

ARTICLE

SOME OF THE ISSUES INTERNAL ENVIRONMENTAL AUDIT

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ABSTRACT

At present, more than ever, the question of the interaction of man and nature is acute. Large-scale deforestation, soil pollution, the discharge of hazardous chemicals into the hydrosphere and emissions of toxic gases into the atmosphere, as well as radioactive pollution, lead to the development of global environmental ones. Together, all of the above leads to the depletion of natural resources and the extinction of living organisms. Due to the aggravation of environmental safety problems throughout the world, conducting internal environmental audits at enterprises is becoming increasingly important. Environmental internal audit involves the involvement of the company in continuous monitoring of the state of the environment and measurement of its impact. It requires competent functioning and interaction among themselves at the enterprise of an audit and accounting system that would fully take into account all environmental factors and impacts, as well as be able to generate easily transmitted and adaptable information and indicators. In turn, in order to organize these two processes and reduce the environmental impact, an environmental management system is required, including, inter alia, just an internal environmental audit. In this regard, it is important to develop a procedure for conducting an internal audit of operations to ensure the environmental safety of business entities. This article outlines the issues of forming the technology of internal audit in the environmental aspect.

INTRODUCTION

KEY WORDS

environmental safety,
internal environmental
audit, environmental risk,
technology of internal
audit.

One of the most important factors contributing to an increase in the efficiency of an enterprise is an internal audit. Today, the problem of environmental safety is becoming increasingly relevant. For this reason, it is necessary to solve this problem at the level of all spheres of public life, including economic, which includes the activities of individual enterprises [1-12].

The internal audit technology includes the following steps: planning, conducting the next substantive audit by the internal auditor, and the stage of completing the internal audit. At the first stage, the main risk zones are determined, a plan and a program of internal environmental audit are developed. The necessary documents include: a plan and an internal environmental audit program; a description of the procedures used and their results; development analytical tables of the internal auditor; test results, analysis of environmental and economic indicators; explanations and references; conclusions of the auditor.

The next step is the so-called "substantive verification", i.e. the actual audit, in which the study of all documentation on environmental issues is conducted. This is an analysis of accounting policies for environmental information, checking for permits, various licenses for emissions of harmful substances [2]. An audit is also being made of measures to ensure environmental safety: the availability and frequency of their implementation, compliance with the requirements. The management staff is also checked by internal auditors: he has a certain qualification, competence, and his actions. Information can be obtained not only directly from managers, but also from staff subordinate to them, for example, it is advisable to conduct interviews, surveys, questionnaires.

Internal auditors inspect machinery, equipment and working conditions for compliance with established standards and requirements. Next, the effectiveness of operations to ensure the environmental safety of the organization is evaluated. At the very last stage, a general assessment of the results and their discussion is carried out. Internal auditors make their recommendations on improving the functioning of the enterprise in the environmental sphere and submit reports to the head of the internal audit service. Next, top managers conduct corrective measures [13-18].

The technology of internal audit as a whole implies procedures that allow for internal audit on a systematic basis, to solve specific tasks based on the essential characteristics, goals of the internal audit. The procedures of internal audit most often mean analytical procedures (analytical procedures) - procedures that include the assessment of financial information based on the study of the logical relationships between both financial and non-financial data. Analytical procedures also cover the study of identified deviations and relationships that contradict other relevant information or differ significantly from the predicted data [5]. When determining the range of internal environmental audit procedures, one should be guided by the Internationally Accepted Auditing Standards (ISAs) officially operating in Russia since 2017 [2, 19-23]. According to ISA 500 "Audit Evidence", the procedures are divided by nature and type [Fig. 1].

Further audit procedures are also subdivided into testing of controls (i.e. the risk of internal controls) and substantive procedures, the components of which are detailed tests and substantive analytical procedures.

The analytical procedures for internal audit to ensure environmental safety can be:

- comparison of account balances for different periods;
- comparison of environmental reporting indicators with planned indicators;

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- an assessment of the relationships between various reporting items and their comparison with data from previous periods;
- a comparison of environmental and economic indicators with the average for the enterprise and industry;
- checking the balance of raw materials, materials and finished products.

