



# **INTERNATIONAL REQUIREMENTS FOR AUDITING**

**Canadian Environmental Auditing Association,  
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Vancouver, B.C.**

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EMS(LA)  
Jacques Whitford**

Exceptional People. Exceptional Service. Exceptional Solutions.



# JACQUES WHITFORD

- Established in 1972
- One of Canada's largest provider of Engineering, Earth Science and Environmental Solutions
- Over 1100 Staff
- 39 offices in Canada, USA and the UAE
- Worked in over 65 different countries worldwide
- More CEAs and EMS(LA)s than any other consulting company in Canada
- ISO 9001 Registered QMS





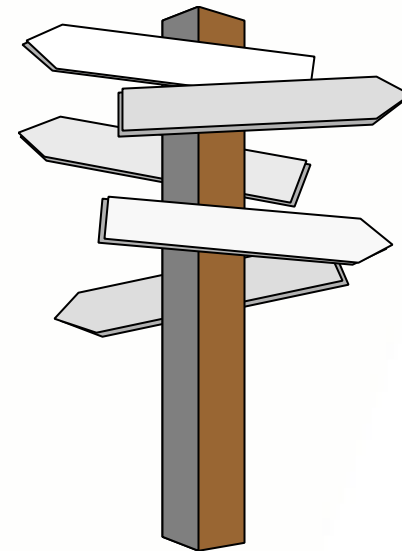
# **PRESENTATION OUTLINE**

- **International Auditing Requirements**
- **Case Study - Russia**

# TYPES OF ENVIRONMENTAL AUDITS

Various Types of Environmental Audits exist to assess different aspects of environmental performance

- EMS Audits and Assessments
- Compliance Audits
- Due Diligence Audits
- Phase I, II, and III ESA's
- Others:
  - Occupational Health and Safety
  - Energy Audits
  - Quality Audits
  - Waste Audits





# INTERNATIONAL AUDIT REQUIREMENTS

- Voluntary Agreements (ISO 14001)
- International Financial Institution (IFI) Requirements (e.g. WB/IFC, EBRD)
- Insurance (e.g. MIGA, EDC)
- Private Sector Financial Lending Institutions (e.g. Equator Principles)

# ISO 14001

- **Audit references**
  - 4.5.1 (Documented procedure for evaluating compliance with environmental legislation and regulations)
  - 4.5.4 (programs and procedures for periodic EMS Audits)
- **Over 60,000 “certifications” world-wide (December 2003, source: Federal Environmental Agency, Germany)**
- **Japan, China, Spain, Germany and USA top 5 countries (~ 32,000)**





# IFI REQUIREMENTS

- **World Bank Operational Policy 4.01 (Environmental Assessment) requires Environmental Assessment of projects proposed for IFC financing**
  - Depending on the nature of the project, a range of instruments can be used – Environmental Impact Assessment, Environmental Audit, Hazard or Risk Assessment, or Environmental Action Plan.
- **Other IFIs such as the EBRD have requirements to perform Environmental Audits for investment projects that involve existing or past operational activities.**

## **Protocol involves:**

- HSEMS
- Environmental Performance
- Health and Safety Performance
- Worker Related Issues (Forced Labour, Child Labour and Discriminatory Practices)
- Environmental Action Plan





# INSURANCE AGENCIES

- **Multilateral Investment Guarantee Agency (MIGA, Part of WBG)**
  - a global insurer to private investors and adviser to countries on foreign investment.
  - Expansions, Modernizations, and Retrofits
    - The entire plant (existing and proposed new facilities) is subject to evaluation of environmental issues.
    - Requires the project sponsor to retain an independent consultant to complete an environmental audit of the existing plant.
  - Privatization
    - Requires the applicant to retain an independent consultant to complete an environmental audit of the facilities
- **Export Development Canada has Environmental Review Directive**
  - Before entering into a transaction that is related to a project, determine whether a project is likely to have environmental effects (EA)
  - For certain projects, an Environmental Audit will suffice for this
  - EDC may require independent consultants to do third party review of the Assessments or Audits.





