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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those which deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

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## contents

<b>Editorial</b>	<b>1</b>
<b>News in Brief</b>	<b>5</b>
<b>Making the World a Better Place</b>	<b>10</b>
<b>An Interview with Sheila Fraser</b>	<b>17</b>
<b>Current Trends in Environmental Auditing: Waste and Water Management</b>	<b>20</b>
<b>Going Back to School</b>	<b>23</b>
<b>Getting Started: Brazil</b>	<b>26</b>
<b>Getting Started: Sri Lanka</b>	<b>28</b>
<b>Getting Started: Iran</b>	<b>30</b>
<b>Regularity Auditing and the Environment</b>	<b>32</b>
<b>Working Together to Tackle Regional Problems</b>	<b>34</b>
<b>Reports in Print</b>	<b>37</b>
<b>Inside INTOSAI</b>	<b>39</b>
<b>IDI Update</b>	<b>43</b>
<b>INTOSAI Calendar</b>	<b>45</b>



*editor's note*

The INTOSAI Working Group on Environmental Auditing is seeking ways to collaborate with the United Nations Environmental Programme (UNEP) on issues of mutual concern. In this context, Klaus Toepfer, Executive-Director of UNEP, shares his views with Journal readers on the importance of the SAI role in the environmental arena..

The connection between Supreme Audit Institutions (SAI) and sustainable development may not be obvious to most people at first glance. Sustainable development—that is, development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs—would appear to have little to do with government auditing. However, when one reflects on the fact that sustainable development rests on three pillars—society, the economy, and the environment—and that all three are closely related and equally important to the well-being of people and nations, the connection becomes more apparent. Simply put, sustainable development cannot be achieved without good governance, and good governance, in turn, is greatly furthered by the valuable work of SAIs. Therefore, SAIs can play a vital role in informing and supporting efforts to achieve sustainable development.

### **The Environment and Development**

The environment is our life support system—it provides people with the goods and services essential for human survival, well-being, cultural diversity, and economic prosperity. Current rates of growth in the consumption and transformation of environmental resources are threatening the sustainability of this life support system and our own security. For this reason, there is a need to cherish the environment and to continually improve our understanding of the relationship between the environment and development, including interactions with human society.

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*“Sustainable development cannot be achieved without good governance, and good governance, in turn, is greatly furthered by the valuable work of SAIs.”*

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In its report *Our Common Future* (1987), the World Commission on Environment and Development captured the complex linkages among the different environmental problems and between the environment and development. The report noted, “From space, we see a small and fragile ball dominated not by human activity and edifice but by a pattern of clouds, oceans, greenery and soils . . . We can see and study the Earth as an organism whose health depends on the health of all its parts. We have the power to reconcile human affairs with natural laws and to thrive in the process.”

Furthermore, major development challenges, such as those expressed in the World Summit on Sustainable Development and the Millennium Development Goals, are closely related to the main environmental problems. Alleviating poverty and promoting fair trade, good health, food security, and access to energy are closely related to climate change, the loss of biodiversity, land and water degradation, the depletion of stratospheric ozone, and the accumulation of waste and persistent organic pollutants in the environment.

Since the United Nations General Assembly established the United Nations Environment Programme (UNEP) in 1972, a key component of its mandate has been to monitor the world environmental situation. UNEP does so to ensure that emerging environmental problems of broad international significance receive appropriate and adequate consideration by governments. Environmental change induced by humans has accelerated over the last three decades, as UNEP’s flagship *Global Environment Outlook* (GEO) reports clearly illustrate. The increasing complexity of environmental degradation and its linkages to many other factors have profound implications for sustainable development and its other pillars—society and the economy.

## **Environmental Threats and Governance**

As we monitor and review the condition of the world’s environment, the connection between environmental threats and governance becomes vividly apparent. Governance is an overriding issue that applies to all levels and sectors of society—from the local to the global level and from the private to the public sector. It has an impact on all aspects of society—law and human rights; political, parliamentary, democratic, and electoral systems; civil society; peace and security; public administration; public information; the media; the corporate world; and the environment.

Both awareness of and attention to governance issues have grown in every aspect of modern life, not least in relation to the environment. However, our progress in this area has failed to match the rate of environmental degradation. If we are to succeed in addressing this degradation and the consequent threats to the human environment, our dedication to good governance must be as great as our dedication to sound environmental policies. And that dedication must be coupled with a resolve to improve our approach to governance—a paradigm shift in the way that governance is carried out and decisions are made and implemented.

We must recognize that greater democracy and transparency are not abstract, procedural safeguards, but essential components of the framework on which sustainable development rests. Ensuring that the public is informed of and involved in decision making is an essential part of this process. Keeping the public informed of government actions—what is sometimes referred to as “government in the sunshine”—has been shown to be a highly effective means of ensuring that the environment is taken into

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*Keeping the public informed of government actions—what is sometimes referred to as “government in the sunshine”—has been shown to be a highly effective means of ensuring that the environment is taken into account in decision making.*

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account in decision making. In short, “government in the sunshine” means “green government.”

The power of the people to influence policy has long been recognized. As the Commission to Study the Organization of Peace stated in 1972, “It is only through the deep concern, information and knowledge, commitment and action of the people of the world that environmental problems can be answered. Laws and institutions are not enough. The will of the people must be powerful enough, insistent enough, to bring about the truly good life for all mankind.”

## **Promoting Transparency on Environmental Issues**

SAIs play a vital role in facilitating the transparency of government operations and ensuring that an informed public guides the actions of governments. SAIs promote sound financial management and public accountability—both of which are essential elements of sustainable development. Moreover, SAIs’ independence in carrying out financial, compliance, and performance or value-for-money audits puts them in a unique position to legitimately and credibly evaluate the efficiency and effectiveness of government policy and obligations.

In this context, UNEP’s greatest area of interest is the growing importance of SAI environmental auditing at the national level and the work of the INTOSAI Working Group on Environmental Auditing (WGEA) in particular. UNEP has recently started exploring with the WGEA ways of mutually reinforcing one another’s activities. For UNEP, the initial point of contact is through our GEO integrated environmental assessment (IEA) reports and related processes ([www.unep.org/geo](http://www.unep.org/geo)). GEO uses the driving forces-pressure-state-impact-response (DPSIR) approach to assess the state of the environment. The DPSIR approach links the following questions:

- What is happening to the environment and why?
- What is the impact on the environment?
- What are the policy responses and their impact?

The work of environmental auditors therefore 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 GEO reports at the global, regional, subregional, 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.

## **Capacity-building in Environmental Auditing**

Lastly, a few words on capacity-building, which I know that my friend and colleague James Wolfensohn wrote about in the January edition of this *Journal*. We recognize that this is a key area for collaboration between UNEP and INTOSAI’s WGEA because both of us face overwhelming demands from our individual constituencies. I consider

the first pilot courses in environmental auditing that the WGEA and the INTOSAI Development Initiative (IDI) recently sponsored to be a very positive development. Through collaboration between the WGEA and GEO, we plan to improve our IEA methodology and training materials by incorporating environmental auditing approaches and outputs. Effective capacity-building in both environmental auditing and IEA can provide countries with the tools and knowledge they need to make informed decisions, bring about positive change, and ultimately contribute to sustainable development. This will be no small achievement.

### **Special Environmental Auditing Issue of the *Journal***

Although environmental auditing is now a mainstream practice for many SAIs, it is relatively new for others. Real and perceived barriers keep others from getting started. The purpose of this issue of the *Journal* is to share the experiences of SAIs in this field in order to increase the awareness of environmental auditing within INTOSAI and provide ideas on how to build and improve SAIs' capacity to undertake environmental audits. In addition to our regular features, this issue includes articles from around the world in which contributors tell us about their SAIs' environmental auditing experiences and share the insights they have gained.



# NEWS



## Antigua and Barbuda

### Report on Government Accounts Submitted

In October 2002, the Director of Audit of Antigua and Barbuda submitted her report on government accounts for the years 1995-2000.

The Audit Department experienced many problems in auditing these accounts. However, with the assistance of Treasury Department consultants, the accounts are almost up to date.

The accounts for the years 1995-2000 were tabled before the House on October 22, 2002, and referred to the Public Accounts Committee. At press time, the Committee had not taken final action to consider the accounts as required by law.

The Audit Department plans to complete the audit of the 2001 and 2002 government accounts within the current (2004) financial year.

For more information, contact: the Audit Department, fax: ++1 (268) 460-5960; e-mail: [audit@candw.ag](mailto:audit@candw.ag).

## Federal Republic of Germany

### Annual Report Issued

The Federal Court of Audit, Germany's SAI, recently presented its 2003 report to the legislative bodies and the federal government. The report's 82 items reflect a major portion of the SAI's audit and advisory work. Most of the observations address highly topical issues that are still open for remedial action, indicating excess expenditures and potential additional revenues of some €3,000 billion.

The annual report consists of five chapters: comments about federal appropriations and capital accounts for fiscal year 2002, contributions on specific audit findings, observations on advisory work done by the SAI, and comments on instances in which the executive branch of government has already followed the audit recommendations.

On November 25, 2003, the Court's President, Dieter Engels, presented the annual report to the public at a special press conference in Berlin. He commented on some key features of the report, such as soaring public debt, inefficient public management, lack of oversight and visibility, and shortcomings in tax collection.

The report also highlights the findings generated by audit examinations into federal grants to research institutes, private sector bodies, and welfare

organizations. Frequently, contracts awarded to private sector bodies lack sufficient monitoring and control. When the Court looked into the federal agencies' mission performance, auditors found that there were no adequate incentives to encourage staff to ensure that funds are used efficiently and effectively.

The complete report in German can be accessed on the Court's Web site. Once the abridged English version becomes available, it will also be placed in the Web site.

For additional information, contact: Federal Court of Audit, fax: ++49 (1888) 721-2610; e-mail: Poststelle@brh.bund.de; Web site: www.Bundesrechnungshof.de.

## Hong Kong

### New Director of Audit

Upon the nomination and recommendation of the Chief Executive of the Hong Kong Special Administrative Region, Mr. Benjamin Kwok-bun Tang was appointed Director of Audit by the State Council of the People's Republic of China on December 1, 2003.

Mr. Tang joined the civil service in October 1974. He has served in different bureaus and departments during his 29 years of government service and is familiar with the operations of different parts of the



Mr Benjamin Kwok-bun Tang, New Director of Audit of Hong Kong

government. His more recent appointments include those of Government Printer from March 1998

through January 2000 and Commissioner of Insurance from January 2000 through November 2003.

For more information, contact: Audit Commission, Immigration Tower, 7, Gloucester Road, Wanchai, Hong Kong, China; e-mail: enquiry@aud.gov.hk; Web site: www.info.gov.hk/aud.

## Hungary

### Audit and Training Plan for 2004

Hungary's State Audit Office (SAO) performs its auditing activities in accordance with an annual audit plan with a medium-term outlook. The president of the SAO approves the audit plan and is also responsible for its implementation.

In 2003, the scope of the SAO's authorization was enhanced, thereby strengthening its role and authority. Under new legislation, the SAO's authority was increased so that it could audit the legality of the use of state property and government subsidies.

