



Challenges and Opportunities in the Implementation of the EU Directive on Corporate Sustainability Reporting

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Abstract

The development of companies in a sustainable manner is a desire of both company's management and regulators who make sustained efforts to develop and standardize non-financial reporting. In the context in which the new European Directive regarding sustainability requires companies to report in accordance with the mandatory standards of sustainable reporting of the EU, including an external assurance of sustainability reporting that is necessary, the present research aims to analyze the perception of professional practitioners, members of the Chamber of Financial Auditors of Romania (C.F.A.R.) regarding the challenges and opportunities of implementing the European Directive on Corporate Sustainability Reporting. The main objective is to identify the main areas of concern regarding the efforts to train auditors in carrying out assurance missions related to non-financial situations, considering the new European Directive on non-financial reporting and, respectively, the adjacent developments carried out by the IASB and EFRAG in the sphere of the standardization of non-financial reporting. The present research proposes an analysis of the associations between the main defining elements of the auditor's capabilities (technological factor, human factor, audit processes) and, respectively, the defining elements of the auditor's profile outlined under the legislative framework, governmental monitoring and control mechanisms or the characteristics the economic environment, which influences the audit opinion. The main results obtained underline the fact that auditors are not yet prepared to provide assurance services in relation to sustainability reports, both from the perspective of defining and implementing robust audit processes, and from the perspective of the low degree of adequacy of the audit systems used or from the perspective of human factor knowledge and skills gaps. So, this reality confirms a state of fact that must concern professional bodies and, at the same time, governmental bodies in terms of the degree of involvement in auditor training activities and, respectively, the promotion of professional guidelines.

Key words: sustainability; sustainable reporting; assurance missions;

JEL Classification: M21, M40, M41, M42

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1. Introduction

Sustainability reporting, or "non-financial", tends to gain more and more importance, being considered a competitive advantage, because it can also be done voluntarily, as an example of good practice and positioning, being mandatory only for certain companies, through which the entities present both to the public, as well as to those interested, the measures taken in the direction of environmental protection, social involvement, respect for human rights and the fight against corruption and bribery (Directive 2014/95/EU, art. 1, paragraph 1).

In the context of the implementation of the new Non-Financial Reporting Directive (N.F.R.D.), starting from January 1st, 2024, companies that are required to prepare sustainability reports must present more information, including aspects regarding business models and the link between financial statements and the non-financial ones. Related to this aspect, the new Directive requires companies to ensure non-financial reporting, with implications on the work carried out both by internal auditors through audit committees and by financial auditors who must provide assurance on the sustainability information reported by companies.

In this context, the present research aims to identify the perception of financial auditors regarding the challenges and opportunities generated by the obligation to ensure sustainability reports in the context of the implementation of the new European Directive regarding sustainability from January 1st, 2024. We thus propose to carry out an analysis of the associations among the main defining elements of the auditor's capabilities (technological factor, human factor, audit processes) and, respectively, the defining elements of the auditor's profile outlined under the influence of the legislative framework, governmental monitoring and control mechanisms or the characteristics of the economic environment, which influence the audit opinion. In order to achieve the objectives of the research, we proposed to interrogate the professionals gathered within the professional body of financial auditors in Romania, in order to appreciate their perception.

Thus, considering the perception of financial auditor's members of the Chamber of Financial Auditors from Romania (C.F.A.R), our research aims at two fundamental objectives:

- *OB1: revealing the main directions of concern regarding the training efforts of auditors in carrying out assurance missions related to financial situations;*
- *OB2: identifying the determining factors of the audit opinion through an analysis of the associations between the main defining elements of the auditor's capabilities (technological factor, human factor, audit processes) and, respectively, the defining elements of the auditor's profile outlined under the legislative framework, of the mechanisms of governmental monitoring and control or of the characteristics of the economic environment;*

The proposed study is structured in five sections. Thus, if the first section highlights the preliminary aspects of the scientific approach undertaken, respectively the context of the case study, the second section finds its counterpart in the analysis of the specialized literature. The following two sections present the research methodology, respectively the results obtained and a discussion on them. Finally, the fifth section draws the final conclusions of the undertaken research.

