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MAIN DETERMINANTS OF THE AUDIT OF SUSTAINABILITY REPORTING: EMPIRICAL EXPERIENCE FROM THE UNITED KINGDOM

ОСНОВНІ ДЕТЕРМІНАНТИ АУДИТУ ЗВІТНОСТІ ЗІ СТАЛОГО РОЗВИТКУ: ЕМПІРИЧНИЙ ДОСВІД ВЕЛИКОБРИТАНІЇ

Summary. Introduction. There is a lack of international empirical research analysing the factors that influence the need for, and depth and quality of, audits of non-financial reporting, particularly in the field of sustainable development. Despite the existence of common standards (e.g. GRI, ISSB and ESRS), the auditing mechanisms for such reports remain heterogeneous in terms of scope and methodology.

As one of the world's leading economies with a developed system of non-financial reporting regulation, the United Kingdom is an exemplary case for research. However, there is currently a lack of systematic analytical approaches that can identify the main determinants of sustainability reporting audits in the British context.

Purpose. The study aims to critically analyse the approaches to disclosing information on sustainable development in United Kingdom companies' corporate reports, identify current auditing standards for relevant reports, and substantiate the author's concept of their formation and audit in the context of unifying and standardising sustainable reporting practices.

Materials and methods. The study is based on the scientific works of Ukrainian and foreign authors on sustainability reporting and its audit, as well as analytical reviews from international institutions.

During the study, the following general scientific and special methods of researching interconnected and developing processes and phenomena were employed: analysis, bibliographic and bibliometric analysis, induction and deduction, formalisation, grouping, generalisation, synthesis, graphical and tabular methods.

Results. Overall, the study's findings show that the United Kingdom is gradually transitioning from a fragmented to a systematic approach to sustainability reporting. This change is accompanied by modifications to the regulatory framework, assurance practices and audit standards. These changes lay the groundwork for further unification, digitalisation, and strengthening of regulatory oversight in the field of non-financial reporting.

Perspectives. We believe that the experience of Asian countries in the formation and audit of sustainability reporting is a promising area for further research.

Key words: audit, reporting, sustainability, sustainability reporting, United Kingdom, management reporting, annual reporting, integrated reporting, auditing standards, corporate social responsibility, corporate governance, audit consulting

Анотація. Вступ. На міжнародному рівні спостерігається дефіцит емпіричних досліджень, що аналізують чинники (детермінанти), які впливають на необхідність, глибину та якість аудиту нефінансової звітності, зокрема у сфері сталого розвитку. Попри наявність загальних стандартів (наприклад, GRI, ISSB, ESRS), механізми аудиторської перевірки таких звітів залишаються неоднорідними як за обсягом, так і за методологією.

Великобританія, як одна з провідних економік світу та юрисдикція з розвинутою системою регулювання нефінансової звітності, є показовим кейсом для дослідження. Водночас бракує системних аналітичних підходів, що дозволяють виявити основні детермінанти аудиту звітності зі сталого розвитку саме у британському контексті.

Мета. Метою дослідження є критичне осмислення підходів до розкриття інформації про сталий розвиток у корпоративній звітності підприємств Великобританії, ідентифікація чинних стандартів аудиту відповідної звітності та обґрунтування авторської концепції її формування й аудиторської перевірки в контексті уніфікації та стандартизації практик сталого звітування.

Матеріали і методи. Інформаційною базою дослідження є наукові праці українських та зарубіжних авторів з питань звітності зі сталого розвитку та її аудиту, аналітичні огляди міжнародних інституцій.

В процесі проведеного дослідження були використані загальнонаукові і спеціальні методи дослідження процесів і явищ у їхньому взаємозв'язку і розвитку, а саме: аналіз, бібліографічний і бібліометричний аналіз, індукція і дедукція, формалізація, групування, узагальнення, синтез, графічний і табличний метод.