Over the past few years, audit obligations related to legal provisions have accounted for about 60 percent of the SAO's audit capacity. The remaining 40 percent is dedicated to selecting audit tasks and subjects related to timely and important social and economic issues, as well as audits involving the preparation of economic analyses and conclusions, thereby promoting transparency in the use of public funds and property.

Annually, the SAO is required to present an expert opinion on the state budget bill and audit the final accounts, the use of and accounting for subsidies provided to local governments from the central budget, and the operation and financial management of the state privatization company and the national news agency. In connection with Hungary's accession to the

European Union, the SAO must also perform an accreditation audit of the institutional framework set up to implement the SAPARD (Special Assistance for Agriculture and Rural Development) program and to disburse support payments.

In 2004, the SAO will audit the current situation and the financing of pharmaceutical products, the model experiment of targeted patient care, PHARE programs (an European Union instrument for economic restructuring of accession candidates) implemented in health care, and the utilization of funds allotted to central and local government health care investments and reconstruction. In addition, the SAO will carry out a comprehensive audit of the Ministry of Health's Social and Family Affairs Chapter.

In view of changes taking place in the transfer of functions between the public and private sectors in Hungary (which is precisely why new auditing tasks were assigned to the SAO in the coming year), the SAO will pay special attention to auditing state tasks performed outside of the public finance framework. A separate system audit is planned for this purpose.

Based on the SAO's strategic plans and preliminary outlook program, it plans through 2006 to evaluate and analyze in detail interconnections related to environmental protection, the fulfillment of state tasks outside the public finance framework, health care, higher education, employment, the modernization of the armed forces, and revenues of the central budget.

The 2004 annual training plan has been drafted in line with the SAO's medium-term strategy and includes training seminars and other events related to financial audit, performance audit, accounting, the national tax system, quality assurance, sampling, local government financial management, and audit-related core issues of the European Union. Other practical

courses, like communication training and management training, are also included in the plan. Courses to promote foreign language and information technology skills will also help to enhance the skills of SAO staff. New training will also include an introduction to the *SAO Audit Manual* and the course “Ethical Public Service Without Corruption.”

Many government internal audit professionals attend the SAO’s financial audit training. When performing their jobs, they apply, in part, the methodology learned at the SAO. In the near future, this training will be supplemented with an Internet-based distance-learning program.

For additional information, contact: State Audit Office, fax: ++36 (1) 484-9201; e-mail: kovacs@asz.hu, incosai2004@asz.hu; Web site: www.asz.hu.

## Iran

### New Supreme Audit Court Headquarters

The Supreme Audit Court (SAC) of Iran, which dates back to 1906, is very proud of its long history of auditing for and accountability to the Parliament. Since that time, it has endeavored to guarantee the accountability of all public bodies that in one way or another benefit from the public treasury.

In order to provide better auditing and extend its functions and fields of work, the SAC headquarters has moved to a new and larger building with improved and updated working facilities. The building is located in northern Tehran and houses 488 members of the 1,294 staff working across the country.

For additional information, contact: Supreme Audit Court, fax: ++98 (21) 888 99 30; e-mail: irisac@majlis.ir; Web site: www.dmk.irwww.dmk.ir.

## Iraq

### New Head of Board of Supreme Audit

Mr. Ihsan K. Ghanim Al-Ghazi has been named the Acting President of the Board of Supreme Audit in the Republic of Iraq. The newly constituted Board resumed its audit functions in April 2003.

Mr. Ihsan K. Ghanim was born in 1941 in the Al-Najaf Governorate. He received a bachelor’s degree in accounting from Baghdad University in 1962 and the Certificate of Chartered Accountancy from the same college in 1973.



Mr. Ihsan K. Ghanim Al-Ghazi, Acting President of the Iraqi Board of Supreme Audit

He began his work with the Board of Supreme Audit in 1973, working in a number of different areas and positions. He was the director of the Financial and Economic Office, the Education and Knowledge sector, and the industry directorate for audit activity. He worked on audits in the areas of agriculture and construction, finance and distribution, and public services. He was the Vice President of the Board from 1997 until he was named to his new position.

He has participated in many training courses on accountancy, audit, and economy in Iraq and abroad and has been a lecturer in training courses and study programs for Baghdad University. He was Iraq’s representative in auditing the League of Arab States for the years

1980-1984. He was also a member of the board of the Union of Iraqi Auditors and Accountants and has participated in many Arab and international conferences on financial audit.

### Board of Supreme Audit Resumes Responsibilities

Following the cessation of military actions in Iraq, the Board’s employees took an active role in reestablishing its activities and rehabilitating its buildings in Baghdad and other regions of the country. The offices have been furnished and provided with the equipment and other supplies required for the Board’s work. In addition, work programs have been developed to address needs based on the current situation in Iraq. In addition to audit tasks, the Board’s work plan for 2004 includes several projects that aim to build the capacity of its employees and enhance their efficiency. The Board is preparing for this effort in coordination with concerned parties inside and outside Iraq.

The Board is helping to establish financial management and accountability in the new Iraq and to coordinate state finances with the Coalition Provisional Authority and related parties. The Board has been involved in settling obligations of the state and various administrations from the pre-war period. It has also worked to organize the handling of assets and properties damaged during the war. It has issued instructions on the procedures state administrations need to adopt in order to guarantee adequate control.

The Board has continued its cooperative relationships with technical organizations and Arab and other foreign SAIs, including the members of ARABOSAI. It has participated in several courses held by these organizations and has submitted a report to be included in the conference documents for the 8th ARABOSAI assembly.



For additional information, contact: Board of Supreme Audit, telephone: ++004647901312492; e-mail: bsairaq@yahoo.com.

## Italy

### Authority of Court of Audit's Regional Audit Chambers Expanded

In October 2001, the Italian Parliament passed a constitutional law amending the 1948 Constitution. The law reflects the evolution of the Italian State as a federal system and provides for the new constitutional status, powers, and structure of the nation's regions and for their relationship with Parliament and the central government.

Pursuant to these constitutional changes, the Parliament in May 2003 also approved a law strengthening the role of Italy's Court of Audit in its capacity as an external audit institution charged with monitoring the implementation of public finance coordination.

In fact, with the decentralization of public administration and the increase in the number of spending centers, the provision of an autonomous regional system consolidates the need for a guarantee function safeguarding the "equilibrium" of public financing and the sound management of the public administrations.

Therefore, the new law provides a new structure for the Court's regional audit chambers and enhances their external audit powers, functions, and remits. Previously, the regional audit chambers consisted of three magistrates (one resident of chamber and two counselors) who were members of the Court. Under the new structure, a regional audit chamber consists of five members, as the law added two members appointed, respectively, by the Regional Council and the council of local authorities (provinces and municipalities) for 5-year terms (the

usual term of the regional council). These members have the same legal status as the Court's magistrates, and their salaries are paid by the Regional Council.

The regional audit chambers have the following powers and functions, as enhanced by the new law, in relationship to regions, provinces, and municipalities:

- to monitor whether regions, provinces, and municipalities have maintained budget equilibrium in accordance with the internal growth and stability pact the European Union requested of its member states;
- to monitor whether they have reached the objectives set by state and regional program laws;
- to assess the soundness of their financial management and the efficiency and effectiveness of their activities; and
- to audit their internal control systems.

During 2004, the Court's regional audit chambers are implementing these enhanced performance audit activities of the regional and local authorities.

For additional information, contact: Court of Audit, fax: ++39 (06) 38 76–8011; e-mail: uric@corteconti.it; Web site: www.corteconti.it.

## Tunisia

### New President of the Court of Auditors Named

Ms. Faiza Kefi has been named the new President of the Tunisian Cour des Comptes (Court of Auditors). She holds a master's degree in law, a doctorate from the University of Administrative Sciences, and a specialized degree in educational planning.

Ms. Kefi held various positions at the National Education Ministry and subsequently at the Ministry of Women's Affairs. She was president of the Tunisian National Women's Union for 7 years and was elected a Member of Parliament in 1994.

She has also held several other high-level posts in the fields of politics and associations. She was appointed Minister of the Environment and Regional Planning in 1999, Minister of Employment and Vocational Training in 2001, and subsequently Tunisian Ambassador to Paris.

For additional information, contact: Cour des Comptes, fax: ++216 (71) 83 12 53; e-mail: arabosai@gnet.tn.

## United States of America

### 2003 Performance and Accountability Report Issued

In November 2003, just 45 days after the close of the fiscal year, the U.S. General Accounting Office (GAO) published its *2003 Performance and Accountability Report*.

In his introduction to the report, Comptroller General David Walker stated that 2003 was an outstanding year for GAO. "Looking over the past year, our work addressed many of the difficult issues that confront the nation, including diverse and diffuse security threats, changing demographic trends, increasing interdependency, rapidly evolving science and technology changes, a variety of quality-of-life issues, as well as government transformation challenges and increasing budgetary constraints . . . In these and other areas of our work, the American people benefited this year as federal agencies took a wide range of actions based on our analyses and recommendations and as our efforts heightened the visibility of issues needing attention." GAO's work during 2003 led to \$35.4 billion in financial benefits—a \$78 return on every dollar GAO spent—and numerous other improvements

without a price tag. “I believe that those who read this report will agree that the taxpayers received an excellent return on their investment from GAO,” the Comptroller General said.

In addition to data on GAO’s overall performance, the report highlights progress in meeting each of GAO’s strategic goals. It also includes GAO’s fiscal year 2003 financial statements, which received an unqualified opinion from its independent auditor, the 17th such clean opinion. The report includes a wealth of information on GAO’s operations, including an overview of its organization and management, summaries of key work performed by each audit team, significant financial and other accomplishments, and information about human capital and information technology initiatives.

GAO again plans to submit its annual report for consideration under the Certificate for Excellence in Accountability Reporting program sponsored by the Association of Government Accountants, which cited the 2002 GAO report for excellence. The 2002 report was also one of only two government reports that received the highest rating in an assessment of electronic reporting of government performance information by the IBM Center for the Business of Government, E-Reporting. This study assessed the convergence of two trends—performance measurement and electronic reporting—to measure how well federal, state, and local governments kept the public informed of their activities. The 2002 report also won an American Graphic Design Award for publication design.

GAO’s current and former Performance and Accountability reports are available at [www.gao.gov](http://www.gao.gov). For additional information, contact: GAO, fax: ++(202) 512-4021; e-mail: [spel@gao.gov](mailto:spel@gao.gov).

# Making the World a Better Place to Live One Audit at a Time: Improving Governance and Accountability in Environmental Protection

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By: Noel Carisse, Liliane Cotnoir, Carolle Mathieu, and John Reed, Office of the Auditor General of Canada

Rapid and profound changes have taken place across our planet over the past few decades. Not only have our societies undergone rapid transformation at the hands of new economic and technological forces, but the physical world in which we live—our natural environment—is also being transformed. In 2002, the United Nations Environment Program (UNEP) released its third *Global Environmental Outlook*, also known as GEO-3. Assembled by leading scientists and experts from around the world, the *Outlook* paints an alarming picture of our planet's condition. Rainforests and coral reefs are disappearing; drinking water supplies are contaminated with disease-causing agents and toxic chemicals; air pollutants cause respiratory ailments in children and adults; land is spoiled by the dumping of hazardous wastes; overexploitation of resources is putting many animals and plants on endangered species lists; and global warming is producing unprecedented changes to our climatic system. (See text box for the key environmental trends identified in GEO-3.)