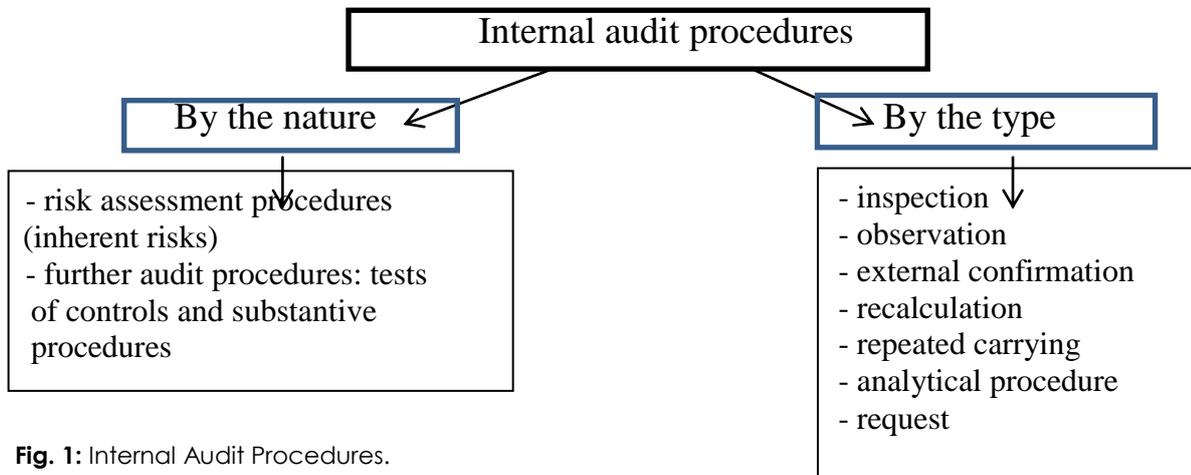


Fig. 1: Internal Audit Procedures.

Some procedures, for example, inventory, inspection, recounting, retesting, help to determine the quantitative (inspection, recounting) and qualitative (documentary verification, verification of accounting compliance rules, tracing) characteristics of the state of the inspection object. Other environmental audit procedures, which include an inventory (for example, harmful emissions or toxic waste) helps to confirm not only the presence, but also the determination of storage conditions, accounting procedures and documentation of inventory objects.

In accordance with Federal Law of December 6, 2011 N 402-FL (as amended on November 28, 2018) "On Accounting", business entities must create an internal control system (ICS), including in the field of the environmental component, we will call it the internal environmental system control (SVEK). Internal auditors should evaluate its organization and performance.

The internal environmental control system is part of the overall internal control system. The basis of SVEC is the procedures for verifying the company's environmental management issues. Environmental management should affect the organizational structure, development of environmental policy and its planning, verification methods.

In addition, attention should be paid to creating the resources necessary to form and maintain effective control over the environmental activities of the company.

METHODS

The main methods used in the study were: comparison, generalization, synthesis and analysis of information.

RESULTS

Conducting audit procedures to assess the risks of material misstatement allows the auditor to pay significant attention to areas in which abnormal and excess changes have been noted, to reasonably reduce the time it takes to check ordinary less significant operations. Thus, the internal auditor gets the opportunity to focus on problem areas, adjusting the nature, scope and timing of the audit procedures.

Next, we consider some aspects of internal audit using the example of Beta LLC, an industrial production company. We test the effectiveness of the functioning of the system of internal environmental control by checking compliance with the main criteria, which may be the requirements of regulatory documentation, and the developed methodology. In this case, the company will act the more efficiently, the higher the ratio of the results obtained, with the costs to achieve them. The company should conduct activities on organizational and administrative and regulatory documents, taking into account the scale and the volume of work that was assigned to a specific department, as well as the goals and objectives of environmental policy. The next parameter is the conduct of the company's activities with the preparation of appropriate documentation, which really objectively reflects the environmental operations and control procedures. Consider [Table 1].

Table 1: Fragment of the Performance Test of the Environmental Safety Department of Beta LLC by the criterion of "organizational compliance"

«Organizational compliance» criterion	Criterion		Note
	Yes	No	
The department of environmental safety conducts its activities on the basis of the developed and approved «Regulations on the department of environmental safety» (hereinafter "Regulations")?	x		
The "Regulations" stipulates the terms of reference and authority of employees of the environmental safety department?	x		
The job descriptions of employees are developed and implemented in detail?	x		
Qualification of employees corresponds to the tasks performed?	X		
The company has all the necessary resources for the department to perform its functions?	x		

According to this fragment, we can conclude that the environmental safety department of Beta LLC meets the criterion of "organizational compliance". Next, we present a fragment of the Performance Test of the environmental safety department of Beta LLC according to the criterion of "documentary compliance" [Table 2].

