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HOW TO CHOOSE AUDIT TOPICS
HOW TO DESIGN THE AUDIT

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- approaches to choosing a topic;
- what to focus on when auditing energy generation / energy supply / energy consumption instruments;
- dealing with risks while choosing an audit topic.

2) CHAPTER 4 – How to design the audit?

- general principles;
- best practices.

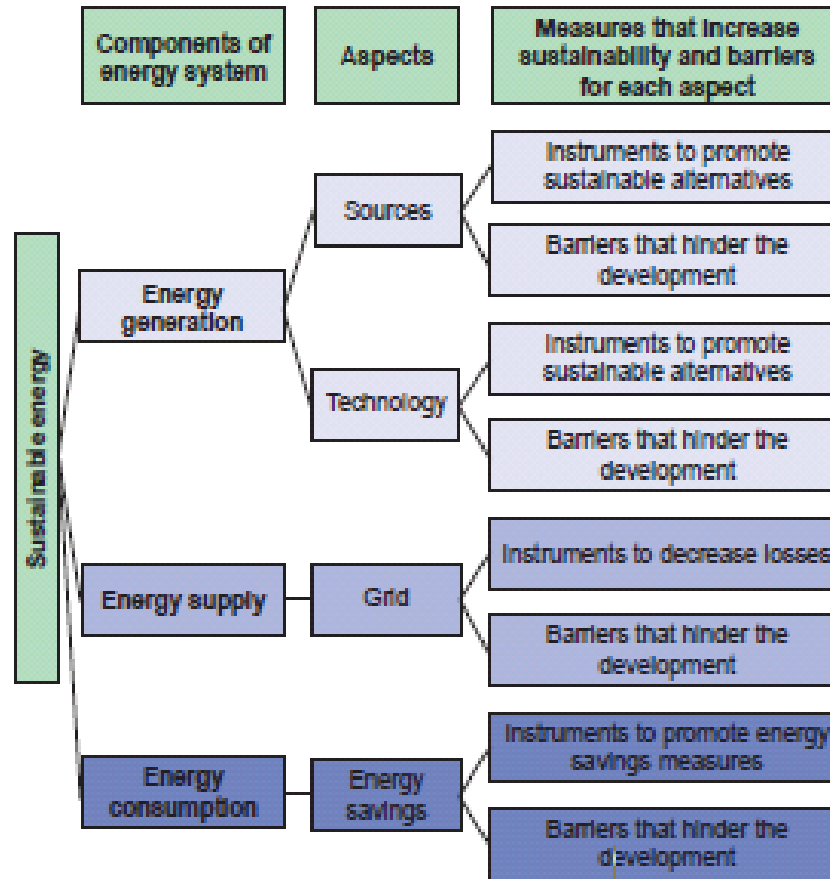


Approaches

- **energy sector oriented:**
the issue of energy generation, supply or consumption or all of them;
- **aspect oriented:**
promotion of renewable energy, energy savings etc.
- **oriented to measures increasing sustainability:**
programmes, policies etc.



HOW TO CHOOSE AUDIT TOPICS



What to focus on when auditing **energy generation instruments**

- **state programmes (direct support);**
- **support for research, development and innovations (direct support);**
- **tax system (indirect support);**
- **regulation of energy prices (price regulation).**

What to focus on when auditing **energy generation instruments**

■ **state programmes**

- Setting up programme's objectives and their compliance with state energy policies/programmes;
- Ways of quantifying and satisfying the specified needs;
- Setting and fulfilment of programme's steering documents;
- Ways of programme's monitoring, measurement and evaluation;
- Setting up efficient internal control and audit systems.



What to focus on when auditing **energy generation instruments**

- **support for research, development, and innovations**
- Setting up programme's targets and their compliance with state energy policies/programmes;
- Setting up target evaluation indicators and transparency of project selection;
- Compliance of the support with national legislation;
- Support to research centres, information structure, and international cooperation programmes.



What to focus on when auditing **energy generation instruments**

■ **tax system**

- Stimulating effect of legislative amendments to problem solving;
- Adherence to the principles and the time schedule of the environmentally friendly tax reform.



What to focus on when auditing **energy generation instruments**

- **regulation of energy prices**
 - Evaluation of the adopted price regulation and adaption of its regulatory framework;
 - Harmonizing the legislation required for opening the market to international trading;
 - Non-exclusive regulation;
 - Standardization of information systems on energy issues.





What to focus on when auditing **energy supply instruments**

- **investment incentives (direct support);**
- **PPP projects (indirect support).**





What to focus on when auditing **energy supply instruments**

■ **investment incentives**

- Compliance of the procedure with national legislation and international commitments;
- Compliance of the application with terms and conditions set by the executive bodies;
- Adherence to deadlines and conditions and justification of project changes and supplements;
- Adequacy of the planned and end-of project parameters.





What to focus on when auditing **energy supply instruments**

■ **PPP projects**

- Compliance of the procedure with legislation;
- Adherence to pre-set deadlines, parameters and terms of contract;
- Justification of project changes and supplements;
- Prices alteration in accord with pre-set conditions;
- Regular interim checking and evaluating the project;
- Compliance of the application with terms and conditions;
- Availability of information for the evaluation of the contract efficiency.