The *Global Environmental Outlook* and other UNEP assessments show that there have been significant changes in our lives and the environment over the past 30 years. While some notable improvements have been achieved, the overall state of the environment is more fragile and degraded than in 1972. For many SAIs, none of this is news. They have identified issues of waste management, water and air pollution, forest loss, land degradation, and impaired ecosystems as the top environmental issues facing their respective countries.

Our governments are responsible for dealing with these problems and working toward solutions. It isn't an easy challenge. Because environmental problems are rooted in economic and social policies, they occur at all levels from local to global (and thus can involve municipal, regional, and national governments), and success requires action by many players over long periods of time. Nevertheless, governments around the world have addressed environmental issues over the years through the creation of environmental ministries, policies, and programs and through international institutions and treaties, laws and regulations, and expenditures.

## How Do Auditors Fit In?

What does the condition of our planet's environment have to do with auditors, you might ask? Well, if the thousand-plus environmental audits conducted by SAIs over the past decade are an indication, quite a lot!

“Environmental auditing” is a catchall term used to describe a range of audit activities focused on the environment. While there are many variations, SAIs are currently engaged in three basic types of auditing with an environmental perspective: financial (attest), compliance, and performance (value-for-money). Each of these is formally

## Key Environmental Trends

### Forests

- Loss of natural forest is 14.6 million hectares annually (an area the size of Nepal).
- Deforestation of tropical forests is almost 1 percent annually.

### Biological Diversity

- About 24 percent of mammals and 12 percent of bird species are currently regarded as globally threatened.

### Freshwater

- About 1.1 billion people still lack access to safe drinking water and about 2.4 billion lack access to adequate sanitation.
- Lack of access to a safe water supply and sanitation results in hundreds of millions of cases of water-related diseases and more than 5 million deaths every year.



Source: Kiyoshi Okamoto, IDI Norway.

### Atmosphere

- Indoor and outdoor air pollution is estimated to be responsible for nearly 5 percent of the global burden of disease. In developing countries, 500,000 people die annually from outdoor pollution and 1.9 million from indoor pollution.
- The overall warming amounts to about 0.6 degrees centigrade over the 20th century; the 1990s were the warmest decade and 1998 the warmest year since 1861. The warming is largely due to emissions of carbon dioxide from fossil fuel combustion.

### Waste

- From 33 percent to 50 percent of solid wastes generated in most cities in low- and middle-income countries are not collected.
- Fewer than 35 percent of cities in the developing world have their wastewater treated.

Source: UNEP/GEO-3



described and defined in INTOSAI auditing standards and in guidance prepared by the INTOSAI Working Group on Environmental Auditing (WGEA). Environmental audits apply general audit methods and standards with a different focus. When conducting environmental audits, auditors might ask the following questions:

- Do the financial statements properly reflect environmental costs, liabilities (including contingent liabilities), and assets?
- Is the organization spending money in accordance with financial rules and governing legislation?
- Is the government complying with international environmental treaty obligations, domestic environmental laws and regulations, and government policies and programs?
- Is the government meeting the environmental performance targets it has set for itself, and what results has it achieved?
- Is the government controlling environmental risks from its own operations?
- Has the government put in place an effective accountability framework for its environmental programs and policies?

For many SAIs, environmental auditing has become a mainstream activity, as important as any other type of audit or area of mandate. And SAI efforts in this area are helping governments do a better job. Addressing environmental matters falls squarely within the mandate—some argue the responsibility—of national audit offices for the following reasons:

- Governments spend significant public resources on managing environmental problems—SAIs need to hold them accountable for prudent financial management, reporting, and results.
- Governments have signed numerous international agreements and enacted domestic laws and regulations—SAIs need to hold them accountable for compliance.
- Governments, in their financial statements, must account for the environmental costs and liabilities created by their landholdings and operations—accounting standards require them to adhere to proper accounting practices.
- In some cases, the governing legislation for the SAI specifies environmental requirements.

### **Meeting the Challenges: How the WGEA Can Help**

Although environmental auditing is now a popular activity in SAIs, it is not without its challenges. INTOSAI members have identified a number of real and perceived barriers to undertaking environmental audits, including

- inadequate SAI mandates;
- insufficient established environmental auditing norms and standards;
- lack of skills or expertise within SAIs;
- insufficient data on the state of the environment;
- insufficient national monitoring and reporting systems; and
- insufficient formulation of governmental environmental policy, such as the lack of measurable goals, the absence of strategies, and insufficient regulatory frameworks.

In many ways, the INTOSAI WGEA exists to help SAIs overcome these barriers. It was formed by INTOSAI in 1992 to meet the burgeoning requirement for environmental auditing expertise. The WGEA membership has grown from 12 founding members to more than 50, and it is now a large and active INTOSAI body.

The Netherlands Court of Audit chaired the WGEA for the first 9 years of its existence, and impressive accomplishments were achieved under its leadership. Since 2001, the Office of the Auditor General of Canada has been the WGEA Chair and Secretariat. In 2001, a 15-member steering committee was established to manage the operational and day-to-day activities of the WGEA. In addition, six INTOSAI regions have established their own regional working groups on environmental auditing.



INTOSAI WGEA Secretariat from the OAG of Canada: Sylvie McDonald, John Reed, Liliane Cotnoir, and Johanne Gélinas

The WGEA aims to encourage SAIs to use their audit mandates and audit methods in the field of environmental protection and sustainable development. Its mission is to assist both member and nonmember SAIs in acquiring a better understanding of the issues involved in environmental auditing, to facilitate the exchange of information and experience between SAIs, and to publish guidelines and other information for their use. The WGEA provides a variety of services and products to SAIs, including the following.

### Web Site

The WGEA Web site (<http://www.environmental-auditing.org/>) contains extensive information for use by members. This includes the mission and mandate of the WGEA, contact data for members, downloadable copies of all guidance documents produced to date, titles and extracts of hundreds of environmental audits, minutes of meetings, and updates on events and activities.

### Guidance Documents

The WGEA has developed many papers to help SAIs identify audit issues and use their mandates to conduct environmental audits. They are all available on the WGEA Web site. For a list of some of these documents, see this issue's "Reports in Print" section.

### Information Exchange

The WGEA handles this key aspect of its mission in many ways. As noted earlier, considerable information about auditing practices—including access to environmental audit reports—is available on its Web site. In addition, the WGEA now holds a technical seminar featuring presentations by SAIs as part of its regular meetings. The 8th meeting of the WGEA held in Warsaw in June 2003 featured sessions on the topics of waste, water, and sustainable development. At the 9th meeting, to be held in

Brasilia in June 2004, seminar sessions will deal with biodiversity; meeting new challenges; regularity audits; and joint, concurrent, or coordinated audits.

### Training

In 2002, the WGEA entered into a unique partnership with the INTOSAI Development Initiative (IDI) to develop a training program for environmental auditors designed to strengthen SAIs' ability to conduct environmental audits. Environmental subject matter experts and certified training specialists worked together to produce an intensive, 2-week training course on environmental auditing that has met with enormous success. The first pilot course, the Environmental Auditing Workshop, took place in Antalya, Turkey, in 2003 and the second in Nairobi, Kenya, in February 2004. Plans are under way to deliver the course in other regions. (See the article, "Going Back to School: A New Approach to Environmental Audit Training," for more information about this course.)

### Survey of Members

Among the tools developed by the WGEA to assist SAIs in conducting environmental audits are the INTOSAI member surveys it carries out every 3 years. The surveys gather information that marks the progress achieved by WGEA members and allows for the evaluation of trends and accomplishments. The information also serves to shape the WGEA's work plan, strategies, and products. Since its inception, the WGEA has undertaken four surveys.

The fourth INTOSAI survey conducted in 2003 covered 2000-2003. It was sent to all the SAIs participating in INTOSAI. The results are quite revealing: during the survey period, 67 SAIs produced a total of 568 audit reports concerning environmental issues. Of these, 54 percent have personnel dedicated to environmental auditing, and 63 percent indicated an interest in auditing aspects of sustainable development. Perhaps most impressive was the volume and range of environmental audits conducted by SAIs. Table 1 shows the environmental issues that SAIs audited and the number of reports issued on those audits from 1994 through 2003.

**Table1: Environmental Issues Audited by SAIs, 1994-2003**

Environmental issue	Number of reports		
	1994–1996	1997–1999	2000–2003
Internal environmental management by public authorities or departments	162	81	138
Freshwater: drinking water, water quality, rivers, lakes	131	147	132
Waste: waste in general, hazardous waste, non-hazardous waste, waste processing, and landfills	103	126	118
Pollution prevention	74	73	83
Agriculture, pesticides, land development, and forestry	85	85	74
Nature and recreation (including national parks and forests and recreation and tourism)	102	83	73
Eco-systems: biodiversity, ecological infrastructure, and eco-systems management	57	57	64
Environment and human health	72	110	60
Traffic, mobility, and transport	32	61	58
Air pollution	72	65	45
Saltwater: marine pollution	25	29	39
Industrial pollution	81	70	36
Disaster management and emergency preparedness	33	30	35
<b>Total reports issued<sup>a</sup></b>	<b>560</b>	<b>589</b>	<b>568</b>

Source: WGEA surveys

<sup>a</sup>Columns do not total because reports may be listed in more than one category.

## The WGEA: Future Development and Direction

The WGEA's future certainly looks bright—and busy. Interest in getting support from the WGEA seems to be at an all time high. SAIs are seeking more guidance on a range of environmental topics, more training and technical assistance, and more opportunities for information exchange.

In February 2004, the Steering Committee of the WGEA met in Lima, Peru. It reviewed its draft work plan for 2005-2007, which will be discussed by the full WGEA at its upcoming meeting in Brasilia.

The WGEA has set a number of ambitious goals:

- to increase the number of parallel, joint, or coordinated environmental audits by SAIs;
- to expand SAI training in environmental auditing techniques;
- to increase cooperation and communication between the WGEA and other international organizations;



- to expand the breadth of environmental auditing tools available to SAIs;
- to strengthen communications and information sharing among SAIs; and
- to explore the potential for funding sources to support WGEA activities.

Once the WGEA's work plan is finalized, it will be presented to the XVIII INCOSAI in Budapest in October 2004 for formal adoption.

## **More Help in Meeting the Challenges**

This special edition of the *Journal* is an invitation to all SAIs to learn from others and to upgrade their practices in order to help their respective governments improve environmental and sustainable development performance and to protect the health and safety of their citizens. Klaus Toepfer's guest editorial on the role of SAIs in promoting sustainable development underlines the importance of INTOSAI's collaborations with other international organizations to strengthen governance and accountability in this area.

