



SESSION 5

Developing Researchable Questions and Audit Criteria



LEARNING OBJECTIVES



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By the end of the session, the participants should be able to:

- Understand the concept of defining performance audit criteria;
- Develop audit criteria through the use of researchable question(s).



DEFINING AUDIT CRITERIA



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- The audit criteria represent the normative standards against which the audit evidence is judged.
- Audit criteria can also be defined as reasonable and attainable standards of performance against which the economy, efficiency, and effectiveness of activities that can be assessed.



THE IMPORTANCE OF AUDIT CRITERIA



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ACTUALLY EXIST \neq CRITERIA



AUDIT FINDING



THE IMPORTANCE OF AUDIT CRITERIA



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Criteria can perform a series of important roles to assist the performance audit assignment, for example:

- To form a basis communication within the audit team and SAI management concerning the nature of the audit;
- To form the basis communication with the audited entity's management, which the audit team will often ask in understanding the management, the agreement of the audit criteria and finally the acceptance of audit results;



THE IMPORTANCE OF AUDIT CRITERIA



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...continued...

- To link the objectives to the audit test programs carried out during implementation phase;
- To form the basis for data collection phase of the audit, providing a basis on which to build procedures for collecting audit evidence; and
- To provide the basis for audit findings, helping to add form and structure to audit observations

