

Executive Summary

‘Environmental Audit’ is an emerging auditing tool and is of substantial interest in view of the increasing recognition that global warming and climate change have already begun to take place, and cannot anymore be perceived as likely future events. It is generally accepted that the survival of the human kind (and of all living organisms for that matter) depends on the protection and sustenance of the environment and that no amount of cost incurred to achieve that purpose would be too high. The very mention of the terms ‘environment’ and ‘climate change’ will evoke instantaneous reaction in the mind of everyone concerned with the future of mankind. The terms will also raise apprehensions about the well-being of successive generations, - the present and the future.

The present research aims to bridge the gap between idea and practice of environmental auditing practice in India. The main objective of this research endeavor is to carry out a systematic study of role of environmental auditing practice in business enterprises in general and Indian corporate in particular. A systematic study is to be carried out to explore the relationship of the financial performance and its relationship with the disclosure of selected environmental parameters by the select Indian companies.

Chapter Two clarifies literature review carried out with reference to historic evolution and progression of Environmental Auditing theory and practices from the point of view of Environmental accounting and compliance aspects related to Environmental laws, rules and regulations. The literature review encompasses three different streams: emergence, evolution and establishment of environmental auditing. Need and relevance of environmental auditing is discussed in emergence section; Dominant Social Paradigm (DSP) and New Ecological Paradigm (NEP) are summarized in evolution section. And environmental accounting, environmental reporting and environmental auditing are explored in establishment section. Hence, this literature review presents an amalgamated view of environmental auditing.

In Third chapter, content analysis is carried out to study environmental accounting and auditing disclosure practices followed by Indian corporates. This is done with

intention to identify issues of concern to business related to environmental accountability and its disclosure. The objective of this research endeavor is to investigate the variables related to environmental disclosure and importance given to them by select Nifty 200 corporates after analysing corporate reports with the help of qualitative measures. This chapter is divided in three parts, Part One narrates the need and importance of identified environmental parameters /components as far as disclosure practices are concerned. Part Two examines the related variables identified and reported by select corporates. This is done by analysing items chosen for disclosures so as to understand the relative importance given by corporates to the different select identified components. Part Three, lists out important contents of given preference in reporting as well as important components ignored or less weightage is given in reporting and disclosure practices by Indian companies.

The Chapter Four intends to examine the objectivity of environmental auditing and disclosure norms and practices followed by select Indian corporates. It appears that Indian corporates are not following environmental auditing practices considering moral social responsibility but, it is accepted as unwanted obligation. Even after following the environmental auditing practices, different organisations are following different criteria and disclosure practices. Therefore, to assess the objectivity of the environmental auditing practice followed by Indian organisations this chapter undertakes the case study analysis.

Chapter Five intends to gain insight from the executives, professionals and academicians on the disclosure practices of environmental accounting and auditing with the help of survey study. The survey analyzed the behavior of all possible important variables on Environmental issues, Environmental Accounting, Environmental Laws vis-a-vis compliance thereof and Environmental Auditing. All dimensions of the questionnaire related with measuring opinion were tested and the Chronbach's alpha ranged from 0.810 to 0.925, which really shows the internal reliability of the scale. The statistical analysis of the variables in the survey study has been performed using Cronbach's Alpha, Descriptive Statistics, Frequencies and Percentages, Factorial Analysis, Pearson's Chi-square and single factor ANOVA analysis.

Chapter Six summarises the findings of this research study and suggests certain policy recommendations. At the end of the chapter, further areas of research on the environmental accounting and auditing have also been highlighted. With reference to Environmental Auditing practices in India, it is revealed that there is still tremendous scope to exercise this practice. Yet the criteria or parameters have not been uniformly identified by the corporates. Even the researchers have little explored this practice from Accounting, Compliance and Auditing perspective.

In the light of the present study it becomes necessary to make environmental auditing more meaningful and effective for entities in general and companies in particular. Even our ancient Indian scriptures can be studied thoroughly to understand the basics of environment and preservation cum nurturing of our planet Earth. In addition to the role of regulatory and monitoring authorities viz. Central Pollution Control Board (CPCB) and State Pollution Control Boards (SPCBs), some agency format can be established wherein the Government departments, environmental groups, eminent environmental experts, nodal financing agencies, premier professional bodies (viz. ICAI, ICMA and ICSI), some NGOs which have proven track record in the field of environment, etc. can play major role as watchdogs.

A separate nodal agency comprising of industry related experts (experts from fertilizers, tannery, sugar, chemical, petroleum, steel, pharmaceutical, etc.); social scientists, researchers, non-political eminent leaders should be formed zone wise across the country with the objective of (i) drafting the policy statement of the industries; (ii) framing guidelines to devise holistic reporting framework based on environmental parameters; (iii) and devising training programs for accountants and auditors, industry management and employees keeping in mind the region specific geographical and climatic change conditions as well as environment status report.

We live in a world of challenge and change. Shifting landscapes in the environmental, social and governance arenas constantly test our abilities to create innovative approaches to address global issues, such as climate change and human rights as well as local issues, such as protection and nurture of environment. Within this flux and flow, the trinity of environmental accounting, environmental auditing and environmental reporting should be practised with fair conduct.