

ACCOUNTING PURPOSE IN AUDITING ENVIRONMENTAL ASPECTS IN SME

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Abstract:

Lack of regulation and general frameworks for reporting environmental information, determines auditors to avoid areas where their expertise can be useful. Because an environmental audit requires different types of skills, the most rational way of organizing this type of audit seems teamwork, involving auditors, accountants, engineers and other experts on environmental issues.

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1. INTRODUCTION

Just like environmental information presented in financial statements and information presented in within the environmental reports and sustainability reports are subject to the audit process.

Financial statements should provide information about the financial position, financial performance and cash flows within an entity that is useful in making and evaluating decisions about the allocation of resources.

The governance of financial audit and planning, monitoring, recording and reporting of audit activities are regulated as such:

- Internationally through the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC)
- At the European level, through the Eighth Directive of the European Economic Community
- At national level Chamber of Financial Auditors of Romania (CAFR) assimilated the International Standards on Financial Auditing respectively the Eighth Directive of the European Economic Community, as a basis for conducting financial audit in Romania.

Increasing the number of voluntary environmental reporting within entities in developed countries as well as the reporting requirements of environmental issues in many European countries (Denmark, the Netherlands, Norway, Sweden, etc..) and beyond (U.S., Canada, Australia etc..) has raised questions concerning the certification of the information contained in these reports.

2. ENVIRONMENTAL AUDIT IN ROMANIA

Environmental audit concept is used both in theory and in practice, to designate a wide variety of assessment and review, on the impact of the entity on the environment.

International Chamber of Commerce defines the environmental audit as a management tool which includes a systematic, documented, periodic and objective, of

the way in which the management of environmental aspects is presented in order to contribute to environmental protection.

Table 1

Environmental audit concepts and definitions

Corrective action	<i>Action performed to eliminate the detected non-conformity or other undesirable situation.</i>
Preventive action	<i>Action undertaken to eliminate the cause of potential nonconformities or other undesirable potential situation.</i>
Audited	<i>Audited organization.</i>
Auditor	<i>Person with responsibility for performing audit action.</i>
Action audit findings	<i>Result of audit activities offered by audit team after consideration of the audit objectives and all action taken by the action of audit findings.</i>
Compliance	<i>Fulfillment of requirements.</i>
Audit criteria	<i>Set of policies, procedures and requirements.</i>
Deficiency	<i>Failure to comply with a requirement or specified associated with its use.</i>
Audit team	<i>One or more auditors conducting audit with the support of , if necessary, of technical experts.</i>
The evidence of the audit action	<i>Records, statements or other information that is relevant to of the audit criteria and the action to be verifiable.</i>
Objective evidence	<i>Data supporting the existence or truth of something, obtained through observation, measurement, test, etc..</i>
Technical expert	<i>Person who contributes to the audit team with experience and its specific knowledge.</i>
Audit actions findings	<i>Evaluation results of audit evidence collected action compared to of the audit criteria.</i>
Nonconformity	<i>Failure to comply with a requirement.</i>
Audit plan	<i>Description of activities and details of an action set of audit.</i>
Procedure	<i>Specific form of performing an activity or a process.</i>
Process	<i>Set of interrelated or interacting activities which transform input elements in the result.</i>
Schedule of audit action	<i>Set of one or more audit work planned for a period of time and directed towards a clear goal.</i>
Product	<i>Result of a set of interrelated or interacting activities which transforms inputs into outputs.</i>
Register	<i>A document that presents the results or provides evidence of activities conducted</i>
Management system	<i>Set of interrelated or interacting elements for establishing the policy and objectives and to achieve the respective objectives.</i>
Verification	<i>Confirmation through objective evidence to meet the requirements.</i>

According to ISO 14001 the audit can be defined as "systematic, independent and documented process for obtaining audit evidence and their objective evaluation with the soul purpose of determining the compliance of audit criteria". Environmental audit is thus seen as an instrument to support environmental protection system and environmental management system. The general approach of the environmental and the financial audit is similar.

3. THE ROLE OF ACCOUNTING IN ENVIRONMENTAL AUDIT

In the case of auditing financial statements, the auditor delivers an assurance regarding the financial statements and the way they reflect a clear and complete image,

through implementing International accounting standard or national accounting standard for evaluating the preparation and presentation of the objective.