2. Literature review

A company's non-financial reports provide relevant information regarding its impact on the economy, the environment and society, as well as how the activity is managed with the aim, on the one hand, to strengthen financial performance and, on the other hand, to ensure a sustainable development in the long term, being at the same time for investors, a performance monitoring and control tool (Gellidon & Soenarno, 2022). Corporate sustainability reporting improves corporate reputation, leads to increased customer and other stakeholder trust, improves governance and investor attractiveness (Directive 2014/95/EU).

Sustainability reporting is the responsibility of the company's management and can be done according to various standards. For example, the GRI standards of the Global Reporting Initiative or the Integrated Reporting Framework of IFRS provide guidance on the reporting process, but there is no standardized format, thus there is a lack of consensus on how to present it (Manetti & Becatti, 2009; O'Dwyer & Owen, 2005).

The European Parliament, through European Directive 2014/95/EU starting with 2018, required public interest companies to draw up sustainability

reports that at least present information related to economic, environmental, employees and human rights aspects. Since 2019, the scope has also included organizations with over 500 employees, and we are currently in the context of a new change that will produce effects starting from 2024 through a new EU Directive regarding sustainability, in which the scope is considerably extended to apply to a larger number of European and non-European listed companies operating on EU regulated markets.

The new directive also produces changes in the scope of auditing, so that both audit committees and audit firms will have increased responsibilities. The role of the audit profession is thus reconsidered, the new standards being issued with the aim of increasing the quality and transparency in reporting and to support investors (Grosu et al., 2020). Directive 2014/95/EU did not provide for non-financial information to be audited, but required the member states of the European Union to ensure that the statutory auditor verifies the presence of the requested information (Sonnerfeldt & Pontoppidan, 2020). In accordance with the new European Directive, on the one hand, audit committees, in addition to monitoring the sustainability reporting process and making recommendations in order to ensure the integrity of the information provided by the company, will have to: a) monitor the effectiveness of the internal control systems of the company's quality and risk management and internal audit functions; b) to monitor the mission of ensuring annual and consolidated sustainability reporting; c) to inform the company's administrative or supervisory bodies about the result of ensuring the sustainability reports; d) examine and monitor the independence of statutory auditors or audit firms (EY, 2022).

On the other hand, audit firms will have to certify non-financial reports and provide assurance on the sustainability information reported, in order to increase credibility (Farooq & De Villiers, 2017). The objective of ISAE 3000, the standard most often used by audit firms in assurance reports, is to provide the auditor with a general framework of reference, but the lack of specifications for assurance of sustainability reports is considered a weakness (Manetti & Becatti, 2009) which thus

making it difficult to apply the provisions of the new Sustainability Directive. The issued standards emphasize the definition of concepts, principles or procedures strongly oriented towards procedures similar to statutory audit engagements (Farooq & Villiers, 2017), but the company's statutory auditor, another auditor (depending on the member state's option) or an independent provider of audit services (at the choice of the Member State) must provide limited assurance on the sustainability information reported by a company in the context of N.F.R.D.

All information regarding sustainability, according to the new regulations, must apply a prospective and retrospective perspective of the activity undertaken and take into account short, medium- and long-term horizons to ensure sustainable development and take into account the entire value chain of the company. Also containing an external assurance, carried out by an independent auditor, the information issued in the public environment is thus much more credible for those interested.