Результати. Загалом, результати дослідження демонструють поступовий перехід Великобританії від фрагментарного до системного підходу в аудиту звітності зі сталого розвитку, що супроводжується змінами у нормативній базі, практиках забезпечення впевненості та стандартах аудиту. Це створює підґрунтя для подальшої уніфікації, цифровізації та посилення регуляторного нагляду у сфері нефінансової звітності.

Перспективи. Перспективним напрямом подальших наукових досліджень, вважаємо, є необхідність вивчення досвіду країн Азії щодо формування та аудиту звітності зі сталого розвитку.

Ключові слова: аудит, звітність, сталий розвиток, звітність зі сталого розвитку, Великобританія, управлінська звітність, річна звітність, інтегрована звітність, стандарти аудиту, корпоративна соціальна відповідальність, корпоративне управління, аудиторський консалтинг

Introduction. In today's business environment, sustainability reporting has become a key tool for transparency with regard to environmental, social, and governance (ESG) impacts. Given the growing demands of investors, regulators and the public, such reporting is gradually becoming mandatory rather than a voluntary declaration. In this regard, the evolution of sustainability reporting requires a transformation in the way it is verified to ensure its reliability and compliance with specified standards.

One of the most effective ways to confirm the reliability of this information is to audit sustainability reports. An independent audit reduces the risk of 'greenwashing' and increases the credibility of published data. This is particularly important in developed economies that have a significant impact on global markets.

The United Kingdom, with a gross domestic product (GDP) of USD3.381 trillion in 2023 accounting for about 3.21% of the global economy, is an example of a country where mandatory ESG reporting and its independent verification are systematic. Consequently, there is an increasing demand for auditors who are competent in both financial and non-financial (sustainable) reporting.

Problems. There is a lack of international empirical research analysing the factors that influence the need for, and depth and quality of, audits of non-financial reporting, particularly in the field of sustainable development. Despite the existence of common standards (e.g. GRI, ISSB and ESRS), the auditing mechanisms for such reports remain heterogeneous in terms of scope and methodology.

As one of the world's leading economies with a developed system of non-financial reporting regulation, the United Kingdom is an exemplary case for research.

However, there is currently a lack of systematic analytical approaches that can identify the main determinants of sustainability reporting audits in the British context.

Analysis of recent researches and publications. The study of sustainability reporting audits reveals a wide variety of approaches, depending on the geographical, institutional, and economic context. In particular, K. V. Bezverkhyi analyses practices in the Americas and the specifics of the implementation of the European Sustainability Reporting Standards (ESRS) in two separate papers [1; 2]. The author emphasises that, while most South American countries are at the stage of voluntary reporting, North American countries (particularly Canada) are already implementing limited forms of external verification. In Europe, meanwhile, the process of audit standardisation is becoming more systematic.

The work of M. Elaigwu et al. shows that reporting quality significantly depends on the choice of auditor and the workload of the partner signing the audit report. This confirms the idea that the quality of the audit and the resources allocated to auditing non-financial aspects are as important as the presence of an audit.

Gotoh R. proposed an approach to the quantitative analysis of non-financial report content, opening up new opportunities to assess its completeness and transparency without human intervention. Such a tool could be used as an additional method in the audit of non-financial information.

Kuzey C. et al. [6] demonstrate the relationship between the presence of an audit committee and external audit, and shareholder attitudes towards sustainability reporting. I. Meutia et al. [10] came to a similar conclusion in their study of the banking sector in Indonesia, finding that stronger control mechanisms (such

as an audit committee and internal audit) improve the quality of ESG reports.

O. Pasko et al.'s study of the Chinese market [13] found that Big Four companies' participation in financial audits has a positive impact on non-financial reporting. This indicates trust in large audit firms, as well as possible integration of reporting audits in different areas.

Conversely, A. Padilla-Rivera et al. [11] and D. Gallardo-Vázquez [4] et al. emphasise the role of sustainable reporting as a mechanism for improving ESG performance, particularly within social enterprises and the circular economy sector. This broadens the traditional understanding of audit objectives, shifting the focus from control to the integration of sustainability values into business strategy.

