

Auditing Sustainability Reporting-Challenges & solution with reference to Chennai audit

Nishanth.D¹, Dr. Murali Krishnan.R²

IIMBA, Department of Management Studies, School of Management Studies, Vels Institute of Science Technology and

Advanced Studies (VISTAS) Pallavaram, Chennai¹

Assistant Professor, Department of Management Studies, School of Management Studies, (VISTAS) Pallavaram, Chennai²

Abstract: Auditing suitability reporting presents significant challenges, including inconsistent documentation, inadequate client profiling, and regulatory non-compliance. These issues compromise the accuracy and reliability of suitability assessments in financial services. Solutions involve enhancing auditor training, leveraging advanced data analytics, and adopting standardized reporting frameworks to ensure transparency and accountability. The integration of AI tools can also streamline data validation and risk assessment. Strengthening internal controls and regulatory oversight is essential for improving audit quality and maintaining investor confidence. This paper explores these challenges and outlines effective strategies for improving the auditing of suitability reports.

Keywords: Auditing, Suitability Reporting, Compliance, Financial Services

INTRODUCTION

Financial services refer to the products and services offered by the finance industry, which includes institutions like banks, insurance companies, investment firms, and government-sponsored enterprises. These services help in managing money and facilitating financial transactions. Financial intermediation, a key function, involves mobilizing funds from savers and providing them to those in need, especially businesses. Institutions such as merchant banks, mutual funds, and venture capital firms offer specialized financial services to corporate and individual clients. GST Audit is a process introduced in July 2017 to ensure businesses comply with GST regulations. It involves reviewing returns, records, and tax payments to detect errors or mismatches. Businesses with an annual turnover above ₹5 crore may need a GST audit. Income Tax audits, under Section 44AB, are mandatory for businesses exceeding ₹1 crore turnover (₹10 crore if minimal cash dealings) or ₹50 lakh for professionals. These audits, conducted by Chartered Accountants, promote compliance, transparency, and financial discipline.

COMPANY PROFILE

Chennai Audit is solely operating by SIVA RAJ.G, B.com, CA, MBA, having experience from 2009 to now who is an expert in all financial, accounting, and legal services. We are sorting out various commercial, legal and taxation complications and also we are handling all types of critical cases in statutory audits & compliances, income tax hearings and annual compliances as we are having direct contact with government officers in Income tax, GST, ROC, ESI & PF, FSSAI, other services too. We served more than 1, 50,000 customers from 2009, and also having 70000+regular clients. The Company's primary objective is to maximize long-term customer satisfaction in which it operates and at all times observing the highest ethical standards. We are probably the only one who clearly and frankly advertises Tax Optimisation

We planned to help New Entrepreneurs with simple idea that doing business in South India should be easy and range of business services from incorporation to tax filing. It is the largest online business services platform in South India to helping business people to easily start and manage their business by the legal advice and regulatory requirement.

REVIEW OF LITERATURE

Smith, J. & Brown, L. (2019) "Modern Auditing Practices in Financial Services: Challenges and Innovations" Summary: This review examines how contemporary challenges such as increased regulatory requirements and technological disruptions are reshaping auditing practices within finance companies. It highlights the shift toward data analytics and automation in audit processes, discussing the implications for audit quality and risk management.

Chen, W. & Kumar, R. (2020). "The Evolving Role of Audit Committees in Financial Institutions: A Systematic Literature Review" Summary: Focusing on the governance aspect, this article reviews literature on how audit committees in finance companies have adapted to new regulatory environments. It emphasizes the importance of transparency, accountability, and the integration of digital tools to enhance oversight and internal control functions.

Williams, S. & Johnson, P. (2021). "Enhancing Audit Quality in Finance Companies: Trends, Techniques, and Emerging Issues" Summary: This review discusses various factors influencing audit quality in financial firms, including the adoption of advanced technological tools and evolving regulatory frameworks. The authors synthesize findings from multiple studies that evaluate the effectiveness of audit practices and propose areas for future research.

Garcia, M. & Lee, S. (2022). "Digital Transformation in Auditing: Impacts on the Finance Sector – A Literature Review" Summary: With a focus on digital transformation, this article surveys the literature regarding the integration of technologies like artificial intelligence, machine learning, and blockchain into audit processes. It discusses both the opportunities (e.g., improved efficiency and fraud detection) and challenges (e.g., cybersecurity risks and data integrity concerns) that arise when finance companies embrace these innovations.

Patel, A. & Rodrigues, F. (2023). "Risk Management and Internal Controls in the Auditing of Financial Companies: A Comprehensive Review" Summary: This review analyzes recent research on risk management strategies and the effectiveness of internal control systems in finance companies. It examines how auditors assess risks and implement controls in increasingly complex financial environments and outlines best practices for aligning internal audit functions with overall corporate risk strategies.

Williams, S. & Johnson, P. (2021). "Enhancing Audit Quality in Finance Companies: Trends, Techniques, and Emerging Issues" Summary: This review discusses various factors influencing audit quality in financial firms, including the adoption of advanced technological tools and evolving regulatory frameworks. The authors synthesize findings from multiple studies that evaluate the effectiveness of audit practices and propose areas for future research.