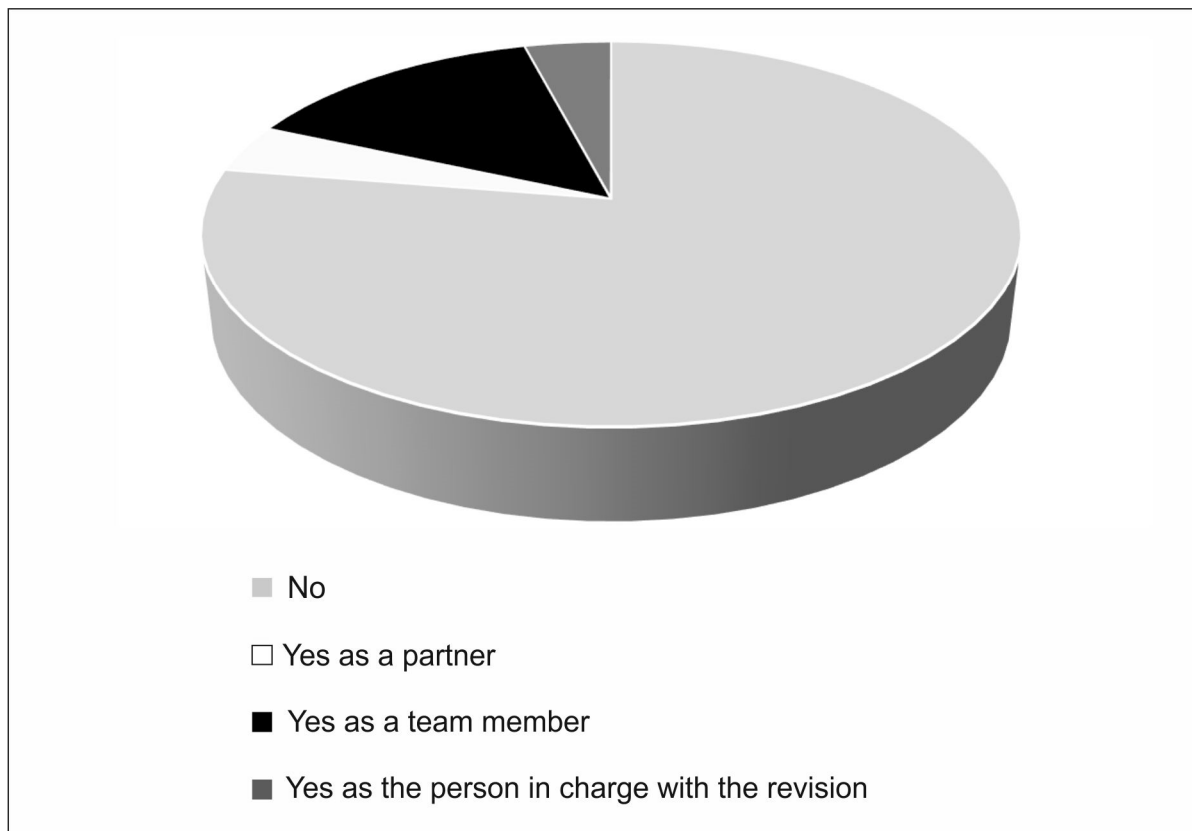
3. Research methodology

3.1. The analyzed sample

The new European Corporate Sustainability Reporting Directive, whose area of application entered into force on January 1st, 2024, provides for the obligation of external assurance of sustainability reporting, and, in this context, through the case study undertaken, we want to highlight the main areas of concern regarding the training efforts of auditors in the assurance of non-financial situations. In this sense, a questionnaire was sent to the members of the Romanian Chamber of Financial Auditors (C.F.A.R.) with the aim of identifying and evaluating their perception of the challenges and opportunities of implementing the EU Directive on corporate sustainability reporting.

The distributed questionnaire contains a total number of 24 questions, of the choice type, using the Likert scale in rendering the possible answers (1- to a very small extent, 2 - to a small extent, 3 - medium/neutral, 4 - to a large extent, 5 - to a very large extent). These questions are useful for an analysis oriented towards essential elements that highlight both the degree of knowledge of the respondents in the application of Sustainability Standards, as well as the importance of audit committees and internal controls in the aspects related to sustainability.

