

Measuring Company Respondents Perception On Environmental Auditing Practices Vis-À-Vis Marble Minces Of Rajasthan

Prof. M. C. Gupta^{#1}, Shiv Prakash Gupta^{*2}

¹Professor, Department of Accountancy & Business Statistics (A.B.S.T), University of Rajasthan, Jaipur (Rajasthan))

²Research Scholar, University of Rajasthan, e-mail:shivgupta475@gmail.com

Abstract

Environment is always a matter of concern for the marble industry since it uses the power from outside for the purpose of their operation and while cutting and polishing it also uses water up to a great extent. Rajasthan is very rich in terms of mineral as it produces more than 50 types of mineral and rocks. While extraction of the same the environmental concerns must not be overlooked. The Environmental audit is the method of checking that whether selected marble companies are doing their work by sustainable way or not. For this purpose, current research uses 5 marble companies including of RK Marbles, Evershine Marble, Mumal Marbles, Chandna Marble and Bapu Marbles for the period of 2011-12 to 2015-16 to measure the Environment auditing practices.

Keyword: *Environmental auditing, Environment disclosure, Sustainability, voluntary environmental disclosure.*

INTRODUCTION

Environmental audit evaluates environmental performance and provides an in-depth study of the company processes and any progress in realizing long-term strategic goals. It is a vast area under the authority of companies, corporate stakeholders, environmental protection organizations and departments of law and justice at all levels of government in all the countries- underdeveloped, developing and developed. Though third world governments do not exert much of the regulations as far as environmental regulations and reporting are concerned, the urge to introduce environmental accounting and audit standards is being felt in most of these countries.

Environmental audit is fundamentally a management tool comprising a methodical, documented, periodic and objective evaluation of environmental organization, management and equipment in order to know how well they are performing to safeguard the environment with the help of facilitating management control of environmental practices and assuring compliance with company policies, which would include meeting regulatory requirements. Environmental auditing is a discipline which has its origin in the United States and its importance is slowly increasing the world over. Both private sector companies and public sector companies have become aware of the environmental management, health and safety risks. In the absence of accepted practices of environmental auditing, different companies have been working on environmental audit in different directions and perspectives. In simple words, environmental audit is the examination of the correctness of environment accounts.

REVIEW OF LITERATURE

Arnold (2018)ⁱ revealed that “In an era where the pace of change continues to escalate, behavioural research provides an ongoing avenue for explaining the likely effects of emergent changes on decision-making by providers, users and assurers of accounting

information, and for providing ex ante enlightenment for policy - makers. The purpose of this discussion is to identify contemporary changes affecting the accounting environment, discuss the potential impact to individual and organisational decision- making, and explore how behavioural research can be utilised to examine these changes. Specifically, this discussion focuses on the impact that technological changes have had on financial reporting, external auditing and managerial accounting, with an eye towards the potential for these changes to radically alter the future of accounting and auditing research”.

Kallunki, Sahlström and Zerni (2007)ⁱⁱ“investigated whether firms paying relatively high audit fees are more likely to switch auditors. Moreover, we investigate whether the legal liability environment affects the propensity to switch auditors owing to audit fee under- and/or over- pricing. Our empirical results from analysing the Compustat Global Vantage data from ten countries show that the over- pricing of auditing services increases the likelihood of auditor switches. We also find that a greater degree of under- pricing of auditing services in the initial audit engagement year is required to cause an auditor switch in countries with a stringent legal environment as opposed to countries with a lax legal environment. All the results remain unchanged after controlling for numerous firm and country differences”. **Collison and Gray (1997)**ⁱⁱⁱrevealed that “The relevance of environmental issues for financial reporting and financial auditing is a matter of concern for many individual accountants and auditors, and for professional bodies and regulatory agencies in the UK and elsewhere. They survey audit practitioners in the UK which was part of a project funded by the Institute of Chartered Accountants in England and Wales. It revealed that clear majority of respondents thought that the environmental awareness of auditors needed to be raised but opinions were more evenly divided on the need for regulation. Projects seeking to define, measure, and evaluate audit quality are on the agendas of auditing standards setters as well as audit firms. The Public Company Accounting Oversight Board (PCAOB) currently provides information regarding audit quality through the release of inspection reports, and the Board intends to establish and report audit quality indicators.

Mactavish, McCracken and Schmidt (2018)^{iv}revealed that “manuscript reviews the external auditor judgment and decision making (JDM) literature from the past decade by specific tasks in the auditing process. Decomposing the literature review by audit task was chosen to enable audit and behavioral researchers and graduate students to identify the trends of JDM research subsequent to Nelson and Tan's (2005) literature review. In addition to identifying gaps/omissions in the current literature, suggestions for future research are also advanced based on forthcoming transformations in the auditing institutional environment”.