O. Lubenchenko [7] and I. Makarenko et al. [8] highlight the barriers to developing reporting audits, including staffing shortages, a lack of regulatory clarity, and inconsistent standards. Similar issues have been identified in the Ukrainian context in a study by V. Metelytsia et al. (2025), in which the audit of ESG information is a prerequisite for accessing green finance.

Paranita E. S. et al. [12] draw attention to the relationship between the quality of ESG reports, corporate governance, and financial performance. This once again confirms the importance of verifying such information when making investment decisions.

F. Zúñiga-Pérez et al. [16] use the example of Chile to demonstrate that auditing non-financial reporting can improve stock market liquidity, indicating the importance of transparent ESG information for financial system stability.

Overall, most studies agree that auditing sustainability reports positively impacts their quality, stakeholder trust, and the investment attractiveness of companies. However, the effectiveness of auditing depends on various factors, ranging from the role of the audit committee to the involvement of major audit firms and adherence to regional standards. In this context, the United Kingdom's experience deserves special attention, given its progressive legislative framework and active implementation of TCFD- and ISSB-oriented practices.

Formulation purposes of article. The study aims to critically analyse the approaches to disclosing information on sustainable development in United Kingdom companies' corporate reports, identify

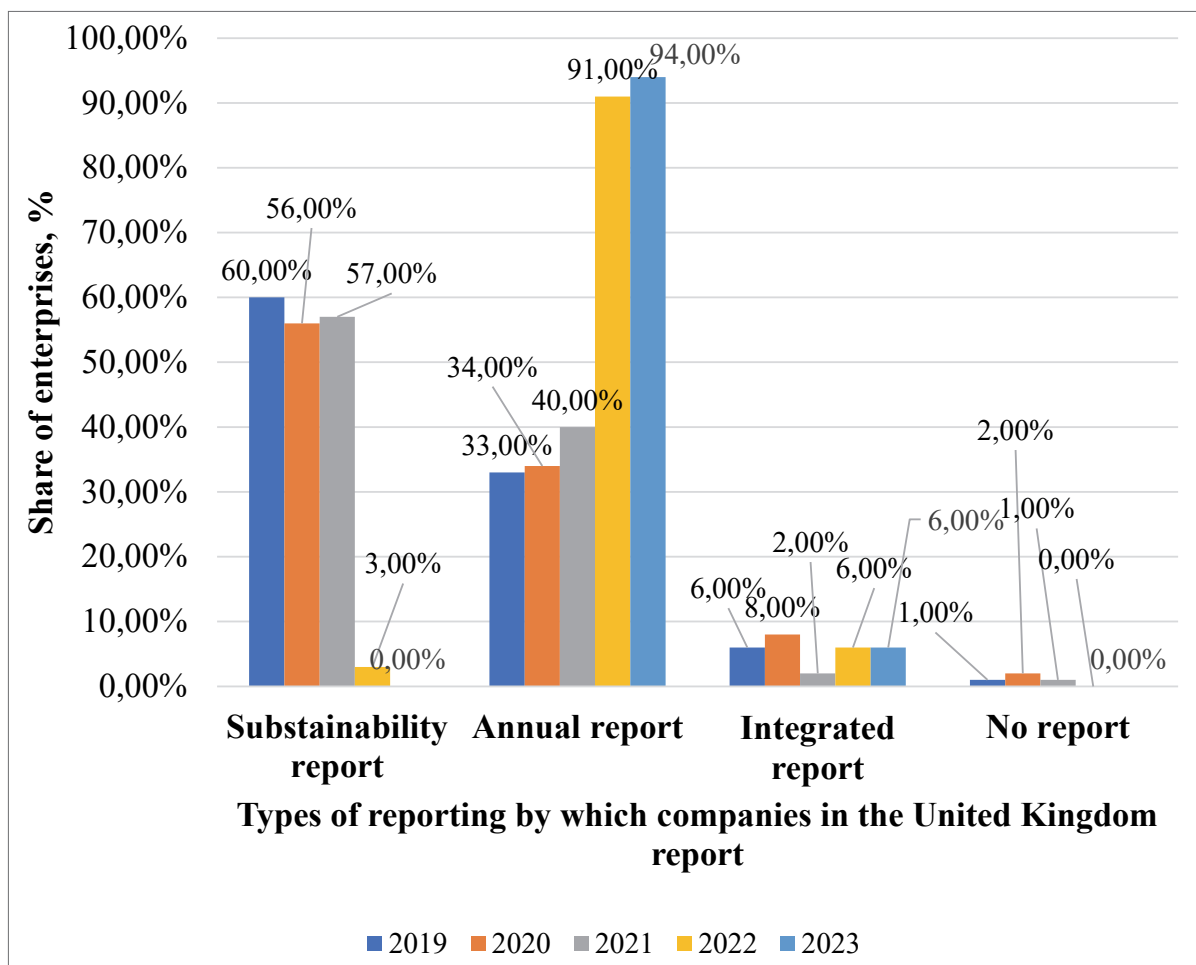


Fig. 1. Share of United Kingdom companies disclosing sustainability information, categorised by reporting type, %
Source: created by the author based on [17; 18]

current auditing standards for relevant reports, and substantiate the author's concept of their formation and audit in the context of unifying and standardising sustainable reporting practices. Based on the goal, we have identified the following tasks: 1) analysing United Kingdom companies that disclose information on sustainable development in different types of reporting; 2) determining the proportion of United Kingdom companies that undergo an audit of sustainable development reporting; 3) assessing the auditing standards for sustainable development reporting used by United Kingdom audit firms.

The main material. In the United Kingdom, sustainability reporting has gradually become an integral part of corporate governance. Under pressure from investors, society, and regulators, companies are required to report not only on financial results but also on the environmental, social, and governance (ESG) impact of their operations.

In 2022–2023, the United Kingdom introduced new requirements for mandatory climate reporting for large companies (e.g., TCFD-aligned disclosure), which significantly changed the approach to auditing non-financial statements.

