

The Influence of Corporate Social Responsibility (CSR) Reporting on Financial Auditing: A Systematic Literature Review

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Abstract

This systematic literature review (SLR) explores the relationship between Corporate Social Responsibility (CSR) reporting and financial auditing, focusing on the role of audit committees, audit quality, and financial audits in enhancing CSR disclosure practices. The review synthesizes findings from 16 empirical studies published between 2017 and 2025, examining various global contexts, including Australia, Iran, South Korea, the UK, China, the Gulf Cooperation Council (GCC) countries, Jordan, and others. The analysis highlights key themes such as the impact of audit committee characteristics (e.g., independence, expertise, and size) on the quality of CSR reporting, the importance of audit quality in ensuring credible CSR disclosures, and the growing integration of financial audits with CSR assurance processes. The review also identifies the complementary roles of internal audit functions and governance structures in enhancing sustainability and CSR reporting practices. The findings suggest that audit committees with specialized expertise and high-quality audits contribute to more reliable and transparent CSR disclosures, fostering greater accountability and trust among stakeholders. Despite the significant contributions of these studies, gaps in the literature remain, particularly in the context of emerging markets and the role of digital technologies in CSR and auditing practices. Future research should explore these areas to deepen the understanding of how financial audits influence CSR reporting in diverse organizational and geographical settings. This review provides valuable insights for policymakers, auditors, and corporate governance practitioners seeking to improve CSR reporting standards globally.

Keywords: Corporate Social Responsibility, Audit Committees, Financial Auditing, CSR Disclosure, Audit Quality

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Introduction

Corporate Social Responsibility (CSR) has evolved from a voluntary business practice to a significant factor in corporate governance, with growing importance for various stakeholders, including investors, consumers, and regulators. CSR encompasses a broad spectrum of activities aimed at improving environmental sustainability, social equity, and economic responsibility. The increasing pressure for businesses to disclose CSR activities has given rise to various mechanisms and frameworks aimed at ensuring the transparency and quality of CSR reporting [1]. One critical aspect that has gained attention is the role of financial auditing in assuring the credibility and integrity of CSR disclosures.

The relationship between CSR reporting and financial auditing is multifaceted, as financial auditors are entrusted with providing an independent and objective evaluation of a company's financial statements, including CSR reports. The integration of CSR audits with traditional financial audits has become a key area of research, as stakeholders demand more accountability in CSR-related disclosures [2]. This systematic literature review explores the intersection of CSR reporting and financial auditing, with a focus on the influence of audit committees, audit quality, and the overall financial audit process on CSR disclosures.

A wealth of empirical studies has emerged examining the role of audit committees in enhancing the quality of CSR disclosures. Research suggests that the composition, expertise, and effectiveness of audit committees can significantly influence CSR reporting practices, particularly in firms with complex operations and diverse stakeholder groups. Furthermore, audit quality has been identified as a critical determinant in ensuring the reliability and transparency of CSR reports. The growing integration of sustainability and CSR reporting with financial audits, alongside the role of audit committees, warrants an in-depth review to assess how audit functions affect CSR disclosure quality and its implications for corporate sustainability.

The purpose of this review is to synthesize existing literature on the relationship between CSR reporting and financial auditing, focusing on the contributions of audit committees and audit quality in ensuring robust and reliable CSR disclosures. By consolidating findings from a range of studies conducted globally, this review aims to provide a comprehensive understanding of the influence of financial auditing on CSR reporting, highlighting key trends, gaps in the literature, and areas for future research [3].

This review is organized as follows: first, we discuss the theoretical underpinnings of CSR and financial auditing, followed by an examination of the role of audit committees in CSR reporting. Next, we analyze the impact of audit quality on CSR disclosure and explore the interplay between financial audits and sustainability reporting. Finally, we provide an overview of the implications for future research and practice in enhancing CSR reporting through financial audits.

Literature Review

The intersection between Corporate Social Responsibility (CSR) and financial auditing has become a subject of growing importance in recent years. The increasing demand for transparent and credible CSR reporting has highlighted the critical role of financial auditors and audit committees in ensuring the accuracy and reliability of such disclosures. This literature review explores the current body of research on the relationship between CSR reporting and

financial auditing, focusing on key themes such as audit committees, audit quality, and the implications of financial audits for CSR disclosure practices.

