

# FACTORS IMPACTING THE IMPLEMENTATION OF ENVIRONMENTAL AUDITING IN VIETNAM

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**Abstract:** This research paper explores the key factors influencing the implementation of environmental audits in a developing economy as Vietnam. By applying stakeholder theory and using semi-structured interviews with 55 participants, the study confirms that both external and internal factors play a significant role in influencing the implementation of environmental audits in Vietnam. Research indicates that the main factors driving environmental audits include: (1) Legal and regulatory pressure, (2) Requirements of international markets and customers, (3) Goals of energy conservation, emission reduction, and operational efficiency, and (4) Reputation, social responsibility, and long-term sustainable development goals. The study emphasizes the need for more detailed guidelines, voluntary incentive mechanisms, and a standardized training system to enhance environmental auditing in Vietnam.

• Keywords: environmental auditing, environment.

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## 1. Introduction

Human intervention toward the environment has caused a series of tremendous impacts, including the following: air pollution, water contamination, loss of biodiversity, and climate change. Amongst these pressing environmental issues, environmental auditing has become a fundamental tool in assessing and monitoring humanity's impacts toward the environment. Environmental auditing promotes transparency, sustainability, and responsible resource use, supporting economic growth and community wellbeing. Therefore, implementing environmental audits to encounter the effect of environmental challenges, it is important to ensure natural resources preservation and the quality of life (Ferreira et al., 2024).

As a developing country, Vietnam's economic growth heavily depends on industrial production and the exploitation of natural resources and minerals. Vietnam is among the ten countries most severely affected by climate change. Although environmental auditing has been present in Vietnam since 2001, it remains a relatively new issue, primarily conducted by the State Audit Office of Vietnam (SAV). However, the scope of environmental auditing remains limited and lacks comprehensive supervision from higher-level authorities. Businesses often lack guidance, direction, and awareness, and there is a noticeable absence of strong, deterrent penalties.

The objectives of this study are to identify factors impacting the implementation of environmental audit at companies in Vietnam. From there, this paper is also intended to assist Vietnamese lawmakers by providing insights and suggestions to help them gain a more comprehensive perspective to improve and enhance environmental audit in Vietnam.

## 2. Literature review

### 2.1. Overview of environmental auditing

The Confederation of British Industry (1990) defines an environmental audit as the systematic examination of the interactions between a business and its environment, including compliance and environmental impact assessment. It represents a comprehensive and strategic approach to evaluating and managing the environmental aspects of an organization's operations. (CBI, 1990 cited in Paramasivan 2002, p. 149).

According to Buckley (1991), environmental auditing serves as management tool, involving systematic, documented, periodic and objective evaluation on performance of the management system with the purpose of: minimizing and preventing waste, ensuring compliance with environmental regulations, supporting managerial oversight of environmental operations, and enhancing the disclosure of environmental information.

The International Chamber of Commerce (ICC) also defines as a structured and impartial process

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involving a systematic, documented, periodic, and objective evaluation of an organization's environmental framework, management, and equipment perform with the primary aim of. This process primarily seeks to support managerial control over environmental practices and assess the organization's adherence to internal policies and legal obligations.

The International Organization for Standardization (ISO) also proposes environmental auditing's definition as: part of the ISO 14000 series on environmental management as: It is a systematic, documented, periodic, and objective review of environmental activities, management systems, or practices, carried out through a rigorous process. This process is intended to collect and evaluate evidence related to specific environmental objectives or claims, determine the extent of compliance with established criteria, and report the findings to the appropriate audience.

ISO 14010 presents general principles applicable to all types of environmental audits, includes: (i) scopes and objectives are being clearly defined; (ii) objectivity, independence, and competence of an auditors; (iii) due diligence; (iv) systematic procedures for conducting audits; (v) use of audit criteria, collection of audit evidence, and documentation of findings; (vi) reliable audit findings and conclusions; and (vii) reports on audit results.