Johria, A., & Singh, R. K. (2024). "A Systematic Literature Review of Auditing Practices Research Landscape" Summary: This study conducts a bibliometric analysis to amalgamate the publication landscape in auditing practices, emphasizing the accuracy of financial statements in depicting company performance.

Yeboah, E. (2020). "Critical Literature Review on Internal Audit Effectiveness" Summary: This review highlights the relevance of internal audits in ensuring efficient resource utilization, controlling misappropriation, and combating fraud within companies.

Hofmann, C., Kuhn, S. B., van Raak, J., & Schwaiger, N. (2020). "Literature Review: Internal Control Quality and Audit Quality" Summary: The paper discusses the significance of internal control quality in the audit process, noting its documentation in various studies and its relevance to the Public Company Accounting Oversight Board (PCAOB).

El Gharbaoui, B. (2021). "Internal Audit Quality and Financial Performance: A Systematic Literature Review Pointing to New Research Opportunities" Summary: This review explores the relationship between internal audit quality and financial performance, highlighting the need for a universal model integrating both concepts.

Lenz, R. (2015). "A Synthesis of Empirical Internal Audit Effectiveness Literature Pointing to New Research Opportunities" Summary: The paper provides a synopsis of academic literature on internal audit effectiveness and proposes new research questions to enhance the field.

OBJECTIVES OF THE STUDY

- To examine the existing auditing process and frameworks.
- To explore the role of auditors in ensuring sustainability in reporting.
- To identify best practices in sustainability reporting.

FINDINGS AND INFERENCES

CHI SQUARE

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.200 ^a	9	.003
Likelihood Ratio	23.412	9	.005
Linear-by-Linear Association	14.707	1	.000
N of Valid Cases	100		

INTERPRETATION

The crosstab analysis shows a statistically significant relationship between the variables in qno 5 and qno 1, as indicated by the Pearson Chi-Square value of 25.200 ($p = .003$). The expected and observed counts differ across categories, especially with 56.3% of cells having expected counts below 5, which may affect test reliability. Despite this, the significance suggests that responses to qno 5 vary meaningfully by professional background. The linear-by-linear association (.000) implies a trend or ordinal relationship. Cramer's V of .290 indicates a moderate association strength. Thus, professional role (qno 1) is meaningfully related to the responses in qno 5.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
How often do you encounter data inconsistency in sustainability report Do you find current sustainability reporting frameworks adequate .	Between Groups	18.077	3	6.026	6.524	.000
	Within Groups	88.673	96	.924		
	Total	106.750	99			
	Between Groups	26.716	3	8.905	8.399	.000
	Within Groups	101.794	96	1.060		
	Total	128.510	99			

	Levene Statistic	df1	df2	Sig.
How often do you encounter data inconsistency in sustainability reports	.689	3	96	.561
Do you find current sustainability reporting frameworks adequate .	1.005	3	96	.394

INTERPRETATION

The descriptive statistics and ANOVA results show significant differences in the mean responses to qno 5 and qnp 6 across professional groups ($p = .000$ for both). Auditors consistently reported lower means compared to other groups, especially "other (please specify)," which had the highest means. The Levene's Test results ($p > .05$) indicate equal variances, justifying the ANOVA results. Robust tests (Welch and Brown-Forsythe) confirm the findings even when accounting for potential variance issues. These differences suggest that professional background significantly influences perceptions or responses to both qno 5 and qnp 6.

SUGGESTION

- Auditing sustainability reporting presents several key challenges, including inconsistent metrics, lack of standardized frameworks, data incompleteness, limited auditor expertise, and organizational resistance.
- These issues hinder transparency, comparability, and the overall reliability of sustainability disclosures.
- For example, the absence of universally accepted audit standards and third-party verifications leads to credibility concerns (KPMG, 2020). Additionally, greenwashing and inadequate documentation make it difficult to trace and verify ESG claims effectively.
- To address these challenges, organizations should adopt globally recognized frameworks such as GRI or TCFD, invest in ESG-specific auditor training, implement centralized data platforms, and incorporate technologies like AI and blockchain to enhance data traceability and accuracy.
- Furthermore, mandatory assurance for large firms and greater stakeholder engagement can drive accountability and trust.
- By aligning with best practices and leveraging innovation, the auditability and integrity of sustainability reporting can be significantly improved (IFAC, 2022).

CONCLUSION

The combined findings from the regression, chi-square, and ANOVA analyses provide robust evidence that perceptions of sustainability reporting are significantly influenced by both individual predictor variables and professional background. Specifically, qs8 emerges as a meaningful predictor of qs5, reflecting a moderate, statistically significant relationship. Additionally, professional roles show marked differences in their perceptions, as evidenced by the chi-square and ANOVA results. Auditors tended to have more critical or conservative views, while individuals categorized under "other" roles demonstrated more favourable perceptions. These outcomes highlight the importance of context-specific communication and the need to consider role-based perspectives when developing sustainability reporting strategies. Organizations can enhance the effectiveness of their sustainability disclosures by aligning content with the expectations and familiarity levels of different stakeholder groups.

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