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Environmental Auditing: Current Status and Solutions for Vietnam

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Abstract

With society's growing concern for environmental quality and the increasingly stringent legal system, there's an inevitable demand for environmental information within businesses. In recent years, environmental auditing has been recognized as a tool that provides environmental data, laying the groundwork for assessing a company's environmental risk potential, its environmental obligations, and compliance with environmental standards or regulations. The users of

this audit information include the companies themselves, customers, commercial banks, credit institutions, government authorities (both central and local), as well as the general public. Environmental audits help to reduce environmental and public health risks and enhance corporate environmental management. This article introduces the UK's model of environmental auditing, offering valuable lessons for Vietnam's approach to the practice.

Keywords: Environmental Audit, Environmental Risk, Sustainable Development

1. Introduction

Nowadays, the environment and sustainable development are not just national concerns but have become global issues that the world is paying special attention to. If we aim for high economic growth, the likelihood of using more natural resources and causing pollution is significant, which can impact the sustainable development of the environment and vice versa. Therefore, countries need to harmoniously resolve the relationship between economic development and environmental protection.

2. Theoretical Framework

The concept of environmental auditing is still quite fresh. According to the Environmental Protection Agency, it's a management tool that includes a systematic, periodic, and objective evaluation process that is documented on how environmental organizations, management, and equipment are performing effectively.

An Overview of Environmental Auditing.

Since the 1970s, a few companies in Europe and South America have begun to systematically evaluate the compatibility of their operations with environmental laws and institutions. In fact, environmental auditing at that time was similar to financial auditing in many ways, and it was known as environmental auditing. Environmental auditing is spreading rapidly in industrialized countries due to increasingly stricter environmental laws as well as increased organizational responsibility for environmental and related risks. Ecosystem.

So, what exactly is environmental auditing? According to the International Chamber of Commerce (ICC), environmental auditing is defined as a systematic examination of how a business's activities interact with its environment. This check includes assessing the quality of emissions into the air, soil, and water sources; compliance with environmental laws; the company's impact on the community, landscape, and ecosystems; as well as the public's perception of the company's operations in areas where it has plants or offices. According to the ICC, a key prerequisite for the success of an environmental audit is the commitment of management to maintain or progress towards actions that benefit the environment. These commitments and actions are reflected through company policies as well as the attitude, awareness, and dedication of the employees within the organization towards environmental issues. Broadly speaking, to systematically carry out an assessment of environmental information in a business or organization's operations, an environmental audit requires: valid and relevant information about the activities of an organization or a business establishment. Suitable resource materials to support the auditing process. Proper coordination from the audit subject's side. Audit documentation, such as checklists or questionnaires...

Environmental auditing essentially involves scrutinizing government policies, programs, and budgets related to the environment. This includes examining financial figures and providing audit opinions on financial reports and the government's

financial responsibilities; auditing compliance with laws, agreements, and environmental policies; and ensuring that criteria for implementation are met, guaranteeing that environmental and economic management is carried out by the National Audit Office.

Among the various types of audits, environmental auditing is considered unique due to several reasons:

The environment is now a global issue that affects every country in the world.

The environment provides essential resources for human survival and the growth of economies, such as wood, water, air, and mineral resources.

There are many different organizations involved in environmental activities.

Environmental science requires extensive knowledge across various scientific disciplines: geography, chemistry, auditing, etc.

Environmental Impact Assessment (EIA) is a key tool that aids in harmonizing the relationship between economic development and environmental protection. It also plays a significant role in heightening the awareness and social responsibility of individuals and business organizations regarding sustainable environmental protection. Moreover, EIA helps to reduce environmental and public health risks as well as improve environmental management at the corporate level.

Given the immense significance and impact of the environment not only on our lives but also on Vietnam's economy, it's safe to say that environmental auditing is absolutely essential to the audit activities of the State Audit Office of Vietnam.

3. The Current State of Environmental Auditing in Vietnam

Recognizing the significance of environmental auditing for the sustainable development of the nation across economic and social aspects and the need to align with global and regional audit community trends, the State Audit of Vietnam officially joined the Working Group on Environmental Auditing of the Asian Organization of Supreme Audit Institutions (ASOSAI) in 2008. Since then, it has been progressively evolving.