Similarly, ISO 14011/1 introduces procedures for conducting environmental audits. Key components involve defining the audit objective; outlining the roles, responsibilities, and auditor's task, client, and auditee; conducting audit processes; and reporting the results. ISO 14012 outlines necessary qualifications of environmental auditors, including education background and experience, training, skills and contribution, auditing proficiency, professional care, as well as language and communication skills (Roy, 2002).

Middle East Gases Association (2015), environmental audits consists of 3 following ideas: (1) Members of Self-assessment team are selected from the employees within enterprise, operating unit, or specific departments being audited; (2) Internal audit team members are also chosen inside the firm, the operating unit, or the department being audited. However, in some cases, having representatives from the audited unit on the audit team may be

beneficial. Therefore, they should not serve as the team leader; (3) External audit team members are recruited from outside the organization, such as consultants. However, the team may be supported by staff from the organization such as enterprise employees, operating unit personnel, or department heads who act as guides and advisors.

In the Vietnam context, Environmental Protection Law 2020 introduced provisions on environmental audit to regulate business establishments' internal audit activities by themselves or through services provided by Independent audit firms. The Law on Environmental Protection 2020 provides a broad and comprehensive definition of environmental auditing for production, business, and service establishments: "a systematic and comprehensive review and evaluation of the effectiveness of environmental management and pollution control at production, business, and service establishments." The main contents include: (1) The use of energy, chemicals, raw materials, and imported scrap as production inputs; (2) The evaluation of pollution control measures and waste management practices

## 2.2. Stakeholder theory and environmental audit

Stakeholder Theory asserts that organizations have responsibilities not only to their shareholders but also to all parties who are affected by or can influence the organization's actions. These stakeholders have a legitimate right to understand how the company utilizes social and natural resources, and how its operations impact them. Organizations today operate in complex ecosystems where both internal and external stakeholders exert significant influence over corporate behavior, especially in shaping disclosure and accountability practices. These stakeholders, driven by their respective interests and stakes, hold a legitimate right to know how a company utilizes social and natural resources, aligning business operations with broader standards of transparency, sustainability, and ethical responsibility.

### Internal Stakeholders

- *Employees and Managers:* As direct participants in business operations, employees depend on the organization's viability for their livelihood. They require transparent communication about resource use, environmental risks, and long-term goals to align their work with strategic and ethical priorities. Managers rely on real-time, accurate data on

social and natural resource consumption to drive operational decisions and meet performance targets.

- *Boards of Directors and Internal Auditors:* Boards, often influenced by shareholders, push for robust accountability mechanisms, such as integrated reporting and sustainability scorecards. Internal auditors support these efforts by monitoring risks and ensuring that environmental and social impacts are disclosed properly. These internal governance mechanisms reflect the board's responsibility to safeguard the interests of all stakeholders, not just shareholders.

### **External Stakeholders**

- *Shareholders and Investors:* Not directly involved in operations but share strong interests in the organization's success. Shareholders whether individuals or institutions have significant power through capital investment and board representation own an investment in the company. They demand standardized, comparable environmental, social, and governance (ESG) disclosures to make informed decisions and assess risk.

- *Financial Institutions (Creditors):* Creditors such as banks provide funding under covenants that often require financial health indicators, including sustainability metrics. Their need for transparent and consistent disclosures directly impacts a firm's capital access and borrowing conditions. Financial institutions are willing to provide financing in return for benefits, such as interest rate.

- *Regulatory Agencies:* Government bodies influence corporate accountability by enforcing mandatory or voluntary reporting standards. These may include compliance with environmental laws, disclosure of potential impacts, and adherence to public health and safety obligations.

- *Customers:* Directly involved in its success, are typically the backbone of an organization's operation. As end-users, customers expect reliable products and ethical practices. They increasingly demand information about product life cycles, environmental footprints, and corporate responsibility, and can shift loyalty based on perceived transparency.

