

Exploration of Environmental Auditing for CPAs

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Abstract

With the increasing severity and complexity of environmental problems, all sectors of society expect to control further deterioration of environmental pollution through enhanced auditing. Most of the existing literature studies the theoretical issues related to government environmental auditing, and due to the public nature of environmental resources, government environmental auditing is often used mainly, but with the increasing complexity of environmental problems, simple government environmental auditing is no longer applicable to the development of existing audit business, and CPA environmental auditing, with its own advantages, is playing an increasingly important role in environmental auditing, therefore, CPA The development of environmental auditing for CPAs has become a major trend. In this article, preliminary discussions are made on the theoretical framework of environmental audit system, the construction of environmental audit standard system and supporting measures to deepen the understanding of environmental audit for CPAs and promote the implementation of environmental audit for CPAs as soon as possible.

Keywords

Certified Public Accountants; Environmental Information Disclosure; Environmental Audit System.

1. Introduction

With the rapid development of the economy, the environment is gradually becoming a sacrifice, and the overload of environmental pressure is also signaling to people the seriousness of environmental pollution through frequent extreme weather, and the severe weather changes are undoubtedly the price paid by human behavior of destroying the natural environment. In order to prevent the disastrous consequences of environmental degradation, the country also attaches great importance to the problem of environmental pollution. The 19th Party Congress report proposes that building an ecological civilization is a millennium plan for the sustainable development of the Chinese nation, and that we should unwaveringly implement the ecological development concept that green water and green mountains are golden mountains, and adhere to the conservation of resources and protection of the environment. Exploring the root cause of environmental pollution, the reason is that local governments overly pursue economic indicators such as GDP ranking, and enterprises overly pursue profit maximization, even to the extent that some scholars believe that when enterprises give up improving the environment but aim to maximize profits, they still have the role of preventing environmental cost loss [1]. Therefore, both governments and enterprises are sacrificing the environment to achieve their own "performance" goals, how to correct this concept of "performance" to judge heroes? In order to realize the unity of social, economic and environmental benefits, and to monitor environmental pollution, environmental auditing was born. The World Organization of Audit Societies (INTOSAI) has also called on supreme audit institutions in each country to conduct audits from the perspective of environmental protection and to play the role of environmental audits in environmental protection. On the one hand, environmental audits can be used to monitor the fulfillment of governmental environmental responsibilities, and on the other hand,

environmental audits can be used to remove the veil of environmental pollution information concealed by enterprises and restore the true environmental information of enterprises, so as to reduce the level of environmental pollution. At the institutional level, the state has introduced a series of policies and measures to raise the awareness of environmental responsibility of the government and enterprises. In December 2010, the "Regulations on Economic Responsibility Auditing of Leading Party and Government Officials and Leading Personnel of State-owned Enterprises" clarified the responsibilities of leaders of enterprises and government departments during their tenure and the penalties. It also reformed the appraisal mechanism for local governments and enterprises, eliminating GDP as the traditional appraisal criterion and increasing the importance of environmental audits for leaders and cadres by holding them accountable for environmental protection during their tenure. The report of the 18th Party Congress includes the construction of ecological civilization into the overall layout of "five-in-one", and the Environmental Protection Law (2014) emphasizes the establishment of a lifelong accountability system for damage to the ecological environment and an environmental information disclosure system during the cadres' tenure of office, which not only provides a good information environment for environmental auditing, but also raises the awareness of the government, enterprises, and all citizens of their responsibility for environmental protection. This not only provides a good information environment for environmental audits, but also raises the awareness of environmental protection responsibilities of governments, enterprises and citizens, and promotes the construction of ecological civilization system, and also meets the requirements of the overall layout of "five-in-one" in the new era.

Due to the narrow coverage of government environmental audits and the low audit efficiency caused by limited audit resources, simple government environmental audits are no longer suitable for the increasingly complex environmental audit business, especially with the development of environmental audits, the demand for environmental financial audits and environmental performance audits is increasing, which makes CPAs play an increasingly important role in environmental audits. Therefore, it is urgent to build a CPA environmental auditing system to standardize and standardize environmental auditing business, so as to help achieve the goal of environmental auditing and promote the coordinated development of economy, society and environment.