Figure no. 1. Structure of the sample according to the performed assurance missions



Source: authors own projection

In the course of two months, namely June and July of 2023, a number of 49 people responded to the invitation to complete this questionnaire. The composition of the sample, represented in *Figure no. 1*, reveals that the vast majority of respondents are auditors who have not yet carried out assurance missions in the field of sustainability, respectively a number of 38 auditors, which represents a proportion of 77.6%. We note that of the 49 valid responses, 7, respectively 14.3%, represent responses from auditors who performed assurance missions as members of the audit team. Two responses come from auditors who performed assurance engagements as a partner and another two responses come from auditors who performed engagements as reviewers.

3.2. Reliability analysis of the scale used

The 24 questions considered in the analysis are divided into four groups, aimed at:

- The auditor's level of knowledge in the application of the Sustainability Standards and SDG (Sustainable Development Goals);
- The assurance missions performed and the audit opinion/conclusion granted;
- The extent to which the audit committee and internal controls provide support in shaping the sustainability report;
- The existence of a robust work framework regarding the development, verification and publication of sustainability reports, as well as a framework regarding communication with the financial auditor.

4. Results and discussions

The main research objective of the proposed study is to reveal the main areas of concern regarding the efforts to prepare auditors in the assurance of non-financial situations, considering the new European directive on non-financial reporting and, respectively, the adjacent developments carried out by the IASB and EFRAG, respectively, in the sphere of standardization non-financial reporting. The present research proposes an analysis of the associations between the main defining elements of the auditor's capabilities (technological factor, human factor, audit processes) and, respectively, the defining elements of the auditor's profile outlined under the influence of the legislative framework, governmental monitoring and control mechanisms or the characteristics the economic environment, which influences the audit opinion.

The items regarding the audit opinion factors included in the questionnaire sent to auditors who are members of C.F.A.R. are statistically validated by the Cronbach's Alpha coefficient value of 0.958. At the same time, the items regarding the auditors' perception of the capabilities of auditing corporate sustainability reports are statistically validated, considering the value of 0.962 of the Cronbach's Alpha coefficient.

4.1. Determinants of the audit opinion

In **Table no. 1** we present the main descriptive statistics of the responses received from the auditors who responded to our invitation to complete the questionnaire on the main trends and challenges faced by auditors in their efforts to align with the new requirements arising from the new non-financial reporting directive, which puts an increased emphasis on the sustainability aspects of the audited business models.

Table no.1. Descriptive statistics

Variable	Mean	Mode	St.dev.	Min.	Max.	Percentiles		
						25	50	75
ESG audit experience	0.347	0	0.751	0	3	0	0	0
ESG audit process	2.878	3	0.992	1	5	2	3	4
Human resource ESG audit	2.939	3	1.069	1	5	2	3	4
ESG audit systems	2.776	3	1.006	1	5	2	3	3
Auditor independence	3.878	4	1.073	1	5	3	4	5
Segregation of audit services	3.122	3	1.166	1	5	2	3	4
Professional expertise	3.592	4	1.171	1	5	3	4	4
Auditor responsibility	3.367	3	1.131	1	5	3	3	4
Auditor-client negotiation	3.041	3	1.117	1	5	3	3	4
Industry knowledge	3.531	4	1.138	1	5	3	4	4
Ethical standards compliance	3.796	4	1.080	1	5	3	4	5
Quality audit standards	3.837	4	1.087	1	5	3	4	5
Quality reporting standards	3.755	4	1.090	1	5	3	4	5
Industry practices	3.837	4	1.067	1	5	3	4	5
Business model complexity	3.633	4	1.220	1	5	3	4	5
Compulsoriness	3.306	3	1.262	1	5	3	3	4
Risk management	3.694	4	1.045	1	5	3	4	4
Corporate governance	3.776	4	1.123	1	5	3	4	5
Auditor training degree	2.816	3	0.972	1	5	2	3	3

Source: author calculations

These results provide us with some conclusive information regarding the research objective. Given that this research project is still ongoing, over the course of two months, June and July, we obtained a total of 49 valid responses. Of the auditors who responded to our invitation to

complete the questionnaire sent through the google forms platform, only 11 confirmed experience in the field of ensuring corporate sustainability reports. So, the average of 0.347 regarding auditors' perception of the degree of involvement in such assurance missions suggests that the

audit profession is at the beginning of the road in the direction of providing this type of services to companies.