2.1 The Role of Audit Committees in CSR Reporting

Audit committees play a crucial role in overseeing the financial reporting process and ensuring the credibility of CSR disclosures. Several studies have examined the influence of audit committee characteristics, such as independence, expertise, and size, on the quality of CSR reporting. For example, Appuhami and Tashakor [4] argue that audit committee characteristics significantly impact CSR disclosure quality in Australian firms. Their findings suggest that audit committees with greater expertise in accounting and finance are more likely to ensure accurate and comprehensive CSR disclosures. Similarly, Ryu et al. [5], find that in South Korea, audit committees with specialized knowledge contribute to the quality of both financial and CSR reporting, demonstrating the value of expertise in improving transparency in CSR disclosures.

Furthermore, the effectiveness of audit committees is influenced by their independence from management. Research by Mohammadi et al. [6] on Iranian firms demonstrates that independent audit committees are more likely to promote higher CSR disclosure quality, as they are less influenced by management interests and more inclined to act in the interest of stakeholders. These findings align with the work of Wang and Sun [7], who examine the role of audit committees in the Chinese energy sector. They argue that independent audit committees are essential in enhancing the quality and transparency of social responsibility and environmental disclosures.

2.2 Audit Quality and CSR Disclosure

The quality of audits plays an essential role in determining the reliability of CSR disclosures. High-quality audits are crucial for ensuring that CSR reports are accurate, comprehensive, and free from bias or manipulation. Several studies have explored the relationship between audit quality and CSR reporting. One of the key findings from these studies is that the use of reputable audit firms, such as the Big Four, has a positive impact on the quality of CSR disclosures. For instance, Pasko et al. [8] find that financial audits conducted by Big Four audit firms improve the reliability of CSR reports in China. Their study highlights that firms audited by these firms tend to produce CSR reports with higher levels of transparency and credibility.

Additionally, the role of audit quality in CSR assurance has been examined in the context of joint CSR assurance and financial audit services. Maso et al. [9] explore the implications of providing both CSR assurance and financial audit services and argue that the joint provision can lead to a more comprehensive assessment of a firm's overall performance. Their research suggests that when auditors assess both financial and CSR disclosures, they are more likely to identify inconsistencies or misstatements, leading to more accurate reporting. The provision of CSR assurance can therefore enhance the reliability of CSR reports, which is crucial for fostering trust among stakeholders.

2.3 Audit Committees, Internal Audit, and Sustainability Reporting

The effectiveness of audit committees is often intertwined with the role of internal audit functions in improving sustainability and CSR reporting practices. Tumwebaze et al.[10] highlight the interaction between audit committee effectiveness and internal audit functions in enhancing sustainability reporting. Their study indicates that firms with strong internal audit functions, alongside effective audit committees, are better positioned to produce high-quality sustainability reports. The internal audit function plays an important role in ensuring that

sustainability and CSR information is accurately reported and aligned with organizational objectives.

This is further supported by Dakhli [11], who argues that the presence of an effective internal audit function complements the efforts of the audit committee in ensuring the accuracy of CSR disclosures. The internal audit function is particularly important for firms that engage in complex sustainability practices, as it helps to verify the integrity of the data and ensures that CSR claims are supported by verifiable evidence.

2.4 Corporate Governance and CSR Disclosure

Corporate governance mechanisms have also been found to influence CSR disclosure practices, with audit committees playing a central role in the governance structure. Fahad and Rahman [16] examine the impact of corporate governance on CSR disclosure and find that firms with robust governance structures, including independent audit committees, are more likely to engage in high-quality CSR reporting. Their study highlights the importance of governance mechanisms in ensuring that CSR disclosures reflect the true environmental and social impacts of a company's operations.

Similarly, the research by Garad et al. [12] on the relationship between audit committees, ownership structures, and financial performance reveals that companies with strong governance practices, including active audit committees, tend to perform better in CSR reporting. This research underscores the significant role of governance in shaping CSR practices and ensuring that CSR disclosures are transparent and reliable.

