

Advanced Auditing - Week 6

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1. Sustainability has risen in the list of priorities of a company given that many stakeholders, see sustainability as being a risk to business. This means it is something that needs to be controlled. Global calamities are revealing issues in global systems and therefore are accelerating the change by calling for action on these systems. Things like the supply chain have been impacted by the Ukraine conflict and COVID19. The Ukraine crisis has shown in some part that if suppliers raise their prices and or there is a boycotting of products then business's will have to source their purchases from elsewhere. A world-wide shutdown also meant that technology might be relied upon more fully and things have grown in relation to this.

2. During the investigation deficiencies in measurement, reporting, audits, and assurances were found. This is all to say that there may not be the same kind of standards as is placed on financial audits. For example SOX requires auditors to keep a trail of their reports for 7 years. Without these sort of standards in place there can be difficulty in obtaining quality information. The IFRS have implemented some standards and it will be good to see more to follow in having sustainability audit be something that is more heavily regulated. The information may not be sourced as well and may lead to narratives by management being propagated that are bent or overly optimistic.

3.

a) Greenwashing is the purposeful use of sustainability ideals without actually performing or using them as part of the important work of the business. Green-thinking is used as a shield to bolster the reputation of the company and appease shareholders. In audit assurance engagements this comes down to having the assurance not be clear as to what is reports of a companies sustainability work. The ramifications of this are negative as green-washing seems to be baked into sustainability work. It will take much work to turn this around and have sustainability be removed from a kind of earnings management (boardroom fraud).

b) Greenwashing happened through deception in that underwhelming information and limited assurance were provided. There were also cases where letters that were said to be there had not been found. This means that there are some cases of lying being found at random, this is not good for a sample to have been so negative. It shows that the professionalism on this type of work is not as high as it should be yet. Also there was obfuscation it was frequently impossible even to identify what selected information included. Some of the data seemed to be presented in a scholarly way that made it as difficult as possible to interpret it. Finally companies were using diversionary tactics to stay away from any responsibility.

4. Given that some business's excelled at their sustainability reporting they may move on to be industry leaders in the field. This is good as it promotes competition if there is creation of abnormal returns and therefore there may be a further uptake of the high standards set by the best companies.

5. Overall it might be thought that using a consulting firm is something that should be gotten rid of. By Sarbanes Oxley SEC 192, it is written that only accounting firms may conduct an audit, the sustainability audits are currently not mandated as such and this is something that may come into force and is quite concerning. The choice here is to be highlighted as a possible issue and something that may have to be complied with. It would not be best if there had to be a scandal that guided this into being enforced rather than having it done. The sustainability world with its Audits does not need to see this.

6. Their view of the company as being professional and any relevant qualifications may lead to the company being seen as suitable by the management and therefore being taken on in an assurance role. The facts listed also add that the stability of an assurer. The legal environment also factors into who is chosen, with less strict legal rules opting for accountants, over consultants. This may be linked to more corruption and accountants being used as social capital and the assurance on sustainability reporting being corrupt, over consultants, who are maybe not savvy in corruption. Norms and peer-influences are also important factors, with norms being the behaviours that shape businesses.

7. The scope of analysis assurance audit on materiality should be informed by internal and external factors. The nature of the business should be taken into account so that the assurance fits the work the business does. Sustainability will look different for businesses depending on what industries they operate in. Shell would have a different sustainability measuring process than Moonpig. Stakeholders concerns as an external factor must also be taken into consideration, so as to correct have the audit fit the environment the business operates in. Security of purchases will be different if the materials are raw or not. Standards must be followed and be salubrious to the business and its mechanisms. Each business spends time on their vision and mission which will be updated for sustainability ideals and the assurer must be sure that they can match this direction. The professionalism required here may call for much panache.

8. Companies may use sustainability assurance in order to reduce legal risks the they may have to face against mounting regulatory pressures. Sustainability assurance engagements also enhance stakeholder confidence through public statements that show assurance to the public through the use of sustainability reports. However, Ball et al. (2000) claim that the language used for opinions can be manipulated to avoid negative wording in a statement, resulting in the lack of precise opinions (Channuntapipat et al., 2019). Therefore, except for the enhanced credibility brought by the adoption of sustainability assurance, the extent to which quality of assurance may benefit the reporting company has not been investigated.

9. It is done in accordance with ISAE 3000. It is a short note on what was looked at, and the tests/services performed. In all it shows that Roll's Royce has gone through this report. In some sense it seem very routine and dry. It also shows that Roll's Royce are committed to being top performers in audit given their choice to start a sustainability assurance report.

10. Going concern inside an Auditors remit is handled by ensuring the business is in a strong enough financial position to continue to operate into the next year. If the business are hiding debts, the Auditor would be best placed to conduct tests or more fully investigate how management are using going concern in order to ascertain if the finances of the business are sound. The auditors may require there to be a further disclosure and accountability to give a better opinion on the going concern of a business.