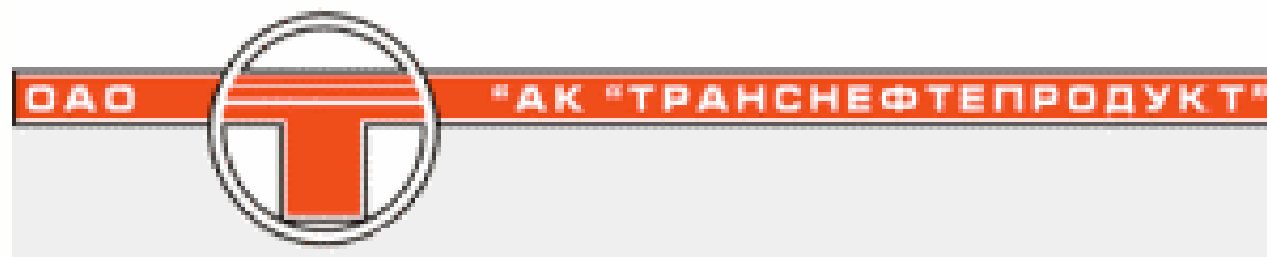


# **PRIVATE SECTOR – LENDING INSTITUTIONS – EQUATOR PRINCIPLES**

- **First adopted June 2003 by 10 banks in 7 countries**
- **Voluntary Guidelines for Managing Social & Environmental Issues**
- **Applied Globally**
- **Based on Policies & Guidelines of World Bank/IFC**
- **Address issues including:**
  - Sustainable Development
  - Protection of human health, cultural properties and biodiversity
  - Socioeconomic impacts
  - Public Consultation & Disclosure
- **Aug 2004 27 financial institutions have adopted**



# ENVIRONMENTAL MANAGEMENT TECHNICAL COOPERATION PROGRAM FOR TRANSNEFTPRODUKT





# OBJECTIVES OF THE PROJECT

- **Jacques Whitford has a contract with the EBRD to assist Transnefteprodukt (TNP) to assist TNP in:**
  - ✓ development and implementation of an environmental management programme in line with EU, World Bank Group and international industry standards;
  - ✓ areas of i) the environmental management; ii) oil spill prevention and response planning and training, and iii) structured approach to communication with the public on the environmental issues;
  - ✓ development of a wide range of environmental management tools including **Environmental Audit**; and
  - ✓ strengthen TNP's institutional capacity in the area of environmental management, in the light of future potential cooperation of the Company with the Bank.



