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Sustainable performance audits: Integrating environmental and social indicators

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Abstract

Objective: Ascertain the principal advantages that organizations stand to gain from conducting sustainable performance assessments. Investigate the difficulties and limitations businesses face when trying to incorporate social and environmental indicators into auditing processes. Investigating the most efficient ways to carry out long-term performance audits in a variety of business settings. Sustainability audits have the potential to increase stakeholder and corporate awareness of the value of sustainability.

Methodology: The study integrates social and environmental indicators using a descriptive analytical approach to identify sustainable performance audits. Among Iraqi organizations and companies that employ or plan to use sustainable auditing methods that take social and environmental aspects into account a basic random sample of one hundred individuals was selected.

Conclusions: Improving adherence to social and environmental laws and regulations is one of the main possible advantages of using sustainable performance audits. Including environmental and social indicators was beset by major challenges chief among them being senior managements lack of commitment to and understanding of sustainability. Using the successful practices and experiences of top sustainability-focused companies was one of the most crucial implementation strategies and frameworks for sustainable performance audits.

Keywords: Social environmental and sustainable auditing indicators

Introduction

Overview

Applying the principles of sustainable development to the entire economy and society has become increasingly popular in recent years. Climate change resource scarcity environmental degradation and socioeconomic inequality are just a few of the pressing environmental and social issues that are affecting modern society at the same time as this transformation is happening. To address these challenges businesses and groups are attempting to incorporate sustainable development into their plans and day-to-day activities. Sustainable performance audits are a useful instrument in this context because they assess how well businesses accomplish goals related to social and ecological sustainability as well as traditional economic goals.

A thorough grasp of how an organizations operations affect the environment and society is provided by these audits which are based on a variety of environmental and social indicators. This improves performance and increases accessibility and accountability. Incorporating environmental and social factors into business audits is a significant addition of sustainable performance audits as this study addresses. The study explores the main ideas and concepts that underpin sustainable auditing as well as the instruments and procedures used to evaluate social and environmental performance and the benefits and difficulties that organizations in this field face.

With this study we hope to offer a thorough framework that will help companies balance economic growth with social and environmental responsibility.

The results of this study in our opinion will help to increase awareness of the significance of sustainable development and provide useful recommendations for enhancing sustainable audit practices in a range of businesses. Examine Significance. Given the growing need to strike a balance between social justice environmental preservation and economic growth this study is extremely important.

A crucial tool for businesses to assess and enhance their environmental and social impacts in addition to their financial results is provided by this research which focuses on sustainable performance audits and incorporates environmental and social indicators. Along with helping to achieve global sustainable development goals and increasing awareness of organizations responsibilities to society and the environment this integration fosters long-term business sustainability increases organizational transparency and accountability and helps to build a positive reputation.

Investigate the issue. Since many institutions find it difficult to accurately and completely measure and assess the environmental and social consequences of their operations the study main concern is the urgent need to improve the integration of environmental and social indicators into institutional audits. Though interest in sustainability is growing globally there are many methodological frameworks or clear guidelines to help businesses conduct sustainable audits that take social environmental and economic factors into account.

In order to close this gap this research looks into and provides practical models and techniques that help to develop and enhance sustainable auditing practices enabling companies to provide more thorough and balanced performance.

Research Question

1. What are the main advantages that companies can expect when they implement sustainable performance audits?
2. What barriers and challenges do companies face when trying to incorporate social and environmental indicators into audits?
3. Which tools and approaches work best for conducting sustainable performance audits in different types of organizations?
4. How can sustainability audits increase stakeholders and businesses understanding of its importance?

Objectives of the Study

1. Identify the main advantages that businesses could have from conducting sustainable performance audits.
2. Examine the difficulties and limitations businesses face when trying to incorporate social and environmental indicators into auditing processes.
3. Investigating efficient techniques and best practices for carrying out long-term performance audits in various industries.
4. Audits focused on sustainability have the potential to increase stakeholder and company awareness of the value of sustainability. Examine your concepts. In order to achieve sustainable development goals sustainable auditing is a methodical process that evaluates how well an organizations performance complies with historical economic standards social and environmental norms and environmental standards.