The results also confirm that auditors are not yet prepared to provide assurance services in relation to sustainability reports both from the perspective of defining and implementing robust audit processes (2,878) and from the perspective of the low degree of adequacy of the audit systems used (2.776) or from the perspective of the knowledge and skills deficiencies of the human factor (2.939). So, this reality confirms a state of fact that must concern professional bodies and, at the same time, governmental bodies in terms of the degree of involvement in auditor training activities and, respectively, the promotion of professional guidelines.

However, the perception of the auditors surveyed regarding auditor independence, the degree of segregation of statutory audit services from related assurance services in relation to sustainability reports, or the degree of specialization of the auditor in the audited client's industry suggests a reserved approach. So, the auditors consider that the opinion related to the assurance missions regarding the sustainability reports is not significantly influenced by these considerations, considering the relatively low average of the items regarding auditor independence (3.878), segregation of audit services (3.122) or professional expertise (3.592). However, we must note that auditors emphasize the need for independence in relation to the audit client, which is not only limited to the client's option for an auditor, but especially to the position of the selected auditor regarding the prior assessment of the existence of any situation of conflict of interests.

It should be noted, however, that the auditors expressed a relatively reserved opinion, including when the issue was raised of the extent to which the assumed level of auditor responsibility (3.367) or negotiation activities with clients regarding the reconciliation of identified nonconformities are published in the audit report (3.041).

Higher values are found in the case of auditors' perception of the role of the formal framework for carrying out assurance missions regarding sustainability reports. They consider important the quality of audit standards (3.837), the quality of sustainable reporting standards (3.755), respectively the existence of good practices at sector level in the scope of auditing sustainability reports (3.837). However, standards such as ISAE 3000, most often used by audit firms, are expressed in very general terms, emphasizing rather the definition of concepts, principles or

procedures strongly oriented towards procedures similar to statutory audit engagements (Faaroq & Villiers, 2017). The same state of facts can be claimed with regard to the two European directives that address the issue of non-financial reports (NFRD, CSRD), including those on sustainability.

In this direction, the activity of EFRAG is welcome, which has undertaken sustained efforts over the course of two years to draft a series of sustainable reporting standards, with the final moment being their publication on November 16, 2022. Through these standards folded according to the specific dimensions of sustainability (environment - ESRS E1 Climate change, ESRS E2 Pollution, ESRS E3 - Water and marine resources, ESRS E4 Biodiversity and ecosystems, ESRS E5 Resources used and the circular economy; social - ESRS S1 Labor force, ESRS S2 Employees in value chain, ESRS S3 Affected communities, ESRS S4 Consumers and users, governance - ESRS G1 Conduct of business) and a conceptual framework (ESRS 1 General requirements, ESRS 2 General reporting) respectively, the European community wants to outline a common vision on sustainable reporting, aimed at providing better monitoring of the degree of achievement of the sustainable development SDG objectives.

At the same time, we notice a visible phenomenon of proliferation of sustainable reporting frameworks, which has contributed to efforts to standardize the practice of sustainable reporting, including institutions at an international level, such as the ISSB that published the standards of sustainable reporting IFRS S1 General requirements for the report sustainable – related financial information and IFRS S2 Climate change reports respectively.

However, the main problem reported in reporting practice is given by the multitude of such sustainability reporting frameworks (Tsagas & Villiers, 2020), which induces a low level of conceptual understanding (Paridhi & Arora, 2023), despite efforts of convergence, which are often dictated by political considerations and influence games (Afolabi et al., 2022). Added to this are the costs of implementing sustainability reporting processes and tools at the company level, which are not at all negligible, and a perception by managers that attests to a low level of benefits expected by opening communication channels on sustainability issues (Jain & Tripathi, 2022), which makes it difficult to evolve the degree of expansion of sustainable reporting requirements.

