



Received: 04-12-2023  
Accepted: 14-01-2024

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Environmental Auditing in Vietnam - Current Situation and Solutions

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#### Abstract

In recent years, the State Audit has performed environmental and environment-related audits. However, this is a new field, the organization and implementation of environmental audits still have limitations, and need solutions to improve quality in the future. This article

summarizes content related to environmental auditing, difficulties when performing environmental auditing, and proposes some solutions to promote more effective environmental auditing.

**Keywords:** Environmental Audit, State Audit, Environmental Protection

#### Introduce

The environment and sustainable development today are not just issues for each country but have become a global issue of special concern to the world. If you set high economic development goals, the possibility of having to use a lot of natural resources and the possibility of pollution is very large, affecting the sustainable development of the environment and vice versa. Therefore, countries need to harmoniously resolve the relationship between economic development and environmental protection.

#### Overview of environmental auditing

In Vietnam, the concept of environmental audit is still quite new. According to the Department of Environmental Protection, environmental audit is a management tool that includes a systematic, periodic and objective, documented process of evaluating how to carry out environmental organization., environmental management and environmental equipment operate well.

In essence, environmental auditing is auditing issues of policies, programs and funding related to the government's environment, specifically: Checking and evaluating financial data and giving audit opinions. Accounting for financial reports and financial responsibilities of the Government; Auditing compliance with environmental laws, agreements and policies; Auditing the assurance of implementation criteria, ensuring environmental and economic management is carried out by the State Audit agency.

Among the types of audits, environmental audit is considered a special type of audit for the following reasons:

- The environment today is a global issue and it affects all countries in the world;
- The environment provides necessary materials for human existence and the development of economies such as: Wood, water, air, mineral resources...;
- There are many different organizations participating in environmental activities;
- Environmental auditing requires very broad knowledge of different scientific subjects: Geography, chemistry, auditing...

Environmental audit is one of the tools that helps to balance the relationship between economic development and environmental protection. At the same time, environmental auditing also contributes to raising awareness of social responsibility of individuals and production and business organizations in protecting the sustainable environment. Furthermore, environmental auditing also helps reduce environmental risks as well as public health risks, and improve environmental governance at the corporate level.

With the enormous significance and importance of the environment not only for our lives but also for the entire Vietnamese economy, it can be said that environmental auditing activities are extremely necessary in auditing activities. Audit by the State Audit Agency of Vietnam.

### **Environmental accounting in Vietnam today**

Recognizing the importance of environmental auditing for the country's sustainable development in socio-economic aspects in general and the need to integrate with the professional development trend of the institutional community. Auditing agencies in the world and the region in particular, the State Audit officially became a member of the Working Group on Environmental Audit of the Asian Organization of Supreme Audit Institutions (ASOSAI) in 2008. Since then, the State Audit has been gradually developing.

To coordinate activities in the environmental audit development plan, the State Audit has established an Environmental Audit Working Group with the goal of consulting and advising State Audit leaders in orienting and deploy audit activities for environmental-related issues. With this initial step, the State Audit has effectively taken advantage of the assistance of the international community. In addition to conducting research and learning from experience in the field of environmental auditing from a number of audit agencies in Korea, China, the Netherlands, India..., the State Audit also dispatches many audits. Members attend conferences and training courses on environmental auditing in India, Canada and China to gradually approach and conduct audits containing issues related to the environment.

In addition, the State Audit has also organized seminars and workshops on environmental auditing with the participation of foreign experts to help auditors understand auditing more accurately and fully. Environment as well as the benefits that environmental auditing brings.

Currently, the State Audit has paid attention and focused on the field of environmental auditing through a number of activities such as sending staff to participate in working groups on environmental auditing of the International Organization of Audit Agencies. Supreme mathematics (INTOSAI) and ASOSAI; Establishment of Environmental Audit Department; carrying out a number of audits with content related to the environment... However, in reality, the State Audit has only carried out integrated audits of environmental audit content in most annual audits.

Specifically, in the period 2012-2015, a number of audits with environmental factors have been integrated, notably: Audit of the National Target Program on clean water and rural environmental sanitation (2012); Auditing water issues in the Mekong River basin (coordinated with audit agencies of Thailand, Laos, Myanmar and Cambodia); Audit of "Environmental Protection Fund" (2015); Auditing the wastewater treatment system of central hospitals in the city. Hanoi (2015); Audit of climate change mitigation and adaptation program (2012-2015)...

