Islamic Republic of IRAN’s Training Course:

Waste Management Auditing

Based on INTOSAI Working Group on Environmental Auditing Handbook: Towards Auditing Waste Management

By:

Dr. Mahdi Rezaei

Senior Auditor, SAC IRAN

Main Topics

- Determining focus for waste audits
- Audits of waste management
- Preparing waste management audit report
- Guidelines for planning of waste management audit
- Reviewing some best practices
- Workshop

Audits of waste management (Types of audit)

- Objectives:

To thoroughly familiarize participants with:

- Compliance audit
- Performance audit
- Financial audit
- Checklist for performance audit

Audits of waste management
Types of audit

a) Compliance audit:

- **The scope of audit is restricted to <u>checking compliance</u> with respect to <u>policies / laws / rules / regulations</u>**
- **Compliance audit would check whether the audited entity is <u>complying with the policies / laws / rules / regulations</u> relating to waste framed by the Ministry of Environment and forests at the central and state level.**

Audits of waste management
Types of audit

b) Performance audit:

The scope as defined by INTOSAI, could encompass the following:

- **Audit of Government’s monitoring of <u>compliance with environmental laws</u>:**

The main aim :

To assess whether the government is monitoring <u>compliance</u> whether the entities required to follow the <u>applicable waste rules are doing so or not.</u>

Audits of waste management
Types of audit

- **Audit of the performance of <u>Government's environmental programs</u>:**

The main aim:

To <u>offer an opinion on the performance</u> of specific environmental programs / projects / strategies already formulated and being implemented by the government.

Audits of waste management
Types of audit

- **Audit of the environmental impact of <u>other government programs</u>:**

The main aim:

To offer an opinion on the <u>environmental impact</u> of other programs / projects formulated and implemented by other Ministries / departments / agencies other than the Ministry / Department of Environment.

Audits of waste management
Types of audit

- **Audit of Environmental <u>Management Systems</u>:**

The main aim:

To offer an opinion on the <u>implementation of Environmental Management Systems</u> (EMS) of the audit entity and / or ISO 14001 Standards.

Audits of waste management
Types of audit

- **Evaluation of environmental <u>policies and programs</u>:**

The main aim:

To offer an opinion on the <u>adequacy or lack of a policy framework</u> governing environmental issues.

Audits of waste management
Types of audit

c) Financial audit:

Some audit entities operate in sectors where environmental matters like waste may have material impact on their financial statements.

Audits of waste management
Types of audit

- **Initiatives to prevent / abate / remedy damage to the environment as a <u>result of improper handling</u> and management of waste.**
- **Consequences of <u>violating environmental laws and regulations</u> relating to waste.**

Audits of waste management
Types of audit

- **Consequences of <u>environmental damage done to others or natural resources</u> as a result of improper management and handling of waste.**

- **Consequences of <u>vicarious liability imposed by law</u>.**

An audit opinion can be expressed on adequacy of <u>compliance</u> to the various national and adopted international financial regulations.

Audits of waste management
Audit process

The audit process normally consists of four stages of planning:

(a) Audit planning:

It is essential that the auditors spend adequate time in planning, as this will result in better identification of priority areas and potential problems and proper assignment of work.

Audits of waste management
Audit process

The auditor needs to know what has to be achieved

(audit objectives),

determine what procedures to be followed

(audit methodology),

and assign qualified staff for the conduct of audit

(resource allocation).

Audits of waste management
Audit process

b) Gathering background information for environment audit:

- **Environmental <u>policy</u> of the audit entity.**
- **<u>Annual report</u> of the audit entity.**
- **Identification of <u>major players</u> in waste management process.**
- **Identification of the applicable <u>rules</u> relating to waste**
- **Administrative and financial <u>delegation of powers</u> of the audit entity.**

Audits of waste management
Audit process

- **Commitments** given by the audit entity to the government planning agencies, in performance / outcome budgets.
- **Media reports.**
- **Reports of independent evaluation agencies like Non Government Agencies (NGOs).**
- **Peer review reports.**

Audits of waste management
Audit process

(c) Setting audit scope:

