



Overview of the Panel Discussion held at the training day *Environmental Auditing for Beginners*, 6 November 2011

Tönis Saar, Secretary General of the Secretariat of INTOSAI WGEA, Chair of WG14

Mr Saar introduced the panel discussion and asked the five panellists the following three questions:

1. What are the major environmental audit challenges in comparison with other types of auditing?
2. What are the future challenges of environmental auditing?
3. What are the three pieces of advice you would give to an environmental auditor embarking on the first audit?



Panellists from left: Dr Vivi Niemenmaa, Nameeta Prasad, Helge Østtveiten, Jill Goldsmith, Steven Elstein and Tönis Saar

1. What are the major environmental audit challenges in comparison with other types of auditing?

Steven Elstein, USA

Mr Elstein started with mentioning that environmental auditing had more similarities than differences with other types of audit. Still, there were interrelations and interdisciplinary issues that added a few “wrinkles”. With environmental issues becoming ever more regional and global in nature, environmental auditing had to follow. Given the relative newness of the topic, in many countries auditors often got caught up with policy issues, e.g. questions such as “where should we be going as a nation?” Mr Elstein regarded those as potential risks for auditors. He felt that at the same time environmental issues were often felt locally, and SAIs also needed to go to the local, state or regional level get accurate answers, thus requiring more recourses for working on case studies and visiting localities (for example in the USA surveys would be produced for all 50 states).

Mr Elstein also commented on the lack of environmental data in a situation where wonderful national data could exist in other fields.



He finished by referring to the presentation of Dr Vivi Niemenmaa concerning sustainability by concluding that sustainability was really the heart of the matter, but not a very easy issue to address in itself.

Jill Goldsmith, UK

Ms Goldsmith agreed with Mr Elstein in that environmental auditing drew on the same principles as other auditing, but had some challenges, e.g. cross border and regional issues, which were relevant for WGEA.

She pointed out that environmental issues usually took a long time to become problems and an equally long to solve. Environmental auditors had to recognise that and try and work out if the government's approach was correct, whether it went far enough and whether it was on track. She felt that as environmental issues had an impact on future generations, it was important, but difficult to make a cost-benefit analysis and establish the costs related to achieving the long term benefits of environmental engagements. Ms Goldsmith finished by considering the task of auditors to be deciding how well the government had considered the value of future environmental benefits.

Helge Strand Østveiten, Norway

Mr Østveiten agreed with the other panellists in that environmental auditing was basically auditing with some additional challenges arising from the need to deal with cross-national issues. He noted that WGEA and other similar international organisations played an important role. In Mr Østveiten's words, through joint audits with other countries auditors gained more voices and "more voices were stronger voices".

He also referred to the specific competences needed for environmental auditing: with more emphasis on natural sciences, people with training in biology, chemistry, physics etc would have to be recruited to work side by side with economists, accountants and social scientists. The needs for particularly specialised knowledge could in his mind be met by buying in the relevant services.

Mr Østveiten expressed his optimism regarding environmental auditing, provided that the auditors adhered to the basic principles of always having good research, based on risk analysis, good criteria, safe and sound methodology and producing fair and balanced work.

Nameeta Prasad, India

Ms Prasad saw as a challenge not the absence of data, but rather the fact the data was often dispersed, found in different reports, which made it difficult to see a holistic picture. The waste management audit in India had been a case in point: the answer to the question, how much waste was being generated across India had had to be compiled from ten different reports. No wonder the government had not realised the magnitude of the problem. Ms Prasad concluded that it had been the task of environmental auditors to bring that to the attention of the government.

According to Ms Prasad in developing countries audit criteria on national level were often missing and it was difficult to get the government to agree to adopt international criteria. She was also worried that the environmental issues were not taken very seriously in India. It had been difficult to demonstrate to the government that the lack of policy, in that particular case, lack of proper waste management policy complete with prevention, would translate into financial loss.

Vivi Niemenmaa, Finland

Dr Niemenmaa agreed with the previous speakers and added that it was very important for the auditors to make a material link to state finances, especially because in environmental auditing the direct link was not so obvious, and in most cases the links were more indirect. But given the big issues and big risks an extra effort had to be made to point to those direct and indirect links. She also commented on the fact that generally auditing looked into the past, on situations that had resulted from past decisions and past management. However, in her opinion environmental auditing was more forward-looking, establishing future risks and how governments had prepared for the upcoming risks.



2. What are the future challenges of environmental auditing?

Vivi Niemenmaa, Finland

Dr Niemenmaa predicted more complex and challenging issues for the future, e.g. sustainable development. Complexity could in her mind also cause certain tensions, calls for being more effective, resulting even in complaints about too long reports. However, she insisted that challenging themes had to be properly and thoroughly dealt with.

On a more philosophical plane she asked if environmental auditors were paying attention to the right issues, chose the best topics, and expressed the hope that environmental auditors' recommendations did not lead to a wrong direction. This tied with the long-term perspective and cost-effectiveness, which had been mentioned earlier, thus it was in Ms Niemenmaa's opinion important to go in the right direction.