2. Analysis of the Necessity of Environmental Audit Subject Improvement

2.1. Analysis of the current situation of environmental audit subjects

At present, there is no clear definition of the concept of environmental auditing, and the definition of environmental auditing generally agreed and accepted at home and abroad is that proposed by Deetal.[2], who believes that environmental auditing can be defined as a management tool, including systematic, documented, periodic and objective evaluation of the implementation of environmental organization, management and equipment. With the development of the economy and the expansion of the audit function, the content of environmental auditing is being enriched and no longer simply auditing financial statements. The framework of the definition of environmental auditing in the domestic literature includes three main aspects: environmental compliance audit, environmental financial audit, and environmental performance audit. The public is the ultimate client of environmental auditing. With the intensification of environmental pollution, the public will exert pressure on enterprises to take the initiative to assume the responsibility of environmental protection to the public, and managers are entrusted by the public with the obligation of environmental information disclosure. In order to ensure the authenticity and reliability of environmental information disclosure, an independent third party should be entrusted to evaluate and certify

the credibility of environmental information disclosed by enterprises, mainly the CPA environmental audit to provide authentication services; environmental compliance audit mainly takes government auditing institutions as the main body to check the compliance of enterprises with environmental laws and regulations and whether they comply with ISO14000 environmental management system standards; environmental performance audit is divided into government audit, internal audit and CPA audit. The government environmental performance audit mainly focuses on the use of government funds invested in environmental projects, with government audit as the main body, and evaluates and certifies the effect of fund allocation and use of enterprises on the basis of government compliance audit. Internal environmental performance auditing organizations include government internal auditing organizations and enterprise internal auditing organizations. Government internal environmental performance auditing is the evaluation and authentication of the implementation effect of various environmental protection policies by government internal auditors, while enterprise internal environmental performance auditing is the evaluation and authentication of whether the organization is reasonably set up, staffing situation and work efficiency by enterprise internal auditors. CPA environmental performance audit is to evaluate and certify the effectiveness of environmental management costs and benefits of enterprises based on the disclosure of environmental information by CPAs as the main auditors. In the past, environmental performance audits were mainly conducted by government audits and internal audits, but since environmental performance audits have gone beyond economic efficiency purposes, especially because of the increasing public awareness of environmental protection, the audit subject has changed from a narrowly defined client bound by law to the general public, and CPAs have gradually become the subject of environmental performance audits.

Domestic and foreign scholars believe that environmental audit subjects should be governmental audit organs, internal audit institutions and social audit organizations, but should these three audit subjects have primary and secondary importance, what is the current development status, and are they adapted to the current environmental development? There are three main views on the main body of environmental auditing: the first view is generally agreed by domestic scholars that environmental auditing should be dominated by government environmental auditing, the reason for this is that environmental auditing in China is still in the exploration stage, and there is no strict system regulation, most of the environmental projects are invested by the government, environmental project funds belong to the public financial funds, and the government as the representative of public interest, to the government As the main body of the audit can not be faulted, the use of government authority and supervision functions to monitor and check whether the audited units comply with environmental policies and regulations, but less related to environmental performance audits, so internal audit and social audit less involved; the second view that the government environmental audit, internal environmental audit and CPA environmental audit should be three for, not divided into primary and secondary, which ignores the role played by each subject Obviously, this view is obviously open to question; the third view is that the CPA environmental audit should be the main. The third view is that the environmental audit of CPAs should be the main focus. In the past, most of the studies were on government environmental audits, and the environmental audit of CPAs was in a gap until the implementation of the Chinese CPA Auditing Standard No. 1631 - Consideration of Environmental Matters in the Audit of Financial Statements in 2007, which requires CPAs to audit the environmental information disclosed by audited entities and issue a report on the environmental information disclosed by audited entities. It is no longer just an audit of environmental compliance, marking that CPAs in China have started to formally enter the field of environmental auditing. In view of the current serious environmental pollution and environmental information disclosure, environmental performance accounting has become more and more important, making environmental financial auditing and performance auditing

imperative, and in order to ensure the authenticity and accuracy of environmental performance auditing and environmental financial auditing, both need to be conducted by independent CPA auditors. Although the current environmental compliance audit is led by government audits, with the introduction of environmental laws and regulations and policies, government audits will also entrust some operations to CPAs when cost and performance considerations are involved. Therefore, it is possible that more CPA environmental audits will be required in the future, but at present, CPA environmental audits are still in the exploration stage, and the issue of building an environmental audit system with CPAs as the main auditors has not really been studied.

2.2. Deficiencies of government environmental auditing

Domestic and foreign research mainly focuses on government environmental auditing, but there are deficiencies in some aspects, especially with the development of environmental auditing, government environmental accounting as the main body of environmental auditing in many aspects has shown a lack of adaptability, this paper will The government environmental audit deficiencies are summarized in the following three aspects.

2.2.1. Environmental audit content is single and coverage is narrow.

In China's reality, the development of environmental auditing work is mainly limited to the state auditing organs of the special audit of environmental protection funds, and environmental audit content is not only this, but also need to focus on environmental policy, environmental information disclosure and project funds performance audit, that is, the efficiency, effectiveness and economy of the use of environmental protection funds, with the aggravation of environmental pollution, through environmental performance audit and environmental financial audit With the aggravation of environmental pollution, it has become particularly important to examine the severity of environmental pollution, and is also the goal of environmental auditing, but this is impossible to complete only by the government environmental audit, the limitations of the environmental audit content, will also make the environmental audit can not achieve the purpose of the government or enterprises and institutions environmental management system and the impact of business activities on the environment for evaluation, supervision and authentication.