Next, it will be useful to show the share of United Kingdom companies that disclose information on sustainable development in various types of reporting (Fig. 1).

According to the statistics (see Fig. 1), the United Kingdom experienced a significant transformation in companies' reporting approaches, particularly in sustainability reporting, between 2019 and 2023.

In 2019, 60.0% of companies published sustainability reports, 33.0% published annual financial statements and 6.0% published integrated financial statements; meanwhile, only 1.0% did not report at all. Over the following years, this structure changed; in 2020, the proportion of companies reporting on sustainable development decreased to 56%, while the proportion of integrated reporting increased to 8%. In 2021, there was partial stabilisation: 57.0% of companies continued to publish sustainability reports and the proportion of annual reports increased to 40.0%.

However, from 2022 onwards, there was a sharp turnaround in the reporting structure: only 3.0% of

companies reported on sustainable development separately, while the proportion of annual reports increased rapidly to 91.0%. This may indicate the gradual integration of ESG indicators into financial statements, or a shift towards more unified reporting formats. In 2023, no companies published separate sustainability reports, while 94.0% published annual reports and 6.0% published integrated reports. The proportion of companies not reporting at all decreased to zero.

The shift from separate non-financial reporting to integrated or extended financial reporting indicates a change in approach to ESG disclosure. This is likely due to increased regulatory requirements and the implementation of international standards, such as the TCFD and the ISSB, as well as the development of integrated thinking in corporate governance.

Having studied the proportion of United Kingdom enterprises disclosing information on sustainable development by type of reporting, it is advisable to consider the proportion of such enterprises auditing sustainability reports (see Table 1).

According to the data, 53.0% of companies provided assurance on their sustainability reporting in 2019, indicating a relatively high level of auditor involvement in the review of non-financial information. However, this figure dropped significantly to 42.0% in 2020 and remained unchanged in 2021–22. There was a moderate increase to 47.0% in 2023, which may be due to increased attention being paid to the quality of ESG reporting in response to changes in the regulatory environment.

Meanwhile, the proportion of companies providing limited assurance remained consistently high during the study period, ranging from 94.0% to 97.0%. This confirms that most companies opt for limited assurance, which is less in-depth than an extended audit but still ensures an appropriate level of reporting reliability.

