



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Environment Auditing  
(Application)  
AGP**

**Summer Exam-2024**

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## **Summer Exam-2024**

### **Environment Auditing (Application)**

- Q.1.** In the given scenario of clean drinking water, while planning an audit the following important points will be considered
- (i) Policy areas that have an impact on clean drinking water, like SDGs' access to clean drinking water
  - (ii) Public spending of the international donor assistance, both bilateral and multilateral donations
  - (iii) The amount of money that has been spent by various national governments to improve clean drinking water
  - (iv) The impacts of the projects, these impacts can be either environmental, social, economic or political
  - (v) The environmental risks that are involved in undertaking a project to get clean drinking water
  - (vi) Selection of project on the basis of 3Es, economy, efficiency and effectiveness
  - (vii) Planning involves selecting projects for auditing, so selecting those projects which have performed an environmental risk assessment
  - (viii) Identifying the national governments that have been and not been able to achieve the level given by SDG on Clean Drinking water
  - (ix) Identifying the authorities on the basis of number of projects given to them on clean drinking water
  - (x) Identifying the authorities on the basis of financial outlay/budget given to them in relation to get clean drinking water
  - (xi) Enlisting negative and positive externalities of projects on clean drinking water
  - (xii) The environmental policy instruments and their influences
- Q.2.**
- (i) National laws, policies and regulations
  - (ii) International agreements
  - (iii) Agencies involved in ensuring compliance of these laws
  - (iv) A relevant management information system
  - (v) A relevant GIS, or other environment related software
  - (vi) Instruments used to implement the laws, policies and regulations
  - (vii) Work/scientific work done by others
  - (viii) Open source data
  - (ix) Financial statements and management accounts of the agencies/authorities involved
  - (x) External expertise
  - (xi) Data from relevant stakeholders

- Q.3.** The audit objective determines the approach and design of the audit. In simple words it describes a particular situation relevant to the audit at hand.

The auditors need to consider what the audit pertains to, which organizations and bodies are involved and for whom the ultimate recommendations are likely to be relevant.

Well-defined audit objectives relate to a single entity or to multiple things including government activities, systems, operations, programmers, and/or organizations.

Audit objectives reflect the overall purpose of the audit, as to why an audit is being conducted. There can be more than one objective.



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### **Environment Auditing (Application)**

**Q.4.** Suggestive list is:

- (i) To evaluate the Environment Agency's efforts to address diffuse pollution
- (ii) To check whether the Environment Agency had a good understanding of the sources of diffuse pollution
- (iii) To evaluate the reasons why the water quality standards were not being met
- (iv) Was raising awareness amongst polluters of the diffuse pollution problem successful
- (v) Check if the (any) changes in their behavior and practices have helped to address the problem of diffuse pollution
- (vi) To measure/check the effectiveness of the incentives on the level of diffuse pollution
- (vii) To measure/check the effectiveness of the sanctions on reducing diffuse pollution

**Q.5.** As an auditor, the following background information is important (suggestive list):

- (i) The relevant local laws and their purpose – in this case the purpose of the Endangered Species Act of 1973
- (ii) The international covenants and agreements Batsam is signatory to
- (iii) The various definitions given in the Act and international agreements, like biodiversity, conservation, protective measures, endangered species to name a few
- (iv) The national and local offices responsible for biodiversity and their roles and budget and work mechanisms like consultations
- (v) The hierarchy of the relevant offices, federal agencies here
- (vi) The programs and projects being run by the offices like The National Marine Fisheries Service and their scope, The National Marine Fisheries Service here
- (vii) The financial outflow of all the programs and projects, especially the recovery plans in this instance
- (viii) The financial statements of The National Marine Fisheries Service and relevant other agencies
- (ix) Project wise cost and budget distribution of funds
- (x) The details of the funds being received and where they are being use
- (xi) The budgetary divisions of the recovery plans

**Q.6.** Analyze how The National Marine Fisheries Service allocates its budget and funds to its various activities. Furthermore, an analysis of the recovery funds and its comparison this with its recovery priority guidelines would also be a part of the scope of this audit. The audit will further determine what factors influence the Service's recovery funding allocation decisions. The scope will also analyze the consultation processes it uses to identify endangered species, for which a recovery plan is ultimately made through the funding received.

**Q.7.** Suggestive list

- (i) To review the policies and procedures of The National Marine Fisheries Service and discuss them with the management
- (ii) To review the policies and procedures of The National Marine Fisheries Service and check when they were last updated
- (iii) To compare the budget allocation with the return/outputs of the projects the budget was allocated to
- (iv) To compare the fund allocation system with the international best practices as given in the treaties Batsam is signatory to and discuss them with the management
- (v) To check the list of endangered species the funding was granted for with the national list to ensure that the funding is going to the right specie
- (vi) To review the consultation process and match it with the international best practices/guidelines given in the international conventions Batsam is signatory to
- (vii) To analyze the consultation process to make sure that it was followed uniformly in all the funding activities and projects



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### **Environment Auditing (Application)**

**Q.8.** An environmental management system helps organizations identify, manage, monitor and control their environmental issues in a holistic manner.

Environmental management systems are tools for organizations to set systematically environmental policies and continually improve environmental performance.

Environmental management systems require organizations to set themselves targets for continuous improvement in performance and to monitor achievements.

#### **Environmental management systems audits**

- (i) Environmental management systems audits are internal audits which are part of any management systems approach
- (ii) Environmental management systems audits provide the means by which the effective operation of the system can be checked, and remedial action taken if necessary
- (iii) They are management control of practices and assessing compliance with company policies, which would include regulatory requirements and standards applicable
- (iv) It enables the organizations/entities/companies take a proactive stance towards environmental issues

**Q.9.** Inherent environmental risk

Risk of misstatement relating to environmental matters. Risks that can be identified are (suggestive list)

- (i) The data necessary to be collected may not be available
- (ii) It is very time-consuming to collect the relevant data
- (iii) Rapid changes to the waste related acts made in parliament may influence the focus of the audit
- (iv) Differences in interpretations of criteria in performance and compliance aspects
- (v) The probability of waste risks increases when the handling of waste is not carried out according to strict quality requirements
- (vi) The risk of damage because of inadequate systems for collection and management of waste, creating possibilities for informal waste activities
- (vii) Risk of undetected violations of rules, policies and legislations

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