

INTEGRATING ENVIRONMENTAL RISKS IN AUDITS

AT LOCAL GOVERNMENT/
MUNICIPAL LEVEL

An introduction to the AFROSAI-E approach



BACKGROUND TO OUR APPROACH

Local communities are highly dependent on natural resources, and where structural poverty is a serious factor, it is vital for governments to effectively implement, manage and monitor the environmental protection and sustainable development measures to improve the lives of ordinary citizens.

Over-exploitation and lack of effective management lead to the continuous degradation or pollution of land, soil, water quality and availability, biodiversity and many others. It is therefore important that local communities are informed, involved in and capacitated to manage their environment and natural resources so that effective environmental management improves their daily living conditions.

Many countries have adopted an approach of decentralised environmental governance and governmental responsibilities, with the aim to improve:

- Effectiveness
- Efficiency
- Transparency
- Democracy

Local governments are primarily responsible to provide basic services and to protect and improve the lives of citizens, while playing a major role in conserving the environment that will enhance and protect the sustainability of natural resources and in turn ensure the health and safety of its citizens.

Sustainable development as a global challenge has a direct impact on the importance of:

- The financial implications and statements of entities at local government level.
- A growing interest of the users of financial statements and citizens.
- The assigned responsibility to those who are mandated with the responsibility of managing, measuring and disclosing these important matters.

It is inspiring to see that many governments are committed towards improved environmental management and developmental programmes at all levels. Nevertheless, it is a known fact that governments, particularly at local government level, are experiencing major challenges in managing the environment and sustainability thereof, while becoming one of the major polluters or degraders of the environment.

MUNICIPALITIES LARGELY HAVE 3 LOCAL ENVIRONMENTAL GOVERNANCE DUTIES THAT INCLUDE TO:



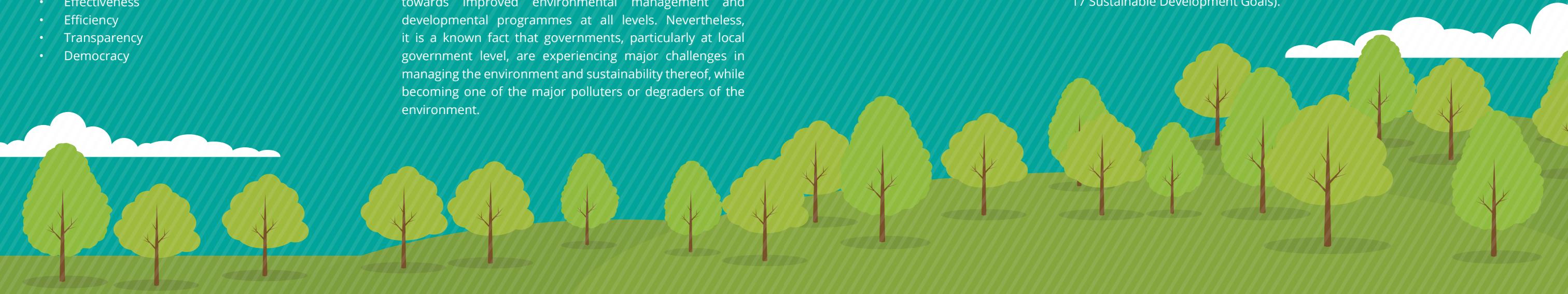
render various services in a sustainable manner.



fulfil a developmental duty (also included and referred to in the latest 17 Sustainable Development Goals).



act as a custodian of natural, social and infrastructural assets.



Local governments have a complex system of organisational management and are subject to many regulatory requirements. A very wide scope of activities that encompass power generation, water- and wastewater management, solid waste management, operating and maintaining local infrastructure, and enforcement of numerous federal, state and local codes rest on their shoulders.



**62 million
tonnes per
year**



**40% don't
have access to
drinking water**

Waste generation in sub-Saharan Africa is approximately 62 million tonnes per year and it is expected to double by 2025 (UDS – Knowledge Papers, 3 waste generation). This is aggravated by improper integrated waste management planning, means and strategies which need to be addressed. Current waste risks include:

- Solid waste and illegal waste dumping are degrading the environment and communities, causing serious aesthetic- and other nuisances.
- Untreated wastes are capable of emitting greenhouse gases and toxic fumes, not to mention leaching organic or chemical compositions polluting or contaminating the grounds.

In respect of access to water, roughly 40% of the 783 million inhabitants in sub-Saharan currently don't have access to an improved source of drinking water.



WHAT CAN SUPREME AUDIT INSTITUTIONS (SAIs) DO?

