³⁰ recommends that the SAIs adopt policies and procedures to prepare manuals and other written guidance and instructions for the conduct of audits.

93. This ISSAI 1000 also points out that an expanding audit role will require that auditors improve and develop new techniques and methodologies to assess whether audited entities use reasonable and valid performance measures. Auditors are therefore encouraged to avail themselves of such techniques and methodologies. Also, development of SAI capacity to carry out audits of environmental accords can be done through auditor trainings in such field.

94. These audit standards, along with INTOSAI's other general standards, may be applicable to environmental auditing. And, as mentioned earlier, the international standards of audit³¹ and techniques for both compliance audit and performance audit will apply when carrying out audits of international accords.

95. However, there may be a need to use experts for some parts of the field audit. SAIs may wish to take advantage of various international efforts in establishing standards such as ISO 14000- Environmental Management or the EMAS (the European Union's Eco-Management Audit Scheme).

96. As to the actual methodology to be used, we refer to the *Guidance on Conducting Audits of Activities with an Environmental Perspective*, prepared by the SAIs from New Zealand (co-ordinator), South Africa, Estonia, USA, UK and the European Court of Auditors, as well as to the *Auditing the Implementation of Multilateral Environmental Accords (MEAs) – Primer for Auditors*.

G. ROLES AND RESPONSIBILITIES

97. This section is intended to throw light on some of the roles and responsibilities of SAIs, especially where different mandates and jurisdictions have implications for the mandate and the nature of the audit, the standards to be used and method of reporting to the legislatures or the governments.

98. For example, the Auditor General of Canada has only federal audit responsibility, which means that this SAI cannot audit organizations of provincial or municipal governments or the private sector. By comparison, if municipal or local governments in Norway receive grant from the national legislature, the Office of the Auditor General of Norway has free access to all information regarding the grants given and thereby also the authority to audit the funds in question. This right of inspection also includes the private sector.

³⁰ ISSAI 1000 - General Introduction the INTOSAI Financial Audit Guidelines. Available at: <http://issai.org/media/96001/issai-1000e-incl-footnote-issais-100-400-1992.pdf>

³¹ International Standards for Supreme Audit Institutions (ISSAI) 3000 and 4000

99. Moreover, the structure and organization of a SAI may have an impact on its co-operation with other SAIs. For instance, certain audit standards may not be applicable to some of the work done by SAIs under the court system of legislature auditors. The collegial and judicial nature of a court system makes the audit procedures quite different from those of an SAI that reports to the parliament and is headed by an auditor general or a comptroller general.

100. Furthermore, INTOSAI's general audit standards and their use may vary among SAIs with the scope, nature and type of audit. For instance, SAIs using a performance audit approach when auditing international environmental accords will normally report on the economy, effectiveness and efficiency of the auditee. A SAI applying the court system does not usually have a mandate to use the performance audit approach and some courts of audit have absolutely no powers to conduct environmental audit at all.

101. Thus, the nature of the audit and how SAIs is organized may have an effect on how the audit of international environmental accords can be conducted. Under certain circumstances, it therefore may not be advisable for a SAI governed by a court system to participate in a joint audit operation with, for instance, a SAI that reports only to a ministry (usually the Ministry of Finance), to the government or to the legislature.

102. To avoid any jurisdictional problems arising from different mandates and different roles and responsibilities, SAIs operating on different legal bases should use either a concurrent/parallel³² or a co-ordinated audit approach to auditing international environmental accords with other SAIs.

³² ISSAI 5800 pars. 2.4 and 3.1