An assortment of standards and measurements known as environmental indicators are employed to evaluate the impact of institutional operations on the environment. Social indicators are a set of standards and metrics that are used to evaluate how business decisions affect society and employees.

Sustainability is the capacity to meet present needs without endangering the capacity of future generations to meet their own. Background in theory. Businesses must implement more sustainable practices and strategies in light of the growing interest in sustainable development (Baumgartner and Ebner 2010)^[3]. Due to this it is now necessary to assess a companys long-term success using social and environmental metrics in addition to traditional financial ones (Gray 2010)^[6].

One important tool for sustainability management is the Sustainable Performance Audit method which assesses an organizations overall performance and pinpoints areas for improvement (Hyršlová *et al.* 2013)^[16]. Rausch (2011)^[12] 2015)^[17]. Realistic sustainability can only be attained by incorporating social and environmental indicators into sustainability assessments. These metrics offer an evaluation of the organizations total impact on the environment and society (Adams 2004 Searcy 2012)^[1, 13]. Businesses struggle to quantify and disclose long-term performance since there is a big discrepancy between stated and actual performance (Krivačić 2017, Papadas *et al.* 2017)^[10, 11].

To measure long-term performance non-financial indicators must be used in addition to traditional financial indicators (Ittner & Larcker 2003 Hubbard 2009)^[9, 7]. Many facets of sustainability must be included in these indicators which also need to be balanced (Ball & Bebbington 2008)^[2]. For an organization to be sustainable environmental management and green supply chain systems are essential (Darnall *et al.* Sundin and Ranganathan (2002)^[14] Sundin 2008)^[18]. Audits of long-term performance ought to include these processes. Instead of focusing solely on financial data sustainable performance audits ought to thoroughly examine the organizations social and environmental ramifications (Xing *et al.* 2009)^[15]. The identification of opportunities for improvement and the proper steps to achieve sustainability should be the outcome of these procedures. Sustainable performance audits in general assist organizations in improving their sustainability management by giving them thorough data on their financial social and environmental performance which enables them to make more sustainable decisions (Bebbington *et al.* Searcy (2012)^[13] and 2014)^[4]. Techniques. By incorporating environmental and social indicators the study uses a descriptive analytical technique to find sustainable performance audits. Examine the populace. The study population consists of Iraqi establishments and organizations that either currently employ or plan to employ sustainable auditing practices by integrating environmental and social aspects into their auditing procedures. The research sample. From Iraqi organizations and companies that use or plan to use sustainable auditing procedures that incorporate environmental and social factors into their auditing processes a simple random sample of one hundred individuals was selected.

Study aid

An electronic survey with four axes serves as the study instrument

- The first axis discusses the possible advantages of using sustainable performance audits.
- Encumbrances and difficulties in incorporating social and environmental indicators comprise the second axis.
- Frameworks and tactics for carrying out sustainable performance audits comprise the third axis.

- The fourth axis is increasing the significance of sustainability auditing and bringing attention to it. Analysis of the results

Part 1: Demographic data

Table 1: Gender

Gender	Frequency	Percentage
Male	63	63
Female	37	37
Total	100	100

There are 100 participants in the study with 63 percent of them being men and 37 percent being women.

Table 2: Age

Age	Frequency	Percentage
Less than 25	10	10
25-35	46	46
36-45	25	25
More than 45	19	19
Total	100	100

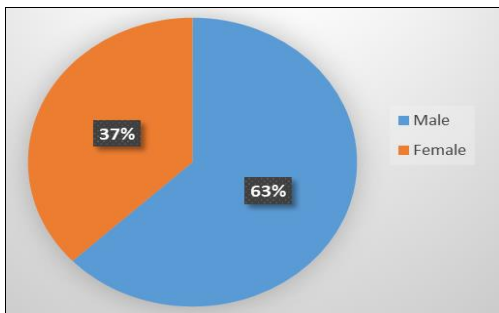


Fig 1: Gender

The age variable is used to divide the study sample into four groups: 10% of participants are under 25 46% are between 26 and 35 years old 25% are between 36 and 45 years old and 19% are over 45.

