

*Improving Performance Audit in SAIs
by using
the Performance Audit Guidelines
(ISSAI 300 and 3000-3999)*

Case study

Evaluation of implementing Renewable Energy
Sources and Energy Efficiency in Malta

December 2013



N A O
National Audit Office
MALTA

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Case study overview (I)

- The performance audit Renewable Energy Sources and Energy Efficiency in Malta was published in 2010
- A follow-up was requested by the PAC and published in 2011
- The audit focused on various programmes and measures aimed at minimising the dependency on fossil fuel
- Programmes and measures were mostly co-financed through EU funds
- Programmes and measures were intended to contribute to the attainment of EU targets



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Case study overview (II)

- **At the time of the audit:**
 - The exploitation of RES and the adoption of energy efficient practices were still in their infancy in Malta
 - Despite that Malta has abundant potential for solar and wind energy generation, there were still no significant infrastructures in place to exploit these renewable energy sources.
 - The relevant RES national policy framework was not in place
 - There was, however, an approved energy efficiency policy
 - The attainment of EU obligations appeared problematic
- **RES programmes and measures focused on:**
 - Wind energy
 - Solar energy
 - Biomass
 - Bio-fuel
- **Various measures related to energy efficiency, namely:**
 - Energy efficient appliances
 - Insulation
 - Energy audits
 - Green Leader initiatives



Case study overview (III)

Against this backdrop, the audit particularly sought to evaluate the extent to which:

- the appropriate processes were adopted in the development of Malta's energy policy
- progress was being registered in accordance with the renewable energy program, the energy efficiency action plan and the schedule for implementing biofuel
- the energy efficiency incentives provided by the government were effective



General framework and application of performance audit principles and standards

The conduct of this audit adhered to the standards and guidelines stipulated in:

- the NAO-Malta performance audit manual
 - Based on INTOSAI auditing standards and ISSAI guidelines
- ISSAIs 300, 3000 and 3001
 - audit objectives focused on the relationship between government policy, resources and results
 - aimed to determine public accountability for the implementation of programmes and measures
 - sought to evaluate value-for-money issues
 - intended to assess assessment on the basis of the input – output model
- Major limitations arose in assessing:
 - performance on the basis of predetermined criteria
 - the impact of specific programmes and measures



Strategic Audit Planning

- We chose the audit subject through the NAO's internal strategic planning exercise
- Audit subject was selected on the following main basis:
 - Materiality (grants to households and industry, Public Administration investment)
 - Interest to society (various interest from environmental NGOs and other stakeholders)
 - Interest to Parliament (two PAC meetings ensued, a follow-up was requested)
 - EU obligations (the delivery of programmes and measures through structural funds and the attainment of national targets)

Audit Planning (I)

- The audit plan generally followed 'the initiating and planning the performance audit field standards and guidance' in ISSAI 3000
- A preliminary study was carried out to enable the following:
 - Development of audit objectives and scope through issue analysis
 - Drawing up of methodology
 - Compilation of audit plan which defined and scheduled the various tasks
 - Identification of audit risks and limitations
 - Establishment of quality control procedures
 - Granting of management approval to proceed with the audit

Audit Planning (II)

- ISSAIs planning guidelines were generally seen to facilitate audit management since they:
 - provided logical building blocks to define, scope and execute the audit
 - guided the audit team to design the audit
 - provided guidance on information and data sources
 - formal audit planning held the audit team accountable for deliverables
 - involved the NAO's management throughout the audit process

Audit Planning (III)

- ISSAI 3000 also refer to defining audit criteria
- In the case of this audit there were only global and general pre-determined criteria rather than the outputs and outcomes related to each programme and measure
- Consequently, audit criteria was developed by the audit team after consultation with auditees
- Such criteria included:
 - Penetration rates of energy efficient appliances
 - Uptake of grants related to photovoltaic panels and solar water heaters
 - Market penetration of bio-fuel
 - Progress in the implementation of major projects such as an off-shore wind farm and biomass related projects
 - The contribution of each scheme to the attainment of EU targets
- This approach proved too optimistic to realise fully namely due to a lack of reliable information and unstructured evaluations by auditees