The Assurance lag indicator is of particular note, as it measures the number of days between the publication of the report and the issuance of the audit opinion. While this delay was 27–28 days in 2020–21, it decreased to 9 days in 2022 and to just 3 days in 2023. These figures suggest an improvement in audit process efficiency, possibly due to their integration into the broader corporate reporting system.

Table 1

Sustainability reporting audits for United Kingdom companies

№ з/п	Indicator name	Years				
		2019	2020	2021	2022	2023
1	Providing assurance on sustainability reporting, %	53,00	42,00	42,00	42,00	47,00
2	Limited assurance on sustainability reporting, %	97,00	94,00	94,00	87,00	92,00
3	Time to provide assurance on sustainability reporting, days	-	27	28	9	3

Source: created by the author based on [17; 18]

Next, it would be useful to present the auditing standards used by United Kingdom firms to confirm the accuracy and reliability of reports, particularly sustainability reports (Fig. 2).

Analysis of the data presented in Fig. 2 indicates that the structure of auditing standard usage for sustainability reporting audits in the United Kingdom has evolved between 2019 and 2023, reflecting shifting priorities in auditing practice and a growing emphasis on climate and environmental aspects of sustainable development.

Notably, ISAE 3000 (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information) [19] remained the most commonly used standard among British audit firms, despite being universal in the field of non-financial audit. However, its usage decreased from 78.0% in 2019 to 70.0% in 2023, a decline of 8.0 percentage points. This may indicate a shift in the audit market towards more specific standards tailored to climate reporting requirements.

The share of ISAE 3410 [19] assurance engagements on greenhouse gas reports remained unchanged at 40.0%, confirming the stable interest of auditors in verifying carbon footprints and related disclosures.

Use of the AA1000 standard [20], which focuses on stakeholder and social responsibility principles, decreased slightly from 5.0% in 2019 to 4.0% in 2023.

This may indicate a gradual shift away from the emphasis placed on non-financial aspects of social responsibility, or a move towards more formalised and regulated standards.

Conversely, the ISO 14064 Greenhouse Gases standard [21], which specialises in emissions verification, demonstrated positive growth, increasing from 21.0% in 2019 to 25.0% in 2021. This may suggest a growing interest in auditing climate performance and aligning practices with global decarbonisation commitments.

Interestingly, the proportion of alternative standards not classified separately also increased, rising from 5.0% in 2019 to 9.0% in 2023. This suggests an expansion of the audit toolkit and a possible adaptation of United Kingdom companies' audit practices to new regulatory or industry requirements.

Insights from this study and perspectives for further research in this direction. The study confirms the transformation in approaches to preparing and auditing sustainability reports in the United Kingdom between 2019 and 2023. ESG reporting has gradually become institutionalised as a component of corporate governance, driven by regulatory pressure and the expectations of investors and society.

Changes to the reporting structure indicate the incorporation of sustainability indicators into finan-