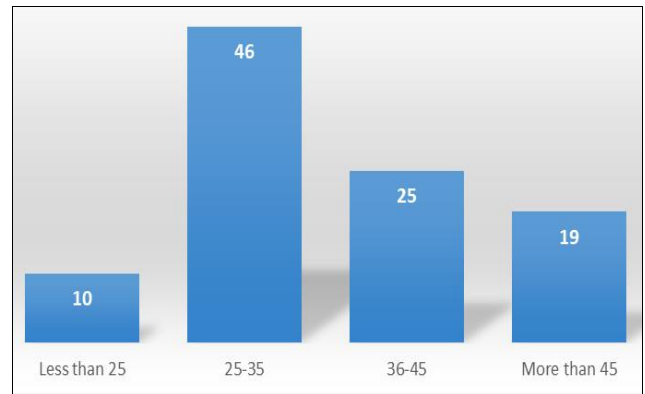


Fig 2: Age

Table 3: Qualification

Qualification	Frequency	Percentage
High school and below	6	6
Diploma	8	8
Bachelor's	49	49
Master's	12	12
Ph.D.	31	31
Total	100	100

Six percent of the study sample is classified as having completed secondary school or less eight percent as having received a diploma fifty-nine percent as having completed a bachelors degree twelve percent as a masters degree and thirty-one percent as having completed a doctorate.

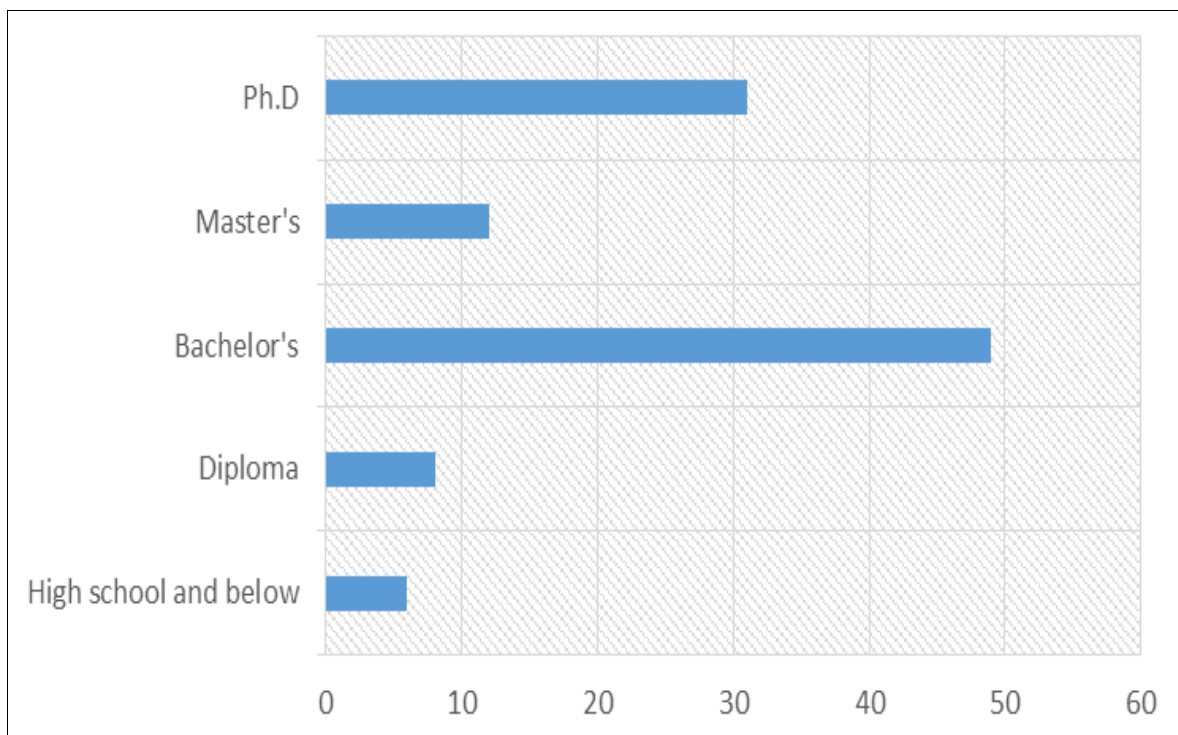


Fig 3: Qualification

Part 2: Topics of the study

Table 4: A sustainable performance audits possible advantages are the first axis of analysis

