

# UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT DEVELOP AN ENVIRONMENTAL, HEALTH, AND SAFETY PROGRAM

## Control practices

The following control objectives provide a basis for strengthening your control environment for the process of developing and executing environmental, health and safety program. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

This business risk and control information can help you assess your internal control environment and assist with the design and implementation of internal controls. Please note that this information is at the generic business process level and many companies will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosures being made. You can combine the insight of this business risk and control information with your industry-specific knowledge and understanding of your company's environment when conducting internal control assessments and designing and implementing recommendations.

## Effectiveness and efficiency of operations

- A. Operations effectively support the implementation of the company's environmental management strategy.
- B. Effective systems are in place to ensure that environmental policy is followed.
- C. The environmental management strategy is consistent with the company's objectives and supports their achievement.

## Compliance with applicable laws and regulations

- A. The environmental management strategy considers and complies with applicable environmental laws and regulations.

## Effectiveness and efficiency of operations

**A. Operations effectively support the implementation of the company's environmental management strategy.**

## Business risks

- Operations will not support successful environmental management.
- Overall performance will suffer because of poor implementation.

## Control practices

1. Reduce the environmental impact of operations by incorporating new technology and innovations into existing operations.

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## **B. Effective systems are in place to ensure that environmental policy is followed.**

### **Business risks**

- Environmental liabilities will not be identified.
- Environmental damage will occur.
- Insufficient or inappropriate resources will be dedicated to environmental management.

### **Control practices**

1. Establish procedures for regular environmental audits.
2. Consider the cost-benefit relationship when determining if audits should be conducted by an auditor within the company or by an independent auditor.
3. Design the environmental audit to include preliminary evaluations, site inspection, on-site sampling, staff interviews, review of compliance records, required-response feedback reports, follow-up to feedback reports, and monitoring of regulatory filings.
4. Allocate the appropriate resources, financial and human, to implement the environmental strategy.
5. Benchmark industry-wide appropriations for environmental programs.
6. Define roles and responsibilities of all environmental positions with established duties and internal reporting requirements for each position.
7. Consider establishing an environmental department.
8. Conduct an environmental assessment before entering into major projects or acquiring a new business.
9. Evaluate each new project or acquisition to ensure its benefits and value exceed any potential environmental liability.
10. Establish policies requiring that environmental liabilities be addressed in any sale or purchase documentation.

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**C. The environmental management strategy is consistent with the company's objectives and supports their achievement.**

## **Business risks**

- Environmental losses will cause poor financial performance.
- Operations will not support successful environmental management.
- Overall performance will suffer because of poor implementation.

## **Control practices**

1. Create a cross-functional task force to develop environmental strategy for the entire organization that includes representation from legal, operations, engineering, environment, health and safety, external affairs, risk management, financial, personnel and training, and marketing.
2. Define the purpose and objectives of the task force, as well as its accountability and level of authority.
3. Charge the task force with defining the environmental policy statement, determining specific measurable goals and target dates, assigning responsibility and authority for environmental management, and monitoring progress toward specified goals.
4. Ensure the task force pursues a long-term perspective through periodic meetings to scrutinize the progress of environmental management and evaluate current applicability of stated objectives.
5. Consider the performance measures of competitors when identifying improvement opportunities and setting performance targets.
6. Employ benchmarking and other types of analyses, such as customer surveys, focus groups, and diagnostic reviews, to identify opportunities for improvement and set objectives in the environmental area.
7. Execute a detailed diagnostic review of internal operations compared to external industry-wide initiatives to establish targets, objectives, and priorities.
8. Compare the benefits of internal audits to the benefits of hiring external auditors and consultants for the diagnostic review.
9. Catalog the extent to which the company uses, manages, produces, transports, stores, or disposes of hazardous material.
10. Determine the extent of company involvement in activities that require authorization from official agencies.
11. Set achievable targets, objectives, and priorities for the environmental program and identify the strategies to achieve those goals.
12. Assess the effectiveness of resources dedicated to achieving the goals and objectives to date of the company's environmental management program.
13. Set specific, measurable goals to determine environmental progress.
14. Review environmental records and record-keeping practices to determine the company's ability to comply with regulatory requirements.
15. Engage legal counsel to determine appropriate record retention guidelines for meeting regulatory requirements.

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16. Establish clearly documented follow-up procedures for all potential environmental problems and concerns.
17. Evaluate established business process controls to ensure that standard operating procedures are followed.
18. Engage management to carry out interviews and observe employees to determine what procedures are actually performed and to identify discrepancies between performance and policy.
19. Revise the environmental strategy on a continual basis to address changes in social and cultural trends.
20. Track consumer environmental concerns with opinion polls and market surveys.
21. Incorporate market research findings into product development, marketing, and public relations in order to effectively communicate efforts to meet consumer environmental concerns.
22. Track customer complaints and suggestions about the environmental impact of products and processes.
23. Develop an environmental policy based on business strategy, and use open, two-way channels to communicate environmental policy to stakeholders.
24. Engage senior executives actively and visibly in promoting the corporate environmental policy and supporting the strategy throughout the company.
25. Integrate the environmental policy statement into the overall policy statement and link it to the company's business goals.
26. Ensure all employees are aware of their responsibilities and how to comply with the company's environmental policy.

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Compliance with applicable laws and regulations

**A. The environmental management strategy considers and complies with applicable environmental laws and regulations.**

## **Business risks**

- The company will incur penalties because of violation of environmental regulations.
- The public image of the company will suffer because of failure to comply with environmental regulations.

## **Control practices**

1. Design the environmental policy to address both current and future political and regulatory issues.
2. Determine reporting requirements and expectations by identifying and communicating directly with environmental regulators.
3. Seek legal advice to tailor environmental reports to meet regulatory requirements.
4. Follow local and national environmental events closely to assess the tone of current public opinion and the related regulatory response.
5. Establish links to the legal community to stay current with proposed environmental bills and regulations.
6. Conduct periodic meetings between management and employees to address regulatory changes and issues.
7. Monitor journals and other resources issued by environmental regulatory agencies to identify any necessary adjustments to current operating procedures or environmental strategy.
8. Discuss with legal counsel any changes that could create a major impact on current operations before implementing those changes.