AICPA, (2017)^v revealed that “Auditees need to determine agency exceptions for their awards early on to ensure that the proper criteria are being used for purposes of complying with statutes, regulations, and the terms and conditions of the federal award. The Uniform Guidance requires both federal awarding agencies and pass- through entities to accept the non- federal entity's negotiated indirect rate”. **Chong and Pflugrath (2008)**^{vi}“investigated the impact of three different audit report formats on shareholders' and auditors' perceptions. The formats are derived from the Guidance Note Report to Australian Standard AUS702 which aims to improve communications between auditors and shareholders. Formats include an expanded report, a ‘plain language’ expanded report with the audit opinion at the end, and a ‘plain language’ expanded report with the audit opinion at the start. A questionnaire research instrument was mailed to shareholders and auditors. In general, the audit report formats did not reduce the expectations gap between shareholders and auditors. A greater number of significant differences between shareholders' and auditors' perceptions were evident for the expanded format (vis- à- vis the AUS 702 short format), while fewer significant differences

existed for the 'plain language' expanded report with the audit opinion at the start. **Stewart and Munro (2007)^{vii}** revealed that "The audit committee is expected to provide assistance in resolving conflicts with management and to lead to some improvement in overall audit quality. In neither case is this affected by meeting frequency or the auditor's attendance at meetings. Participants expect the existence of an audit committee to lead to an increase in audit fees, particularly when meetings are more frequent and the auditor is required to attend meetings. Reasons given for any fee increase relate to the additional preparation for and attendance at meetings".

Chen, Su, and Wang (2005)^{viii} revealed that "EA is one of the most notable changes that economic reform in China has brought about is the revival of its accounting profession. The rapid development of independent auditing over the past two decades has been phenomenal, and from 1995 to 2000, about 15% of listed Chinese companies received modified audit opinions (MAOs) on their annual reports every year. For EA Government may have an irreplaceable role to play in an emerging market where market forces are relatively weak, local environments and unique factors must be identified and analyzed to fully understand the implications of independent auditing. This study presents such an analysis in the case of China". **Oestricher and Beasley (2019)^{ix}** "examined the importance of obtaining an understanding of the entity and its environment as a part of audit planning, including the broader business environment and a number of economic and industry factors, to assess how they might affect the risk of material misstatement". **Lee, Mande and Son (2009)^x** revealed that "examines whether audit report lags (ARLs) are influenced by auditor tenure and the provision of non-audit services by the external auditor. a significant negative association between non-audit service fees and ARLs, suggests that the provision of non-audit services increases auditor learning, thus reducing audit delays". **Ianniello (2012)^{xi}** revealed that "analyzes the first-time application of mandatory disclosure in annual reports of audit and non-audit fees in the Italian context. This information can give the readers of financial statements an indication of auditor independence (in appearance). An empirical analysis is conducted on year 2007 annual reports of 239 Italian listed companies. The main research objectives are as follows: (1) to provide a comprehensive description of the relative level of non-audit fees; and (2) to investigate the relation between non-audit services (NAS) and the opinion expressed in the audit report". **Mala and Chand (2015)^{xii}** revealed that "The discipline of accounting and auditing has increasingly recognized judgment and decision making (JDM) as highly important attributes in the profession because individuals such as managers, auditors, financial analysts, accountants, and standard setters make pivotal judgments and decisions. The review also draws inferences on how JDM research in auditing, which is well established, could usefully guide future JDM research in financial accounting".

Research methodology

Research design- Exploratory and descriptive research design have been undertaken.

Sample size- 5 companies working in the geographical region of Rajasthan were taken as sample.

Data collection- for the purpose of the study primary as well as secondary data will be taken into the consideration. The primary data were collected through questionnaire and secondary data were collected through annual report, journals, and magazines.

Data analysis- Data collected through questionnaire will be tabulated using excel and SPSS software, interpretation of data will be best on tabulation and analysis. Statistical method

used for data analysis such as mean percentage standard deviation, and multiple regression etc.

Scope of the Study: For the purpose of study marble companies including RK Marble Pvt. Ltd,

Evershine Marble Pvt. Ltd, Mumal Marble Pvt. Ltd, Chandna Marble Pvt. Ltd, and Bapu Marble Pvt. Ltd were selected.

Period of study: The period covered for analysis is mainly from 2011-12 to 2015-16.

Data analysis

The level of satisfaction from the environmental auditing practices by marble companies were very low, thus, It is to be identified that what are the drivers of their satisfaction. To measure that the view of respondent differ for the purpose of satisfaction with the current environment audit practices of the company, their satisfaction were analysed for this purpose With the following hypothesis:

H₀₅: Variables configuring satisfaction from environmental audit practices of marble companies significantly influenced by variables of environmental audit.