To coordinate activities in the environmental development plan, the State Audit Office has established an Environmental Task Force aimed at advising and consulting the State Audit leadership on strategic directions and the implementation of audits related to environmental issues. With this initial step, the State Audit Office has effectively leveraged international community support.

Alongside conducting research and learning from the environmental auditing experiences of agencies in South Korea, China, the Netherlands, India, and others, the State Audit Office has also sent numerous auditors to attend conferences and training courses on environmental auditing in India, Canada, and China. This is a step towards gradually approaching and carrying out audits that encompass environmental issues.

Furthermore, the State Audit Office has organized discussions and specialized seminars on environmental auditing with the participation of foreign experts. This initiative aims to provide auditors with a correct and

comprehensive understanding of environmental auditing as well as its benefits.

Nowadays, the State Audit Office is giving special attention to environmental matters by engaging in activities such as delegating officials to participate in the International Organization of Supreme Audit Institutions (INTOSAI) and ASOSAI's environmental working groups; establishing an Environmental Audit Division; and conducting audits that include environmental concerns. However, in reality, the State Audit has primarily integrated environmental auditing into most of its annual audits.

Specifically, from 2012 to 2015, we successfully integrated a number of environmental audits, including standout projects like: the audit of the National Target Program for Rural Water Supply and Sanitation (2012); the audit of water issues in the Mekong River basin (jointly conducted with auditing agencies from Thailand, Laos, Myanmar, and Cambodia); the audit of the "Environmental Protection Fund" (2015); the audit of central-level hospital wastewater treatment systems in Hanoi (2015); and the audit of climate change mitigation and adaptation programs (2012-2015).

Over time, the State Audit Office has been actively preparing its organization and personnel for environmental auditing. Specifically, in October 2015, the Environmental Audit Department was established under the International Cooperation Department. Its role is to advise the Auditor General on international integration concerning environmental auditing; develop goals, strategies, and processes for environmental auditing; and organize the implementation and application of environmental auditing in the activities of the State Audit Office. In 2016, the Environmental Audit Department pilot-tested including three audits in the annual audit plan and is currently rolling them out as scheduled.

The State Audit of Vietnam is tasked with auditing environmental pollution caused by various activities and projects, as well as finding solutions to enhance the effectiveness of the environmental management system. Audit agencies should recommend that the government intensify the implementation of environmental protection policies nationwide.

By examining the implementation of national environmental policies, the operation of the environmental management system, the benefits of the environmental fund, and the rational use of resources, the environmental audit can strengthen environmental risk control and improve the government's environmental management capabilities.

Environmental auditing focuses on compliance audits of environmental protection policies, environmental management system audits, and thematic audits (energy, raw materials, materials and waste, biodiversity, etc.). The primary goal of conducting environmental audits is to assess the effectiveness of the environmental management system, ensure adherence to environmental protection legal regulations, and facilitate control measures to prevent pollution at production, business, and service facilities.

A comparison chart of some regulatory content on environmental auditing in the 2020 Environmental Protection Law and legal documents from various countries around the world.

Decree	Legal documents from various countries	Applicable entities	Characteristics	
			Mandatory	Voluntary
1	Vietnam's Environmental Protection Law of 2020	Manufacturing, business, and service establishments		X
2	Australia's Environmental Protection Law of 2019	Manufacturing enterprises	X	
3	Turkmenistan Law of 2019	Production, business, and service facilities	X	X
4	The Uganda Environmental Management Law of 2019	Organizations, production, business, and service establishments	X	
5	The Malaysian Environmental Quality Act, 2016	Production facilities and buildings	X	
6	The Myanmar Environmental Conservation Law, 2012	Projects, buildings	Not specifically regulated	
7	Indonesia's Environmental Management and Protection Law, 2009	Organizations, production and business establishments, services		X

4. The model of environmental auditing in the UK

Although the UK is part of the European Union, environmental auditing has been carried out in nearly all industries since the 1990s, predating the EU's Eco Management and Audit Scheme (EMAS) that came into effect in April 1995. For more details, see "The Eco Management and Audit of the European Union—EMAS."