All this leads to a sharpening of the problems faced by auditors or consulting firms that provide assurance services on sustainability reports. The multitude of reporting frameworks and, respectively, the superficial way of addressing the main controversies in this reporting area, together with the rather principled approach adopted in the auditing standards of these reports, generate additional controversial elements (Sonnerfeldt & Pontoppidan, 2020). An eloquent example in this regard is the decision regarding the audit area, which aspects of sustainability are verified within the commitment to ensure sustainability reports, as the management of companies can draw an increased level of confidence from the markets, by summarizing the assurance of reports of sustainability to aspects that the company did not neglect during the audited period (Baier et al., 2022). In these circumstances, the question arises of the accepted level of subjectivity of the auditor and the extent to which he respects the standards of professional ethics, which also prove to be important in the performance of the professional activity (3,796).

The auditors' mission becomes all the more ungrateful when we bring into discussion other factors determining the audit opinion, namely the institutional monitoring and control framework (3.306), or factors associated with audited companies, such as the degree of complexity of the business model (3.633), the maturity level of the integrated risk management model (3.694) or the robustness and flexibility of corporate governance mechanisms and structures (3.776). These elements are perceived by the auditors as important in the decision to form an audit opinion, all the more so as the practice of sustainable reporting reveals a low level of integration of the companies' commitment to achieve the SDG objectives at the level of reporting and management systems of the company (including at the level of elements of corporate governance or risk management and implementation and assessment of internal controls on

ESG dimensions), leading to an erroneous orientation of sustainability reports, based on materiality analyzes that omit or inadequately assess risks materials on SDG objectives (Ferrero et al., 2023). At the same time, as long as there is no adequate institutional framework to respond to the main challenges regarding the compliance of the reporting practice with the requirements of the states to monitor the achievement of the SDG objectives, the sustainability reports become simple elements of corporate reporting without substance (written for the strict purpose of compliance with the legislation in force), moving away from their main purpose (Rosati & Faria, 2019; Galeazzo et al., 2023).

All these considerations revealed through the descriptive statistics mentioned above justify the relatively low level of preparation for aligning with the requirements of the new European CSRD directive, applicable starting in 2024. Auditors' perception turns out to be relatively low (2,816), the reasons being varied. Among the most important ones reported by this study are those related to the current audit processes, the information systems used and respectively the degree of training of the audit firms' staff, which were reported by the auditors in this questionnaire.

4.2. Notable differences regarding practical experience

In **Table no. 2** we illustrate the statistical results obtained from the verification of the differences generated by the experience that the surveyed auditors have acquired over time in the area of assurance missions regarding sustainability reports. Based on these results, we note that there are no statistically significant differences determined by the auditor's experience in participating, either as a member of the audit team, in charge of the audit engagement, or as a partner in charge of supervising the audit engagement.

Table no. 2. Differences test statistical results (factor – auditor experience in ESG insurance)						
Item	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Mean Rank	
					without experience N = 38	experienced N=11
Audit process	134.0	875.0	1.906	0.057	23.03	31.82
Human resource	159.5	900.5	1.248	0.212	23.7	29.5
Audit systems	125.0	866.0	2.131	0.033	22.79	32.64

Item	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Mean Rank	
					without experience N = 38	experienced N=11
Audit independence	178.5	244.5	-0.773	0.440	25.8	22.23
Segregation of audit services	189.5	930.5	-0.484	0.628	24.49	26.77
Audit expertise	177.0	243.0	-0.802	0.423	25.84	22.09
Auditor responsibility	205.5	271.5	-0.088	0.930	25.09	24.68
Negotiation activities	197.5	263.5	-0.292	0.770	25.3	23.95
Industry knowledge	192.5	258.5	-0.412	0.680	25.43	23.5
Ethical standards compliance	191.0	932.0	-0.452	0.651	24.53	26.64
Quality audit standards	187.5	253.5	-0.541	0.589	25.57	23.05
Quality reporting standards	204.0	270.0	-0.125	0.900	25.13	24.55
Industry practices	154.0	220.0	-1.391	0.164	26.45	20
Complexity	167.5	233.5	-1.03	0.303	26.09	21.23
compulsoriness	189.5	255.5	-0.482	0.630	25.51	23.23
Risk management	149.0	215.0	-1.514	0.130	26.58	19.55
Corporate governance	162.0	228.0	-1.175	0.240	26.24	20.73