Conducting the audit (I)

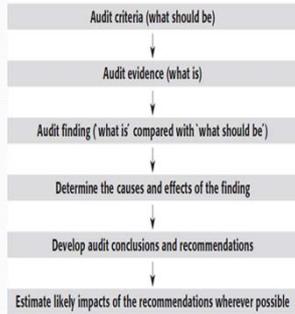
- The main tasks related to collecting, interpreting and analysing data relating to the various programmes and measures
- ISSAI guidelines related to the SAI's mandate were followed with respect to the Renewable Energy Policy issues
 - The audit focused only on the quality of inputs leading to the drawing up of policy
- In accordance with ISSAI guidelines various techniques were used to ascertain the integrity of data and documentation
 - Interviews with key stakeholders
 - Questionnaires commissioned by the auditee
 - Data maintained by the auditee
 - This was somewhat limited as it was based on a number of assumptions and estimates rather than actual figures (e.g. energy saved through various appliances, energy generated through photovoltaic panels)
 - Databases were not kept up to date

Conducting the audit (II)

- Audit findings were confirmed through triangulation of sources
- Sources included expertise at the auditee
- Nevertheless, audit assessments were subject to two major limitations
 - The absence of programme and measure specific pre-determined criteria
 - Data quality issues

Conducting the audit (III)

Consequently, the process of developing findings in accordance with ASOSAI guidelines, which are included in the ISSAI 3000 guidelines was jeopardized



Conducting the audit (IV)

- ISSAI 3000 guidelines were found to offer minimal advice in situations discussed in the preceding slide
- In the circumstances, we were constrained to limit our quantitative analysis
- However, the nature of the findings was such that we could still draw, in many cases, robust conclusions

Main audit findings

- This audit revealed the following main findings:
 - At the time Malta lacked an approved energy and renewable energy policy
 - Malta's physical limitation and potential environment impact delayed the implementation of wind-farms
 - There was marginal exploitation of solar energy, with respect to the generation of electricity, due to various constraints
 - The infrastructure was being developed to exploit waste energy
 - There existed a lack of comprehensive planning to further encourage market penetration of biofuels
 - Impact of 'Green Leaders' Governmental entities could improve through enhanced planning
 - Measures to encourage energy efficiency are being implemented but are not being evaluated against EU targets
 - There was weak monitoring of specific programmes and measures

Audit conclusions

- Delays in the commencement of the policy making process
- Policy still in its developing stage
- Strategic and operational planning was not always appropriate
- Monitoring of the implementation of the various projects was not always robust



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Reporting

- ISSAI 3000 guidelines regarding to performance audit reporting were applied
- Publication was supported with Press Releases
- The report attracted considerable media attention
- The report was subjected to a PAC debate
 - Report generated substantial interest, particularly with regards the scope and methodology adopted
 - PAC requested that the NAO determines the contingent liability in the event that Malta's EU targets are not attained
 - The PAC also requested that the NAO undertakes a follow-up audit



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Follow-up audit

- The follow-up audit adhered to the principles advocated by ISSAI guidelines
- Towards this end, the follow-up audit:
 - retained the same objectives as the original study
 - evaluated the extent to which recommendations proposed were implemented
- The follow-up audit revealed that efforts were being stepped up to ensure the effective planning, implementation and monitoring of programmes



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Lessons learned (I)

- Despite adhering to ISSAI guidelines, the implementation of this audit was, in some instances problematic
- Some of the issues which arose related to the following:
 - audit scope was too broad
 - expertise of audit team
 - draft renewable energy policies
 - limited information
 - devising effectiveness criteria of measures undertaken
 - continuously changing circumstances



Lessons learned (II)

- ISSAIs guidelines proved to be:
 - a valuable tool in selecting, designing, planning, executing and reporting on an programme evaluation performance audit
 - facilitated audit management
 - contributed to a high quality performance audit report
- Their implementation, however, still necessitated a high degree of input and administration by the audit team



Thank You

The reports *Renewable Energy Sources and Energy Efficiency in Malta*

and

Renewable Energy in Malta
are available at

www.nao.gov.mt

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