What to focus on when auditing **energy consumption instruments**

- **state programmes (direct support);**
- **support of research, development and innovation (direct support);**
- **investment incentives (direct support);**
- **tax systems (indirect support);**
- **price regulation (regulation).**





What to focus on when auditing **energy consumption instruments**

- **programmes relating to energy consumption issues 1**
- the energy consumption/savings/efficiency issues being a part of an adopted policy/programme;
- existence of requirements calling for ways and means of reducing energy consumption;
- ways and extent in which the pre-set requirements are being implemented (commercial energy consumers);
- setting up and implementation of transportation strategies;





What to focus on when auditing **energy consumption instruments**

- **programmes relating to energy consumption issues 2**
- support to the production and use of biofuels in transportation;
- involvement of generators in the development of new technologies and less-energy-intensive equipment;
- motivation of households and/or energy distributors for energy savings;
- the increase in energy efficiency.





How to deal with risks

RISK

= the probability of an event or activity causing a failure in fulfilling the set objectives.

Identification of risks, their knowledge and management are the key factors influencing both the successfulness of examined programmes/projects/operations and the activity of a SAI.

Risk management



Potential risks (phase of a preliminary study)

EXTERNAL RISKS

- nature and complexity of the audited energy issue;
- non-existence of energy policies/programmes;
- dubiousness of the national energy policy objectives;
- non-existence of appropriate performance indicators;
- inadequate provisions for securing the required funds;
- complex organizational structure of audited bodies;
- non-existence or insufficient quality of internal control system.



Potential risks (phase of a preliminary study)

INTERNAL RISKS

- lack of know-how (lack of competent auditors);
- audit costs exceed expected income;
- time limitation (utilization of the SAI's human resources).



Risk analysis done by an auditee

- Does the risk analysis exist?
- What kind of risks were identified?
- How were the risks assessed (probability/impact)
- Were the measures proposed for managing the identified risk?

Number and extent of risks are influenced by specifics of individual countries.



Risk analysis of a planned audit

SAI can work up its own risk analysis for verification of feasibility of the chosen audit topic and of defined key questions.



Audits in the field of sustainable energy

- are issue-specific environmental audits;
- general lack of experience among SAIs (questionnaires);
- can involve all kinds of audits (conditions, experience).

This Guidance presents more general recommendations and inspiration for SAIs.

INTOSAI Auditing Guidelines – ISSAI 5130 Sustainable development: The Role of Supreme Audit Institutions.



Aim of the planning phase:

- to decide whether or not to carry out the audit;
- to prepare a detailed audit procedure.

Planning phase:

- follows the specification of needs;
- presupposes direct access to data and information;
- different timing;
- preliminary study.



Audit planning and preparation – key steps:

- assess the SAI's mandate;
- specify the sustainable energy issue to be audited;
- set the audit objective and the auditable subjects;
- determine the framework scope of the audit;
- assess the audit efficiency and decide whether to carry it out;
- get acquainted with the audited issue;
- identify the auditees;
- choose the main audit criteria;
- choose audit questions and methods (matrix).



Does the SAI have the mandate?

Legal mandate is regulated by national legislation.

Review what can be audited

- **different levels/extent:** e.g. the conditions of national policies and its implementation, measures taken and programmes adopted, decisions taken by the government;
- **range of instruments** employed within the state energy policy;
- **list of potential auditees.**





Can the SAI specify the audit topic?

- Are there any commitments or obligations to be met?
- Was its fulfilment reflected in national energy policy?
- Does the national energy policy set priorities/objectives?
- Do any instruments to fulfil the tasks exist?
- Was the sustainable energy issue marked as important for auditing by SAI?
- Are there adequate conditions at the SAI?
- Does the SAI have access to information and data?
- Can the audit be suitably timed?
- Can potential risks be properly assessed?





What are the most relevant audit objectives and auditees?

at the level of subsidies providers:

- Are programmes/projects in compliance with regulations?
- Are programmes/projects managed in 3Es manner?

at the level of subsidies beneficiaries:

- Was the project implemented in compliance with regulations?
- Was the project implemented in 3Es manner?





Can the SAI determine the framework scope of the audit?

- What time period will be audited?
- To what extent the sustainable energy issue will be audited?
- What will be the form of the audit?
- What will be the type of the audit?

Potentially can be done feasibility study, risk analysis, SWOT analysis and/or problem analysis.





What is the audit efficiency? Will the audit be conducted?

- Will the planned audit be efficient? (Will not the potential costs of the audit exceed its expected benefits?)
- Is the chosen topic important enough to be incorporated into the audit plan?





Does the audit team have sufficient information?

- Are responsibilities defined and assigned (auditees part)?
- Has the auditee set up internal control system?
- Are the existing internal control systems operational, efficient, and effective?
- Does the auditee have sufficient information on the progress of its tasks and is able to deal with potential problems and deficiencies?





How to identify the auditees?

- What criteria should be chosen to select the auditees? (type of support provided / type of renewable resource / volume of support / auditees' geographical distribution / auditees' legal form / number of auditees in relation to the SAI's capacity...)
- Has the audit team finalized the list of auditees?





What are the main audit criteria for **compliance audit**?

The choice is linked with determining the audit subject and objectives: Which instruments are included into the audit?

- Can international treaties and agreements be used as criteria?
- Has been any national legislation adopted?
- Can any other documents be used as source of criteria (governmental policies, decisions, contracts etc.)?





What are the main audit criteria for **performance audit**?

PA compares and evaluates the adequacy of systems and procedures, as well as the economy, effectiveness, and efficiency of the activities performed.

Audit criteria = performance requirements or standards

QUESTION TREE

AUDIT LOGIC MATRIX



Thank you for your attention