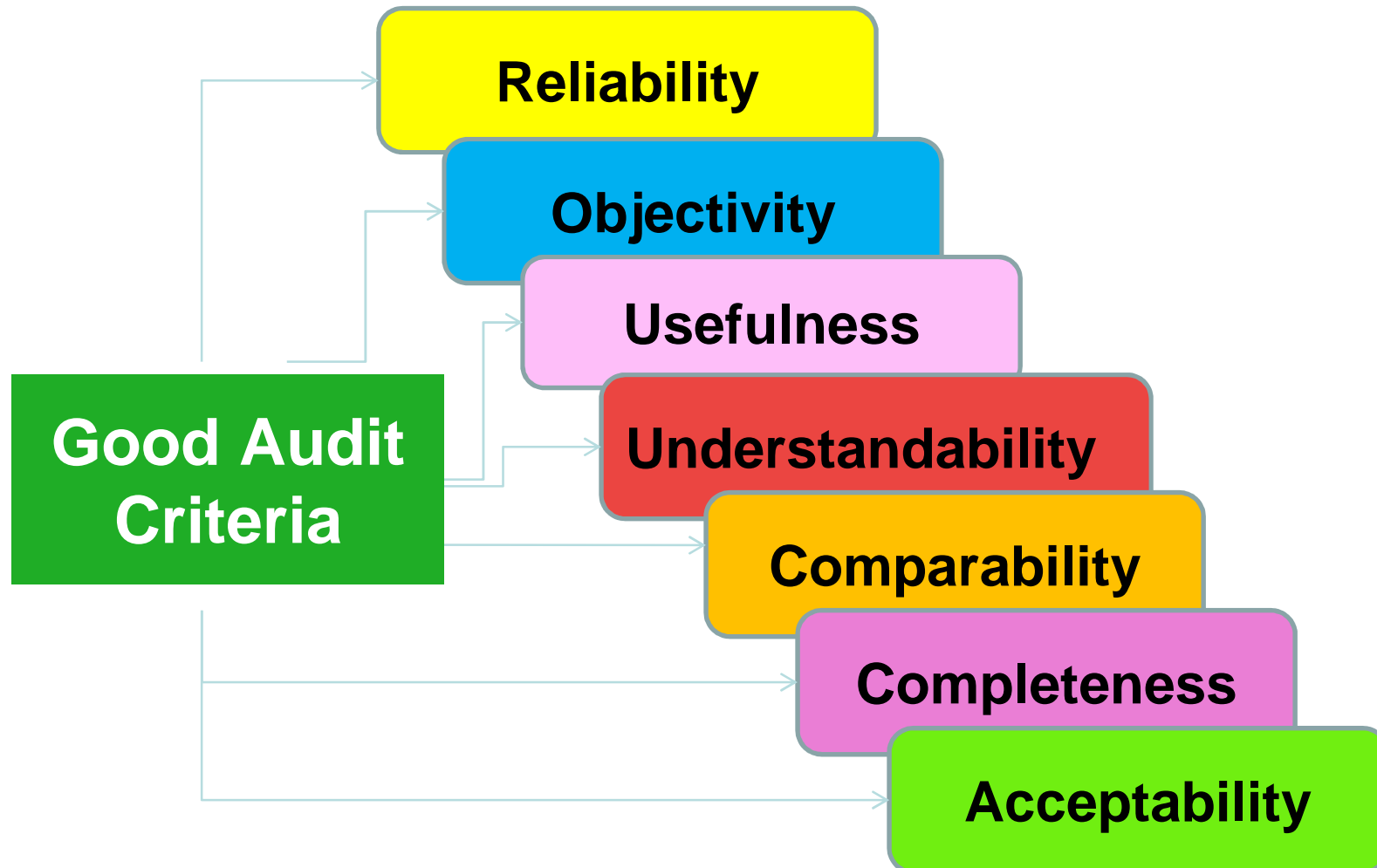


CHARACTERISTICS OF GOOD AUDIT CRITERIA



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SOURCES OF AUDIT CRITERIA



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- ✓ Laws, rules, and regulations governing the operation of the audited entity;
- ✓ Decisions made by the legislature or the executive;
- ✓ Central agency policies, standards, directives and guidelines;
- ✓ Criteria used previously in similar audits or by other SAIs;



SOURCES OF AUDIT CRITERIA



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...continued...

- ✓ Agencies (inside or outside the government or even the country) carrying out similar activities;
- ✓ Professional standards, experiences and values;
- ✓ General management and subject matter literature;



SOURCES OF AUDIT CRITERIA



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...continued...

- ✓ Standards set by International bodies;
- ✓ Interviews with professionals, independent expert advice and know-how; and
- ✓ New or established scientific knowledge and other reliable information



CONSTRAINS OF AUDIT CRITERIA



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Sometimes it is easy to determine the audit criteria, such as when the goals set by the legislature or the executive branches are clear, precise, and relevant.

However, this is often not the case. **The purpose may be vague, conflicting or non-existent**, and sometimes there is **disagreement about criteria with the auditee(s)**. In such circumstances, the auditors might have to reconstruct the criteria.



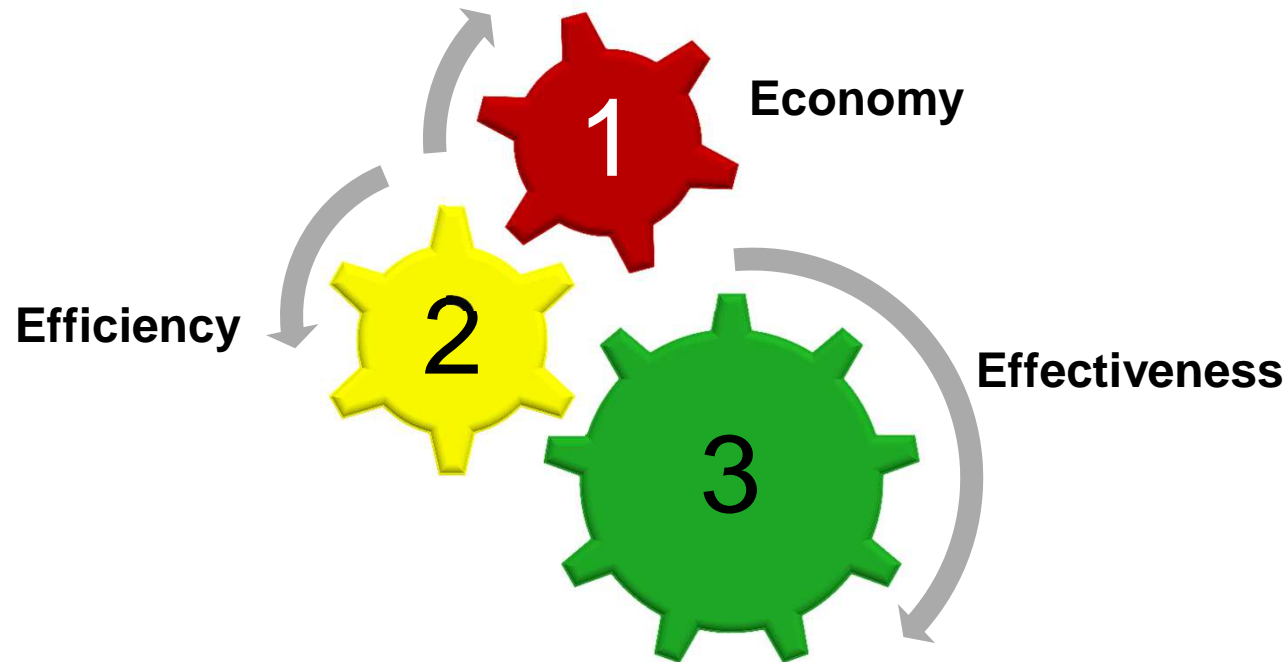
DEVELOP AUDIT CRITERIA FROM RESEARCHABLE QUESTIONS