- *Vendors:* Directly involved in the business as they provide goods and services needed for an organization to operate. Vendors are tied to the company's financial health and expect fair treatment, prompt payment, and clarity on future business prospects. A failure in corporate accountability can disrupt supply chains and mutual trust.

- *Communities and NGOs:* Local communities, advocacy groups, and civil society actors monitor corporate actions and demand access to credible, independent data. Their influence often surfaces when environmental or social harm is suspected, and they can mobilize public campaigns or boycotts if left in the dark.

## **3. Research methods**

### **3.1. Data collection**

The study employed semi-structured interviews as the primary method of data collection, supplemented by secondary and archival documents. Semi-structured interviews, commonly used in qualitative research, were conducted using a set of pre-designed open-ended questions while allowing the researcher flexibility to explore emerging issues during conversations.

A total of 55 participants were purposively selected (Marshall, 1996; Robinson, 2014), representing a diverse group including officials from MONRE and DONREs, auditors and senior managers from auditing firms, CFOs and chief accountants from enterprises, and lecturers and researchers in accounting, auditing, and environmental management. Selection was based on expertise, relevance to the research topic, and the following criteria: (i) 35–55 years of age; (ii) at least seven years of professional experience; (iii) minimum of a bachelor's degree; and (iv) involvement in environmental inspection, environmental authorization, auditing, or environmental audit client activities.

Interviews were conducted online between May and June 2025 and lasted 30–60 minutes. Participants received invitation letters, interview guides, and consent forms beforehand. Each session began with an introduction to the study and confirmation of consent. The researcher followed a structured interview protocol including main questions, follow-up questions, and probing techniques to clarify or deepen responses. Notes were taken immediately after each interview, and several participants provided supporting internal documents such as meeting minutes, reports, or environmental management records.

Archival documents from MONRE, MPS, provincial DONREs, and SAV were used to contextualize and validate interview findings. These included legal documents and regulatory guidelines such as the Law on Environmental Protection (2020),

associated decrees, circulars, and enforcement reports. Secondary data from government reports, academic publications, industry studies, and legal texts also contributed to building the theoretical framework and triangulating results, including peer-reviewed research on environmental auditing and relevant laws such as the Environmental Protection Law (2020) and the Independent Audit Law (2011).

### 3.2. Data analysis

Thematic analysis is an encoding qualitative data process, allows the researcher combining the analysis of different codes frequency with analysis, understanding their meaning within context adds the benefit of capturing the subtle nuances that characterize genuine qualitative analysis (Marks & Yardley, 2003). This research paper utilized thematic analysis approach by combining the personal experience of interviewees and meanings they attached to. A theme can originate from a theory that the researcher brings into the study (deductive), or emerge directly from the raw data (inductive). The combined use of these two thematic frameworks contributes significantly to the robustness of qualitative research (Harper & Thompson, 2012). The research approached the data with preconceived from the stakeholders theory. This research integrated the use of NVIVO software program specifically designed for qualitative data thematic analysis (Mills, Durepos, & Wiebe, 2009). Compared to manually analyzing and coding, this program allows the researcher to address a lot more interviews, assists in grouping codes, classifying them into themes, and grouping codes.

Thematic analysis involves 5 main stages, following Braun & Clarke (2006): (1) Familiarization with the data; (2) Manual and software-based coding; (3) Identifying initial themes; (4) Reviewing and refining themes; and (5) Writing up the thematic narrative linked to theoretical concepts.

## 4. Findings and discussions

### 4.1. Legal, Industry-specific Factors and implementation of environmental audit

The Law on Environmental Protection (2020) encourages manufacturing facilities, businesses and services establishments carrying out environmental audits. With a goal in ensuring the practical implementation of environmental audits regulations and providing knowledge and guidance towards businesses.

Research findings indicate that primary factors that drive Vietnamese enterprises to conduct environmental audits are legal requirements and typical industry-related factors. Most Vietnamese enterprises that conduct environmental auditings belong to organizations with high environmental pollution risks. Environmental audits play an important role in helping facilities review and improve compliance with environmental laws, thereby contributing to their environmental and social responsibilities.

