

## ENVIRONMENTAL AUDIT

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### Abstract

*Audit is an important Management Information System(MIS) tool, on which many management decisions are dependent. The purpose of any audit is to acquire information and provide additional discipline on the internal processes to validate proper functioning of the specific system.*

*Environmental Audit is a very broad term as 'environment' in itself comprises of biotic and abiotic components. Environment includes water, air and land and the inter-relationship which exist among and between water, air and land and human beings, other living creatures, plants, micro organism and property. Environmental Audit, therefore, is an independent evaluation of (i) Policy and Principles (ii) Systems (iii) Procedures (iv) Practices and (v) performances of elements of an industry relating to environment. Environmental is a management tool comprising a systematic, documented, periodic, and objective evaluation of how well environmental organization, management and equipment are performing with the aim of helping to safeguard the environment by: (1) Facilitating management control of environmental practices: (ii) Assessing compliance with company policies, which would include meeting regulatory requirements. This paper tries to study the meaning of environmental audit its importance and the environmental audit in India.*

**Key words :** *environment, environmental management, environmental audit.*

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### Introduction

The term 'audit' has its origin in the financial sector. Auditing, in general, is a methodical examination – involving analyses, tests, and confirmations – of procedures and practices whose goal is to verify whether they comply with legal requirements, internal policies and accepted

practices.

Environmental Audit is a very broad term as ‘environment’ in itself comprises of biotic and abiotic components. Environment includes water, air and land and the inter-relationship which exist among and between water, air and land and human beings, other living creatures, plants, micro organism and property. Environmental Audit, therefore, is an independent evaluation of (i) Policy and Principles (ii) Systems (iii) Procedures (iv) Practices and (v) Performances of elements of an industry relating to environment. Environmental Audit is a management tool comprising a systematic, documented, periodic, and objective evaluation of how well environmental organization, management and equipment are performing with the aim of helping to safeguard the environment by: (1) Facilitating management control of environmental practices: (ii) Assessing compliance with company policies, which would include meeting regulatory requirements.

According to The International Chamber of Commerce (ICC) (1989) ‘ A management tool comprising systematic, documented, periodic and objective evaluation of how well environmental organization, management and equipment are performing with the aim of helping to safeguard the environment by facilitating management control of practices and assessing compliance with company policies, which would include regulatory requirements and standards applicable’.

An environmental audit is a type of evaluation intended to identify environmental compliance and management system implementation gaps, along with related corrective actions. In this way they perform an analogous function to financial audits.

It is essentially an environmental management tool for measuring the effects of certain activities of the environment against set criteria or standards. Environmental auditing is used to investigate, understand and identify. These are used to help improve existing human activities, with the aim of reducing the adverse effects of these activities on the environment. An environmental auditor will study an organization’s environmental effects in a systematic and documented manner and will produce an environmental audit report.

Generally environmental audit follows three phases

- Phase One – Pre-audit activity – pertaining to collection of information
- Phase two- Activity at site pertaining to evaluation of information collected
- Phase three- Post audit activity pertaining to drawing conclusion and indentifying areas of improvement if any.

#### **Objectives of Environmental audit-**

- Evaluation of the efficiency and efficacy of resources utilization (i.e men, machines and materials)
- Identification of areas of risk
- Environmental liabilities
- Weakness in management systems
- Problems in complying with regulatory requirement
- Ensuring the control on waste/pollutant generation.
- Identify and document the environmental compliance status
- Increase the overall level of environmental awareness
- Develop overall environmental control systems.

#### **Types of environmental audit**

There are two types of environmental audit: - compliance audits and management systems audits.

- *Environmental Compliance audit*

Compliance audits generally begin with determining the applicable compliance requirements against which the operations will be assessed. This tends to include state regulations, permits and local ordinances/codes. In some cases, it may also include requirements within legal settlements. Compliance audits may be multimedia or programmatic. Multimedia audits involve identifying and auditing all environmental media (air, water, waste, etc.) that apply to the company. Programmatic audits (which may also be called thematic or media- specific) are limited in scope to pre-identified regulatory areas, such as air.