SAIs can be instrumental in taking up these challenges to include the auditing and reporting on the environment within their current resource-base and mandates, and with a specific focus on adding value. By integrating environmental risks, and the compliance with environmental laws and regulations into regularity or performance audits, SAIs can make a significant impact on effective environmental management.

WHY THIS ENVIRONMENTAL RISK PROJECT?

During the 2015 AFROSAI-E Governing Board and Technical Update Meetings, the role of SAIs in addressing critical environmental challenges through their day-day audit activities was discussed. There was consensus that financial performance depends on the natural environmental resource base, and that there exists a world-wide need of conserving the environment and the sustainability of its resource base.

Voluntary or internal environmental compliance audits are not always initiated by the various organs of state, nor always effective, monitored and enforced. The losses,

degradation and/or adverse environmental impacts and risks go undetected, unrecorded and can therefore continue unchecked.

This is why AFROSAI-E designed a simplistic way to use SAIs' existing financial and human resources to identify possible areas of improvement supported by solution-driven planning towards environmental focus. Strategically the system presents the opportunity to SAIs to use current audit resources, processes, procedures and working-papers and to rotate selected risks on an annual basis, and to improve

environmental management, through audit reports and recommendations.

The first task was to identify the most commonly found environmental risks within the region and particularly those managed by local government and/or related organs of state. Literature review and inputs from various stakeholders identified 14 environmental risks (included in figure 1) as the most prevalent at Local Government level, although there might be some differences between severity and impact within the various regions or countries.



INTEGRATING ENVIRONMENTAL RISKS IN AN AUDIT AT LG Regional Environmental Risks & Challenges

ENVIRONMENTAL MAIN RISKS	FOCUS AREAS	ENVIRONMENTAL MAIN RISKS	FOCUS AREAS
Waste	Landfills / Licencing / Transfer Stations / Illegal dumping (rehabilitation) / EEE	Hazardous Substances	Management of hazardous substances / Processes
Wastewater / Sewer Plants	Licencing / Effluent / Infrastructure	Asset Management	Infrastructure / Upgrading / Maintenance
Water Purification Plants	Purification / Licencing / Quality / Availability / Losses / Infrastructure (management of rivers & dams)	Climate Change	Policies & procedures to address
Overall Environmental Management	Capacity / Resources / King IV / Accountability / IDPs	POPS	Stockholm Convention: Management of PCB's
Bylaws (Regulator)	Outdated / Monitoring / Enforcement	Heritage Sites	Controis - RAMSAR Sites
EIAs	New buildings / Developments / Infrastructure	Coastal Management	Coastal Management Plan - monitoring & enforcement
Air Pollution	Licencing / Monitoring / Enforcement	Wetlands	International duty to protect

Figure 1: Most significant regional environmental risks (Nel, J. 2015)

The 14 risks were further analysed in terms of collective challenges and concerns impacting on:

- communities' needs and quality of life (poverty, health and safety of inhabitants).
- the environment, including sustainable management of water and related scarce resources (availability and quality of drinking water), wastewater and effluent quality, and solid waste management.

Five risks and focus areas were selected and mapped in terms of current overall environmental management and resources, monitoring and enforcing legislation, policies, plans and strategies in managing and conserving the

environment and related resources. Procedures were developed to determine overall management, roles and responsibilities to ascertain basic service delivery and sustainability thereof.

THE E-LEARNING PROCESS:

In collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), AFROSAI-E developed a comprehensive and informative e-learning programme to prepare participating SAIs' audit teams for the audit. Regular and continuous interaction between the teams ensured that all uncertainties were resolved as soon as possible.

Five selected risks and focus areas

RISKS	FOCUS AREAS
Overall Environmental Management and Structures at Local Authority Level	Roles and responsibilities, resources, environmental policies, plans, strategies (including SDGs).
Environmental Regulatory Framework	Monitoring and enforcing environmental legislation and related requirements (legislation outdated, not adopted, implemented, monitored or enforced).
Water (quality and availability)	Water treatment, purification, quality, availability and losses.
Wastewater (sewer) Management and Operations	Licensing, treatment, effluent quality and disposal and infrastructure.
Solid Waste Management	Landfills, transfer stations and other disposal facilities, illegal dumping and services.

PARTICIPATING AFROSAI-E MEMBERS

The seven AFROSAI-E member-SAIs that participated in this project, all opted to use the e-learning material and; they could decide whether to focus on specific risks or all focus areas.

The seven cities selected by the participating SAIs for this collaborative audit, are mostly urban dominated, but with some continual rural jurisdiction and inclusion. The five coastal cities and two inland (non-coastal countries) cities were spread across geography, climate and main activities.



