

Challenges of Environmental Audit in the Supreme Audit Court of the Islamic Republic of Iran

By:

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Introduction

In the major documents of Iran, including the Constitution, protection of environment is considered as a national duty, and any kind of activity resulting in environmental pollution is prohibited. Moreover, in the Vision Document of the Islamic Republic of Iran in 1404 Hijri, the right of the Iranian nation to benefit from a clean environment is emphasized. In addition to the major documents, law-makers have also assigned duties in Common Laws as to the protection of environment.

Following the Constitution and its own Administrative Law, the Supreme Audit Court (S.A.C.) of the Islamic Republic of Iran has put audit of the utilization method and the responsibility of maintenance and preservation of natural resources and public wealth, mines, seas, lakes, rivers, forests, and natural groves on its agenda.

Fortunately, during the tenure of S.A.C.'s current presidency, special attention has been paid to environmental audit, and it is almost about three years that S.A.C. of Iran, a member of INTOSAI WEGA, has established an independent audit unit of environmental audit, and has set its gradual development on its agenda.

In this paper, taking the opportunity, the Supreme Audit Court of Iran attempts to account for the existing challenges of the application of environmental audit in the country, and benefit from the experiences of other member states of INTOSAI WEGA in order to improve the process of environmental audit.

Methodology

To achieve the goals of the environmental audit, the Supreme Audit Court of Iran conducts its environmental audits based on the International Guidelines of INTOSAI WEGA:

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- 1- Compliance audit of environmental laws and regulations;
- 2- Environmental performance audit;
- 3- Carrying out environmental audit using the approach of compliance audit and performance audit simultaneously;
- 4- Financial audit;
- 5- Conducting environmental audit based on a pathological approach as an innovative method of INTOSAI WGEA in Argentina.

In this paper, focusing on experiences and a pathological approach, we have tried to enumerate the existing challenges of carrying out environmental audit in Iran, and suggestions have been made to solve the current problems.

Findings

The challenges of conducting environmental audit in Iran are classified into inter-organizational and intra-organizational challenges. This issue itself has caused some problems for carrying out this kind of audit. The most important of these challenges are as follows:

Inter-Organizational Challenges

- 1- Although environmental audit is a new subject in the world, the life of this type of audit in Iran is shorter than the time of its appearance. It is almost about three years that Iran has been seriously engaged in environmental audit, and has become a member of INTOSAI WGEA. For this reason, due to the huge bulk of work and investments, there are limitations and shortfalls in this area, especially as to the number of professional workforce.
- 2- Many of the Supreme Audit Institutions have had the experience of cooperation and interaction with other institutions in auditing environmental subjects. However, the Supreme Audit Court of I.R. of Iran does not have such an experience. Additionally, this matter requires the tendency and enthusiasm of the neighboring countries, some of which have shown no inclination to participate in audit of the Caspian Sea environment.
- 3- Since it is not much time that the Supreme Audit Court of Iran is conducting environmental audit, its standards and guidelines have not been fully developed.

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- 4- The vastness of our country and the variety of environmental and climate issues necessitate the preparation of special audit guidelines for different environmental subjects, which is, of course, time-consuming and requires sufficient professional workforce.

Intra-Organizational Challenges

5. The first step for any kind of planning, decision-making, and taking action to audit environmental issues is to have a complete and comprehensive information bank (data base) and exact statistics from environmental information. The point is that the agencies responsible for the protection of environment are devoid of this capability.
6. Due to the lack of developed environmental accounting standards and, as a result, the non-existence of environmental accounting in Iran, currently the "financial environmental audit" is not completely carried out.
7. Since the economic values of the natural and environmental resources, despite their prediction in laws, and the costs resulting from environmental pollution and destruction are not considered in national accounts and the process of development, the costs and losses arisen from the destruction of environment and its effects on national economy are not clear, tangible, and distinct.
8. The environmental data is not properly registered, processed and reported by administrative agencies.
9. Administrative managers lack awareness of the importance and status of environment and the advantages of environmental audit. In other words, administrative agencies don't have enough knowledge of the role of environmental audit in understanding environmental problems. Unfortunately, executive agencies officials' lack of familiarity with environmental laws and regulations, their irresponsibility to enforce them, and their insufficient attention to environmental concerns because of their intangible short-term effects have resulted in inefficiency of environmental laws.
10. Some environmental laws and regulations are devoid of sufficient enforcement power. Naturally, if laws don't possess enough enforcement power, agencies won't pay heed to the consequences, and there won't be the necessary deterrence.