In an interview, Sheila Frasier, Auditor General of Canada and Chair of the WGEA, emphasizes the important and evolving role of SAIs as they assist governments in assessing the legislation, policies, and programs implemented to address environmental problems. In "Going Back to School: A New Approach to Environmental Audit Training," John Reed of the WGEA Secretariat has assembled the experiences of both trainers and trainees involved in recent IDI-WGEA environmental auditing training. The SAIs of Norway and the Netherlands offer an overview of two key current areas in environmental auditing: waste and water management. Brazil, Sri Lanka, and Iran share the challenges of launching an environmental auditing initiative. And, finally, South Africa and Poland present their experiences in dealing with, respectively, regulatory and coordinated audits in the environmental area. "Reports in Print" lists current WGEA publications on environmental auditing and other useful sources of information.

Environmental auditing is here to stay. We believe that the work of auditors can help reverse disturbing global trends by improving the way governments address environmental problems. With this special issue of the *Journal*, INTOSAI's WGEA hopes to stimulate the ongoing dialogue on environmental auditing within the organization and provide practical insights that SAIs can use to carry out this important responsibility.



## Meeting the Challenge of Environmental Auditing in the 21st Century: An Interview with Sheila Fraser

### editor's note

For this special edition of the Journal, we are taking a break from our regular format. In place of our regular audit profile of an SAI, we offer the following interview with Sheila Fraser, Auditor General of Canada and chair of INTOSAI's Working Group on Environmental Auditing (WGEA). Ms. Fraser shares with the *Journal* her thoughts on environmental auditing in general and on the work of the WGEA in particular.

**Journal:** *Why is environmental auditing so important to you?*

**Fraser:** Environmental auditing is important to me quite simply because it has a direct bearing on the world in which I live and raise my family, as well as on my work as a professional. The environment fits in squarely with the priorities I want to focus on during my term as Auditor General.

**Journal:** *What does the growth of environmental auditing mean to the auditing profession?*

**Fraser:** The auditing profession has always had to adapt to new developments and trends, and it has a history of developing new approaches and expertise to deal with new auditing requirements. Environmental auditing is a good example of how auditors have been called upon to take on a new responsibility as a result of increased public concern and, consequently, a reordering of priorities by both the public and private sectors. And these priorities have changed a lot where the environment is concerned.

When I started out in the profession nearly 30 years ago, environmental auditing didn't even exist. Public awareness of environmental problems has grown steadily over the last several decades, and governments at all levels are facing increasing pressure to find remedies. Many national governments now have legislation and regulations that require governments to reduce pollution, protect ecosystems, or foster sustainable development.

As a result, governments face a mounting demand both at home and abroad for better governance and more accountability in relation to environmental policies and programs. With this increased awareness has come a growing demand for environmental auditing services and expertise. So, for auditors, the need is there and the expectations are high.

**Journal:** *How does Canada's SAI approach environmental auditing?*

**Fraser:** The Office of the Auditor General (OAG) started doing environmental audits in the early 1990s and dealt with environmental

issues and programs through the traditional performance and compliance audit approach. During this initial period, our performance audits focused on economy, efficiency, and effectiveness—what we called the “three Es.” In 1995, modifications made to our legislation added a fourth “E,” for the environment, to this list.

Our environmental mandate was sharpened and expanded as a result. Federal departments were required by law to prepare sustainable development strategies, and the OAG was mandated to review and report on their implementation. Most notable perhaps was the creation of a specialized audit unit within my office led by a Commissioner for the Environment and Sustainable Development.

**Journal:** *Your SAI is probably unique in having its own Commissioner of the Environment and Sustainable Development. How does the Commissioner contribute to the OAG’s overall mandate?*

**Fraser:** Our Commissioner, Johanne Gélinas, leads a team of about 40 specialists. Along with her team, she audits environmental issues and monitors how well the federal government is meeting its commitments relating to the environment and sustainable development.

The Commissioner audits the federal government’s sustainable development strategies and supports environmental auditing efforts throughout the OAG. By the way, our office has also developed its own strategy that covers the next 3 years. We are not under any obligation to do so, but we feel that it is important for the SAI to give an example and exercise leadership in this area.

Both the Commissioner and I report directly to Parliament. We are independent of the government, and we are neutral on all issues of government policy and objectives in our analysis and recommendations. Since we are both part of an audit office, we conduct our work in accordance with recognized auditing standards.

**Journal:** *How does the WGEA help?*

**Fraser:** We live in a highly interdependent and interconnected world. Our environmental problems stretch right across the planet and cannot be dealt with by individual efforts alone. The environmental stakes are already very high, and as our population and consumption levels increase, they are only getting higher. Just look at the number of international treaties, particularly with respect to the environment: they have mushroomed over the past decade.

I think that the role of the WGEA is very important in light of the growing need for specialized environmental auditing skills. The objective of the working group is to develop linkages and relationships through which SAIs can share information and expertise on environmental auditing. The ultimate aim, of course, is to enhance the capacity of SAIs to undertake environmental audits on their own. This is an objective to which my office is deeply committed.

**Journal:** *Where does the WGEA go from here? How do you view its development in the longer term, and what do you think are the prospects for environmental auditing in general?*

**Fraser:** Let me answer the last part of your question first. I don't have a crystal ball, but I think it is safe to say that environmental auditing will remain an essential auditing activity at both the national and international levels.

As for the WGEA, our immediate to midterm goals are pretty well defined in our draft work plan for 2005-2007, which will be formally submitted for discussion and approval at our upcoming meeting this June in Brasilia. We intend to pursue some of the same objectives and themes as in the past, notably with respect to water and waste management, but we will also develop newer issues as well, such as biodiversity.

Training is another important way the working group builds environmental auditing capacity, and this is another activity we will be pursuing. Over the last 2 years, we have embarked on a partnership with the INTOSAI Development Initiative in regard to training, and we intend to deepen and expand this collaboration in the years to come.

The WGEA will also build on its recent experience and continue to develop collaborative links with international organizations and institutions like the United Nations Environmental Programme and the World Bank. And, of course, we will further strengthen our relationships within the international community of environmental auditors. One way of doing so is to expand our efforts in the area of concurrent, joint, and coordinated audits. Much of this still lies in the future, but I am confident that the WGEA will succeed in forging new links between organizations.

The WGEA will evolve naturally as the needs and demands of its membership change. But I have no doubt that it will remain the dynamic organization it has been from its inception and that the SAIs and individuals who make up its membership will continue to display the same degree of energetic professionalism and commitment that they have in the past.

If you would like more information about the Office of the Auditor General of Canada and its activities, please see the "News in Brief" item that appeared in the *Journal's* October 2003 issue, which profiled the OAG on the occasion of its 125th anniversary. You can also visit the OAG's website: [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).



In response to a request from the INTOSAI Working Group on Environmental Auditing (WGEA), the SAIs of Norway and the Netherlands summarized current environmental auditing trends in two key areas: freshwater issues and waste management. The following two articles highlight recent SAI reports in these areas.

## Current Trends in Environmental Auditing: Waste and Water Management



Source: Department of Water Affairs and Forestry, South Africa

### Audits of Freshwater Issues

By Marlies Alberts, the Netherlands Court of Audit

In 2001, the WGEA decided to summarize SAIs' collective experiences in audits of freshwater issues, the working group's first central environmental theme. SAIs had conducted more than 350 audits on this topic from 1996 through 2001. The Netherlands Court of Audit reviewed a large number of these audit reports and produced the paper *Auditing Water Issues—Experiences of Supreme Audit Institutions*. Many other SAIs also contributed to this report, which was adopted by the WGEA in June 2003.

The Court's review of water audit reports revealed that SAIs had chosen a wide variety of topics and approaches in their work. These included the water quality of rivers and lakes, flood prevention and recovery, the protection of wetlands, the treatment of wastewater and sewage, the supply of drinking water, leakages related to unaccounted for water, the prevention of marine pollution, and the costs of water-related infrastructure work. Within these varied topics, one problem was a recurring theme: the basic information required for key management and policy decision making on environmental issues often proves to be inadequate.

The many water-related treaties between nations reflect the fact that the subject of water is in itself very international. This, in turn, influences SAIs' approach to the topic and their audit work. It struck us that more and more water audits are cooperative efforts. Auditing water issues cooperatively seems to be something we do not because it is new and exciting, but because it has become a matter of common sense and adds value to the audits. The fact that the WGEA chose water as its central theme was fortunate in more than one way. It not only reflected the obvious importance of water as an environmental subject, but it also encouraged SAIs to work together more.

For a copy of the complete report on auditing water issues, see the WGEA Web site ([www.environmental-auditing.org](http://www.environmental-auditing.org)).

## Audits of Waste Management

By Knut Aarhus and Alfred Martinovits, Office of the Auditor General of Norway



Source: Berit S. Meen, OAG Norway

The United Nations Environmental Programme has rated contamination caused by waste as an important global environmental issue. If waste is not handled in a satisfactory manner, it poses a great danger to the environment and to the health and well-being of humans and animals. At the 1992 Rio World Summit on Sustainable Development, waste was made a priority of Agenda 21. The Johannesburg World Summit on Sustainable Development in 2002 focused on initiatives to accelerate the shift to sustainable consumption and production and the reduction of resource degradation, pollution, and waste.

SAIs have already recognized that they have a role to play in helping to improve the quality of waste management, which will, in turn, improve the environment at both the national and international levels. From 1997 through 1999, INTOSAI members produced more than 100 audit reports on waste. In 2000, as many as 20 percent of SAIs reported that they were planning audits on waste in the next 3 years.

The INTOSAI Working Group on Environmental Auditing aims to stimulate the use of audit mandates and audit instruments in the field of environmental protection policies. At its eighth meeting, the working group adopted a paper (*see box*) promoting the audit of waste management by giving examples of different types of audits that demonstrate good auditing practices. Based on this paper, the working group recommended that SAIs consider auditing waste management and the systems used to regulate and control it.

In December 2003, members of the EUROSAI Working Group on Environmental Auditing met in The Hague for a seminar on waste auditing. At that time, a number of recent audits in this area were presented (*see* <http://www.rekenkamer.nl/9282200/v/index.htm>).

These included an audit on medical waste carried out in 2002 by the SAI of China that found that waste collection and disposal as well as the control system were inadequate. Another was the Austrian SAI audit regarding the Basel Convention on transboundary movements of hazardous wastes that considered the notification system, goal achievement, and control mechanisms. Another recent audit was on protecting the

public from waste. In it, the United Kingdom's National Audit Office looked into regulating the management and disposal of mainstream waste; health impacts and pollution incidents; and licensing, inspection, and enforcement processes. In 1999, the SAI of Chile audited the management of waste from households, industries, and hospitals. The audit revealed that 72 percent of the landfills did not have the required authorization and 41 percent did not have registers showing the kind of waste they had received.

The SAI of Sweden is currently auditing waste incineration and harmful substances in bottom ashes or residues containing hazardous substances. It is also auditing the supervision of landfills where the bottom ash is disposed of.

All these cases demonstrate the continuing development of environmental auditing as well as the broader experience that SAIs are accumulating in this field.