2.2.2. Lack of audit independence.

In the case of government environmental auditing, the interdepartmental interest relationship will weaken the independence of audit supervision, the audit authority is only the supervision and implementation department under the government, even if there are problems in the audited unit, it will also exert pressure on the audit authority through various ways, which will weaken the audit revealing ability, thus issuing audit opinions that do not match with the actual, and audit independence is reduced. Therefore, compared with the CPA environmental audit, the government environmental audit independence is relatively low.

2.2.3. Low audit efficiency.

The severity of the current environmental problems urgently requires large-scale environmental audits. Due to the complexity of environmental issues, environmental auditing is bound to involve complex and diverse audit operations, and the government audit force, efficiency and other aspects are far from being able to meet the demand. The business requires auditors to have high quality and ability, not only to have the relevant audit business expertise, but also to have the knowledge of the environment, if necessary, the participation of experts with environmental expertise. The lack of sufficient audit staff and weak audit force in government agencies make the audit business asymmetric with the corresponding audit business, resulting in a lack of capacity and manpower to carry out environmental audit

projects, thus making the audit inefficient. Compared to government environmental audits, CPA environmental audits have ample audit resources and can better circumvent this problem.

2.3. Advantages of CPA environmental auditing

With the increase of social demand, both the government and enterprises may rely more on CPA environmental audit business, CPA will play an important role in environmental audit, CPA audit should be involved in environmental audit as an essential part.

2.3.1. CPA audit resources are abundant

The number of certified public accountants is the largest among the three major audit bodies, and the number of people who take the CPA examination is increasing every year, and the professional quality of auditors is also excellent, compared with the auditors of government agencies, certified public accountants are not limited by the number of institutional personnel, so that on the one hand, they can better cope with the overwhelming audit business, on the other hand, they can train personnel in environmental expertise, thus This saves the time and labor costs associated with hiring experts to participate in environmental audits, and also improves the efficiency of environmental audits to better meet audit development needs.

2.3.2. High audit independence

Compared with government environmental audits and internal environmental audits, CPA environmental audits have the strongest independence. High independence can make the audit opinions issued by them more persuasive and the information released more credible. Because companies currently conduct audit activities more often to increase external recognition of their environmental responsibility fulfillment through audit assurance services and to give some advice on their environmental responsibility fulfillment, there is a greater need for CPAs with high audit independence to conduct audits. Governmental environmental auditing and internal environmental auditing have certain limitations in terms of independence, which provides development opportunities for CPA environmental auditing services.

2.3.3. Stronger business adaptability

In order to become a major international firm, CPA firms inevitably have to expand their business, especially with the increase in audit demand, only CPAs with strong business adaptability can quickly adapt to the needs of environmental auditing and provide high-quality audit services, therefore, environmental auditing will become a field of CPA auditing with high development potential and rapid profit growth, and play an increasingly important role in environmental auditing, which is also generally recognized by domestic and foreign scholars, for example, Lightbody and Xie Zhihua agree that CPA auditing has an important position in environmental auditing.

3. The Construction of The CPA Environmental Audit System

3.1. The theoretical framework is not unified.

The construction of the theoretical framework is not uniform about the connotation, subject, standard, method, procedure, object and content of environmental auditing. In this paper, CPA environmental audit is defined as a process in which CPA supervises, evaluates and certifies the fulfillment of environmental protection responsibilities of the entrusted unit under the entrustment of the principal and communicates the audit results to the principal. Compared to financial statement auditing, the understanding of the theoretical framework of CPA environmental auditing can be grasped from the following six aspects.

3.1.1. Audit subject

The audit subject must be a CPA firm that has been approved by the governmental department with environmental audit qualification. For the auditors who perform environmental audit,

they should have knowledge of environmental engineering, environmental management and environmental policy in addition to audit and financial knowledge, and have in-depth understanding of environmental laws and regulations and be familiar with environmental business.

3.1.2. Audit object

The audit client is the management of the audited entity, as they are the main responsible party for the determination of environmental protection and resource matters in the financial statements of the enterprise, and entrust the CPA with the audit of the corporate environmental information responsibility report and the content related to environmental matters in the financial statements.

3.1.3. Audit Objective

The CPA environmental audit is to improve the reliability of the enterprise's disclosure of environmental information, with the ultimate focus on the economic benefits, environmental protection awareness, social benefits and environmental benefits of the enterprise.