Table 2: The documentary compliance list

«Document compliance» criterion	Criterion		Note
	Yes	No	
The main duties, responsibilities and department staff procedures of the environmental safety department are documented	x		
Preparation and improvement of personnel qualifications in the field of greening activities is documented	x		
Adequate and sufficient working documentation is generated to assess the environmental management system of the enterprise	x		
The working document allowing to carry out control of efficiency of system of management of environment of the enterprise is developed	x		
The Department prepares a report on the results of the audit	x		

Checking the correctness of the formation and document management showed that the requirements are met. The next criterion is methodological compliance [Table 3].

Table 3: Beta LLC by the criterion of “methodological compliance”

«Evaluation» criterion	Criterion		Note
	Yes	No	
The organization has developed a method of internal environmental audit including procedures for monitoring the preparedness of the enterprise to emergency situations and response to them	x		
Internal audit methodology allows to take into account the results of past audits	x		
In the system of internal environmental control is carried out modeling of environmental activities of the enterprise	x		

Based on the results of the testing, it can be summarized that the environmental safety department of Beta LLC is working efficiently, since the established criteria are met. Let us give an example of a fragment of the internal environmental audit program of Beta LLC:

- Object of internal audit: environmental indicators
- Period: 03/01/2019 - 03/15/2019
- Head of the task Stepankov M. Yu.
- Performers: V. Kolesnikov
- Planned audit risk: 5%
- Planned materiality:

- a) qualitative aspect - compliance with regulatory legal acts;
- b) quantitative aspect - 2% of the balance sheet currency

Internal environmental audit procedures is given in Table-4

Table 5: Internal environmental audit procedures

No	Internal environmental audit procedures	The date	Full name	Working documentation	Note
1	Documentation analysis: availability of certificates, reports, licenses, relevance verification	01.03.2019-02.03.2019	Kolesnikov V.A..	Certificates, reports, licenses, estimates, checks, fines	
2	Determination of efficiency of use of natural resources and energy	03.04. 2019 - 05.04.2019	Kolesnikov V.A.	Certificates, reports, licenses, accounting regulations, estimates, checks, fines	
3	Assessment of the calculation of the amount of environmental liabilities per unit production	06.04.2019 - 08.04.2019	Kolesnikov V.A.	Certificates, reports, licenses, accounting regulations, estimates, checks, fines	
4	Determination of the correctness of the reflection of the formation of investments in fixed assets of an ecological nature per unit of production	09.04.2019 - 11.04.2019	Kolesnikov V.A.	Certificates, reports, licenses, accounting regulations, estimates, checks, fines	
5	Verification of the correctness of reporting obligations for the elimination of environmental accidents for the year	12.04.2019-15.04.2019	Kolesnikov V.A.	Certificates, reports, licenses, accounting regulations, estimates, checks, fines	

Date: 02/28/2019
 Date of possible change: 02/30/2019
 Signature of the performer:
 Signature of the task manager:

An example of an analytical procedure in this case can be a comparison of emissions of air polluting substances with standard indicators [Table 5].

Table 5: Air emissions of pollutants Beta LLC

Pollutant	Mass emission, t / year	Standard t / year	Deviation
Carbon monoxide	42,16	40	-2,16
Nitrogen dioxide	23,41	21,2	-2,21
Nitrogen oxide	5,85	7,2	1,35
Sulfur dioxide	0,167	0,2	0,033
Benzapiren	2,1 · 10 ⁻⁷	4,1 · 10 ⁻⁷	2,0 · 10 ⁻⁷

As can be seen from the table, the enterprise exceeds the allowable level of carbon monoxide and nitrogen dioxide emissions, in this regard, it is recommended to upgrade the air filtration system and water treatment facilities.

Integrating the results, we can distinguish the range of points scored, which will allow us to reasonably apply regulatory measures. who will be given a rating from 1 to 5. Rating after this procedure, depending on the results, apply regulatory measures.

CONCLUSION

Summing up the above, we can summarize that internal environmental audit is a necessary effective function of managing enterprises' environmental safety operations

CONFLICT OF INTEREST

There is no conflict of interest.

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None.

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