#### **Auditing Waste Management**

The paper *Towards Auditing Waste Management*, prepared by a team from the SAI of Norway, has been adopted by the INTOSAI Working Group on Environmental Auditing. It contains chapters on

- a description of the waste problem,
- the classification and definition of waste,
- the public's responsibility,
- the role of SAIs,
- how to choose the audit focus and start auditing, and
- examples of completed audits.

The paper proposed a four-step procedure for carrying out the fifth step mentioned above, how to choose the audit focus and start auditing:

Step 1: Identify main problem areas and the risks they pose for health and environment.

Step 2: Identify the various actors and their responsibilities.

Step 3: Determine the stage in the waste process where the case in question is located.

Step 4: Consider audit topics and choose the focus.

This paper is available on the WGEA Web site: [www.environmental-auditing.org](http://www.environmental-auditing.org).

## Going Back to School: A New Approach to Environmental Audit Training

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*“I have personally benefited from this course very much. I now am capable of conducting and supervising environmental audits.”*

— Mrityunjoy Saha,  
participant, SAI of  
Bangladesh

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*“It is time for SAIs to address environmental issues in addition to economy, efficiency, and effectiveness. SAIs can provide valuable support to the national parliaments in defining program priorities and budget decisions.”*

— Batbayar Badamdorj,  
participant, SAI of  
Mongolia

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*“As auditors, we now perceive more deeply the importance of environmental issues and we also know that SAIs will play an important role in protecting the environment for sustainable development.”*

— Tran Thien Ngon,  
participant, SAI of  
Vietnam

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*“The most beneficial part of the course was the practical case studies and exercises—I found the opportunity to work on some real issues for my SAI.”*

— Hamed Momeni,  
participant, SAI of Iran

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By John Reed, WGEA Secretariat, Office of the Auditor General of Canada

**Antalya, Turkey, November 14, 2003.** It was a remarkable ending to the training course. Seated in a large circle facing one another, the 29 course participants from 15 countries gazed with amazement at the sight before them. About 300 yards of string had been taped to the floor, crisscrossing and connecting one participant to another in a seemingly random pattern.

It was the last session of an intensive 2-week pilot course on environmental auditing developed and delivered collaboratively by the INTOSAI Development Initiative (IDI) and the INTOSAI Working Group on Environmental Auditing (WGEA). For the closing ceremony, the course instructors had conceived a deceptively simple but powerful exercise. Participants were asked, one by one, to share their reflections on the course. After speaking, each participant threw a large ball of string across the room to a participant of his or her choosing and the line of string between them was then taped to the floor. This process was repeated until a web of string covered the floor.

The participants' words were emotional and moving: appreciation for the opportunity to learn; confidence to take on environmental audits; personal commitment to act back home; fondness for new-found friends; blessings for safe trips home; and of course thanks to IDI, the course instructors, and the WGEA subject matter experts.

But the effect of the string was dramatic and the symbolism was lost on no one. “We’re a network!” “We can support each other!” “We know where to go for help!” And it was true—the first graduating class of the IDI/WGEA training course on environmental auditing had become, and still remains, a network of peers.

More than this, the participants gained the environmental knowledge, knowledge of the audit methods and techniques, and ultimately the confidence needed to undertake environmental audits.

The Antalya pilot course, generously hosted by the Turkish Court of Accounts, marked the end of a long journey that began nearly 2 years earlier. While many SAIs are convinced that auditing environmental issues is important, a lack of internal capacity is often identified as a major obstacle to getting started. For this reason, both the WGEA and some regional INTOSAI training committees identified training in environmental auditing as a priority. So, in April 2002, IDI and the WGEA formed a new and unique partnership to design and deliver a training course on environmental auditing. By combining the IDI training methods and specialists (led by Else-Karin Kristensen and Kiyoshi Okamoto of IDI in Norway) and the subject matter expertise of WGEA members (led by John Reed of the SAI of Canada), two powerful forces merged into one! In all, 10 IDI-certified training specialists/course designers and 15 subject matter experts collaborated to produce the course.

The partnership broke new ground in many areas, not the least being the process used to design the course—a series of workshops over a 10-month period plus lots of



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*“A number of participants told me the content was useful to them in that they could relate to the environmental problems faced in their own countries. Many of them learned new things about environmental and performance auditing. As a trainer, I felt quite satisfied.”*

— Allen Parker, course instructor, SAI of Cook Islands

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*“This was the first IDI-sponsored course I attended and I am definitely looking forward to more. The best part of the course was the way it was conducted. Learning was fun and we looked forward to the sessions.”*

—Aman Deep Chatha, participant, SAI of India

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*“The benefits have been immeasurable. It was a learning as well as social occasion—I now have colleagues from so many countries.”*

—Abdul Hameed Pasha, participant, SAI of Pakistan

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*“We would recommend other SAIs [to] attend this course. The best part is action planning for environmental auditing.”*

— Wang Benqiang, Chen Jixiang, and Gao Yongning, participants, SAI of China)

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thinking, reading, writing, and e-mailing in between. The first of these workshops focused on defining the course curriculum. Facilitated by John Reed of the SAI of Canada, 12 subject matter experts gathered in November 2002 to tackle the key question, what skills and knowledge do auditors need to undertake environmental audits? Their answers became the foundation of the course: compliance and performance auditors already have the basic *skills* required, but what they need is *knowledge* of environmental matters—such as the main environmental issues, their root causes, solutions to the problems they pose, and the role of governments—to apply to the audit process.

Having defined *what* subjects needed to be included in the course, the design process shifted gears to focus on *how* to best teach the material. But first the IDI training specialists themselves had to go to school. In June 2003, the SAI of Canada together with several WGEA subject matter experts staged a 10-day “train-the-trainer” seminar to teach the specialists about environmental matters. This was followed by a marathon 3-week course design workshop in August 2003 during which all course materials were researched and written by the design team.

The course itself is packed with environmental content, based in part on the many guidance documents prepared by the WGEA. It gives an overview of global environmental issues and trends, sustainable development, principles of ecosystems, and policy tools governments use to deal with environmental problems. It also goes into four priority topic areas in depth: waste management, water quality, air pollution, and biological diversity. But the course does not just teach theory; throughout, the emphasis is on how to apply this knowledge in a practical audit sense (there is even a refresher session on the basics of performance auditing).

The course does not depend completely on lectures. It is taught by IDI-certified instructors and is based on IDI’s Long Term Regional Training Program (LTRTP) and its learner-centered approach. The course is highly interactive, using a combination of lectures, individual and group exercises, homework assignments, and readings.



At the pilot environmental auditing training course in Turkey in November 2003, participants work on an interactive exercise to learn ecosystem vocabulary.

While the learner-centered approach may be more fun—and effective—for the students, the course is not easy. Even before a student arrives, the head of his or her SAI must commit to undertaking an environmental audit in the near future. There is also precourse

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*“From the IDI perspective, the development of this course has been an excellent opportunity to cooperate with an INTOSAI working group using a cross-regional approach. The IDI will be working with the WGEA (and other working groups and standing committees) to survey SAIs in developing countries this year on their need for further training on environmental auditing and other subjects.”*

— Else Karin Kristensen,  
Acting Director General,  
IDI

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homework. And by the end of the course, each participant must prepare two “deliverables”: a proposed environmental audit plan on a topic of his or her choosing (based on an analysis of environmental issues facing his or her country) and an action plan to be used when the participant returns home. All of the course materials—the Participant’s Notes, the Instructor’s Guide, the exercises, the handouts, and the slides—are available for SAIs by contacting IDI at [www.idi.no](http://www.idi.no).

In Antalya, the audit plans proposed by participants were impressive, and the proposed topics ranged from audits of hospital waste, river protection, and prevention of oil spills from ships to the sustainable management of forests, mine rehabilitation, and the preservation of national parks. The action plans proposed for when students returned home were equally impressive—they committed themselves to training other auditors in their SAIs, promoting awareness of environmental auditing, establishing dedicated environmental auditing units within their SAIs, and joining the INTOSAI WGEA. IDI intends to follow up with all the SAIs that participated to determine the long-term impact of the course.

The second pilot delivery of the course took place in Nairobi, Kenya, in February 2004, and, we hope, these two courses are just the beginning.

## Getting Started: A Brazilian Perspective on Environmental Auditing

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By Valmir Campelo, President, Brazilian Court of Audit

In the past, environmental conservation in Brazil was the concern of a number of different sectors. However, different parts of the government are now addressing this issue from a systematic point of view, rather than looking only at the direct environmental impact of public and private ventures.

A number of initiatives in environmental auditing have been taken worldwide: legislation establishing national environmental management systems, government agendas that include actions needed to promote sustainable development, and strategic environmental evaluation of government policies, plans, and programs. Brazil, for example, has a national environmental management system and a Brazilian Agenda 21 plan to implement the principles adopted at the 1992 World Summit on Sustainable Development. In addition, the Brazilian Congress is currently examining a draft bill aimed at making strategic environmental evaluation mandatory.

External auditors must follow these trends and work within this framework. SAIs should ensure that the actions of public agencies responsible for environmental goods and services and environmental protection are coordinated. SAIs should also monitor how the strategic environmental evaluation tool is being implemented.

The Brazilian Court of Audit (TCU) has made every effort in both of these areas. After a detailed audit survey, the TCU established priorities for systematically auditing the topics identified. A work plan was developed listing the fields in which coordinated environmental audits will be carried out, such as forest policy, the interface between agriculture and forest policy, water resources, and sanitation.

For forest policy, the TCU will investigate whether the actions to promote sustainable use of environmental goods and services are appropriate. Work has started with the evaluation of conservation units, which are centers for disseminating successful experiences. Later, the TCU will evaluate the performance of government agencies in regulating agriculture in forest areas, as this is an activity that causes great environmental impact.

Water resources will also be a priority due to their importance in the life of the population and in economic development. Since untreated sewage has a major effect on the quality of bodies of water, auditing efforts to deal with it will be one of the priorities of our work. It is worth noting that in 2002 and 2003, the TCU carried out a comprehensive diagnosis of the status of water resources management and made several recommendations to the appropriate public managers.

Furthermore, on work related to programs with potential environmental impacts, the TCU has included audit questions designed to evaluate how the strategic environmental evaluation tool is being used. When these audits are concluded, they will provide technical information for the Parliament to use when drafting related environmental laws. They will also assist the executive branch in implementing these norms.

Results of these efforts to the present confirm the value of this type of environmental auditing and indicate a trend to continue its implementation. There are certainly challenges to be faced. Nevertheless, the joint efforts of SAIs and the INTOSAI Working Group on Environmental Auditing are contributing greatly to the search for ways to overcome the obstacles.

# Getting Started: Beginning an Environmental Auditing Initiative in Sri Lanka

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By E.A.G. Ananda, Superintendent of Audit, Auditor General's Department, Sri Lanka

In Sri Lanka, the impact of environmental issues on individual communities and the country at large has been identified as a major problem, and the Sri Lankan government has established a legal framework to address this challenge. The Constitution of the Democratic Socialist Republic of Sri Lanka states, “The State shall protect, preserve and improve the environment for the benefit of the community” (Article 27 (14) of chapter VI, 1978).