Because of the accounting standards, financial data must be supplied regarding to this criteria. General environmental accounting standards does not exist in Romania with to present some criteria after with environmental information must be prepared and presented.

Environmental auditor which presents the environmental audit report must establish appropriate criteria to assess the presentation and preparation of information. Criteria must be appropriate to allow a consistent evaluation of the object, based on professional judgment.

In comparison with the financial reporting, targeted in particular investors, environmental reporting must reflect the aspirations and needs of a fairly large group of users: financial users, environmental agencies local communities and others.

The communication process is essential in reporting and auditing environmental financial statements because the objectives and regulations of environmental reporting are established by SMEs through consulting with interested parties.

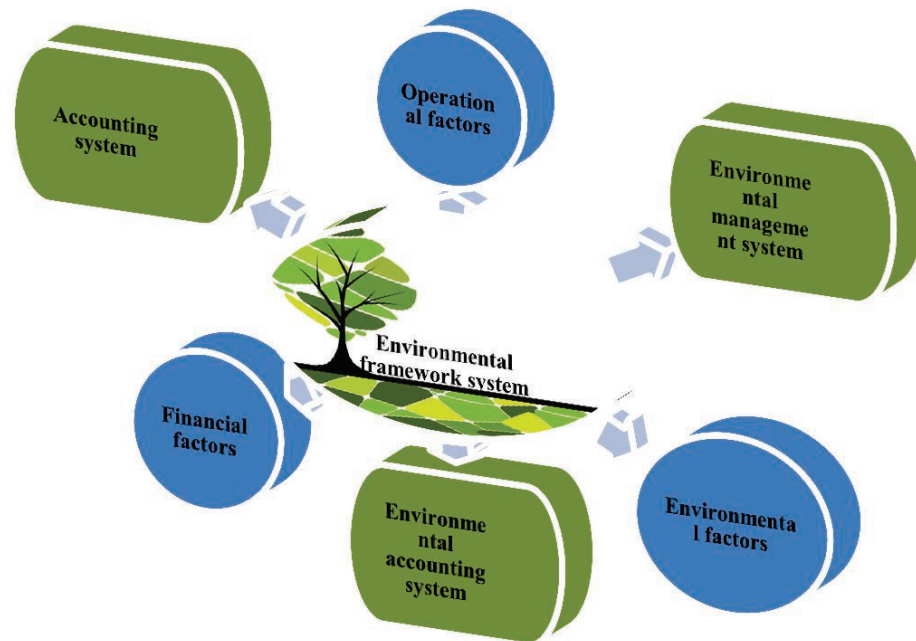


Figure 1 Environmental system

Source: Jaakko Pehkonen, Pohjola Group

Due to the lack of general criteria established as well as the complexity of environmental information users an environmental audit report, or auditing a sustainable relationship is a much more difficult compared to audit of financial statements, which makes the accounting profession not to get involved in environmental auditing.

In the case of auditing an environmental report, it is impossible or at least financially inefficient to provide a high degree of assurance about the quality of the environmental report, taken as a whole.

4. CONCLUSIONS

Environmental aspects have become significant for a growing number SMEs and may have in certain circumstances a significant impact on the financial statements.

Although environmental audit is not profitable in financial terms, non-financial the benefits for which it provides (increasing the entity's public image, competitive advantage, ensuring credibility with customers and investors, safety provided for the management regarding environmental issues) make it a process or a profitable activity, especially for entities operating in industries or sectors considered to be high polluters or the entities in which their activities or products provided are subject to environmental laws and regulations importance.

Traditional accounting promotes economic vision reduction, resulting in short-term business results, without addressing long-term problems such as environmental risks.

Because an environmental audit requires different types of skills, the most rational way of organizing this type of audit appears to be teamwork, involving auditors, accountants, engineers and other experts on environmental issues.

In Romania only a small part of accountants and auditors are effectively involved in environmental auditing, as a reluctance of accountants due to uncertainty resulting from the lack of a generally framework

Lack of regulation and general frameworks for reporting environmental information, determines auditors to avoid areas where their expertise can be useful.

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