Participating countries and selected cities/district audits

COUNTRY	CITY / DISTRICT
South Africa	Port Elizabeth (Metro)
Nigeria	Federal Capital City, Abuja
Ghana	Accra Metropolitan Assembly
Botswana	City of Francistown Council
Sierra Leone	Bo City Council
Rwanda	Huye District (Secondary City)
Tanzania	Mbeya City Council

TIMELINE

REQUIREMENT	DATE (TIME-LINE)
SAI participation in project confirmed	31 March 2016
Procedures finalised and e-learning programme developed	31 April 2016
E-learning roll-out in 7 participating SAIs with remote support	30 June 2016
Execution / performance of procedures per country	30 September 2016
Reporting per country and inputs to the joint publication	31 December 2016
Completion of the joint publication / presentation	31 March 2017

INITIAL OBSERVATIONS

The SAIs are in the process to finalise their respective audit reports and a summary will be prepared in 2017. This project aimed at establishing the current environmental management status-quo within the various countries or cities, as well as the implementation, monitoring and enforcement of own-, national (and sometimes) international legislation and requirements. However, the initial observations stemming from the audits include:



Rapid and continuous urbanisation in Sub-Saharan Africa is resulting in serious environmental challenges for organs of state and particularly local government. One of the biggest challenges is the pollution of the environment.



The management of primary roles and responsibilities of various authorities, federations and councils are not always properly defined. Sometimes there are cooperative arrangements in place for services to be delivered, but it is implemented and enforced by different government levels and not properly coordinated.



No policy, plan, strategy or legislation can be effective without proper monitoring and enforcement, which is often lacking at Local Government level.



The need for and access to clean drinking water, proper treatment and disposal of wastewater or sewage and solid waste management (regarded as basic human rights) have been grossly ignored or miss-managed.



Most challenges and recommendations emanated from a lack of resources (that included personnel, funding, vehicles and equipment and land availability) as well as poor or limited maintenance, repair and upgrading of infrastructure. The situation is mostly enhanced by a lack of or limited overall environmental management, with defective monitoring and enforcement of environmental legislation and other requirements.





SIERRA LEONE - LESSONS LEARNED

When Morie Lansana embarked on the AFROSAI-E project, he was uncertain whether it would be a success. His country, Sierra Leone, had just recovered from fighting the Ebola crisis. As an auditor in Bo City he wanted to make a difference, and ensure his country would move forward.

To make a significant change he had to step outside of his comfort zone and convince stakeholders that auditors should also look at issues such as waste management which forms another important part of his job.

Traditional governance plays an important role in Sierra Leone and without the buy-in of the local chiefs, it would have been much harder to change attitudes. His audit recommendations were well received by the city council, and only a few months into the audit the municipality implemented substantial changes:

- A landfill located in the city centre was removed.
- The waste was moved to outskirts of the town.
- A new department for waste management was created.

In Sierra Leone, Bo city has become a model for waste recycling and across the city waste are transformed. However, the management of medical waste are considered unsatisfactory. Needles and other medical material are not collected separately, posing serious risks to waste workers.

HOW THE INTEGRATION OF ENVIRONMENTAL RISKS IN AUDITS AT LOCAL GOVERNMENT LEVEL SUPPORTS THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

The September 2015 Sustainable Development Goals have a large impact on local and regional governments all over the world. The United Cities and Local Governments (UCLG), 2015 emphasised the importance of Goal 11 which is to “make cities and human settlements inclusive, safe, resilient and sustainable” – a result of the hard-fought campaign by local governments.

In support of the INCOSAI XXII theme: “How SAIs can contribute to the UN 2030 Agenda for Sustainable Development Goals (SDG’s)”, AFROSAI-E implemented this project towards some of the SDGs, namely:

SDG 3: Good health.

SDG 6: Clean water and sanitation.

SDG 11: Sustainable cities and communities.

SDG 14: Life below water and SDG 15 Life on land.

SDG 17: Partnerships.



CONCLUSION

Including environmental management risks within the SAIs' normal audit activities will undoubtedly add value through the evaluation of institutional compliance with environmental laws and regulations. It will allow institutions to determine environmental risks, identify solutions and plot progress.

As the custodians of environmental resources, state organs (including Local Governments) need to protect and sustain resource use to the benefit of all. **The rehabilitation and repair of degraded or polluted areas (environment) requires a proper environmental management system, policy, plans and strategies.** This in turn needs to be evaluated for conformance and/or effectiveness on a regular basis. Governments may therefore use environmental risk management auditing as a management tool to improve environmental practices, compliance with legislation, and operational environmental efficiency.

Through this innovative and resource-effective approach, AFROSAI-E is making a difference in the performance of its members SAIs and; helping them to make a difference in the lives of their citizens.





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