This constitutional provision reflects the government’s concern about protecting and preserving the environment. To this end, Parliament enacted the National Environmental Act of 1980 to provide for the protection and management of the environment. That act established the Central Environmental Authority (CEA). In addition, Sri Lanka established a new Cabinet-level ministry to regulate environmental activities of the state. Under the act, the powers of the CEA can be delegated to local authorities.

The Auditor General’s Department was established over 204 years ago and is one of the oldest departments in Sri Lanka. The Auditor General, the head of the department, is appointed by the President. Pursuant to provisions in Article 154 of the Constitution, the Auditor General audits the accounts of all departments and ministries of the government, local authorities, and public corporations.

This provision gives the Auditor General the authority to audit the activities of the ministry in charge of the environment and the CEA. In view of the technical nature of the CEA’s activities, the Auditor General can obtain the assistance of experts in the environmental field. Thus, the scope of the audit conducted by the Auditor General is not confined to financial audit. In fact, the scope of audit in Sri Lanka covers operational aspects of public sector institutions, including value-for-money audits on a modest scale. The Auditor General reports the results of audits to the audited institutions and to Parliament.

The Auditor General’s Department is in the initial stages of introducing environmental auditing. To date, two pilot audits on waste management in two municipal councils—Colombo and Dehiwala Mount Lavinia—have been carried out with the department’s current limited experience in this field.

## Key Challenges and Problems

We have identified the following challenges in the early stages of our environmental auditing process:

- the lack of specialized audit staff to carry out environmental audits,
- the lack of adequate funds to engage specialized staff in the environmental field, and
- the lack of clearly defined environmental responsibilities for the central government and provincial agencies.



These challenges were encountered in the pilot audits. The audits were carried out by SAI staff without the requisite skills, posing problems such as the inability to differentiate hazardous and nonhazardous waste or to identify the negative impact of storage and transport problems. The team did not have the expertise to test the environmental impact on ground water and the air as well as hazardous and noxious odors emanating from the dumping area. In addition, because of the aforementioned limitations, a complete audit plan and audit program for solid waste management had not been prepared.

Because the main obstacle the SAI has encountered in environmental auditing is the lack of competent staff, the need for a training program in this field is imperative.

### **Capacity Building in Environmental Auditing**

The Auditor General's Department acquired valuable knowledge and materials on environmental auditing at the INTOSAI seminar held in Warsaw, Poland, in June 2003. With this initial information, the department started to gradually introduce environmental auditing aspects into its programs. A team of senior officers trained in performance auditing carried out the preliminary exercise in environment audit. Subsequently, another Superintendent of Audit and I had the opportunity to participate in the INTOSAI environmental auditing workshop held in Antalya, Turkey, in November 2003. (See "Going Back to School: A New Approach to Environmental Audit Training" in this issue for more information about the workshop.)

Proposals for auditing waste management were drawn up at the workshop and further developed for implementation in Sri Lanka. The training from the workshop is being transferred to department staff. The workshop's materials on environmental auditing were translated into Sinhala, the official language of Sri Lanka, and have been distributed among the staff. They are of great value as an introduction to environmental auditing. They have proven very useful in teaching the staff of the Sri Lanka SAI to conduct environmental audits. I would like to express our SAI's appreciation for this valuable study material and the other information made available at the workshop.

A new audit act is being prepared in Sri Lanka. It will give more independence to the Auditor General in financial and administrative matters and provide for environmental auditing. It will also provide an avenue for obtaining adequate resources, including expert staff with the required skills and knowledge in the field. We also trust that the cooperation and assistance of the Working Group on Environmental Auditing will continue as we begin our endeavors in this field.

## Getting Started: Iran's Environmental Auditing Mandate

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By Hamed Momeni, Chief Auditor, Environmental Issues

The Supreme Court of Audit of Iran, like many SAIs, faces the challenge of working within a restricted mandate when performing environmental audits. What paved the way for us to begin these audits was the belief, expressed in earlier WGEA publications, that environmental auditing is not that different from the other types of audits that SAIs perform. So we started environmental auditing in a regularity context and operated under the assumption that we did not need a new mandate.

As an audit court, we generally look for irregularities and violations of laws and regulations in the activities of governmental entities. Therefore, we began our environmental audits by searching for laws and regulations related to these issues. We found that under a law approved by Parliament, all our state-owned companies are required to spend 1/1000th of their annual budget to improve the environment. Over the past 3 years, we audited more than 100 companies and found both weak and strong practices in their efforts to use these funds for environmental protection.

We became a member of the WGEA in 1999, and our involvement convinced us that there was much to be gained by a greater emphasis on performance audits of environmental activities. Our attendance at WGEA meetings in Canada and Poland gave us valuable opportunities to exchange information and experiences and to share ideas with others involved in a wide variety of environmental audits. The meeting in Poland, for example, included workshops and presentations of over 20 audits and case studies by SAIs in the areas of water management, waste, and sustainable development.

The value of the information obtained from our WGEA involvement to date became clear when our Auditor General asked us to expand a recent report to provide a greater focus on environmental issues. Our Auditor General has a deep interest in environmental issues and has expressed concern over the problems caused by nonsustainable patterns of development. He therefore asked me to prepare a work plan to reflect this additional dimension of our work. Since one of WGEA's main themes has been freshwater, and many other SAIs have had experiences with water-related audits, I focused my plan on this issue. I selected two staff members for the audit team and began by giving them a short course on performance auditing.

Our effort certainly faces significant challenges. Our legal mandate is restrictive in terms of how far we can go in auditing environmental performance, and we have little experience to date in performance auditing. Nonetheless, our participation in the WGEA showed us that other SAIs have been able to audit environmental issues with a restricted mandate. Also, the resources available through the WGEA have expanded our knowledge of environmental issues and improved our capability to examine these issues in new ways.

If there is one lesson our experience has taught us, it is that SAIs interested in undertaking environmental auditing should join the international community of environmental auditors. In doing so, they will see whether they are on the right track

and will come to understand what they need to do to improve. In fact, the community of environmental auditors—through the papers it prepares, the meetings it holds to discuss new ideas, and the training workshops it conducts—will help SAIs in their efforts and push them to improve their performance.

## Regularity Auditing and the Environment: The South African Experience

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By Louis Heunis, Office of the Auditor-General, South Africa

Traditionally, generally accepted accounting principles have not made broad environmental disclosures mandatory in an entity's financial statements. In the conventional model of financial accounting and reporting, the emphasis is on financial performance.

However, environmental management and strategy experts have been talking about the need for more holistic reporting on the performance of companies and organizations. The term "triple bottom line," or sustainability reporting, has been adopted to describe reporting that encompasses financial, environmental, and social matters. The integration of these three facets has grown out of the focus on sustainable development.

While these trends and influences may be considered interesting, the question arises, what relevance do they have to regularity audits? Understanding the financial implications of environmental matters is fundamental to integrating environmental and business issues. Arguably, it is important that regularity auditors keep abreast of developments and issues in this field to ensure that environmental issues are adequately and appropriately addressed during the audit.

In the Office of the Auditor-General (OAG) of South Africa, we have developed audit procedures at the planning stage to help auditors understand these issues and identify international environmental liabilities. More often than not, a regularity auditor will need to draw on the skills and knowledge of an environmental specialist to develop a basic understanding of environmental terms and issues. At the same time, it is important for environmental specialists to have a working knowledge of the financial audit process. Hence, there is a strong case for these two professions to work together and to develop an understanding of each other's disciplines. A framework for implementing this teamwork is based on integrating environmental audit procedures with the financial audit process, taking into account accepted environmental audit practices, such as those detailed in the International Standard for Environmental Management Systems.

The OAG's Research and Development Unit researches environmental auditing issues and maintains a technical support hotline for regularity auditors to assist with the consideration of environmental matters in financial statements. One function of the Research and Development Unit is to report on specific issues, initially assessing current risk areas and providing a comprehensive review of the environmental situation. For example, the Research and Development Unit assists the Department of Environmental Affairs and Tourism in identifying risks of noncompliance in light of the relevant legislation.

At the 16th INCOSAI in Montevideo, the OAG was nominated to serve as the "trekker" (or initiator) for developing environmental auditing in English-speaking Africa. In this capacity, the OAG has hosted and chaired the inaugural meeting of the

### **Regularity Auditing and the Environment: A Sample of Reporting**

The following excerpt from the General Report of the Auditor-General of South Africa on outcomes for the financial year ending March 31, 2003, gives a sample of the environmental work currently being done within a regularity audit context.

#### **Other health sector information-audit of medical waste**

Audits of medical waste revealed. . .shortcomings in the management and handling of medical waste at three selected provincial hospitals in the Free State and the Eastern Cape Provinces. . . .An overview of the significant findings at the three selected hospitals highlighted that there were no records that could be submitted for audit purposes with regard to the handling and disposal of medical waste, as well as for the record keeping and disposal of expired medicine. This indicates not only a lack of a proper audit trail, but also a lack of adequate and/or sufficient internal controls, thus making it impossible to establish the nature and extent of expired pharmaceutical stock and the movement of medical waste from the point of origin until the final disposal stages. It could therefore not be established whether the medical waste had been disposed of at a suitable, permitted facility. These shortcomings were aggravated by the finding that medical waste was mixed with other household (municipal) waste and that the access to medical waste was not always restricted. Furthermore, it was also found that in those instances where the hospital was responsible for incinerating its own waste, the permit/certificate to operate this incinerator, as required by section 9 of the Atmospheric Pollution Prevention Act, 1965 (Act No. 45 of 1965), could not be shown to the auditors. It could therefore not be verified whether the hospitals did comply with all set standards.

With no proper management system in place and a general lack of capacity in the management of medical waste in the establishment of the hospitals, compounded by limited financial and personnel resources, the enforcement of current legislation, regulations and procedures is, at best, reactive and not proactive.

#### Working Group on Environmental Auditing in Africa.

Environmental auditing and reporting is still in its infancy in South Africa, and our approach is, therefore, focused on increased awareness, development, and training with a regional perspective. The OAG faces many challenges, including the following:

- creating capacity and enthusiasm within other units of the OAG to assist the Research and Development Unit with a systematic approach to implement concepts related to corporate governance and sustainable development into the normal audit process and getting auditors to buy into these new developments and
- influencing key government players to establish a framework for reporting on economic, environmental, and social performance without harming the OAG's independent status.

These challenges reflect the dilemma in which the OAG is currently operating. Momentum cannot be gained before regularity auditors and the government are in a position in which it is possible to report accurately on nonfinancial activities and sustainability issues.



## Working Together to Tackle Regional Problems: When Two SAIs (or More) Are Better Than One

By Malgorzata Romanowicz, Supreme Chamber of Control of Poland

Poland's Supreme Chamber of Control (SCC) has been dealing with environmental auditing problems for over 35 years. Initially, the SCC limited itself to studying specific problems, such as compliance with requirements related to the water supply or the implementation of government policies on environmental issues. As the ecological awareness of the community grew and more extensive legal regulations in the field of environmental protection came into existence, the SCC adjusted its audit programs to new public and legal requirements and international obligations. In accordance with legal regulations, the SCC audits central and local government implementation of environmental protection commitments. SCC studies have included the effectiveness of environmental fees and penalties for exceeding permissible pollution levels, state policy development in the area of environmental protection and its implementation, and the efficient use of financial resources.