Recently, the State Audit has also actively prepared in terms of organization and personnel for environmental audits. Specifically, in October 2015, the Environmental Audit Department was established under the Department of International Cooperation, with the function of advising the State Auditor General on the State Audit's participation in international integration on auditing. Environmental math; develop goals, development strategies, and environmental audit processes; Organize the implementation and application of environmental audit in the activities of the State Audit. In 2016, the Environmental Audit Department piloted 3 audits into the annual audit plan and is implementing them according to the roadmap.

The State Audit of Vietnam is responsible for auditing environmental pollution caused by activities and projects as well as finding solutions to help the environmental management system operate effectively. Audit agencies need to recommend that the Government strengthen the implementation of environmental protection policies across the country.

By examining the implementation of national environmental policies, the operation of the environmental management system, the benefits of environmental funds, and the rational use of resources, environmental auditing can strengthen control environmental risks, while improving the Government's environmental management capabilities.

### **Challenges in the field of environmental accounting**

Although the establishment of a Department specializing in environmental auditing and international cooperation issues on environmental auditing has been placed at the Central State Audit level in Vietnam, however, the establishment of functions and ministries The environmental audit department also faces many challenges. The main reason is that legal documents and environmental standards in business operations are lacking and inconsistent.

Vietnam also does not have a specific legal document stipulating that the State Audit has the function of environmental audit; Public awareness and public opinion about the field of environmental auditing is still limited, especially among state environmental management agencies. Furthermore, in Vietnam, a national environmental data bank has not yet been built, while this is a very important information channel that can greatly support the State Audit in audit activities.

Another difficulty to mention is the low awareness of corporate social responsibility to the community. According to the concept of corporate social responsibility introduced in the 1970s by Milton Friedman, an American economist who won the Nobel Prize in Economics in 1976, "Corporate social responsibility will increase the profits of Surname". However, in reality today, environmental factors are hardly considered in the production and business plans of enterprises.

The State Audit's training of officials with knowledge and experience in environmental auditing is still limited, therefore a team of professional environmental auditors has not been built; a separate process and method for environmental auditing activities has not yet been developed.

This reality shows that solving the challenges that the State Audit will face in the process of implementing environmental audits not only requires time, effort and clear direction from the State Audit, but Technical support from international organizations and audit agencies is also needed.

### **Orientation for the development of environmental auditing in Vietnam in the coming period**

To overcome the above challenges, in addition to efforts to implement performance audit activities in general as well as environmental audit activities in particular, in the Action Plan to implement the House Audit Development Strategy country by 2020, the State Audit has also proposed many solutions to strengthen environmental audit activities through the following actions:

The State Audit is focusing on building and strengthening environmental auditing capacity, continuing to focus on training a team of environmental audit auditors through inviting foreign experts to share experiences.; sending staff to participate in courses abroad, looking for funding projects to develop environmental auditing; Developing a team of environmental audit auditors to ensure sufficient quantity, professional structure and reasonable industry structure.

At the same time, promote the development of processes and methods for operational auditing, including environmental auditing, and develop a handbook to guide auditing operations on the basis of Vietnamese law but with reference to other standards. INTOSAI standards, guidelines, handbooks, which focus on assimilating INTOSAI standards.

The State Audit also focuses on proposing and developing legal documents clearly defining the environmental audit function of the State Audit; Build and develop environmental auditing guidelines and methods in compliance with the International Auditing Standards System; Increase awareness and awareness of agencies, units and society about environmental auditing; develop the organization of the environmental audit apparatus under the State Audit; Implement and strengthen environmental audits.

Units under the State Audit need to cooperate closely in implementing environmental auditing, specifically building and completing the legal basis and guiding documents for environmental auditing based on the guidelines., handbook available from INTOSAI/ASOSAI; Develop medium-term (2-3 years) and long-term (5-7 years) audit plans; Strengthen inspection, control and quality assessment of environmental audit content to improve the capacity, effectiveness and efficiency of environmental audit.

