

## Terms of Reference for the EUROSAI Project Group on Preparing for future risks and climate crisis: Time for audit to take a long-term view?

### 1. General provisions

#### 1.1 Name of the Project Group:

Preparing for future risks and climate crisis: Time for audit to take a long-term view?

#### 1.2 Background and objectives of the Project Group:

##### Background

##### a) **Long-term thinking is key to tackle future risks, such as climate crisis**

Sustainability aspects of public governance and policy-making have gained importance over the past decades. A key element of sustainability is long-term thinking. With foresight and long-term approaches, we could prepare and build resilience to tackle future risks. Currently we are struggling with the Covid-19 crisis, but in the future climate change could trigger similar crises.

##### b) **In order to prepare for climate change risk, the recovery packages should support carbon neutrality**

The financial support and shifts in the economy as a reaction to the current crisis are set to be large, unique and hence represent the biggest opportunity to move the economy towards net-zero. The Covid19-crisis has shown how important resilience and preparedness is. Many of the financial packages that both the EU and national governments are releasing to recover from the Covid19 crisis aim to support a shift towards low-carbon. For example, the EU recovery package considers the green and digital transitions even more important now than before the crisis started. Whether fast recovery measures help addressing long-term risks will be one key question.

##### c) **SAIs should develop methodologies to assess future risks and to audit recovery package plans**

SAIs could audit directly the resilience and preparedness of governments to cope with long-term risks, in particular the climate crisis. Moreover, SAIs could consider whether the audit methodology and the ways to choose audit topics are equipped to recognize and analyse such long-term risks. SAIs could also use new and emerging methodology such as foresight methods to support their audit work.

**A new EUROSAI Project Group to work on sustainability in long-term policy planning and public finances** could focus on climate change, as one of the biggest risks. The cooperation could include:

- Methodology cooperation answering the question how to design and carry out audits that assess future risks and integrate long-term thinking, especially in the field of climate. Another concern could be policy coherence issues, for example contradictory spending or incentives offsetting the climate investments.
- Exchange of information and audit development on sustainability in long-term management of societal risks.

- Comparable/Similar audit integrating long-term risks and methodology developed in the first part of the work.

### Objectives

The objectives for this project group are:

1. **Methodological development** among EUROSAI members related to
  - a) future thinking and foresight, auditing future risks, such as climate crisis;
  - b) Climate mainstreaming in spending, climate proofing and tracking methods: assessment of whether spending contributes to achieving climate objectives and whether reporting on climate action is reliable.
2. Facilitating **sharing** of audit approaches and experiences on above mentioned topics;
3. Providing a platform for **comparable/similar audit(s)** on the topic;
4. Conducting a compilation of **lessons learned**.

### **1.3 Link with EUROSAI Strategic Plan:**

The aims of this Project Group are aligned with the EUROSAI Strategic Plan 2017-2023, specifically the **Emerging issues and forward thinking** strategic portfolio, led by SAI Finland.

The key drivers of the portfolio are the profound and rapid changes in the operational environment we all face and need to address in our work. The objective of the portfolio is to highlight emerging issues in the work of EUROSAI and its members, to give support to strategic level discussions and to collect information for the Governing Board and EUROSAI Members to debate upon.

#### **1.3.1. Strategic Goals:**

This project group is established under the **Emerging issues and forward thinking** strategic portfolio, led by SAI Finland.

The project group will also contribute to **Strategic Goal 1:**

1. Supporting effective, innovative and relevant audits by promoting and brokering professional cooperation;
2. Helping SAIs deal with new opportunities and challenges by supporting and facilitating their institutional capacity development.
3. To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners.

#### **1.3.2. No duplication or overlaps with other activities of the EUROSAI Strategic Plan:**

As the Governing Board member responsible for the **Emerging Issues and Forward Thinking** portfolio, SAI Finland acknowledges the importance of creating a special project group related to the project. SAI Finland considers that taken the focus on long-term risks and climate, there is no duplication with the project group on Auditing the response to the COVID-19 pandemic.

## 2. Structural provisions

### 2.1 Lead SAIs:

European Court of Auditors (Chair)

SAI Finland (Vice-chair)

### 2.2 Contact person(s):

European Court of Auditors: Michele Zagordo [michele.zagordo@eca.europa.eu](mailto:michele.zagordo@eca.europa.eu)

SAI Finland: Tiina Väänänen [tiina.vaananen@vtv.fi](mailto:tiina.vaananen@vtv.fi) and please cc: [eurosai-climate@vtv.fi](mailto:eurosai-climate@vtv.fi)

### 2.3 Participants:

The project group is open to all EUROSAI members. SAIs may choose the activities they wish to participate in (e.g. methodology development, or cooperative audit).

## 3. Technical and procedural provisions

### 3.1 Intended results and benefits to EUROSAI Membership:

1. Facilitating the methodology development in particular on climate proofing and long-term approaches.
2. SAI peer-to-peer sharing of information and experience on auditing future and climate risks
3. A platform for comparable/similar audit and joint publication
4. A compilation of lessons learned.

### 3.2. Duration & Key Milestones:

- **October 2020** – Project group (including the Operational Plan) approval and interested EUROSAI members confirm participation
- **October 2020** – BIEP knowledge sharing topic established to share outputs / methodologies
- **November 2020 – February 2021** – Collection of SAI experiences, literature review, stakeholder input, development of methodology
- **2021** – Possible Comparable/similar audit
- **June 2021** – Status update to the EUROSAI XI Congress, including report on the methodologies
- **Spring 2022** – Collection of experiences
- **September 2022** – Compilation of lessons learned (Compendium)

Milestones and outputs will be further defined by the project group when creating the project plan.

### 3.3 Working Methods:

The Project Group supports and facilitates innovative working methods. We acknowledge that SAIs can take different approaches depending on their mandates and strategic priorities. Cooperation should be as effective as possible and therefore we aim to work mainly virtually to achieve operative mindset.

To facilitate the agile work, it is possible that SAIs commission external studies and reviews supporting the work. SAI Finland is planning to commission such a study on climate proofing methodologies.

Participating SAIs of the eventual cooperative audit plan the work methods separately.

### **3.4 Necessary resources:**

European Court of Auditors and SAI Finland will provide staff to coordinate the group. Participating SAIs will be asked to contribute as the operational plan is agreed.

We will use existing EUROSAI communications tools as much as possible, including the EUROSAI videoconferencing tool 'Blackboard collaborate' and the Benchmark and Information Exchange Portal (BIEP) among others.

### **4. Accountability provisions**

The project group is established to achieve the objectives set out in this TOR. The group will report on progress and results to the EUROSAI Governing Board via the Portfolio on Emerging Issues and Forward thinking reporting process at Governing Board meetings, following the procedure defined in the General Procedures for the ESP.

The leading SAIs of the group will coordinate the work and develop an agile process that adds value to the EUROSAI community.

The participants of the group will commit and contribute to the activities they find most relevant to their work.

The progress report of the project group will be presented for discussion at the EUROSAI XI Congress in 2021.