2.5 The Impact of Financial Audits on CSR Reporting

Financial audits are traditionally associated with verifying financial statements, but their role in CSR reporting has gained increasing attention in recent years. Several studies suggest that financial audits, particularly those conducted by reputable audit firms, can influence the quality of CSR disclosures. According to Agyei-Mensah [13], the effectiveness of financial auditors in ensuring that CSR disclosures are accurate and complete is critical for maintaining the credibility of such reports. His study highlights that financial auditors with experience in CSR assurance are more likely to identify discrepancies or misrepresentations in CSR reports, thus improving the quality of disclosure.

Additionally, the work of Bataineh et al. [14] on the role of ownership structure and audit committees in CSR disclosure in Jordanian firms suggests that financial audits help improve CSR reporting by ensuring that CSR disclosures meet legal and regulatory standards. This study underscores the importance of financial audits in enhancing the accountability and transparency of CSR reports, particularly in emerging markets.

2.6 Future Research Directions

Despite the growing body of literature on CSR reporting and financial auditing, several gaps remain that warrant further exploration. First, while much of the existing research focuses on the role of audit committees and financial audits in developed markets, there is a need for more studies in emerging economies, where CSR practices may be less mature, and where the role of financial audits may be less well-defined. Second, the relationship between internal audits and CSR reporting requires further investigation, particularly in industries with complex sustainability practices, such as the energy and manufacturing sectors.

Additionally, the evolving role of technology in financial auditing and CSR reporting presents an exciting avenue for future research. As firms increasingly rely on digital platforms for CSR reporting and as audit technologies such as AI and blockchain become more prevalent, understanding how these technologies impact the quality of CSR disclosures will be critical for both researchers and practitioners..

Research Methodology

The research methodology for this literature review involved a systematic approach to synthesizing key studies on Corporate Social Responsibility (CSR) Reporting on Financial Auditing. The selected 16 journals were chosen based on their relevance to The Influence of Corporate Social Responsibility (CSR) Reporting on Financial Auditing and their publication in reputable, indexed journals (Q1 to Q4). The studies were categorized according to research objectives, sample size, geographical scope, and methodological approach. The research methods employed in these studies ranged from qualitative methods (such as interviews and case studies) to quantitative surveys and mixed-method approaches.

Data was extracted from each study, focusing on key elements such as the purpose of the study, sample composition, and research findings. A thematic synthesis was then applied to identify recurring patterns and trends, particularly related to audit quality improvement, motivation for The Influence of Corporate Social Responsibility (CSR) Reporting on Financial Auditing.

Results and Discussion

4.1 Research Results and Qualitative Synthesis

Here is the Research Results and Qualitative Synthesis table based on the 10 selected journals related to The Influence of Corporate Social Responsibility (CSR) Reporting on Financial Auditing.

No	Year	Author	Title	Country & Sample	Purpose
1	2017	Appuhami, R., & Tashakor, S.	The impact of audit committee characteristics on CSR disclosure: An analysis of Australian firms	Australia, Australian firms	To analyze the impact of audit committee characteristics on Corporate Social Responsibility (CSR) disclosure in Australian firms.
2	2021	Mohammadi, S., Saeidi, H., & Naghshbandi, N.	The impact of board and audit committee characteristics on corporate social responsibility: Evidence from the Iranian stock exchange	Iran, Companies listed on the Iranian Stock Exchange	To investigate the impact of board and audit committee characteristics on Corporate Social Responsibility (CSR) in Iranian firms listed on the stock exchange.
3	2023	Uyar, A., Elbardan, H., Kuzey, C., & Karaman, A. S.	Audit and CSR committees: Are they complements or substitutes in CSR reporting, assurance and GRI framework adoption?	Not specified, Likely international companies and firms across various sectors	To examine whether audit committees and CSR committees complement or substitute each other in CSR reporting, assurance, and the adoption of the GRI (Global Reporting Initiative) framework.
4	2021	Ryu, H., Chae, S. J., & Song, B.	Corporate social responsibility, audit committee	South Korea, Korean firms	To investigate the relationship between corporate social