In recognition of Poland's experience in environmental auditing, the SCC was appointed in 1999 to be the coordinator of the EUROSAI Working Group on Environmental Auditing (WGEA), which was established by resolution of the 4th EUROSAI Congress held in Paris in May 1999. The SCC's basic responsibilities include taking the initiative to involve new European SAIs in international or regional environmental audits; disseminating standards, methods, and techniques for environmental auditing by organizing workshops, seminars, and training courses; and promoting the actions of the working group via the Internet. At present, the EUROSAI WGEA comprises 33 European countries and is considered the most active of all the INTOSAI regional working groups in this area.

In addition to bilateral cooperation with Central and Eastern European countries, the SCC has in recent years carried out joint parallel audits, including some with neighboring countries. According to the INTOSAI WGEA booklet on how SAIs can cooperate in the audit of international environmental accords, a joint parallel audit is conducted by a team of auditors from two or more SAIs who prepare a single, joint audit report for publication in all participating countries.



Source: Marcin Brudek.

The Puszcza Bialowieska forest, located in both Belarus and Poland, was the subject of a joint parallel audit of environmental protection regulations by the SAIs of both countries

The SCC's history of joint parallel audits dates back to the last decade.

- In 1995, the SCC and the SAI of Belarus studied protection of the Puszcza Bialowieska primeval forest, a dense, undisturbed woodland complex that is located in both countries. The audit findings pointed out irregularities in both countries' existing

regulations to protect the forest and the need for close cooperation between the two forest administrations.

- In 1996, the SCC conducted two parallel audits with the SAIs of the Czech Republic, Lithuania, and Belarus on tasks international treaties imposed on cooperation regarding border waters. As a result of the audits, the plans for cooperation on border waters were approved by all parties and implemented to a limited extent.
- Poland, the Czech Republic, and Lithuania conducted an audit of atmospheric air protection in 1999, as did Germany in the following year. The audit findings pointed out that in order to protect against air pollution, it was necessary to consider closer cooperation among neighboring countries and unification of standards for air emission and fuel quality.

The widening scope of international cooperation between SAIs in the environmental auditing field sometimes results in difficulties because of different SAI mandates and inequality in their scope. The general rule of international cooperation should be the search for areas in which there are common authorities, not differences.

Poland's SCC coordinated the Helsinki Convention audit that was carried out in 2001 by the SAIs of the countries were convention signatories: Denmark, Estonia, Finland, Latvia, Lithuania, Poland, the Russian Federation, and Sweden. The objective of the audit was to assess the implementation of Helsinki Convention provisions related to the protection of the Baltic Sea against pollution originating on land. The cooperating parties conducted the audits according to their authorities and developed the Common Position on Cooperation and Program Assumptions of the Audit Program as the basis for their cooperation. Each SAI was responsible for its own audit and for the way its results were presented in the general section of the report. The summaries of national reports served as a basis for preparing a joint final report.



Source: Malgorzata Romanowicz, SCC.

The SCC coordinated the audit reviewing protection of the Baltic Sea from pollution originating on land.

Studying the implementation of the provisions in conventions and international agreements is a very important tool in conducting international audits. It allows SAIs to examine the same issue in one environmental area in accordance with their authorities and abilities and, in the case of joint coordinated audits, at the same time. The Common Position on Cooperation and the Assumptions of the Audit

Program enables SAIs to adjust audit objectives to their mandates and to compare audit findings in joint audit reports.

The activities of the EUROSAI WGEA routinely include carrying out international or regional environmental audits focused primarily on the fulfillment and efficiency of environmental treaty commitments. This work is exemplified by the second Helsinki Convention audit, which the National Audit Office of Denmark has coordinated and

eight Baltic States have expressed their willingness to participate in. The audit subjects include issues related to pollution caused by ships. Auditing the implementation of conventions and the provisions of international agreements reflects a shared interest in preventing pollution and protecting the environment and may also lead to the establishment of new environmental legislation or the improvement of existing laws.

Taking the initiative to conduct international audits allows SAIs to accomplish intended audit aims and offers opportunities for benchmarking. The SCC's experience clearly shows that international audits offer the only way to obtain comprehensive data on issues related to environmental auditing and broader knowledge about activities performed by SAIs in this area. The SCC has shared the experience gained from environmental audits with other SAIs in order to explore the possibilities for joint initiatives in environmental auditing. The SCC has learned that international audits help to develop competencies and ways that SAIs can share methodologies and audit approaches. They also provide incentives for SAIs to carry out audits of international accords and to work closely with other SAIs.

The SCC's vision is to promote the highest standards in environmental auditing, the proper conduct of environmental issues, and beneficial change in the provision of national public services related to this area. Such cooperation builds a cooperative spirit among SAIs, integrity, open communication, and professional excellence.

## Reports in Print

The Working Group on Environmental Auditing (WGEA) has produced various studies and guidelines related to environmental auditing. In the interest of sharing knowledge and best practices among INTOSAI members and regional working groups, here is a list of documents available on the WGEA Web site (<http://www.environmental-auditing.org/intosai/wgea.nsf/viewStudies>). The WGEA studies and guidelines can also be accessed through the INTOSAI Web site ([www.intosai.org](http://www.intosai.org)).

### WGEA Studies and Guidelines on Environmental Auditing

- *Towards Auditing Waste Management: An overview of waste management issues that provides SAIs with the information they need to conduct audits in this area.*
- *Water Issues, Policies, and the Role of Supreme Audit Institutions: A summary of the collective experience of SAIs around the world, drawing on the lessons learned from more than 350 audits, with practical tips for SAIs.*
- *Environmental Audit & Regularity Auditing: An explanation of the possibilities for conducting audits with an environmental focus using a financial and compliance framework.*
- *Sustainable Development: The Role of Supreme Audit Institutions*  
An explanation of the role SAIs play in auditing how well governments have developed frameworks and national strategies for pursuing sustainable development objectives and the steps SAIs may need to take to develop their ability to undertake audits in the field of sustainable development.
- *Guidance on Conducting Audits of Activities with an Environmental Perspective: A guide to provide SAIs with a basis for understanding the nature of environmental auditing and a starting point for creating their own approaches to the satisfactory discharge of environmental auditing responsibilities within the context of their jurisdictions and mandates.*
- *The Audit of International Environmental Accords: An overview to stimulate SAIs' thinking about auditing international environmental accords and provide some stepping-stones, including a "line of reasoning" with criteria that can be helpful in selecting an environmental accord to audit, a description of important international environmental accords, and examples of audits that SAIs have carried out.*
- *SAIs Reports Related to International Environmental Accords: A list of regularity and performance audits conducted by SAIs around the world through the year 2000.*
- *How SAIs May Co-operate on the Audit of International Environmental Accords: An outline of approaches for carrying out audits of international environmental accords and cooperating with other SAIs.*
- *Study on Natural Resource Accounting: An overview of natural resource accounting and possibilities for SAIs to play a role in this field. It includes a discussion of problems in the practice of natural resource accounting; the current practices of international and national organizations in the field; and a chapter on the accounting of freshwater, the central theme of the WGEA.*

### Environmental Audits Worldwide

The WGEA's Web site also contains titles of reports on environmental auditing provided by SAIs, some of which will also be available shortly in PDF format. (See <http://www.environmental-auditing.org/intosai/wgea.nsf/viewAuditsIssue1>.) Audits can be researched by environmental area or country.

### The INTOSAI Regional Working Groups on Environmental Auditing

The regional working groups on environmental auditing are a good source of information at the regional level. Their contact information is below:

#### ACAG/SPASAI Regional Working Group on Environmental Auditing

Mr. Gareth Ellis  
Office of the Controller and Auditor-General  
Level 5, Hitachi House  
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E-mail: [gareth.ellis@oag.govt.nz](mailto:gareth.ellis@oag.govt.nz)  
Web site: [http://www.oag.govt.nz/homepagefolders/spasai/acagspasai/acag\\_home.htm](http://www.oag.govt.nz/homepagefolders/spasai/acagspasai/acag_home.htm)

#### AFROSAI-E (English-speaking African countries) Technical Workgroup on Environmental Auditing

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**ASOSAI Regional Working Group on Environmental Auditing**

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Web site: <http://www.environmental-audit.org.cn/en/homepage/index.htm>

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**OLACEFS Environmental Special Technical Committee**

Mr. Sergio Freitas de Almeida  
International Relations Officer  
Brazilian Court of Audit  
Tribunal de Contas da União  
Setor de Administração Federal Sul  
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E-mail: SERGIOFA@TCU.gov.br; arint@tcu.gov.br

**Other Sources of Information**

United Nations Environment Programme (UNEP): <http://www.unep.org/>

UNEP Global Environmental Outlook: <http://www.unep.org/geo/>

United Nations Division for Sustainable Development: [http://www.un.org/esa/sustdev/about\\_us/aboutus.htm](http://www.un.org/esa/sustdev/about_us/aboutus.htm)

World Bank-Environment: <http://lnweb18.worldbank.org/ESSD/envext.nsf/41ParentDoc/Environment?Opendocument>





## Meeting of Reference Panel for Auditing Standards Committee

Members of the INTOSAI Auditing Standards Committee's (ASC) reference panel of audit experts met in Stockholm, Sweden, January 28-30, 2004, to discuss upcoming work with the International Federation of Accountant's (IFAC) International Auditing and Assurance Standards Board (IAASB). Ten audit experts were able to attend the Stockholm meeting, which also included two representatives of the IFAC IAASB, the project secretariat set up at the Swedish National Audit Office, and other Swedish audit staff.



Members of the ASC panel, IFAC representatives, and Swedish SAI staff at their January 2004 meeting in Stockholm to discuss their upcoming collaboration on international standards of auditing.

In response to an invitation from the ASC, the heads of 45 SAIs have nominated more than 80 of their best auditors to serve on the reference panel. As reported in this *Journal's* January 2003 issue, these experts will serve on task forces set up by the IFAC IAASB to revise or develop international standards of auditing (ISA). Audit experts have already been appointed to serve on task forces relating to documentation, modifications to the auditor's report, and communications with those charged with governance. For more details on the work of IFAC, see its Web site: [www.ifac.org](http://www.ifac.org).

During the productive meetings in Stockholm, the group was able to agree on working documents on topics such as terms of reference for experts participating in ISA task forces and related reporting procedures. The discussions also covered cooperation between the experts and with IFAC, the project secretariat, and the working group set up by the ASC. The proposals from the meeting were discussed and approved by the ASC Working Group on Financial Audit Guidelines at its meeting in Yaoundé, Cameroon, March 30-31, 2004.

For additional information, contact: Project Secretariat, e-mail: [projectsecretariat@riksrevisionen.se](mailto:projectsecretariat@riksrevisionen.se).