- **Audit scope will differ for each different kind of audit.**
- **For compliance audit, it will be <u>restricted to checking compliance to applicable waste laws</u>.**
- **For performance audit, the scope could be <u>evaluation of government policy / laws / programmes / strategies</u> for the management of all kinds of waste or any particular kind of waste.**

Audits of waste management
Audit process

- **Audit scope in performance audit could also encompass audit of <u>Environmental Management System</u> (EMS) which has been put by an agency to reduce negative impacts of its operation.**
- **The scope of financial audit in relation to waste could be the to <u>examine whether all costs relating to waste management issues</u> have been assessed accurately and disclosed in the financial statements.**

Audits of waste management
Audit process

d) Setting audit objectives for environment audits:

- **For compliance audit, audit objectives are derived from the <u>various applicable waste rules and regulations</u>.**

Audits of waste management
Audit process

- **For performance audits, audit objectives need to be identified related to areas like:**

- **Existence and adequacy of environment policies / laws / strategies relating to waste.**
- **Adequacy of data for evaluating impact on waste on environment.**
- **Identifications of risks caused by waste to health and environment.**

Audits of waste management
Audit process

- **Adequacy of <u>monitoring</u> and evaluation of waste management laws.**
- **Adequacy of <u>infrastructure</u> and funding for waste management.**

- **For financial audit, audit objectives are derived from the respective applicable <u>financial standards</u>.**

Audits of waste management
Audit process

e) Setting audit criteria for environment audits:

Audit criteria help in assessing the performance of the entity with reference to certain laid down standards and performance benchmarks.

Audits of waste management

(i) Compliance audit:

The purpose: To enable the auditor to establish whether the entity has conducted an activity, which has an impact on the environment, <u>in compliance with all applicable obligations</u> defined in the waste laws and rules.

Sources of criteria could include:

Audits of waste management

- **National laws – Acts of the legislature and any regulations, rules, orders etc., made under an Act and having the force of law.**
- **International agreements – such as treaties with other jurisdictions and United Nations Conventions..**
- **Binding standards (including techniques, procedures, and qualitative criteria) issued by environmental monitoring/ regulatory agencies like CPCB/SPCB.**
- **Contracts.**

Audits of waste management

ii) Performance audit:

Enable the auditor to form an opinion on whether the entity has handled and managed waste in an effective, efficient and economical manner consistent with the applicable governmental policy / law / rules.

Audits of waste management

Sources of criteria could include:

- **Performance indicators of <u>effectiveness, efficiency or economy</u> that are prescribed by laws / rules on waste management, specified in the official governmental policy for the activity or otherwise mandatory on the entity.**
- **<u>Generally accepted standards</u> issued by a recognized body like United Nations Environment Programme, Agenda 21, other UN agencies.**

Audits of waste management

- **Performance indicators or measures used by <u>similar entities or other entities engaged in waste management</u>**
- **<u>Academic literature</u> on waste management**
- **<u>Outside experts</u> working in the field of waste management.**

Audits of waste management

iii) Financial audit:

The purpose:

To establish whether the reporting entity has appropriately recognized , valued and reported environmental costs , liabilities and assets.

Audits of waste management

Sources of criteria could include:

- **<u>Mandatory standards</u> issued by authoritative standard-setting bodies like IFCAI.**
- **<u>Standards</u> issued by some other recognized bodies like CPCB/SPCB.**
- **<u>International standards</u> issued by recognized bodies.**
- **<u>Guidance</u> issued by relevant professional bodies.**
- **<u>Academic literature</u>.**

Audits of waste management

(f) Conducting field audits:

The purpose of fieldwork : <u>accumulate sufficient, competent, relevant and useful evidence</u> to reach a conclusion about the performance of the entity in waste management and to support audit comments and recommendations.

Audits of waste management

Conducting field audit consists of the following steps:

- **Conducting an <u>opening meeting</u> with the audit entity in order to explain audit objectives, criteria and methodology to be followed by audit.**
- **<u>Collecting audit evidence</u> through questionnaires, interviews, document scrutiny, photographs, direct testing of samples collected by audit etc.**
- **Conducting a <u>closing meeting</u> with the audit entity in order to share the preliminary audit findings.**

Audits of waste management

g) Post audit:

The audit report communicates the results of the audit work and one of the most important parts of the audit process.