Source: author calculations

An exception is the case of the responses recorded by the auditors in the case of the item that raises the question of the degree of adequacy of the information systems used in this type of commitments ($Z=-2.131$, $\text{Sig.}=0.033$). This concern is well-founded, with experienced auditors noting a higher level of concern about the capabilities of current information systems used in assurance engagements on sustainability reports ($32.64 > 22.79$). A notable difference is also noted in the case of the item that addresses the aspect regarding the design and effectiveness of the current audit processes, followed within this type of audit engagements ($Z=-1.906$, $\text{Sig.}=0.057$). These exceptions are also confirmed at the level of specialized literature, indicating that greater importance must be given both to the mechanisms and systems of sustainability reports, as well as to some adjacent essential aspects, such as the definition and robustness of processes, information systems and companies' skills (Tsagas & Villiers, 2020). Thus, an inadequate design of audit processes or the implementation of systems with limited functionality in supporting the activity of auditing sustainability reports are key elements that must be taken into account in confirming the

quality and credibility of revised sustainability reports.

At the same time, the adoption of emerging technologies in the field of audit cannot ignore the maturity level of the processes that must be transposed. Last but not least, it is essential that the implementation of different data analytics solutions take into account the limitations of functionality that could truncate not only the quality of the analyzed data, but also the faithful image of the processes implemented at the level of the audited companies.

4.3. Assessments regarding the main associations identified at the level of auditors' perception

The last step of this analysis consists in evaluating the correlations identified between the different aspects incorporated in the questionnaire distributed among the auditors. In **Table no. 3** we present the result regarding the main canonical association functions determined based on the analyzed data. Among the three correlation functions identified, we note that only the first function is statistically significant ($F=1.191$, $\text{Sig.}=0.00$), which is why the analysis will be limited to the analysis of the structural elements of this canonical correlation function.

Table no. 3. Statistics on estimated correlation functions

Function	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	0.790	1.657	0.162	1.931	42	95.69	0.00
2	0.659	0.770	0.430	1.332	26	66.00	0.18
3	0.489	0.314	0.761	0.890	12	34.00	0.57

Source: author calculations

In **Table no. 4** we summarize the main structural elements of the previously identified canonical correlation function. Through this correlation function we manage to identify the maximum correlation between the set of items that address the issue of the auditors' main challenges in efforts to align with the

requirements of the new European directive and, respectively, the set of items that analyze the main determinants of the audit opinion. In this way we will be able to better understand how the audit opinion on sustainability reports is influenced by the main minuses that auditors systematically signal.

Table no. 4. Statistics on the correlations between the analyzed items

Item	Correlation coefficients		Structural coefficients			
	Auditor profile	Determinants of audit opinion	Canonical loadings	Variation explained	Cross loading	Variation explained
Audit process	-0.159	-	-0.797	68.31%	-0.630	42.60%
Human resource	-1.344		-0.964		-0.761	
Audit systems	0.608		-0.696		-0.549	
Audit independence	-	1.138	-0.355	30.52%	-0.281	19.03%
Segregation of audit services		-0.156	-0.477		-0.377	
Audit expertise		-1.113	-0.721		-0.569	
Auditor responsibility		-0.094	-0.614		-0.485	
Negotiation activities		-0.132	-0.652		-0.515	
Industry knowledge		0.743	-0.546		-0.431	
Ethical standards compliance		-0.221	-0.491		-0.388	
Quality audit standards		-0.547	-0.413		-0.326	
Quality reporting standards		0.530	-0.340		-0.269	
Industry practices		-0.523	-0.580		-0.458	
Complexity		-0.122	-0.683		-0.540	
compulsoriness		-0.122	-0.667		-0.527	
Risk management		0.775	-0.502		-0.396	
Corporate governance		-1.067	-0.521		-0.411	