In the UK, environmental auditing is becoming increasingly vital across all industrial and commercial sectors. The Confederation of British Industry (CBI) has called for all companies within the British alliance to conduct environmental audits. Along with EMAS, the European Commission has outlined laws that encourage the implementation and use of environmental auditing within EU member states. In the UK, many large companies that conduct environmental audits are now requiring their suppliers and clients, both domestic and international, to also engage in environmental auditing or meet certain environmental standards in their business operations. To conduct an audit, the Centre for Environment and Business in Scotland (CEBIS) has provided specific guidelines on In a nutshell, these guidelines include: Definitions and a general introduction The environmental audit process The content of the environmental audit Some of the main types of environmental audits Within the scope of this article, we'd like to give you a brief rundown of the key content related to the UK's environmental audit model based on the aforementioned guidelines.

Regarding the scope and objectives of the environmental audit Based on survey results and interviews with businesses that have conducted environmental audits, we can summarize the issues of scope and objectives of environmental auditing in the table below:

Table 1: Scope and Objectives of Environmental Auditing Reason: Why do so many companies use environmental auditing as a management tool?

- To meet the increasingly stringent demands of UK law as well as European Union regulations.
- The rapidly growing social responsibility of companies and individuals alike.
- The swift rise in waste management costs.
- Competitive pressure compared to other businesses due to their environmental actions.
- The increasing pressure from the community.

The goals of environmental auditing (What can environmental auditing do for businesses?)

- Ensuring that the audited entities comply with legal regulations (regarding the environment).
- Cutting down on waste disposal costs.
- Reducing fuel and material costs.

- Enhancing the company's image.
- Assisting in the development of environmental policies.
- The scope of environmental auditing (What issues does environmental auditing address?)
- Evaluating a company's operational capabilities can be more effectively done by looking at resource utilization and waste management, or by assessing their ability to minimize pollution risks.
- Assessing how production processes handle waste issues and finding better ways for waste management.
- Considering issues related to alternative materials, especially those that are environmentally friendly.
- Directing the company's environmental plans. The auditor (who can conduct an environmental audit?)
- If the company has the right experts, they can conduct an internal audit. However, the company can also opt for an independent audit.

Issues following the audit:

- Establish the company's objectives based on the audit results and incorporate them into the organization's official environmental policies (action plan).
- Regularly review the implementation of the company's environmental policies. Integrate environmental factors into employee training programs as well as in external communications.
- Regarding the audit process and content.
- Generally, the environmental audit process is carried out in three stages: audit preparation, audit practice, and post-audit conclusion and monitoring. The steps and content of an environmental audit process can be summarized in the following diagram.

Regarding the classification of environmental audits

- Based on the inspection content and auditor's questionnaires, environmental audits can be divided into the following six basic types:
- Compliance audits (legal compliance) Waste audits (waste).
- Auditors will focus their investigation on the following questions:
 - Assessing the impact of regulations and standards set by the UK union or European community on the business being audited?
 - Does the company practice in accordance with the requirements of those standards and regulations?
 - Does the company consider future environmental standards when planning new projects? Is the company aware of the latest techniques?
 - Does the company keep up to date with environmental regulations? The auditor will focus their investigation on the following questions:

- What kind of waste does the company produce, and how is it disposed of? Can the company's waste be minimized, recycled, or eliminated?
- Does the company participate in waste exchange projects? (For example, selling waste to other companies to use as raw materials...)
- Does the company recycle its office waste?
- Does the company have an alert procedure for accidents like oil spills or gas leaks? Transport Audit; Materials Audit.
- Does the company have an efficient goods transportation schedule? (for example, avoiding empty cargo vehicles)
- What specific warnings has the company implemented when transporting hazardous goods or waste?
- Does the company regularly maintain its vehicles to minimize toxic emissions?
- Can the company switch to transporting vehicles that have smaller engines?
- Does the company have a strategy to reduce employee commutes by motorized vehicles, with policies encouraging alternative transportation such as support for cyclists?
- Can the company reduce the use of raw materials? For example, by altering designs or sizes to cut down on material and packaging costs.
- Does the company recycle raw materials when possible?
- Is the company able to use more environmentally friendly materials? (Such as recyclable, renewable, and less polluting raw materials)

Energy use audit:

- Auditing the impact on landscapes and habitats.
- How much energy has the company used? Does it regularly check its energy consumption?
- Does the company have the capability to combine thermal and electrical energy use?
- Is the company able to save on fuel consumption? For instance, better control over lighting systems and air circulation can be achieved. Does the company have any activities that impact the landscape and living environment?
- Are the company's production facilities as clean, quiet, and dust-free as possible?
- Does the landscape of the production facilities add to their appeal?
- Does the company protect the natural environment around its production area to a certain extent?