To measure the above hypothesis and identify the variables that are influencing satisfaction of respondents from environmental auditing practices, multiple regression analysis tool was used with SPSS software. The result of the multiple regression test is shown as under:

Table 6.2
Multiple regression analysis for satisfaction of respondents

Descriptive Statistics				
variable	SPSS code	Mean	Std. Deviation	N
Satisfaction with Environment audit	SAT_EA	2.3213	1.26868	750
External Environmental Audit is performed	Eaud_1	2.3440	1.03558	750
Internal Environmental help to get Environment audit.	Eaud_2	2.7947	1.13940	750
Environmental policy of your company is prepared and audit takes place for the same	Eaud_3	3.3133	.95378	750
Health and safety Environmental policy of your company is prepared and rechecked	Eaud_4	2.3747	.97616	750
Solid waste Environmental policy of your company is prepared and audited	Eaud_5	2.4067	1.04311	750
Environment cost is gathered and internally audited	Eaud_6	2.8960	1.00059	750
Environment cost is gathered and externally audited	Eaud_7	1.6467	.98410	750
Environmental assets is being recognised	Eaud_8	2.0867	.92681	750
Environmental liabilities are recognised	Eaud_9	2.5680	1.04251	750
CSR is the part of Environmental audit	Eaud_10	2.7027	1.11351	750
Preparation of Environmental Audit plan	Eaud_11	2.2947	1.16575	750
Assessment of environmental input and risks is done	Eaud_12	2.2200	1.02225	750
Internal and external audit of pollution control is performed	Eaud_13	2.3160	.99136	750

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.186 ^a	.035	.033	1.24736	.035	26.824	1	748	.000
2	.204 ^b	.042	.039	1.24368	.007	5.440	1	747	.020
3	.220 ^c	.048	.045	1.24006	.007	5.358	1	746	.021
a. Predictors: (Constant), Eaud_1									
b. Predictors: (Constant), Eaud_1, Eaud_10									
c. Predictors: (Constant), Eaud_1, Eaud_10, Eaud_2									

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	58.389	3	19.463	12.657	.000 ^c
	Residual	1147.170	746	1.538		
	Total	1205.559	749			

Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance VIF
3	(Constant)	1.814	.182		9.974	.000				
	Eaud_1	.220	.044	.179	4.981	.000	.186	.179	.178	.985 1.015
	Eaud_10	-.099	.041	-.087	-2.422	.016	-.077	-.088	-.086	.997 1.003
	Eaud_2	.093	.040	.083	2.315	.021	.101	.084	.083	.985 1.016

Excluded Variables ^a								
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
3	Eaud_3	.002 ^c	.056	.955	.002	.972	1.029	.961
	Eaud_4	-.015 ^c	-.418	.676	-.015	.996	1.004	.984
	Eaud_5	-.031 ^c	-.835	.404	-.031	.923	1.084	.923
	Eaud_6	-.065 ^c	-1.783	.075	-.065	.958	1.044	.957
	Eaud_7	-.060 ^c	-1.672	.095	-.061	.982	1.019	.973
	Eaud_8	-.070 ^c	-1.944	.052	-.071	.993	1.007	.982
	Eaud_9	-.050 ^c	-1.374	.170	-.050	.976	1.024	.976

	Eaud_11	.070 ^c	1.947	.052	.071	.983	1.018	.972
	Eaud_12	.066 ^c	1.832	.067	.067	.992	1.009	.981
	Eaud_13	-.015 ^c	-.410	.682	-.015	.980	1.021	.977

Collinearity Diagnostics ^a							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Eaud_1	Eaud_10	Eaud_2
3	1	3.673	1.000	.00	.01	.01	.01
	2	.149	4.961	.00	.50	.51	.01
	3	.132	5.275	.00	.29	.13	.69
	4	.046	8.961	.99	.21	.35	.29

Conclusion

The final Regression model with 3 independent variables (Eaud_1, Eaud_10 and Eaud_2) explains almost 4.5% of the variance of Satisfaction from environmental auditing practices conducted by marble companies. Also, the standard errors of the estimate has been reduced to 1.24, which means that at 95% level, the margin of errors for any predicted value of have reduced the error including the third variable. The 03 regression coefficients, plus the constraints are significant at 0.05 levels. The impact of multi colinerarity in the 03 variables is substantial.

The ANOVA analysis provides the statistical test for overall model fit in terms of F Ratio. The total sum of squares (1205.559) is the squared error that would accrue if the mean of Satisfaction from environmental audit practices has been used to predict the dependent variable. Using the values of Eaud_1, Eaud_10 and Eaud_2 this errors can be reduced by 4.84% (58.389/1205.559). This reduction is deemed statistically significant with the F ratio of 12.657 and significance at level of 0.000. With the above analysis it can be concluded that only 03 variables i.e., External Environmental Audit is performed (Eaud_1) CSR is the part of Environmental audit (Eaud_10) and Internal Environmental help to get Environment audit. (Eaud_2) explains the Satisfaction of respondents from environmental auditing practices of marble companies

At the end, by analysing the above selected marble companies it can be concluded that the environmental accounting and auditing concept seems only in the paper. The companies are not following environmental accounting auditing practices and their management is not interested in Environmental reporting auditing practices.

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