100% of interviewees agreed that legal compliance is the main reason enterprises conduct environmental audits. Especially high-risk industries such as chemical production, metallurgy, and mineral exploitation are under greater pressure to comply with regulations. Legal requirements and environmental standards are more stringent for these industries. As a result, the demand for environmental audits to ensure compliance and minimize legal risks increased.

Globally, legal and regulatory compliance is consistently identified as core values that serve as a foundation for the creation of environmental auditing law-related, especially in developing countries such as Vietnam. This was affirmed by studies such as Owusu & Frimpong (2012) and Shamsadini et al. (2022), which identified "legal pressure" and "risk of non-compliance" as major drivers for the adoption of environmental audits. This aligns with global findings, such as those by Bae and Seol (2006), who observed that legal frameworks significantly influence environmental audits adoption in the U.S. Vietnamese industries with high pollution risks (e.g., chemicals, mining, metallurgy) are more likely to conduct audits, which is consistent with the international trend where risk-based regulation guides audit targeting (Prajogo et al., 2016; Shamsadini et al., 2022).

However, in advanced economies, such as the US EPA system and the Canadian CEPA laws, environmental audits are frequently required by law, strictly enforced, and subject to fines for noncompliance. While on the other hand, Vietnam's 2020 Environmental Protection Law only "encourages" voluntary audits, reducing the potential for consistent uptake. Vietnam's enforcement mechanisms are lax, so many firms comply only when legally forced or externally pressurized. This contrasts with established systems where compliance is monitored regularly by independent environmental agencies.

#### **4.2. International Markets, customers requirements and implementation of environmental audit**

For export-oriented enterprises, environmental audits are often mandatory to meet international market and customer requirements, serving as proof of compliance with global standards. Businesses with environmental management certifications (ISO 14001) are often motivated conducting such audits to maintain and improve achieved standards.

100% of participants during interviews stated that international market and customer demands are key factors for Vietnamese export companies conducting environmental audits. When enterprises enter international markets especially in sectors such as textiles, seafood, and electronics, environmental and social transparency becomes a necessity.

Markets like the EU, US, and Japan are hard to get in, they often require strict transparent reporting and adherence to ESG standards when exporting goods to these regions. To expand into aforementioned markets, environmental auditing becomes a prerequisite for Vietnamese enterprises.

Results also reveal that businesses are not only pressured by international policies but also by requirements related to funding access, bidding, or collaboration with major foreign financial institutions, where environmental and social responsibility criteria are mandatory. Companies with environmental audit certification are often prioritized in public projects, green bidding processes, or contracts with international partners requiring ESG standards.

The findings of the current research is consistent with Stakeholder theory and international academic studies with global research such as: Prajogo et al., 2016, emphasizes that multinational corporations and export markets increasingly demand environmental compliance as a requirement for participation in supply chains. This trend is mirrored in Vietnamese firms, especially those focused on exports, responding to market and supply chain pressure from foreign buyers such as Walmart, Nike, and Zara. Stakeholder expectations have a significant impact on the implementation of environmental audits, as evidenced by the necessity to adhere to international standards such as ISO 14001.

While international firms often treat environmental audits as part of a long-term sustainability strategy, Vietnamese companies tend to view environmental

audits as reactive compliance, conducted only when required to access export markets.

#### **4.3. Energy Saving, reduction of emissions and implementation of environmental audit**

Research findings indicate that while external pressures play a significant role, internal factors also drive the adoption of environmental auditing activities of businesses. Many companies recognize the potential cost savings and operational efficiencies that can be achieved through comprehensive environmental audits. This internal motivation enables businesses to initiate and maintain environmental auditing practices.

Environmental audits improve resource efficiency by identifying risks, monitoring waste, and reducing pollution costs. Enterprises with goals to reduce input consumption, emissions, or waste tend to conduct environmental audits to identify weaknesses and find areas for improvement.