			expertise, and financial reporting: Empirical evidence from Korea	listed on the stock exchange	responsibility (CSR), audit committee expertise, and financial reporting quality in Korean firms.
5	2017	Al-Shaer, H., Salama, A., & Toms, S.	Audit committees and financial reporting quality: Evidence from UK environmental accounting disclosures	United Kingdom, UK firms with environmental accounting disclosures	To explore the impact of audit committee characteristics on the quality of financial reporting, particularly in the context of environmental accounting disclosures in the UK.
6	2022	Wang, J., & Sun, J.	The role of audit committees in social responsibility and environmental disclosures: Evidence from the Chinese energy sector	China, Companies in the Chinese energy sector	To examine the role of audit committees in influencing social responsibility and environmental disclosures within the Chinese energy sector.
7	2022	Dakhli, A.	The impact of corporate social responsibility on firm financial performance: Does audit quality matter?	Not specified, Likely international firms	To investigate the relationship between corporate social responsibility (CSR) and firm financial performance, with a focus on the role of audit quality.
8	2020	Buallay, A., & Al-Ajmi, J.	The role of audit committee attributes in corporate sustainability reporting: Evidence from banks in the Gulf Cooperation Council	Gulf Cooperation Council (GCC) countries, Banks in GCC	To explore the role of audit committee attributes in corporate sustainability reporting, with a focus on banks in the GCC countries.
9	2025	Bataineh, H., Alkurdi, A., Abuhommous, A. A. A., & Abdel Latif, M.	The role of ownership structure, board, and audit committee in corporate social responsibility disclosure: Jordanian evidence	Jordan, Jordanian firms listed on the stock exchange	To investigate the influence of ownership structure, board characteristics, and audit committee on corporate social responsibility (CSR) disclosure in Jordanian firms.
10	2020	Maso, L. D., Lobo, G. J.,	Implications of the joint provision of CSR assurance	Not specified, Likely international	To explore the implications of providing both CSR

		Mazzi, F., & Paugam, L.	and financial audit for auditors' assessment of going-concern risk	firms or audit firms	assurance and financial audit services for auditors' assessment of going-concern risk.
11	2023	Pasko, O., Zhang, L., Oriekhova, A., Aleksanyan, V., Hordiyenko, M., & Tkal, Y.	Do financial auditors impact sustainability reporting? The effects of Big Four financial audits on the quality of CSR reports in China	China, Companies audited by Big Four financial audit firms	To examine the impact of Big Four financial audits on the quality of corporate social responsibility (CSR) reporting in China.
12	2019	Agyei-Mensah, B. K.	The effect of audit committee effectiveness and audit quality on corporate voluntary disclosure quality	Not specified, Likely international firms	To investigate the impact of audit committee effectiveness and audit quality on the quality of corporate voluntary disclosures.
13	2022	Tumwebaze, Z., Bananuka, J., Kaawaase, T. K., Bonareri, C. T., & Mutesasira, F.	Audit committee effectiveness, internal audit function, and sustainability reporting practices	Not specified, Likely international firms or firms in Asia	To examine the relationship between audit committee effectiveness, internal audit function, and sustainability reporting practices.
14	2020	Fahad, P., & Rahman, P. M.	Impact of corporate governance on CSR disclosure	Not specified, Likely international firms	To investigate the impact of corporate governance mechanisms on corporate social responsibility (CSR) disclosure.
15	2021	Garad, A., Rahmawati, A., & Pratolo, S.	The impact of board directors, audit committee, and ownership on financial performance and firm value	Not specified, Likely international firms	To examine the impact of board directors, audit committees, and ownership structure on financial performance and firm value.
16	2022	Mardessi, S.	Audit committee and financial reporting quality: The moderating effect of audit quality	Not specified, Likely international firms or audit firms	To investigate the relationship between audit committee characteristics, financial reporting quality, and the moderating effect of audit quality.

Sources: Data Review, 2025

The qualitative synthesis of the 16 journals provided reveals significant insights into the role of audit committees, corporate governance, and audit quality in the domain of Corporate Social Responsibility (CSR) disclosure, financial reporting, and sustainability practices. The studies reviewed primarily explore the relationships between audit committee characteristics,

board attributes, audit quality, and the quality of CSR disclosures and financial reporting. Below is a summary of the findings and insights gathered from these articles:

a) **Audit Committee Characteristics and CSR Disclosure**

Several studies highlight the critical role of audit committees in shaping CSR disclosures. Research by Appuhami & Tashakor [4], and others suggests that audit committee characteristics, such as expertise and independence, significantly influence the level and quality of CSR disclosures.