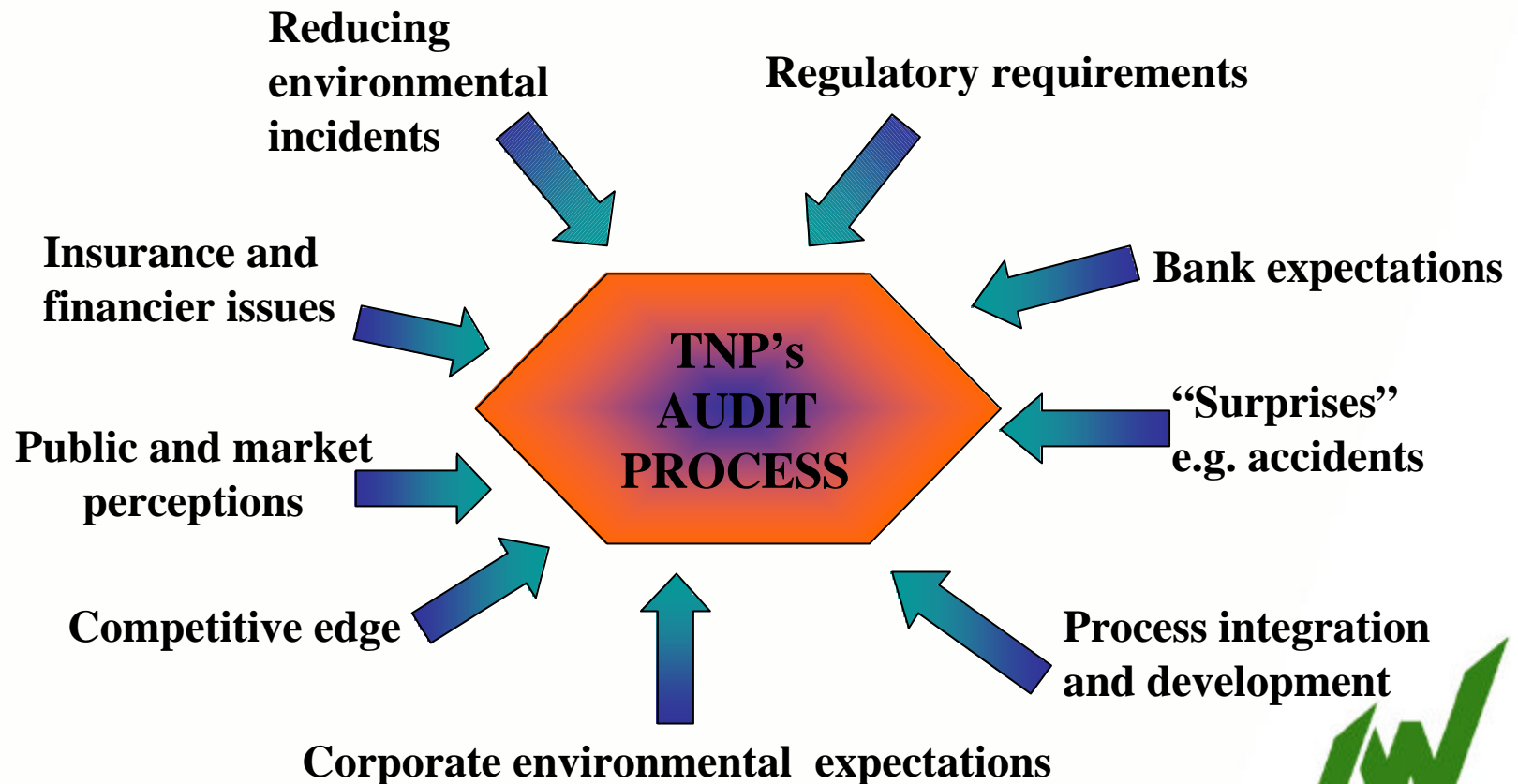
# APPROACH

- Buy in and support by senior management
- One size doesn't fit all for subsidiaries
- “Building Block” Analysis
- Use of Russian partner
- Frequent trips to Russia from initiation (4)
- Final component is EMS Audit