#### **4.4. Factors from other organizations and implementation of environmental audit**

International organizations offer funding programs to support businesses in improving environmental performance. These incentives are one of the driving forces behind companies doing environmental audits, according to research findings. However, some interviewees argued that the primary source of motivation still comes from international commercial partners, and that incentives provided by these organizations only serve as a supporting element.

#### **4.5. Reputation, Social Responsibility, Long-term sustainability goals and implementation of environmental audit**

The results of the study demonstrate that some large enterprises, beyond profit-driven goals, conduct environmental audits to fulfill their environmental responsibilities and send a positive message to the public to enhance their brand image and reputation. Forward-thinking managers with a vision for sustainability tend to proactively implement environmental audits to improve risk management and elevate corporate reputation, reflecting leadership commitment to sustainable development.

As consumers become more concerned about environmental protection and regulatory bodies demand transparency in environmental data, companies tend to conduct audits to meet

expectations and build trust. Businesses that prioritize stability and sustainability frequently keep audit strategies in place to enhance their manufacturing procedures on a constant basis.

### 5. Conclusions

This study aims to investigate key factors affecting the implementation of environmental audits in Vietnam. It is confirming that both external and internal factors contribute important roles in shaping firm decisions on the auditing of the environment. First and foremost is the affection of Legal and Regulatory pressure with the 2020 Environmental Protection Law going into as a recommendation practice, especially enterprises with high risk of environmental pollution such as chemicals, mining, textile, etc. Even there are big enterprises willing to conduct such audits, but due to the voluntary nature of the law and absence of strict enforcement mechanisms, most firms from high to medium to small scale operations only conduct at a basic level or when they are being forced by higher authorities.

Secondly is because of the demands of foreign markets. Firms with high export-oriented such as seafood, electronics or textiles, are always under the pressure to perform such audits, to satisfy the expectations of international clients. It is necessary to maintain relationships with key markets like the EU, US or Japan with high expectations. Certifications like ISO14001 act as a pass that prove the compliance, help firms to export goods and services.

Thirdly, conducting environmental audits helps to satisfy customers and stakeholders expectations. Companies that aim to enhance their reputation and perform social responsibility will proactively perform such audits.

Last but not least are internal operations factors, such as cost savings, energy efficiency and self-improvement. Environmental audits can help detect any irregularities, inefficiencies, therefore reduce operation costs, and support better waste management.

By applying the Stakeholder theory, the research demonstrates how the pressure from various stakeholders can help shape Vietnamese enterprises' environmental behaviors. Specifically, external stakeholders such as international customers, domestic regulators, foreign markets and the public can impact deeply toward enterprises' decisions. The

findings reinforce a claim that firms are more likely to engage in environmental activities, especially audits when faced with external factors, such as foreign clients demanding ISO 14001 certification or government agencies promoting sustainable practices. This study also emphasizes how important internal stakeholders are in the encouragement of conducting such audits. It has been proved that the leader of a company with a long-term vision toward sustainability is the primary condition that can influence environmental audit actions.

For the Vietnamese regulators, the study can offer development of clearer sub-law guidelines, accreditation systems for auditors, and policy tools to incentivize voluntary audits, especially for small and medium enterprises, as the 2020 Environmental Protection Law still lacks detailed guidance, lots of loopholes, and missing enforcement mechanisms.

For enterprises, the research highlights the benefits of approaching environmental audit, not merely just a compliance tool. It can also be understood as a means to help firms improve operational efficiency, reduce risks and enhance reputation with the public. As real challenges have been exposed, this study can provide lessons on how to strengthen internal capacity for environmental governance.

For industry associations, training providers, academic facilities, the study identifies shortcomings in the environmental auditing field's capacity-building and emphasizes the necessity of standardized training programs, technical support, and awareness campaigns aimed at environmental experts and company executives.

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