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11. The adoption of aggressive policies instead of prevention policies by environmental protection agencies is one of the problems that has always threatened environment. In addition to wasting the expenditures and slowing or freezing the pace of the implementation of projects, the agencies' late acceptance of environmental protection has made environmental audit more difficult. However, according to law, one of the most important objectives and duties of Environmental Protection Agency¹ (EPA) is to prevent the pollution and destruction of environment.

Recommendations

- 1- The first requirement for the institutionalization of environmental audit is to have enough professional workforce. Operationalizing policies and guiding auditors in the field of environmental audit, preparing reporting frameworks for different subjects, conducting cooperative audits with other countries, participating in programs, and having continuous interaction with ASOSAI² and INTOSAI WGEA all require sufficient professional workforce. Therefore, carrying out environmental audits of high quality necessitates the formation of a powerful team in S.A.C. headquarters and also support of auditors in guilds.
- 2- Considering the fact that the only authority responsible for conducting environmental audits in I.R. of Iran is the Supreme Audit Court, the need for specialized training in the field of environmental audit, especially through holding seminars and exchange of information with other active countries, is doubled. Compared with INTOSAI leading states, the Supreme Audit Court of Iran should make its utmost efforts in environmental audit.
- 3- Regarding the effectiveness of cooperative environmental audits and in order to find a solution to trans-border problems of ASOSAI and INTOSAI WGEA member states, it is recommended that the neighboring countries of the Islamic Republic of Iran, especially the Caspian Sea coastal states, conduct joint audit.
- 4- Although the preparation of environmental audit guidelines and reporting frameworks is time-consuming, it is suggested that the guidelines are prepared gradually alongside with environmental audit reports. It is worth mentioning that several reporting frameworks have been prepared and are about to turn into audit guidelines based on a developed timetable.
- 5- To participate actively in international bodies and to benefit from the experience of leading countries in environmental audit, it is suggested that the environmental audit reports

¹ -Environmental Protection Agency (EPA)

² -Asian Organization of Supreme Audit Institutions

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prepared in the format of approved papers by INTOSAI be sent to the website of INTOSAI and ASOSAI WGEA, and our country have an active participation in INTOSAI and ASOSAI environmental audit working groups and seminars.

- 6- It is recommended that the Iranian government (Audit Organization) develop Environmental Accounting Standards so that environmental accounting enters the cycle of governmental accounting, and the related governmental organizations and agencies are obliged to register the financial environmental transactions in the financial statements.
- 7- To help protect the environment, it is necessary that the Presidency Deputy Head for Strategic Supervision and Planning, the Environmental Protection Agency, and the Ministry of Finance and Economic Affairs determine the economic value of environmental and natural resources, calculate the costs of the pollution and destruction of environment, and include them in national accounts.
- 8- To control the environmental information, it is proper that the necessary directions for the registration and process of environmental data be prepared by governmental agencies.
- 9- In order to familiarize managers of administrative agencies with the role of environmental audit, it is suggested that the Supreme Audit Court of Iran explain the importance of biological safety and the consequences of loss of a healthy environment, hold seminars with the attendance of managers of executive agencies and internal and external experts, present the outcome of the environmental audit reports, and prepare a brochure of performed activities and measures of other countries in order to raise the awareness of administrative agencies' authorities.
- 10- It is recommended that the environmental fines predicted in environmental laws and regulations of state be reformed in accordance with environmental degradations. To reach this end, it is required that the relevant authorities, doing expert work and all-out pathological study, increase considerably the penalties for people responsible for environmental contamination so that, in the long run, the prevention of pollution would take effect.
- 11- To make preventive measures more effective, it is necessary that the Environmental Protection Agency (EPA) strengthen its regulatory duties and change their process. The preventive actions which EPA can take are as follows: giving comprehensive and useful information about environmental laws and regulations, holding training courses and sending