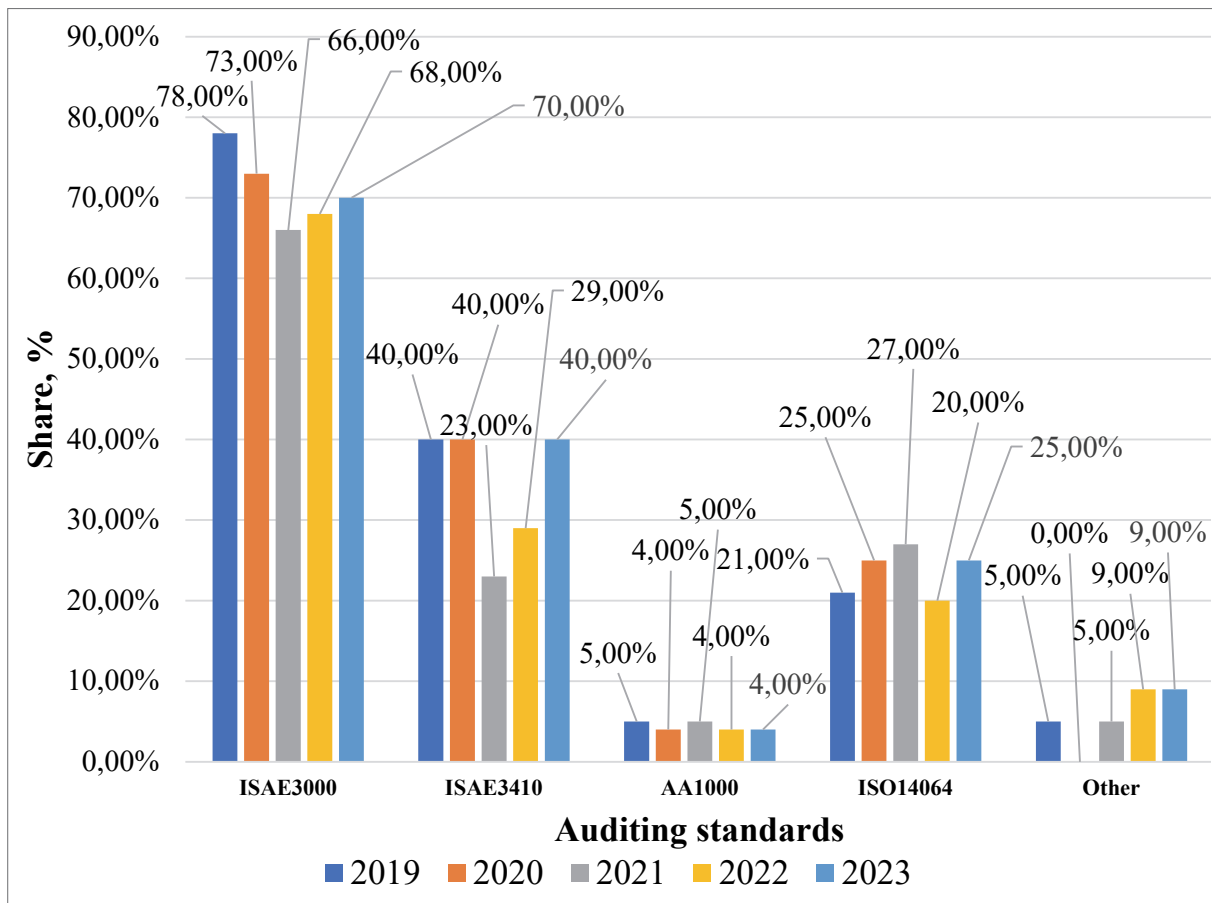


Fig. 2. Sustainability Reporting Audit Standards Used by United Kingdom Audit Firms
Source: created by the author based on [17; 18]

cial statements. While most companies prepared separate sustainability reports in 2019, this form of reporting had completely disappeared by 2023, having given way to annual or integrated reporting. This reflects the unification of information disclosure forms adapted to modern standards, particularly TCFD and ISSB.

Analysis of audit practices in reporting showed that, although the proportion of companies providing audit assurance fluctuated (42–53%), the level of limited assurance consistently exceeded 90%. This suggests that a less costly but formally acceptable level of audit is prevalent in non-financial reporting.

The reduction in assurance lag from 27–28 days in 2020–21 to three days in 2023 indicates increased efficiency in audit procedures and integration of audit processes into the corporate reporting system.

The way auditing standards are used has also changed. While the universal standard ISAE 3000 [19] continues to play a leading role, the importance of specialised standards such as ISO 14064 [21] is growing. This reflects the shift in audit practices towards the climate aspect of ESG reporting, which is becoming increasingly important in light of global challenges.

Overall, the study's findings show the UK's gradual shift from a fragmented to a systematic approach to auditing sustainability reports, alongside changes in the regulatory framework, assurance practices, and audit standards. This lays the groundwork for further unification, digitalisation, and strengthening of regulatory oversight in the realm of non-financial reporting.

We believe that a promising area for further research is studying the experience of Asian countries in preparing and auditing sustainability reports.

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