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THE ROLE OF AUDIT IN THE SYSTEM OF SUSTAINABLE DEVELOPMENT

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Abstract: In the late 1980s, the long–term environmental strategy "sustainable development" appeared and began to develop in a unique way around the world.

Sustainable development, as a new direction in the activities of organizations, led to the emergence of a new branch of accounting - sustainable development accounting.

As one of the guarantees of an organization's operations, accounting involves verifying the reliability of information contained in financial statements and auditing. Accounting for sustainable development already defines the place and role of auditing in this system.

Sustainable development audit focuses not only on financial reports but also on those based on non-financial information.

Through analysis, an attempt has been made to substantiate the role of audit in the sustainable development system.

Keywords: sustainable development, audit, ESG factors, non-financial information, system.

JEL code: M42

Research aims: The main purpose is to show the role of audit in the system of sustainable development.

Research novelty: The novelty refers to the fact, that organizations are required to prepare their financial statements by aligning both financial and non-financial information. To achieve this goal, the role of auditing in the sustainable development system is emphasized.

Introduction

The world is currently facing a number of complex and interrelated challenges, such as climate change, the environmental crisis, socio-economic inequality, and the overexploitation of natural resources. These problems force States and organizations to adopt a new vision based on the principles of sustainable development. Sustainable development is not only a concept that balances environmental and economic development, but also a strategic direction aimed at the prosperity of present and future generations.

Audit (internal and external) is an important tool for ensuring transparency, accountability and effective governance towards achieving Sustainable Development Goals.

In the context of sustainable development, the role of auditing goes beyond the verification of financial statements and includes the assessment of social, environmental and institutional outcomes.

The audit of sustainable development ensures responsible management, reduces risks and strengthens trust between society and organizations.

Audit is one of the key factors for the effectiveness of sustainable development management. This not only ensures transparent use of resources, but also facilitates clearer and more accountable decision-making. Therefore, it is necessary to develop auditing skills at all levels as an integral component of sustainable and responsible management.

Research results

Traditionally, an audit has been considered as a mechanism for verifying the compliance of financial statements and procedures. But the ideology of sustainable development expands the boundaries of control, encompassing social, environmental and management (ESG) components. In this case, the audit is transformed, becoming a tool not only for evaluation, but also for making strategic decisions.

The requirements of sustainable development emphasize the need for data transparency, accountability, risk forecasting, and outcome assessment. An audit can use all these functions to account for development goals at both the local and national levels.

Sustainability audits are a strategic mechanism for organizations to comprehensively assess their impact on the environment, society, and economy (Green, El. 2023). Systematic in nature, these audits go beyond mere adherence to regulations; they are designed to measure a company's dedication to sustainable practices holistically. The primary objective is twofold: firstly, to quantify and

understand the organization's current environmental, social, and economic performance, and secondly, to pinpoint areas that necessitate improvement.

Financial information refers to quantitative data about an organization's activities, whereas non-financial information refers to qualitative or quantitative data.

Consolidation of these two factors is important in the system of sustainable development.

When compiling non-financial statements, organizations are guided by the following standards (Korzovatykh, J., M. 2023)

1. **GRI standards** - the standards most commonly used in the preparation of non-financial statements cover three components: economic, social and environmental. As for information about sustainable development, the write standards cover important topics in general, such as information about energy use or information about the organization's staff. It is important for society to understand the degree of influence of big business on the "green" economy, because it is necessary for large organizations to carry out their economic activities in such a way as to ensure environmental protection.

2. **SASB standards** – industry standards that define the economic, environmental, and social orientation of an organization's activities and identify key indicators for sustainable development in terms of five factors: the environment, social capital, human capital, business model and innovation, leadership, and corporate governance,

3. **IIRC** standards – integrated reporting standards that make it possible to assess the value of an organization by different types

of capital in the context of: financial, industrial, intellectual, human, natural and social,

4. CDP standards and regulatory requirements make it possible to disclose information about an organization's environmental performance in order to manage its environmental impact and solve environmental problems worldwide,

5. TCFD recommendations – allows organizations to disclose risks related to climate change in their financial statements,

6. The international standard ISO 26000:2010 "Guidelines on social responsibility" defines the concept of "social responsibility" in the context of sustainable development. However, this standard has become less used in the preparation of non-financial statements due to the fact that it more reflects the organization of environmental management (Serebryakova T.Y. 2022).

The sustainability audit represents a commitment to responsible business conduct, guiding companies into a future where profitability is harmoniously combined with environmental protection and public well-being. As organizations become more aware of the need for sustainable development, audits are becoming invaluable tools that guide businesses towards continuous improvement and sustainability in the face of changing environmental and social expectations.

By comprehensively assessing their environmental footprint, organizations can adopt environmentally and socially responsible practices, contributing to a more sustainable and sustainable future. As sustainability becomes the cornerstone of corporate success, organizations that prioritize these audits have more

opportunities to thrive in a world that requires a balance between business growth and environmental protection.

Sustainable innovation has significantly transformed internal auditing by integrating advanced technologies such as artificial intelligence (AI), blockchain, and big data analytics to enhance transparency, accountability, and risk mitigation(Masoud, N. 2025). AI-powered audit tools enable real-time risk detection and fraud prevention through predictive analytics, as seen in European Union government institutions where robotic process automation (RPA) streamlines compliance checks. Blockchain technology further strengthens sustainability audits by creating tamper-proof ESG records, ensuring transparency in corporate sustainability disclosures, as demonstrated in United Nations Development Programme (UNDP) supply chain audits. Additionally, big data analytics enables public sector auditors to track ESG performance metrics dynamically, with financial institutions in Singapore leveraging this technology to assess carbon footprints in investment portfolios. These innovations align with stakeholder theory, which emphasises organizational accountability to multiple stakeholders, and agency theory, which highlights the role of internal audits in preventing managerial opportunism through enhanced oversight. By integrating sustainable innovation, internal audits extend beyond traditional financial oversight, reinforcing their role as mechanisms for ensuring ESG compliance, strengthening governance, and fostering long-term institutional resilience.