Nameeta Prasad, India

Ms Prasad emphasised the need to expand the pool of people doing environmental audits and have them properly trained for meeting the challenges.

For many countries, like India, that were only starting with environmental audits, planning the audits was a big challenge. There were so many topics, thus a priority list was needed, based on risk assessment and the implications of not doing the audit.

She recommended that an action plan could be developed for audits in the broader issues and vast topics related to sustainable development.

Helge Strand Østveiten, Norway

Mr Østveiten pointed to the need to raise awareness about environmental auditing among the general public and the politicians. He thought that there were no easy answers, but one way was to cooperate with other countries, within such professional networks like WGEA, and to undertake joint audits so as to have a stronger voice.

He called for resilience and patience among environmental auditors and warned them not be vulnerable to the ups and downs that environmental policy could experience both in public and in the political system.

Mr Østveiten invited everyone to recognise that climate change was there to stay for decades and that environmental auditors needed to be organised in such a way that they could step up their activities in that field.

He also emphasised the need for environmental auditors to stay professional and not become politicians. He acknowledged the objective of all environmental auditors to improve and save the world, but he also pointed to the fine line between auditors and politicians that should not be crossed in order to maintain the integrity of the auditors' work.

Jill Goldsmith, UK

Ms Goldsmith agreed with Mr Østveiten in that climate change was there for decades. She saw as a particular challenge for the UK the proper measuring of how environmental matters had been dealt with, since due to the mainstreaming of environmental issues, they were being dealt with in an embedded manner and had a tendency to become hidden as part of the general background.

According to Ms Goldsmith further challenges in the future derived from increased globalisation – as governments would be increasingly leading with more global businesses and investment, regulation and audit had to be stronger and more cooperation was needed to ensure that environmental issues were taken care of in the bigger contexts.

Speaking about carbon emissions, but also about water, waste etc, Ms Goldsmith urged a more global vision: imports and exports affected the results so that emissions in one country could go down, but increase elsewhere. She therefore cautioned environmental auditors to not look only at their own country when auditing.



Steven Elstein, USA

Mr Elstein also saw globalisation as the first major challenge. He recalled that in the past the far-reaching impact of acid rains (from emissions from coal-firing plants by the Ohio River to watersheds in New York and Southern Ontario) had been seen as a major international problem and compared to the present, this seemed trivial. He illustrated that with the fact that mercury deposition in the Great Lakes originated from South America and other places all over the world. He called the global scale daunting.

Mr Elstein commented on the challenges related to sustainability audits: they were complicated and a little on the fuzzy side. But he felt that there was no escaping them in the future and it was necessary to work out how to integrate the economic, social and environmental issues in a meaningful way. He called environmental auditors to design audits that answered real, tangible and relevant questions in order to deal with these issues effectively.

In the opinion of *The Chair*, in the auditing world globalisation reflected back as accountability and it was difficult for him to see where accountability was going to end up in that respect.

3. What are the three pieces of advice you would give to an environmental auditor embarking on the first audit?

Steven Elstein, USA

- Most important - design good, clear and researchable questions as objectives, even if it takes more time. The single greatest cause of audit failure is poor audit questions.
 - Lay the groundwork so that good questions can be defined properly, even if it takes extra time.
 - Get the management and all other important parties to agree with the questions.
- In summary, the key to success is well informed good questions and a shared understanding by all the important parties of what the audit is about

Jill Goldsmith, UK

- Choose the right target where you can identify good questions.
- Choose a clear problem that is also recognised as such.
- Establish what recommendations you are going to make and identify those who would act on the recommendations.

Helge Strand Østtveiten, Norway

- Do not choose a very complicated first topic like climate change. Even if the audit of waste is not easy, it is easier than climate change.
- Start with familiar things or things that are important for your country, e.g. fisheries for Norway. Do not think that you have to be the world champion in your first environmental audit.
- Have solid design for the audit: risk-based research questions, solid and clear criteria and good methodology.

Nameeta Prasad, India

- Spend a lot of time on planning the audit, e.g. 2 months out of the total 12 month audit period.
Get as much information as possible about the topic.
- Develop very good audit criteria against which to measure the government's performance. The success of the audit depends on the criteria.
- After designing the audit, assign clear tasks and responsibilities to each member of the team; this will greatly facilitate the whole process.



Vivi Niemenmaa, Finland

- Scoping is important, avoid large scope, instead start with a focused scope.
- Once you have chosen the topic, find what other SAIs have done, consult the WGEA website for resources.
- Study the WGEA guidance material, if there is one on your chosen subject.

The Chair's summary of question no 3:

Choose a very clear problem – keep it short and simple;

Do proper planning;

Form good questions and criteria;

Make use of the multitude of existing materials.

The Chair did not attempt to draw further conclusions at that juncture; instead he invited the participants to contact the panellists during the forthcoming week for more advice and experience. The chair thanked the panellists and the participants for a good day's work.