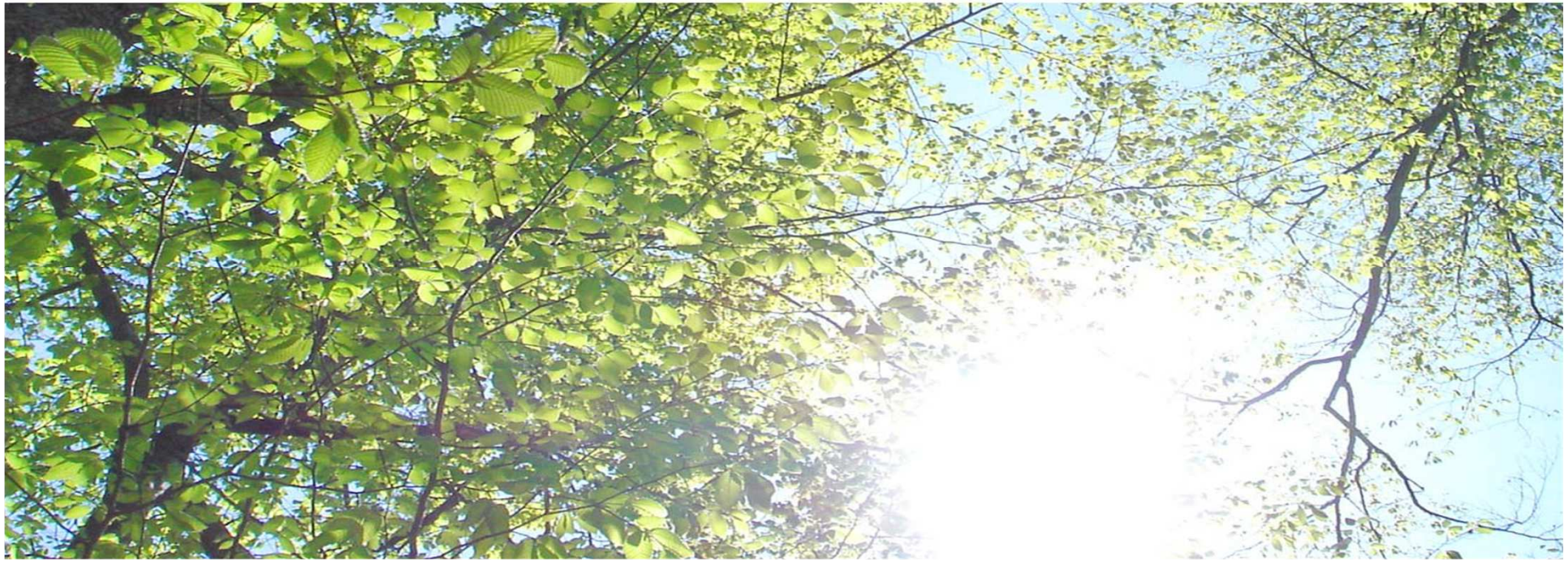
INTOSAI
Working Group
on Environmental
Auditing

FORESTRY AUDIT



INTOSAI
Working Group
on Environmental
Auditing

SESSION 1.0
Introduction to Audit Forest

INTOSAI
Working Group
on Environmental
Auditing

LEARNING OBJECTIVES

At the end of this session participants will be able to:

1. Explain types of audit on forest audit (including example of every audit type)
2. Classify the 3Es
3. Explain stages in conducting the performance audit

INTOSAI
Working Group
on Environmental
Auditing

TYPES OF AUDIT IN FORESTRY AUDIT

Financial Auditing

- Limited to standards and rules compliance of financial reporting
- Examining the appropriate presentation and disclosure of the budget used in any programs related to forest management

Performance Auditing

- Focusing on the 3Es:
  - Effectiveness of the achievement of the programs
  - Efficiency of resources allocation
  - Economy of the use of the budget

Compliance Auditing

- Compliance to rules, laws and regulation, policy, established codes, or agreed upon terms of any programs related to forest management