5. Challenges in the field of environmental accounting.

Although the establishment of a Department specializing in Environmental Technology (ET) and international cooperation issues related to ET has been placed at the level of the Central State Audit in Vietnam, setting up the function and ET division has faced quite a few challenges. The main reason is the lack of legal documents and environmental standards in business operations, which are still incomplete and inconsistent.

Vietnam still lacks any specific legal documents that define the State Audit's role in environmental auditing; public awareness and societal opinion on this matter are limited, particularly among state environmental regulatory bodies. Moreover, Vietnam has yet to establish a national

environmental database, which is an incredibly important information resource that could greatly assist the State Audit in its auditing activities.

Another challenge worth mentioning is the low awareness of corporate social responsibility towards the community. According to the concept introduced by Milton Friedman, the American economist who won the Nobel Prize in Economics in 1976, "corporate social responsibility will increase their profits." However, in reality today, environmental factors are almost never considered in the business production plans of companies.

The State Audit Office of Vietnam's training for staff with knowledge and experience in environmental auditing is still limited, so we haven't yet established a team of professional environmental auditors or developed a dedicated process and methodology for environmental audit activities.

This reality highlights that addressing the challenges the State Audit will face in conducting environmental audits requires not just time, effort, and clear direction from the State Audit itself but also technical support from international organizations and audit agencies.

6. Directions for the development of environmental auditing in Vietnam in the coming period.

To overcome the aforementioned challenges, in addition to deploying audit activities in general and environmental audits in particular, the State Audit's Action Plan for implementing the State Audit Development Strategy up to 2020 has also outlined numerous solutions to enhance environmental auditing through the following actions:

The State Audit is focusing on building and enhancing the capacity for environmental auditing, which includes continued emphasis on training its auditors through inviting foreign experts to share their experiences, sending staff to participate in courses abroad, seeking sponsored projects for the development of environmental auditing, and expanding the team of environmental auditors to ensure adequate numbers, specialized structure, and a reasonable industry composition.

At the same time, we're ramping up the development of processes and methods for operational auditing, including environmental auditing, and crafting a comprehensive guidebook that not only adheres to Vietnamese law but also takes cues from INTOSAI's standards, guidelines, and manuals, with a particular focus on harmonizing with INTOSAI's norms.

The State Audit Office is also focusing on proposing and establishing legal documents that clearly define its environmental auditing functions; developing and advancing guidelines and methods for environmental auditing in compliance with International Auditing Standards; enhancing the awareness and consciousness of agencies, units, and society about environmental auditing; expanding the organizational structure for environmental auditing within the State Audit Office; and rolling out and intensifying environmental audit activities.

State Audit Office affiliates need to work closely together in rolling out environmental audits, specifically in developing and perfecting the legal framework and guidelines based on existing INTOSAI/ASOSAI manuals; crafting mid-term (2–3 years) and long-term (5–7 years) audit plans; and enhancing inspection, control, and quality assessment of environmental audits to boost their capability, efficiency, and effectiveness.

Additionally, it's crucial to develop organizational structures and staff dedicated to auditing activities in general and environmental auditing in particular; enhance the physical infrastructure, information dissemination, and the advancement of science and technology in information services for environmental auditing. Special attention should be given to awareness-raising among state management agencies and the public. Strengthen international integration and cooperation in auditing activities...

7. Conclusion

Seen as a vital tool in management, environmental auditing in Vietnam's current context should initially be implemented on two levels: internal audits (to aid corporate management) and state audits (to assist in the state's macro-level environmental management). In practice, at the early stages, state environmental audits may become mandatory for businesses and organizations as per legislation. At that point, the state could review internal environmental audit reports conducted by corporate auditors or initiate a new audit if deemed necessary or in cases where a business lacks an internal audit process.

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