- ***Environmental management audit***

An audit conducted by an organization and/or management in order to understand how it's meeting its own environmental performance expectations.

A full environmental audit will include a full environmental risk assessment. A comprehensive environmental risk assessment enables the auditor to assess and document a number of environmental performance factors including soil and water controls, air quality controls and flora and fauna controls.

### **Benefits of environmental auditing**

Benefits vary depending on the objective and scope of the audit. The primary benefits of environmental auditing include:

- Organizations understand how to meet their legal requirements
- Meeting specific statutory reporting requirements
- Organizations can demonstrate they are environmentally responsible.
- Organizations can demonstrate they are environmental policy is implemented.
- Understanding environmental interactions of products, services and activities
- Knowing their environmental risks are managed appropriately
- Improving environmental performance and saving money
- Provides the necessary information on how well the management systems are performing to keep place with sustainable level of development.
- Helps management in taking the right decisions
- Encourage the use of low waste technologies and prudent use of resources and to identify potential hazards and risks.

### **Environmental auditing in India**

India is on the developing stage. We require developed science and technology to develop ourselves. With the growth of science and technology, various types of industries come with new technology and materials aimed at to provide comfortable life but at the same time it gives more penetrating/biting pollutants to us.

Environmental auditing is fast emerging as a key practice among industries in India to monitor, assess and mitigate and risk elements of the project at hand and improve their

environmental responsibility and performance. It has been regarded as an effective tool to assess how material, energy, water use, environmental quality and worker health and safety audits can help in saving costs in the production process

The concept of environmental auditing in industrial units in India was formally introduced in March 1992 with the overall objective minimizing consumption of resources and promoting the use of clean technologies in industrial production to minimize generation of wastes.

The Supreme Audit Institution (SAI) in India is headed by the Comptroller and Auditor General (CAG) of India who is a constitutional authority. The CAG of India derives his mandate from articles 148 to 151 of the Indian Constitution. The CAG's (Duties, Powers and Conditions of Service) Act, 1971 prescribes functions, duties and powers of the CAG. While fulfilling his constitutional obligations, the CAG examines various aspects of government expenditure and revenues. The audit conducted by CAG is broadly classified into financial, compliance and performance audit. Environmental audit by SAI India is conducted within the broad framework of compliance and performance audit.

The Supreme Audit Institution of India through its various field offices has been conducting compliance audit of government laws, rules and regulations as well as performance audit of government programmes and schemes. Environmental audits have been conducted by SAI India for the last 25 years. This process was formalized with the introduction of specialized guidelines {MSO (Audit) 2002} for conduct of environmental audits. This laid down broad guidelines to enable SAI India's auditors to examine whether the auditee institutions gave due regard to the efforts of promulgating sustainability development and environmental concerns. With a view to bring in a focused attention and consolidate the approach for better outputs and infusing new techniques and tools, SAI India designated the office of the Principal Director of Audit (Scientific Department) as the nodal office for Environment Audit. This office undertakes exclusively, environmental audits of central government programmes, all over the country. A regional Training Institute in Mumbai has been designated as the nodal training centre to impart training to officers and staff of SAI India on environmental

auditing. As a result of having a specialized office and a training institute, SAI India has a vast pool of audit professionals equipped with techniques of environmental auditing. SAI India has conducted more than 100 specialized environmental audits over the last 25 years. More than 100 environmental audits (compliance and performance) have been carried out by SAI India over the last 20 years. The audits can be divided into five categories – (i) Air issues (ii) Water issues (iii) Waste (iv) Biodiversity (v) Environment Management System.

### **Conclusion:**

The task of environmental audit is indeed, herculean in a country like India, owing to its wide diversity, yet, it is significant. Audit not only help the industry but, the nation to develop a sound scientific data for decision on achievable technologies and standardize the regulatory requirements accordingly. Environmental Audit would gradually pave way for adopting total quality management system. The environmental audit would not add to cost of the product but to value of the product and company.

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