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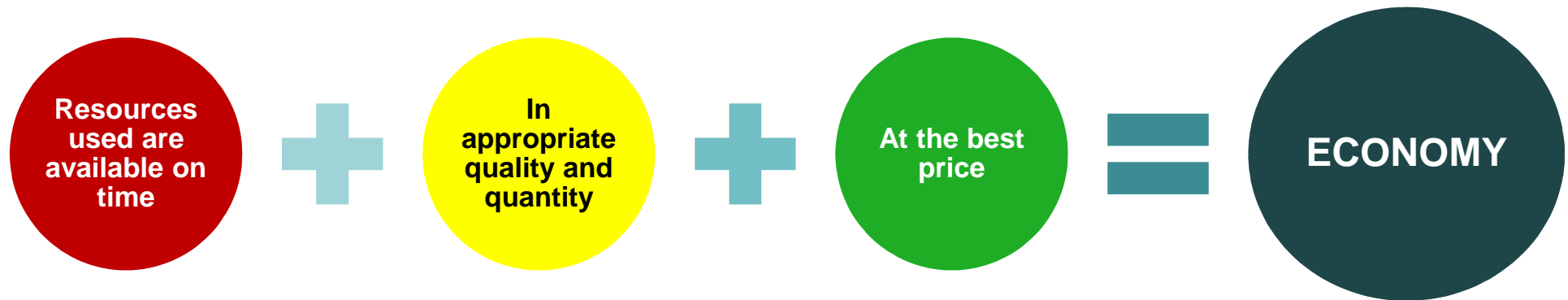
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Developing research questions can be done
by looking at the 3Es concept





DEVELOP AUDIT CRITERIA FROM RESEARCHABLE QUESTIONS



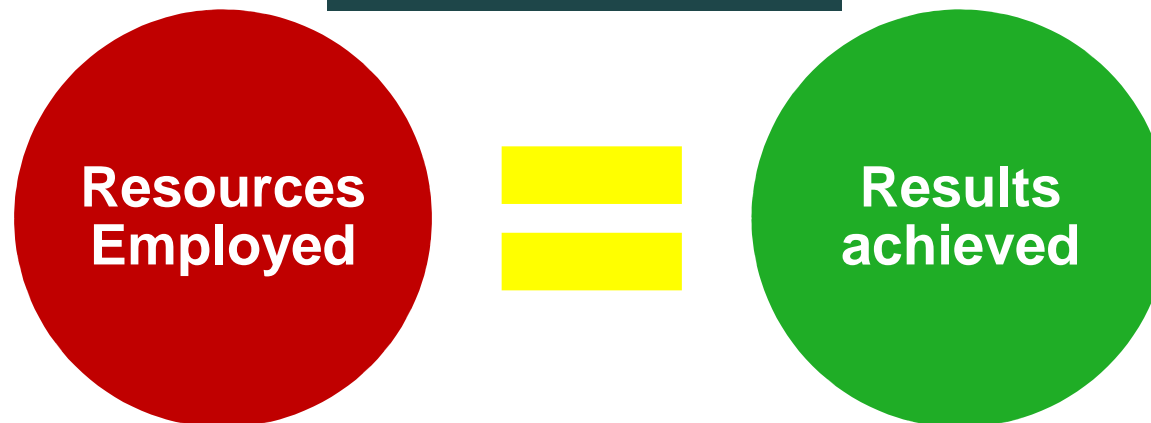
EXAMPLE:

Are resources used in forest rehabilitation obtained by minimizing the cost of inputs, while maintaining the quality in line with the principles and practices of healthy administration and policy management?



DEVELOP AUDIT CRITERIA FROM RESEARCHABLE QUESTIONS

EFFICIENCY



EXAMPLE:

Are forest rehabilitation activities capable of producing output (reducing the extent of critical region) with the use of minimal inputs (resources)?



DEVELOP AUDIT CRITERIA FROM RESEARCHABLE QUESTIONS



EXAMPLE:

Has the rehabilitation of forest been implemented effectively to restore, maintain, and improve the functions of forests and lands so that the carrying capacity, productivity, and its role in supporting life system are maintained?



Exercise time...!



DEVELOP AUDIT CRITERIA FROM RESEARCHABLE QUESTIONS



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Types of researchable questions:

1. Descriptive questions

2. Normative questions

3. Cause-and-effect questions