Besides, it is necessary to develop organizational apparatus and personnel to perform operational audits in general and environmental audits in particular; Develop facilities, propagate information and develop science and information technology to serve environmental audit content, paying special attention to propaganda work to raise awareness of management agencies. Government and the public; Strengthening international integration and cooperation on operational audit.

### **Limitations in environmental auditing**

Some environmental or environment-related audits are integrated into other audits, often assigning auditors to perform both the main audit and the integrated environmental audit, which affects the quality of the audit. Audit volume as well as cases where the focal points and units of audits overlap, leading to difficulties in implementation and affecting the unit's operations. Many large projects and schemes have important environmental issues such as environmental impact assessment reports (EIR) that have not been audited to give opinions on whether or not the project should be implemented. Many information or audit results that are closely related to the environment and environmental protection have not been synthesized separately to clarify environmental audit issues that environmental audits have been able to do under new conditions. Has strengths in this field.

The environmental audit guidance issued by the State Audit in 2019 basically covers most of the necessary issues to help auditors in performing environmental audits. However, in

this Guide, there is not much information about the domestic environment; Environmental audits are conducted by many types of auditors but without specific instructions; Appendices on specific environmental audit topics are not arranged in a consistent manner with other audit guidelines of the state audit.

In recent years, except for specialized state audit III and a few units with active audit departments, they have proactively included environmental audits or environmental-related topics in their annual audit plans. Medium term, the remaining units have not focused on environmental audit proposals in their audit plans. In some cases, the audit process has not focused on the actual field inspection method to collect evidence. Many new audit teams focus on confirming the accuracy and truthfulness of financial reports when auditing business financial statements or final settlement reports and project investment costs, not based on operational characteristics. Enterprise activities or project characteristics must prepare a EIR report to organize an audit of these contents.

### **2 groups of solutions to improve the quality of environmental audits**

According to the Research Team, in the coming time, not only specialized state audit III but also all specialized and regional state audits must choose appropriate topics to build annual and mid-term audit plans. Limited with environmental audits increasing in number, rich in topics and full of types. In addition to independent environmental audits, audit contents related to the environment should be integrated into audits of local budgets, ministry and sector budgets and investment projects.

To improve the quality of environmental audits, the Research Team proposed two groups of solutions.

*Firstly, in terms of organization, as soon as an environmental audit is expected in the annual and medium-term audit plan, specialized and regional state auditors need to base on the identified topic to proactively find Understand relevant information from many different sources, and on that basis, develop training materials for auditors who participate in more time than other audits.*

For operational auditing of an environmental topic, the auditor must have experience in operational auditing and a deep understanding of the environmental issue being audited. With an integrated environmental audit, it is necessary to allocate adequate human resources and time to ensure the quality of the audit. When selecting environmental audit topics to integrate into other audits, duplication of environmental audit focal points and other content should be limited. It is necessary to strengthen pre-audit activities in project audit organizations to minimize environmental risks when large investment projects are conducted but the project's EIR report may not meet the requirements. Results from other audits related to the environment need to be separated to record as information about environmental audits in the annual audit results report of the state audit.

*Second, in terms of technical expertise, first of all, the state audit needs to complete the Environmental Audit Guide in the direction of more clearly adding cases combining all three types of audit; Re-edit the appendices to introduce a number of specific audit topics in the direction of: Audit content, documents to be collected, audit procedures and common errors. In addition, when developing annual and*

medium-term audit plans, specialized and regional state auditors must propose at least 2 thematic audits or operational audits, of which there must be 1 audit. In the field of environmental auditing. Topics selected in the annual and medium-term audit plan need to be arranged in order of priority based on the urgency to overcome to limit negative impacts on the environment, an issue recognized by the State and public. Social commentary is concerned.

In addition, during the process of performing an environmental audit or integrating environmental audit into other audits, adequate time must be allocated for site inspection and observation. This will help auditors see objectively and directly the factors affecting the environment, thereby providing a basis for accurately assessing environmental management and protection according to legal regulations and making recommendations. Make valid recommendations...

### **Conclude**

In auditing investment projects, the content of the EIR report audit should be considered a key issue. It is not necessary to have an environmental audit to pay attention to this issue. In all audits, if there is an invested project that requires a EIR report according to regulations, it is necessary to include the audit content. EIR work into the audit plan of the audit.

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