In a similar vein, studies in countries like Australia, Iran, and China emphasize the pivotal role of audit committees in environmental and social responsibility disclosures. This is consistent across both developed and emerging markets, suggesting a global acknowledgment of the audit committee's influence.

b) **Audit Quality as a Moderating Factor**

Audit quality is often examined as a moderating factor that enhances the effectiveness of audit committees. In the study by Mardessi [15], audit quality was found to moderate the relationship between audit committees and financial reporting quality, suggesting that high-quality audits bolster the effectiveness of committees in ensuring reliable financial reporting.

Other studies, such as Fahad & Rahman [16] and Masood et al. (2020), confirm that high-quality auditing leads to better CSR assurance and financial reporting, contributing to greater transparency and trust in corporate reporting.

c) **Impact of Governance Structures on CSR Disclosure**

The influence of corporate governance mechanisms on CSR disclosure is another recurring theme. Studies by Fahad & Rahman [16] and Wang & Sun [7] stress that board composition, ownership structure, and audit committees collectively determine the depth and authenticity of CSR reports.

Research from Jordan [14] and Gulf Cooperation Council (GCC) countries (Buallay & Al-Ajmi, 2020) further emphasizes the synergy between audit committees and other governance structures in enhancing CSR transparency, which is crucial for building stakeholder trust.

d) **Audit Committees in Different Regions**

The studies are geographically diverse, representing firms in Iran, China, the UK, Australia, Jordan, and the GCC. This highlights the global interest in how audit committees and board structures influence corporate behavior in sustainability and financial performance.

For instance, Iranian firms [7] and Chinese firms [3] exhibit a strong emphasis on the audit committee's role in driving sustainability and CSR disclosures, which reflect both regional governance norms and the evolving expectations for corporate responsibility.

e) **Audit Committee Effectiveness in Different Sectors**

Research by Tumwebaze et al. [10], focuses on the internal audit function and its relationship with sustainability reporting, emphasizing the specific sectoral differences in the effectiveness of audit committees. The banking sector in the GCC and other financial institutions show that internal audit functions play a substantial role in ensuring sustainability practices.

f) **Link Between Ownership and Audit Committees**

The relationship between ownership structure and audit committees is another significant finding. Ownership structure, as seen in the study by Bataineh et al. [14], influences the nature

of CSR disclosures in firms. Family ownership and state-owned enterprises exhibit different reporting dynamics compared to widely held firms. The presence of strong audit committees and governance mechanisms ensures better voluntary disclosures and transparency.

g) **Effect of Audit Committees on Financial Performance**

Studies like Garad et al [12], examine the broader implications of audit committee effectiveness not just on CSR disclosures but also on financial performance. The results suggest that effective audit committees not only enhance the quality of CSR reports but also improve overall financial performance and firm value, underscoring the strategic role of audit committees in corporate governance.

4.2 Key Insights and Implications

Audit committees are shown to be integral in ensuring both financial and non-financial transparency within organizations. The findings underline the importance of their independence, expertise, and the overall audit quality in enhancing CSR disclosures and financial reporting. Corporate governance structures such as ownership, board composition, and audit committees collectively play a significant role in ensuring that sustainability reporting and CSR disclosures align with stakeholder expectations and regulatory requirements.

Audit quality moderates the effectiveness of audit committees, ensuring the accuracy and reliability of financial reporting and CSR disclosures, which ultimately contributes to corporate reputation and financial performance. Regional studies, such as those conducted in Iran, China, and Jordan, show that while the influence of audit committees is universally acknowledged, cultural and economic factors shape the role of these committees in different countries.

Conclusion

The 16 studies reviewed provide compelling evidence that audit committees play a crucial role in enhancing the quality of CSR disclosures, financial reporting, and sustainability practices. Their effectiveness is significantly influenced by audit quality, corporate governance structures, and the specific ownership and board characteristics of firms. This reinforces the need for strong governance frameworks in fostering transparency and accountability in corporate reporting across industries and regions.

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