The role of audit in the system of sustainable development is still limited by a number of factors:

- ✓ Lack of standards in non–financial auditing - there are no universal methods for a clear assessment of environmental or social impacts;
- ✓ Lack of professional training for auditors – the sustainable development sector requires interdisciplinary knowledge such as ecology, sociology, economics.

In general, SDG audits can have impacts through several channels (Montero A.G. and Le Blanc D. 2019):

a) their appropriation by the governments themselves to improve processes, structures and programmes for SDG implementation by implementing audit recommendations;
b) the use of audit findings and information by other stakeholders (legislatures, civil society, the general public) to foster and inform their activities in support of the implementation of the Agenda and to hold governments accountable for their initiatives to implement the SDGs; and
c) informing the SDG follow-up and review process at the global level.

SAIs face three political challenges in relation to auditing SDGs. First, SAIs often sees SDG audits as more susceptible to politicization than other audits and, therefore, a potential challenge for SAI independence. The second challenge refers to the enforcement of audit recommendations. The third relates to the possible perception of SDGs as a predominantly supra-national matter.

Improving the communication of audits becomes particularly relevant for audits of development issues such as those encapsulated in the SDGs. Better communication of SDG audits is

critical to give visibility to the work SAIs do, raise awareness among different stakeholders about SDG audits, and enhance their impact on SDG implementation.

As countries advance implementation of the 2030 Agenda, SAIs will need to find their space and role in the ecosystems of institutions that are emerging at national level around SDG implementation. Several challenges and opportunities in this regard were highlighted in previous sections. To discuss this more systematically, it is convenient to use the well-established criteria for assessing science-policy interfaces: relevance, legitimacy and credibility. These criteria are quite broad, but they are easily broken down. For example, relevance can be further specified into more precise notions such as timeliness, relevance to the decision-makers' needs, cost, accessibility to non-specialised audiences, political sensitivity, etc.

Conclusion and Recommendations

Audits are no longer just about checking financial records - they've become powerful tools that help organizations understand and improve their impact on the world around them. As the idea of sustainable development grows, so does the role of auditing. It now includes not just finances, but also environmental responsibility, social impact, and how companies are managed.

Sustainability audits give businesses a clearer picture of where they stand in terms of their environmental footprint, how they treat their employees and communities, and how prepared they are for future risks. They're not just about following rules—they're about

doing better, being transparent, and making smarter decisions for the future.

Global standards like GRI, SASB, IIRC, and others help guide organizations in reporting their non-financial data clearly and consistently. At the same time, technology - like AI, blockchain, and big data - is making audits faster, smarter, and more reliable. These tools help companies spot problems early, prevent fraud, and prove they're serious about sustainability.

Supreme Audit Institutions (SAIs) also have an important part to play. Their work can help hold governments accountable and push forward progress on global goals like the UN's 2030 Agenda. But for this to work, their findings need to be shared in ways that the public, civil society, and policymakers can easily understand and act on.

The companies and institutions that embrace this shift will be better equipped to succeed in a world were doing good and doing well must go hand in hand.

Based on the findings presented in this article, we propose the following recommendations:

1. Organizations are encouraged to invest not only in technology, but also in developing the potential of their employees, ensuring that the link between sustainability and audit is deeper and clearer from the inside.
2. International cooperation can contribute to the formation of common standards and improve comparability, which is important for global progress.

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Ռիմա Մարգարյան
Հայաստանի պետական տնտեսագիտական համալսարանի
Գյումրու մասնաճյուղ, ավագ դասախոս

Բանալի բառեր - կայուն զարգացում, աուդիտ, ESG գործոններ, ոչ ֆինանսական տեղեկատվություն, համակարգ:

Հոդվածում ներկայացվում է աուդիտի դերը կայուն զարգացման համակարգում: Նրա դերը գնալով մեծանում է՝ ի պատասխան ավելի հաշվետու, թափանցիկ և կայուն կառավարման պահանջների: Եթե նախորդ դարում աուդիտը գործիք էր միայն ֆինանսական հսկողության համար, ապա 21-րդ դարում այն վերածվում է ռազմավարական միջամտության մեխանիզմի՝ ներառելով սոցիալական արդարություն, բնապահպանական անվտանգություն և կառավարման արդյունավետություն:

Աուդիտը կարող է զգալիորեն նպաստել կայուն զարգացման նպատակների իրագործմանը, սակայն դրա արդյունավետությունը պայմանավորված է մի շարք գործոններով՝ մասնագիտական կարողություններով, տեղեկատվության թափանցիկությամբ, ստանդարտների ներդրմամբ և հանրային մասնակցությամբ:

Ապագա քայլերը պետք է միտված լինեն կայուն զարգացման աուդիտի մեթոդաբանական արդիականացմանը, ժամանակակից տեխնոլոգիական լուծումների ներդրմանը և ինստիտուցիոնալ կայունության ապահովմանը: Միայն այդ պայմաններում աուդիտը կկարողանա իրականացնել իր ամբողջական առաքելությունը՝ ոչ միայն վերահսկել անցյալը, այլև ձևավորել կայուն ապագա:

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