3.1.4. Audit Evidence

Audit evidence is the information that auditors use to determine whether environmental disclosure information is true and reliable and consistent with established standards. In contrast to financial statement audits, financial statement audit matters are all monetary measurements, while environmental audits some environmental matters are non-monetary measurements and require technical testing to obtain audit evidence.

3.2. Construction of the standard system

At present, although some auditing standards issued include environmental issues, but there is less content about environmental matters, and there is no specific standard norms related to environmental auditing, therefore, there is an urgent need to build environmental auditing standards. Environmental auditing standards belong to the category of auditing standards and can be divided into government environmental auditing standards, CPA environmental auditing standards and internal environmental auditing standards according to the audit subject. In order to ensure the accuracy and legitimacy of CPA environmental auditing, it has become inevitable to construct the system of CPA environmental auditing standards. The construction of the CPA environmental auditing standard system should be modeled after the auditing standard system, taking into account the characteristics of the audit subject (CPA), the nature of the audit business and the scope of audit activities. The construction of the CPA environmental auditing standards system includes two levels of general standards and specific standards, the general standards refer to the audit subject qualifications and professional conduct, and specific standards refer to reporting standards, the detailed provisions of the specific content of the environmental audit.

Environmental auditing standards are the rulers that auditors use in the audit process to discern whether the environmental information of the auditee is fair and legal. The standards for financial statement audits are accounting standards, while environmental auditing standards may be relevant environmental laws and regulations and environmental evaluation indicators. Therefore, this paper develops the environmental audit standard system through these two aspects.

3.2.1. Development of environmental accounting and environmental reporting standards

From the current situation, environmental auditing lacks relevant laws and regulations, and there are no specific environmental accounting standards and environmental reporting standards as the basis for auditing. It is urgent to develop environmental accounting standards and environmental reporting standards to regulate the content of environmental accounting

elements and provide uniform regulations on environmental accounting treatment. The method of recognition and measurement of environmental resources, environmental assets, environmental liabilities and other related issues such as environmental costs should be clarified in the development of environmental accounting, especially the recognition of environmental liabilities, and how to recognize the environmental protection responsibilities to be borne by enterprises as environmental liabilities and include them in the accounting scope of costs and expenses is something that needs to be clearly specified in the standards. Environmental accounting depends on environmental information disclosure. Environmental accounting standards should establish a complete environmental accounting information system, improve the information disclosure system of enterprise environmental reports, and make uniform regulations on the content, format and disclosure methods of environmental information disclosure to reduce the asymmetry of environmental information. It is also necessary to standardize the environmental reporting guidelines and make unified regulations on the content of environmental pollution, the degree of pollution and the treatment of pollution prevention and control of enterprises.

3.2.2. Construction of environmental evaluation index system

The environmental evaluation index system should be established to reflect the environmental audit content comprehensively. The environmental audit content mainly includes environmental compliance audit, environmental financial audit and environmental performance audit, so the environmental evaluation index system should cover these three aspects when establishing the environmental evaluation index system, and this paper mainly focuses on different audit business objectives and content to build the environmental evaluation index system. Regarding the environmental performance audit, the environmental performance evaluation index system should be established, and the evaluation index system should be built with the environmental performance evaluation as the core, and the possible metrics to describe or evaluate the environmental performance should be gathered together, such as the environmental input index, the environmental pollution degree index, etc., so as to ensure the authenticity and accuracy of the environmental performance evaluation.

4. Research Conclusion and Recommendation

This paper compares financial statement audit, analyzes and researches to build the theoretical framework of CPA environmental audit, and defines the audit subject, audit object, audit objective, audit evidence, audit procedure and audit result elements of CPA environmental audit, so as to deepen the understanding of CPA environmental audit. In order to make the CPA environmental audit cover environmental compliance audit, environmental financial audit and environmental performance audit, the CPA environmental audit standard is constructed as the working standard of environmental audit to regulate the content of environmental audit and the quality of auditors. As the research on environmental performance audit and environmental financial audit is still in the exploration stage, and environmental information disclosure is the basis of these two aspects of audit, therefore, environmental information disclosure is used as a breakthrough to propose supporting measures to build a CPA environmental audit system and establish environmental audit standards, including the development of environmental protection laws and regulations and the construction of environmental evaluation index system in two aspects. Since environmental auditing needs to be based on environmental accounting, and there is no strict and unified standard for environmental accounting to regulate, it is necessary to establish environmental accounting standards, which is also the key to make environmental auditing meaningful. The future research direction should consider how to establish standard applicable environmental accounting standards to standardize and unify the content of accounting elements, and the country should also develop a unified environmental

information disclosure system to meet the needs of various stakeholders, make detailed regulations on environmental reports, and improve the effectiveness of environmental reports, so as to provide audit standards and evidence for CPAs' environmental audits and improve the truthfulness and accuracy.

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