educational pamphlets to administrative agencies, reviewing the implementation method of construction projects, and giving comments to the relevant executive organizations.

Impacts and Consequences

- 1- The obtained results from the environmental audits carried out by the Supreme Audit Court of Iran such as lack of an effective enforcement power of environmental laws and regulations, the inappropriateness of obtained fines with environmental degradations, and the insufficient attention of authorities to the importance and status of environment have been reported to the Islamic Consultative Assembly (Parliament) and the government. Also, the Supreme Audit Court of Iran has provided the Supreme Audit Institutions of the Caspian Sea bordering states with the results of its own investigations into the Caspian Sea environmental audit.
- 2- To institutionalize environmental audit in S.A.C., the Senior President of the Supreme Audit Court of Iran has fully expressed his support for the gradual and continuous development of this new type of audit. Moreover, each year after his approval, the Annual Environmental Audit Plan is notified throughout the state.
- 3- Regarding the joint audit of the Caspian Sea environment, the Islamic Republic of Iran has corresponded with the coastal states of the Caspian Sea (Russia, Kazakhstan, Azerbaijan, and Turkmenistan), and has submitted its request for conducting cooperative audit. Moreover, in order to combat the phenomenon of dust particles, the I.R. of Iran has asked the heads of INTOSAI and ASOSAI WGEA to carry out joint audit.
- 4- Considering the fact that environmental audit is a new type of audit in Iran, the Senior President of the Supreme Audit Court has introduced environmental audit and the performed activities in this field in the financial seminars and conferences held by the administrative agencies. This has been a great help to the culturalization of this new audit.
- 5- To perform environmental audit for the first time in Iran, last year the Supreme Audit Court audited the environmental pollution of rivers, the prevention of contamination of metropolises, national parks, and audit of ensuring the decrease of pollutants of environment. Moreover, S.A.C. developed the related reporting frameworks and guidelines of environmental audit.

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- 6- To determine the economic values of national and environmental resources and the costs of environmental pollution and degradation in the process of development and its inclusion in national accounts, the Supreme Audit Court of Iran is auditing the actions of government.

The focus of the present paper is to pay attention to audit results and the application of recommendations by Parliament, agencies responsible for the protection of environment, and all relevant executive organizations. The paper also reviews the efforts and cooperation of Iran's neighboring countries in the joint environmental audit of the Caspian Sea and the countries affected by dust particles.

Lessons to Learn

1. Removing the consequences of environmental problems necessitates a time-consuming process, and their prevention is always more convenient and less costly than their correction. Environmental audit can help government provide the needed opportunities for prevention.
2. Considering the fact that the aim of environmental audit is to make sure the adoption of sufficient and appropriate processes and policies and their implementation and enforcement in order to achieve the objective of sustainable development, setting up and updating processes, policies, and proper guidelines is the most important priority.
3. Environmental audit can provide the necessary opportunities for nations to set up an effective plan for the protection of environment.
4. Since one of the most important components of sustainable development is a "healthy environment", and the loss of "biological safety" can have detrimental effects on social communities, the Supreme Audit Court of Iran is firmly determined to carry out environmental audit.

Finally, it is to be noted that since S.A.C. of Iran has recently become a member of INTOSAI WGEA, it makes its utmost efforts to benefit from INTOSAI environmental guidelines.