The steps taken during post audit are:

- **<u>Preparing a draft report</u> after analyzing the audit evidence and drawing audit conclusions against each audit objective.**
- **<u>Conducting an exit conference</u> with the audit entity to discuss the draft report.**
- **<u>Audit entity's responses to the draft report</u>.**
- **<u>Final report</u> takes into account the audit entity's responses to audit conclusions and suggests recommendations.**

Audits of waste management

Major compliance audit issues in management of waste:

The areas listed below could be checked during compliance audit:

- **Contracts, if any, awarded for waste management, the usual audit checks on contracts may be performed.**
- **Gaps in requirement of manpower and men in position to implement waste laws.**

Audits of waste management

- <u>Regulations</u> for the issuance of licenses for the various establishments, checklist of conditions to be satisfied before issue of these licenses and cases of omissions and lapses in compliance.
- <u>Strategy</u> for the funding of waste management programs, the sources, conditions, sanctions, releases, payments, expenditure, maintenance of accounts etc.
- <u>Role played</u> by the pollution control boards, local bodies, state Governments, Non Governmental Organizations (NGOs) in dealing with waste management as defined in the law / act.

Audits of waste management

- **<u>System of imposing punishments</u> for the failures and non adherence of the rules / regulations. Imposition, collection, crediting and adequacy of penalties.**
- **<u>Extent of dues</u> for recovery, efficiency of the system of imposition and recovery of penalty.**
- **<u>Inspection / checking</u> of established infrastructure for waste management, facilities established for prevention of pollution.**

End.

- **Related Questions:**

1- Please name the types of waste management audit.

2- Please explain the Characteristics of compliance audit of waste management.

3- Please explain the Characteristics of performance audit of waste management.

4- Please explain the Characteristics of financial audit of waste management.

5- Please name the steps taken during post audit.

Audits of waste management
Checklist for performance audit

- **Checklist for performance audit of management of waste:**

The following checklist can be used for the performance audit of management of either all kinds of waste or any kind of waste in particular like biomedical waste or hazardous waste.

Audits of waste management
Checklist for performance audit

Theme 1: Assessment of <u>the quantum of waste</u> and risks associated with it:

Whether the quantum of waste being generated in the country has been accurately assessed and whether risks to environment and health posed by waste have been identified.

Audits of waste management
Checklist for performance audit

Theme 2: <u>Recognition of waste</u> as a cause of environmental degradation:

Whether waste has been adequately recognized as a cause of environmental degradation by environmental <u>legislation</u> and <u>planning documents</u> by the country's planning authorities.

Audits of waste management
Checklist for performance audit

Theme 3: Government policies on waste minimization and waste reduction

Whether policies on waste management reflect the priority of waste reduction and waste minimization in preference to waste disposal.

Audits of waste management
Checklist for performance audit

Theme 4: Existence of legislation for <u>disposal</u> of all kinds of waste

Whether environmental legislation dealing with <u>disposal</u> of each kind of waste source exists and whether clear responsibility and penalty for violation has been incorporated in the legislations already enacted.

Audits of waste management
Checklist for performance audit

Theme 5: Allocation of responsibility for the management of waste

Whether the various agencies involved in the process have been identified and allocated clear responsibility and accountability for waste management and whether a mismatch/gap/overlap exists among the responsibility centers.

Audits of waste management
Checklist for performance audit

Theme 6: Compliance to and monitoring of rules governing waste management

Whether compliance to laws relating to waste is taking place and whether the monitoring mechanism is effective in checking non-compliance.

Audits of waste management
Checklist for performance audit

Theme 7: Evaluation and feedback mechanism

Whether a sound system for taking effective action on the collected feedback has been evolved.

Audits of waste management
Checklist for performance audit

Theme 8: Adequacy of funding and infrastructure

Whether funding and infrastructure was adequate for the implementation of rules on waste management and whether the funds / infrastructure have been used economically, efficiently and effectively.

- **Related Questions:**

1- Please name the types of waste management audit.

2- Please explain the Characteristics of compliance audit of waste management.

3- Please explain the Characteristics of performance audit of waste management.

4- Please explain the Characteristics of financial audit of waste management.

5- Please name the steps taken during post audit.

For Your Attention!