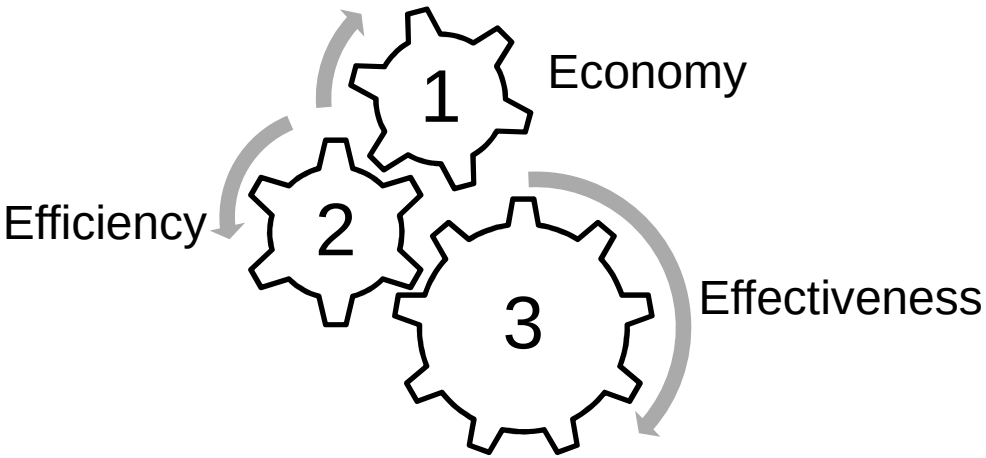
INTOSAI
Working Group
on Environmental
Auditing

DEFINITION OF PERFORMANCE AUDIT

Definition

By INTOSAI's Auditing Standards

…an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements.



INTOSAI
Working Group
on Environmental
Auditing

THE IMPORTANCE OF PERFORMANCE AUDIT

- **Analyzes and assesses the performance of government programs/public services**
- **Requires analytical and creative skills**
- **Focuses on the activity rather than the accounts and flow of money**
- **Relates mainly to the intentions behind government interventions and to the concepts of 3Es**

INTOSAI
Working Group
on Environmental
Auditing

BASIC QUESTIONS IN PERFORMANCE AUDITING

Have the right things been done?

If so, have the things been done in a right way?

If not, what are the causes and impacts?

INTOSAI
Working Group
on Environmental
Auditing

THE OBJECTIVES IN CONDUCTING PERFORMANCE AUDIT

1. Provide independent examination of the 3Es implementation practices
2. Provide independent, ad hoc analyses of the validity and reliability of performance measurement systems
3. Provide independent analyses of problems of 3Es and thus contribute to improvements
4. Provide independent assessments of the intended and unintended direct/indirect impact of government programs, and whether stated aims or objectives have been met or why they have not been met

INTOSAI
Working Group
on Environmental
Auditing

THE CONCEPT OF THREE Es

- economy
- efficiency
- effectiveness

INTOSAI
Working Group
on Environmental
Auditing

STAGES IN CONDUCTING PERFORMANCE AUDIT

Strategic Planning

The Planning Phase

The Execution Phase

The Reporting Phase

PERFORMANCE AUDIT ON FOREST

The Planning Phase

Auditor needs to understand these information:

- ✓ The profile of the government program being audited
- ✓ Legislation and general programs and performance goals
- ✓ Organizational structure and accountability relationships
- ✓ Internal and external environment and the stakeholders
- ✓ External constraints affecting program delivery
- ✓ Earlier investigations in the field
- ✓ Management processes and resources
- ✓ Risks related to sustainable forest management

topics covering examination and reporting phase will be discussed in Chapter 6, 7 and 8.

DESIGNING PERFORMANCE AUDIT ON FOREST

INTOSAI
Working Group
on Environmental
Auditing

12 risks related to forest are : Illegal Logging, Biodiversity Loss, Forest Fire Risk, Illegal Use of Land, Disaster Risk, Conflict Risk, Revenue Risk, Livelihood Lost Risk, Social Risk, Decrease of Carbon Storage Risk, Destruction of Water Quality, and Shortage of Industrial Supply Risk

Stakeholder Request

Specified?

Specific Issues

Phase I: Understand Stakeholders' Expectation

Phase II: Align topic & sub topic with the risk & vice versa (design audit matrix)

General Issues

Phase I: Identify Risk

identifying whether the entity has undertaken certain actions to minimize the occurrence of those risks

Phase II: Understand the actions taken by the forest management entity to mitigating those risks

assessing the effectiveness of the management entity's efforts to mitigate risks.

Phase III: Evaluate & test the efforts undertaken by the forest management entity to mitigate risks

The most possibility of the risk that would happen based on the assessment conducted in phase III

Phase IV: Choose Audit Topics and Priority

Phase V: Design Audit Matrix

This matrix (Audit Design Matrix) becomes an input to formulate an audit program that covers general information about the audit assignment.

Audit Program

Chart 1.1 The Planning Phase in Forestry Audit