AUDITOR-GENERAL

CONDUCTING ENVIRONMENTAL AUDITS FOR THE FIRST TIME

Presented by
Wessel Pretorius
Tini Laubscher

AUDITOR-GENERAL

What to expect

- Environmental auditing in context
- What to consider?
- When to conduct?
- How to conduct ?

AUDITOR-GENERAL

Environmental auditing – the context

- Comprehensive Auditing
  - Regularity Audit
    - Financial Statements → Disclosure of environmentally Related items such as assets, Liabilities and costs as well as the systems supporting them
    - Performance Statements AOPI → Measures instituted to enforce Environmental legislation Disclosure of environmentally Related items such as the Realization of environmental objectives
    - Compliance → Measures instituted to comply With accords
  - Performance Audit
    - Management Arrangements → Measures instituted to ensure Environmentally related economic, Efficient and effective spending of Public monies, or to disclose Material shortcomings in this regard

AUDITOR-GENERAL

What to consider?

Government related issues:

AUDITOR-GENERAL

What to consider?

Government related issues:

- Constitutional rights
- International law and international agreements
- National environmental legislative framework
- Approved national environmental policies, plans, procedures
- Implementation by government (Compliance).
- Resources or lack of resources (i.e. budget, personnel, training, staff)

AUDITOR-GENERAL

What to consider?

SAI related issues:

AUDITOR-GENERAL

What to consider?

SAI related issues:

- Mandate
- Skills
- Capacity
- Previous audits and lessons learned
- Possible focus area
- Standards, best practices, guidelines and publications
- Audit process (planning, execution and reporting)
- Accountability process (Parliament and PAC resolutions)
- Follow-up audits

AUDITOR-GENERAL

When to conduct?

Consider:

AUDITOR-GENERAL

When to conduct?

Consider:

- When legislation were promulgated
- When policies and plans were approved
- When government have set performance indicators in strategic plans and/or annual reports.
- When no reliance could be placed on the work of internal audit.
- If government have had reasonable time to implement legal obligations
- If government embedded compliance requirements and monitoring arrangements in legislation, policies and plans

AUDITOR-GENERAL

How to conduct?

- Identify and evaluate different focus areas
  - Consider quantitative and qualitative aspects
  - Refer to SA example
- Select a specific focus area

AUDITOR-GENERAL

Systematic approach

Qualitative aspects
(Focuses on the inherent nature of the item under Consideration)

- Statutory requirements – compliance with legislative requirements, regulations, policy, control measures, procedures, instructions and authorizations (including budgets)
- Unusual items – items that are of a non-recurring or exceptional nature or arise from unusual circumstances
- Narrative objectives indicated in annual budgets
- Priorities indicated in annual budget speech
- Performance indicators indicated in strategies plans of government departments
- Previous audits – emphasis of matter paragraphs, etc
- SCOPA resolutions
- Disclosure requirements: Deviations from accepted accounting and auditing practices

Quantitative aspects
(Relates to the principle of relating materiality to the size of the auditees of the value of an item to the value of the financial statements. the absolute value of an item is seldom a guide to the significance)

National Departments

Procedure
Select department with the highest budget allocations

Outcomes of quantative Aspects transferred to Annexure A

Provincial Departments

Procedure
Select highest budget Allocations over all provinces

Outcomes of quantative Aspects transferred to Annexure A

Local Government

Procedure
Select municipalities with Highest budget allocation

Outcomes of quantative Aspects transferred to Annexure A

Select at least three most prominent qualitative issues

Alignment between quantitative And qualitative aspects Annex A

Decide on focus area

Identify focus area - an SA example

AUDITOR-GENERAL

How to conduct?

- Learn more about specific focus area

  Consider different sources:
  - WGEA website
  - Environmental audits worldwide, learning centre, external links
  - WGEA work plans, minutes of meetings and surveys
  - WGEA publications
- Decide on audit approach
- Follow audit process (planning, execution and reporting)

AUDITOR-GENERAL

How to conduct

Financial Management

Process by which the management and control of resources occurs in order for an entity to fulfil its objectives and report accurately

Objectives of the department

Resources (funds) allocated

Management & control of resources (through the process below)

1. Laws and Regulatory framework
2. Budgeting/planning (Revenue & Expenditure Management)
3. Establishment capacity/staffing/skills
4. Departmental policies & procedures/e.g. job description
5. Accounting processes & supporting financial systems
6. Accounting records/registry
7. Internal audit/audit committee
8. Internal control mechanisms
   - Authorisation
   - Segregation of duties
   - Reconciliations/Independent checks
   - Safeguardings of assets
   - Enforcing controls/monitoring by management

Accurate Reporting

Effectiveness in achieving objectives

Efficiency/Economy/Communication

AUDITOR-GENERAL

Summary

- EA not a different type of audit
- Mandate
- What to consider
- When to conduct
- How to conduct
- Make use of the INTOSAI WGEA support
- Share your experience and lessons learned
- Complete the WGEA survey
- Participate actively in the WGEA work plan