## **ARABOSAI Governing Board and Training Committee Meet in Yemen**

The Central Organization for Control and Auditing (COCA) of the Republic of Yemen hosted the 31st meeting of the ARABOSAI Training Committee and the 32nd meeting of ARABOSAI Governing Board in Sana'a, the capital of Yemen, December 6-10, 2003.

Heads of SAIs and delegations from ARABOSAI member countries attended the meetings and discussed a wide range of training and technical issues. They reviewed the activities of the Secretariat and Governing Board since the last meeting, as well as the future plans of the committees and working groups; they also finalized a number of decisions and recommendations. In addition, COCA arranged social and cultural programs to make the participants' stay more enjoyable and fruitful.

Dr. Abdullah Abdullah Al-Sanafi, the President of COCA, and officials from other agencies extended a warm welcome to all the delegations and wished them a pleasant stay in Yemen.

For additional information, contact: ARABOSAI, e-mail: [arabosai@gnet.tn](mailto:arabosai@gnet.tn); Web page: [www.arabosai.org](http://www.arabosai.org).

## **Internal Control Standards Committee**

The INTOSAI Internal Control Standards Committee met in Brussels, Belgium, February 10-11, 2004. Mr. William Dumazy, Senior President of the Belgian Court of Audit, chaired the meeting, which was attended by representatives of 16 SAIs (out of a total committee membership of 25).

The main topic of discussion at the meeting was updating the guidelines for internal control standards in the public sector. This project was assigned to the committee in response to a recommendation made at the 17th INCOSAI, and implementing it has been the main focus of the committee's activities during the past 2 years.

The committee reached fundamental agreement on the updated draft guidelines prepared by a committee task force. This draft is currently being finalized and will be sent to all INTOSAI members for comment after a final check by committee members.

The second item on the agenda was the committee program for 2005 through 2007. During a brainstorming session, all committee members had the opportunity to formulate their proposals. Based on this input, the chairman of the committee is drawing up a draft note for the 2005–2007 program to be submitted to all committee members for comment. An action plan for implementing the updated guidelines will be an important topic in the note. The delegates agreed that the committee has a general and permanent task to provide information and guidance and should therefore support the SAIs in implementing the updated guidelines, primarily through the transfer of the ideas in the guidelines.

The meeting closed with a celebration of the committee's 20th anniversary. The celebration was held in Belgium's House of Representatives. The Speaker of the House participated in the festivities, and the activities and achievements of the committee were commended in speeches marking the occasion.

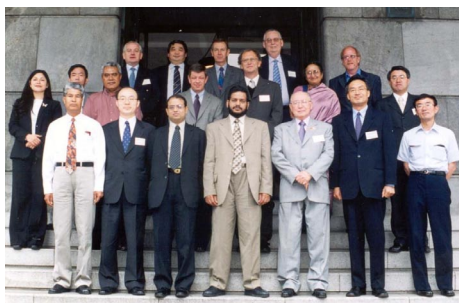
For additional information contact: Internal Control Standards Committee, e-mail: InternalControl@ccrek.be.

## Working Group on the Audit of International Institutions

Since the audit of international institutions was one of the two themes of the 17th INCOSAI in Seoul in 2001, the Congress established an ad hoc working group to address the issue further and report back to the 18th Congress in Budapest in 2004. The working group's mandate is to define the principles for the audit of international institutions, develop best practice guidance for SAIs, and prepare a list of relevant international institutions.

The SAI of Norway was appointed chair of the group, whose members are the SAIs of Austria, Denmark, India, Japan, South Korea, Nepal, Saudi Arabia, South Africa, Tuvalu, the United Kingdom, and Venezuela.

To date, the working group has held five meetings hosted by different participating SAIs. At the first meeting, it prepared a work plan that was approved by the Governing Board at its 50th meeting. Since the working group has a time-restricted mandate, the work has been intensive, with the member SAIs preparing documents and exchanging them between the meetings. Each member SAI has also compiled a list of international institutions of which its country is a member as input to the global list.



Working Group on the Audit of International Institutions' meeting in Tokyo in April 2003.

The working group decided to focus its initial work on defining the principles that should guide the audit of international institutions. After extensive discussions, the group reached consensus and has circulated an exposure draft of the proposed text (*see box on next page*) to SAIs for comment. The group will prepare a final proposal, which will be considered for adoption by the 18th INCOSAI.

To prepare a list of international institutions, it was first necessary to clearly define those institutions; the group agreed on a definition early in the process. Subsequently, group members have gathered information concerning the institutions that fall within the agreed-upon definition. They have found that while some information is available on the Internet, much information relating to audit is not easily available. Consequently, a basic list will be submitted to the SAIs at the next INCOSAI.

The working group is still finalizing the best practice guidance for SAIs. The guidance will cover promoting the principles for best audit arrangements, preparing SAIs to take on the audit of international institutions, contacting national authorities to be informed of upcoming audit opportunities, and giving practical advice on the audit itself. The working group's intention is that the guidance be sufficiently detailed to assist those SAIs that have little or no experience in auditing international institutions. The guidance document will be presented to the 18th Congress.

As chair of the working group, the Norwegian SAI believes that the group members have worked very hard and that the final outcome will be of high quality. If the

### **Proposed Principles for the Audit of International Institutions**

To be effective, the audit arrangements for international institutions should ensure that:

1. All international institutions financed or supported by public money should be subject to audit by SAIs to promote better governance, transparency, and accountability.

and that the external auditor:

2. Is fully independent in the conduct of the audit.
3. Has sufficient powers to carry out the audit in a manner that meets best practice in the audit of public money.
4. Has adequate resources to carry out the audit.
5. Has the right to report on the audit results to the member states concerned through the governing body(ies).
6. Meets relevant professional and ethical standards.
7. Is appointed in an open, fair, and transparent manner.

proposed principles are implemented in more international institutions, transparency and accountability for the spending of what are in actuality the public funds of member states will increase significantly.

In the past, although important work has been done on this topic and decisions and recommendations have been made, there has not been systematic follow-up and the impact has been limited. Therefore, it is essential that INTOSAI and its members look for a way to implement the working group's recommendations regarding both the international institutions concerned and the national authorities with budgetary accountability for the funds.

At its next meeting, which is being held in April 2004, the working group will finalize the papers to be presented at the Congress and discuss a proposal on ways to promote the principles it has developed and increase the number of international institutions audited by SAIs.

For additional information, visit the working group's temporary home page, which is under "International Activities" on the English version of the Norwegian SAI's home page ([www.riksrevisjonen.no](http://www.riksrevisjonen.no)). The principles are available in the five working languages of INTOSAI.



## IDI Update

IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative. To find out more about IDI and to keep up to date between editions of the *Journal*, visit the IDI Web site: <http://www.idi.no>

## OLACEFS Pilot Public Debt Audit

As part of IDI's cooperation program with the INTOSAI Public Debt Committee and OLACEFS, a pilot audit of public debt was undertaken in February 2004. OLACEFS public debt "champions," who had taken part in a program of training activities in 2003, were asked by the SAI of Venezuela to assist Venezuelan auditors in carrying out the pilot audit. The pilot audit lasted for 3 weeks and took place in the debt administration office of the Department of the Treasury. The audit's main objectives were to prove the methodology used to deliver public debt auditing and to improve the quality of the previously delivered public debt auditing course. The experiences gained will be used during the 2-week regional workshop in public debt auditing in the Dominican Republic, April 26-May 7, 2004.

## Detecting Fraud and Corruption: An African Perspective

A meeting was held in South Africa from February 9-13, 2004, to complete the design and development of a 5-day workshop on the detection of fraud and corruption. A number of trainers from the Anglophone Africa region took part in this meeting, as did a subject matter expert from the Office of the Auditor General of Canada. The trainers delivered the workshop again in South Africa, March 22-26, 2004.

## EUROSAI Long Term Training Program Phase II Update

A Program Orientation and Skills Assessment Workshop (POSAW) was held in Moscow, Russia, February 23-27, 2004. The principal objective of the workshop, which was conducted in both English and Russian, was to select candidates from 19 countries in Eastern Europe, the Balkans, and Central Asia to take part in the IDI/EUROSAI Phase II Long Term Training Program. Through personal interviews, group activities, and individual presentations, the instructional team was able to evaluate participants' language skills and potential to be good instructors. This was the first time that IDI had used this type of workshop, and it is expected to have positive outcomes for the quality of participants' learning experiences during the remainder of the IDI/EUROSAI Phase II Long Term Training Program.

## WGEA/IDI Environmental Auditing Project

The second Environmental Auditing Workshop was held in Nairobi, Kenya, February 16-27, 2004, for 30 participants primarily from Anglophone AFROSAI member SAIs. The workshop was the result of a cooperative effort between the IDI and the INTOSAI Working Group on Environmental Auditing (WGEA). Six instructors—from the SAIs of the Cook Islands, Hungary, Kenya, Papua New Guinea, the Philippines, and Zimbabwe—delivered the workshop with the assistance of environmental auditing experts from the SAIs of Canada and South Africa.





Participants conduct a mock interview of an environmental auditee at the Environmental Auditing Workshop in Kenya.

This 10-day workshop, which aims to transfer knowledge of environmental issues along with the “how-tos” of environmental auditing, requires that participants prepare environmental auditing proposals to be submitted to management when they return to their SAIs. A final version of the course materials will be made available to participants and their SAIs on CD-ROM later in 2004 and will also be added to the IDI International Training Directory, available on the IDI Web site.

### **Contacting IDI**

If you would like to discuss any of the issues raised in this edition of IDI Update, please contact IDI by telephone at ++47 22 24 13 49 or by e-mail at [idi@idi.no](mailto:idi@idi.no).

# INTOSAI 2004-2005 Events



## April

19-23 17<sup>th</sup> UN/INTOSAI Seminar  
Vienna, Austria

26-  
June 4 EUROSAI Phase II Course  
Design and Development  
Workshop, Sofia,  
Bulgaria

## July

## October

10-16 18<sup>th</sup> INCOSAI,  
Budapest, Hungary

## January 2005

30-  
Feb. 2 19<sup>th</sup> Commonwealth  
Auditors-General  
Conference  
Wellington, New Zealand

## May

4 ARABOSAI meeting,  
Amman, Jordan

24-28 SPASAI, Apia,  
Samoa

30-  
June 2 Working Group on  
Environmental Auditing  
and the International  
Congress of Environmen-  
tal Auditing, Brasilia, Brazil

## August

## November

16-18 OLACEFS Assembly,  
Buenos Aires, Argentina

## February

## June

21-22 INTOSAI Governing  
Board  
(extraordinary meeting)  
Vienna, Austria

28-30 EUROSAI IT Working  
Group Meeting  
Bern, Switzerland

TBD Public Debt Committee  
Moscow, Russia

## September

## December

## March

**Editor's Note:** This calendar is published in support of INTOSAI's communications strategy and as a way of helping INTOSAI members plan and coordinate schedules. Included in this regular Journal feature will be INTOSAI-wide events and region-wide events such as congresses, general assemblies, and Board meetings. Because of limited space, the many training courses and other professional meetings offered by the regions cannot be included. For additional information, contact the Secretary General of each regional working group.