Water is the most common substance on Earth, covering more than 70 percent of the planet's surface. Water makes up two-thirds of our own bodies. But the abundance of water is an illusion. Only a tiny fraction of the planet's water is drinkable. Ninety-seven percent is sea water, which is expensive and difficult to desalinate. About 2 percent is caught in polar ice caps. That leaves just 1 percent to sustain life in this millennium. Within 25 years, half the world's population could have trouble finding enough freshwater for drinking and irrigation. Two hundred scientists in 50 countries have identified water shortage as one of the two most worrying problems for this millennium.

The best things in life are free. But because water is free, we often take it for granted. Clean water is now scarce, and we are at last beginning to respect this precious resource. Like other environmental resources, the clean water that remains is the property of our children and grandchildren. For their sake, we must fight to protect what is left of the water supply.

1. Activity in the Area of Environmental Audits
The audit activities at the governmental level are directly related to the legislative system. All legislation in the area of environmental protection make basis for the regulation of commercial subjects in order to reach goals of environmental politics. Very important are also financial instruments which directly or indirectly affect the adopting of measures and taking necessary actions aimed at protection and improvement of environment.

Among the economic instruments in the area of environmental pollution and exploitation of natural resources the following fees can be defined:

- for air polluting,
- for discharging of waste water,
- for waste storage,
- for taking agricultural land,
- for taking forest land,
- for drawing water from rivers and streams,
- for drawing well water.

There are also other components aimed at protection of the environment which are included in the tax system, such as taxes and levies.
According to the facts mentioned above it is obvious that the financial instruments play a crucial role in the environmental politics.

The audit activity of the Supreme Audit Office of the Slovak Republic (SAO SR) includes auditing the management of public funds that are vital for addressing environmental problems. During the twelve years of SAO SR existence no aspect of financing environmental goals was left without attention. That includes individual specific subsidies provided directly from the state budget, the State Environmental Fund and charging appropriate fees.

The SAO SR performs environmental audits on regular basis. Total number of environmental audits carried out in the period of 1999 – 2004 was 24 including 3 international audits. Audit results and recommendations are sent to appropriate committees of the National Assembly of the Slovak Republic and to the Ministry of Environment as well. The findings should help in their legislative activity and in considerable way assist in checking the government’s management of state finances and state property. Audited entities are obliged to adopt their own measures to eliminate shortages (misstatements, irregularities) and violations of law.

2. Example of Audit

Background

**Title of audit**
Audit of Management of Financial Funds of the Slovak Republic and European Community allocated for Construction of Waste Water Treatment Plants and for sewerage systems.

**Type of audit**
Financial and regularity audit.

Audit Planning

**Audit Aim**
The audit aim was to verify:

- economical, efficient and effective use of the financial means from the state budget and from the European Communities (EC),

- fulfilment of budgetary discipline and rules of sound financial management of financial means from EC, concerning the construction of waste water treatment plants and sewerage systems.

**Scope of Audit**
Compliance with the rules of sound financial management:

- at the Ministry of Environment of the Slovak Republic,

- at 8 selected municipalities,

- at 2 water management companies,

- at 1 business association.
**Date of completion**

24 January 2005

**Methodology**

Audit of Management of Financial Funds of the Slovak Republic and European Community allocated for Construction of Waste Water Treatment Plants and for sewerage systems was the financial and regularity audit. We used relevant acts on this type of audit. Apart audit of respect of rules defined at the acts our main question was “Which were the main funding goals from the point of view of environment protection?” and “Were the goals achieved?”

We started our audit at the Ministry of Environment, continued the audit at the water management companies and later at the selected municipalities. We finished the audit at the Ministry of Environment. This procedure allowed us to apply the acquired knowledge to draw conclusions in the audit report and to suggest recommendations for the Ministry of Environment.

**Findings and Recommendations**

**Findings**

**General**

Number of inhabitants using the sewerage system is 2 978 thous. inhab. (55 %).

Length of the sewerage network is 6 853 km. In general 557 municipalities (19 %) have public sewerage system and 492 municipalities (17 %) have waste water treatment plants (WWTP).

Number of the WWTP in the Slovak Republic is 395. Most of them are mechanical-biological WWTP (87 %). Total capacity of the WWTP is 2 112 thous. m3/day.

There were 1 422 applications for financial subsidies for Construction of WWTP and sewerage systems in the years 2003 – 2004 of total amount 9 866,7 mil. Sk. The Minister of Environment decided to allocate subsidies only to 454 applicants (32 %) in total amount 1 073,1 mil. Sk (11 %). The reason was lack of financial means and sporadically failure to comply with requirements for allocation of subsidies for applicants.

**Specific**

The Ministry of Environment of the Slovak Republic (ME SR) disbursed subsidies to accounts of beneficiaries based on their invoices in spite of shortcomings in the process of project implementation. This procedure of the ME SR indicated insufficient interim audits.

There were found shortcomings in 7 cases concerning the compliance with the provisions of laws and contracts between the ME SR and beneficiaries.

The audit found:

- differences between invoices and completed works,
- uneconomical activities,
- breaking contractual conditions,
- failure to comply with procedures of accounting.

**Recommendations**

Recommendations for the Ministry of Environment of the Slovak Republic:

- to develop more detailed subsidy rules,
- to improve interim audits,
- to increase the financial resources for construction of waste water treatment plants and sewerage systems.

**Impacts and Results**

Audited entities have adopted their own measures to eliminate shortages (misstatements, irregularities) and violations of law. The Ministry of Environment of the Slovak Republic has developed and adopted new directive on subsidy rules concerning the construction of waste water treatment plants and sewerage systems. It is also important that the Ministry of Environment has improved its interim audit since we performed our audit.

**Challenges Faced in the Audit**

We did not face special challenges during our audit. Status and scope of competence of the Supreme Audit Office of the Slovak Republic granted us sufficient authority to perform environmental audits.
Some data collected during the audit

- Waste discharged to the rivers (tons/year)
  - suspended solids
  - BOD$_5$
  - COD$_{Cr}$
  - suspendable extractable solids

- Treated and untreated waste water (thous. m$^3$/year)

- Number of inhabitants using the sewerage system (%)

- Number and capacity of the WWTP (thous. m$^3$/day)
The Waste water treatment plant in Brezno ▲ and in Žiar nad Hronom ▼