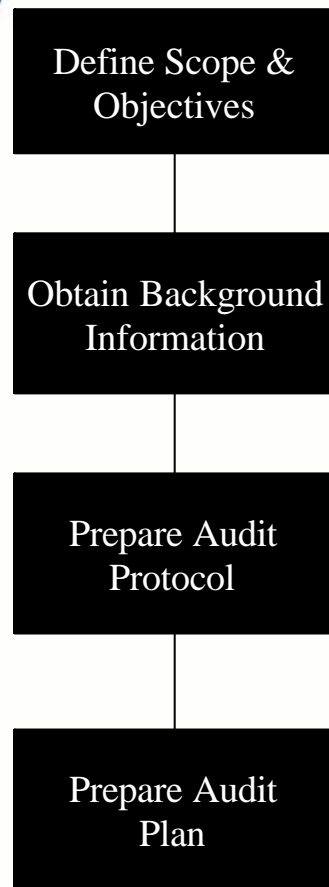
# DRIVERS

- Many different forces drive the development of an audit program

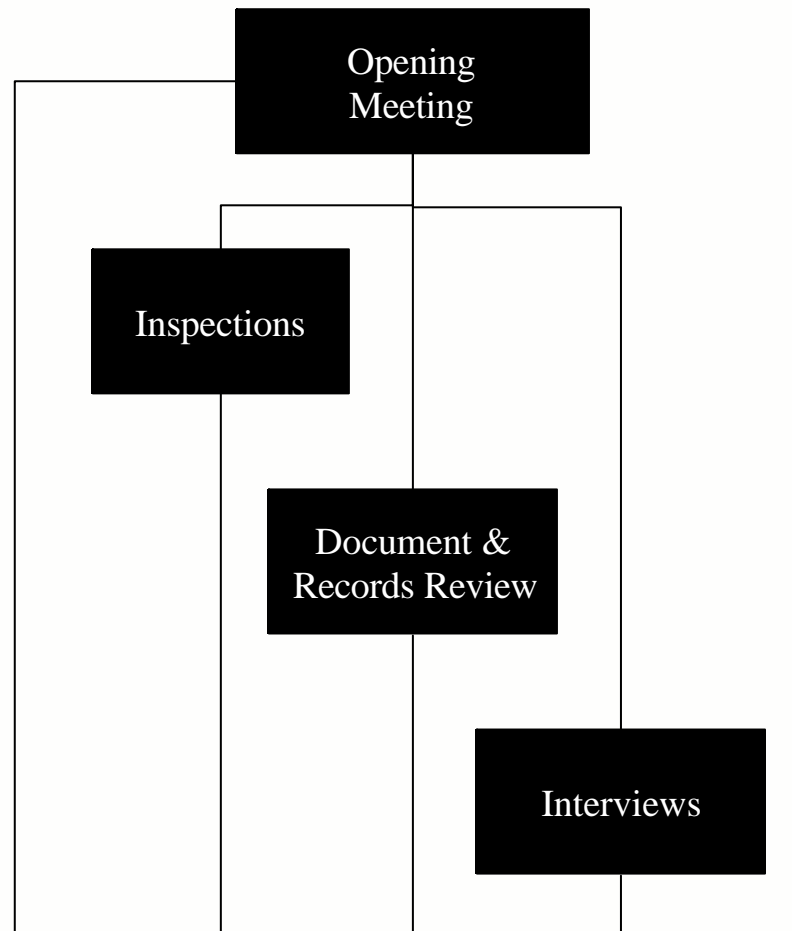


# GENERAL AUDIT PROCESS

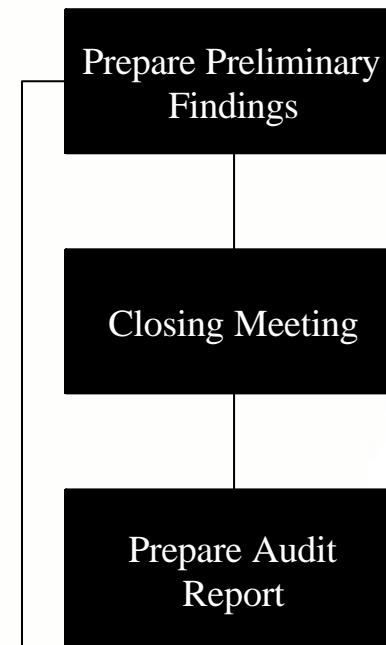
## Preparation



## Audit Execution



## Performance Evaluation & Communication



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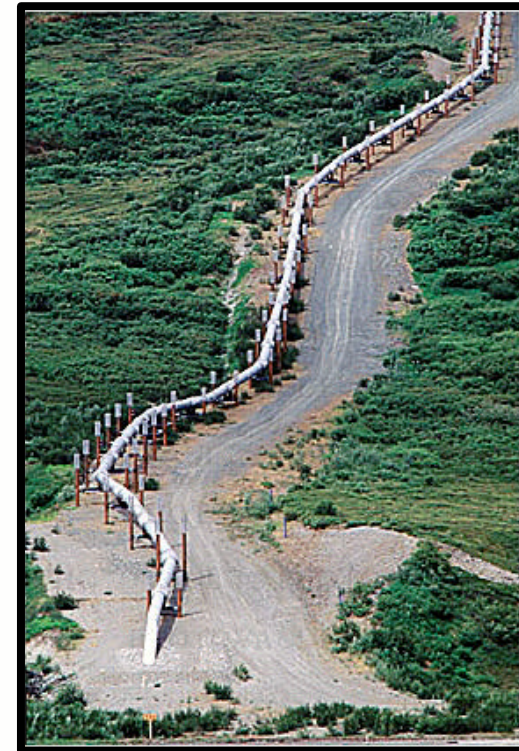
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# PITFALLS IN IMPLEMENTING AN AUDIT PROGRAM

- Failure to obtain the commitment of senior management.
- Failure to secure employee buy-in.
- Failure to define realistic commitments.
- Failure to prioritize findings.
- Failure to develop a corrective/preventative action.



# SUCCESSSES

- Far greater comprehension on concept of management system than other nationals or cultures due to centrally planned economies
- Strong work ethic
- Desire for compliance
- Understanding of document control and records management



# CHALLENGES

- **FSU slow in accepting ISO 14001**
  - (Estonia -74, Lithuania -72, Russia-48, Azerbaijan-5, Ukraine-4, Kazakhstan-4)
- **Resistance to Change**
- **Language barriers/translations**
- **Negative connotations of “Audit”, “Inspections”, and “Non-conformances” in Russian language**
- **Size of TNP and its subsidiaries**
- **Changing regulatory regime in RF**
- **Inspections are routine; audits have not routinely been done**
- **Auditors have not been trained to perform audits**
- **Auditor Independence is a new concept**





# **CONTACT INFORMATION**

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