Source: author calculations

Based on the responses received from the auditors, the results attest to the fact that the determinants of the audit opinion are less influenced by the audit processes and, respectively, the supporting information systems used in the audit engagements of the sustainability reports. Indeed, this is precisely the intended purpose of functional information systems, which faithfully reflect audit processes and provide real support in audit decision-making, especially in the context of a visible intensification of digitalization efforts by audit firms of operative activity.

However, the quality of the human resource will continue to represent a real challenge in the efforts of these audit firms to provide quality sustainability reporting services. This challenge is all the more important as the results obtained from the canonical analysis confirm the fact that the human factor significantly influences the audit opinion (-1.344), through the prism of ensuring the independence of the auditor (1.138), the construction of an audit team with experience and expertise in matter of auditing sustainability reports (-1.113) or the quality of the

communication process between the audit team and the company's corporate governance structures (-1.067).

These results attest to a positive correlation between the quality of human resources and, respectively, corporate governance mechanisms, which refer not only to decision-making within the company, but also to the communication process between external auditors, internal auditors or those responsible for internal controls designed with the purpose of reducing some ESG risks.

At the same time, auditors perceive the quality of the human resource from the perspective of the level of knowledge regarding the concepts, drafting and auditing of sustainability reports that the audit teams have acquired over time.

However, we note a negative association between the quality of human resources of audit firms and auditor independence, respectively, which suggests several analysis scenarios. However, all these analysis scenarios confirm not only the role of the commitment of audit firms to provide quality services, but also the role of the individual commitment of the members of the audit teams to this objective. In this context, we consider it extremely important that audit firms identify current solutions for the appropriate motivation of the human factor, especially in the context of the many substantial changes that have occurred in the audit services market, which have led to an increase in the complexity of audit tasks, to a growing need for digital skills and data analytics.

Conclusions

The proposed changes regarding sustainability reporting through the new European Directive are extensive and play a key role for the European Commission's stated objective of directing investments towards sustainable activities throughout the EU (KPMG, 2021), a context in which both audit committees and audit firms have increased responsibilities and roles.

The present paper emphasizes the importance that must be given to the process of external assurance of

sustainability reports and the challenges and opportunities that appear for financial auditors in the implementation of the new European Directive.

The scientific approach aims, on the one hand, to analyze the associations between the main defining elements of the auditor's capabilities (technological factor, human factor, audit processes) and, respectively, the defining elements of the auditor's profile outlined under the legislative framework, monitoring and government control mechanisms or the characteristics of the economic environment, which influence the audit opinion.

The obtained results highlight the fact that the auditors are not yet prepared to provide sustainability report assurance services, both from the perspective of defining and implementing robust audit processes, and from the perspective of the low degree of adequacy of the audit systems used or from the perspective of deficiencies regarding knowledge and skills of the human factor. So, this reality confirms a state of fact that must raise questions among professional bodies and, at the same time, governmental bodies regarding the degree of involvement in auditor training activities and, respectively, promotion of professional guidelines. The results also attest to the fact that the determinants of the audit opinion expressed in the assurance of non-financial reports are less influenced by the audit processes and, respectively, the supporting information systems used in the audit engagements of the sustainability reports. The canonical analysis undertaken confirms the fact that the human factor significantly influences the audit opinion from the point of view of ensuring the independence of the auditor, the construction of an audit team with experience and expertise in auditing sustainability reports or the quality of the communication process between the audit team and the structures of corporate governance of the company.

However, the present study is limited from the perspective of the sample of responses analyzed. In this context, we appreciate the fact that future research will be able to perform a more complex analysis, based on more respondents involved in assurance missions.

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