	Phrase	Mean	Standard Deviation
1.	Enhancing the company standing and drawing long-term funding.	4.0	0.8
2.	Enhancing observance of social and environmental laws.	4.1	1.0
3.	Lowering operating expenses and improving resource efficiency.	3.9	1.1
4.	Enhancing risk management in relation to social and environmental issues.	3.7	1.2
5.	Boost involvement from stakeholders and forge closer bonds.	3.4	1.3
6.	Encourage the development of innovative and sustainable processes and products.	3.6	1.2
7.	Enhancing long-term financial results.	3.7	1.1

First place went to the study questionnaires first axis results which highlight the possible advantages of implementing sustainable performance audits. A standard deviation of 1 point and an average of 4 points were assigned to improving adherence to social and environmental laws and regulations. Second place went to enhancing the

organizations standing and luring sustainable investments both of which had a mean score of 4 points and a standard deviation of 0 points. With an average of 3 points and a standard deviation of 1 point improving resource efficiency and cutting operating costs came in third.

Table 5: Challenges and barriers to incorporating social and environmental indicators make up the second axis.

	Phrase	Mean	Standard Deviation
1.	Insufficient trustworthy data and information to assess social and environmental performance.	4.2	0.9
2.	Senior managements lack of commitment and understanding of the significance of sustainability.	4.7	0.6
3.	The challenge of determining relevant and quantifiable indicators.	4.5	0.8
4.	Elevated expenses linked to gathering and disclosing data.	4.1	1.0
5.	Opposition to change in the corporate culture that is currently in place.	4.0	0.8
6.	The implementation of sustainable practices is not backed by any legal or regulatory framework.	4.0	1.0
7.	Environmental and social indicators are difficult to integrate with conventional auditing systems.	3.9	1.1

Weak awareness and senior management's commitment to the importance of sustainability came in first place with an average of 4 points and a standard deviation of 3 points on the second axis of the study questionnaire which refers to the challenges and obstacles of including environmental and social indicators. Finding appropriate and quantifiable

indicators was the second most difficult task with a mean score of 4/5 and a standard deviation of 0/8. The absence of trustworthy data and information to assess social and environmental performance came in third with an average score of 4 points and a standard deviation of 0 points.

Table 6: The third axis consists of frameworks and tactics for carrying out sustainable performance audits.

	Phrase	Mean	Standard Deviation
1.	Obtain senior management's strong support and incorporate sustainability into the organizational plan.	4.1	0.5
2.	Creating systems of measurement and information integration for social and environmental performance.	4.3	0.9
3.	Acquiring the knowledge and skills necessary to carry out a sustainable performance audit.	3.8	1.1
4.	Engage stakeholders from within and outside the company in audits.	4.2	0.9
5.	Embrace a comprehensive framework such as the Global Sustainability Reporting Initiative (GRI) or alternative guidelines.	4.7	0.6
6.	Take advantage of the best practices and insights from top sustainability-focused businesses.	4.5	0.8
7.	Incorporating sustainable audits into the governance and management frameworks currently in place.	4.1	1.0

Using an average score of 4 points with a standard deviation of 0 points the third axis results showed that strategies and frameworks for implementing sustainable performance audits to gain from the effective practices and experiences of leading companies in the field of sustainability came in first. With an average of 4 points and a standard deviation of

0 points the development of integrated information and measurement systems for environmental and social performance came in second. With a mean score of 4 points and a standard deviation of 0 points involving internal and external stakeholders in audit processes came in third.

Table 7: Fourth axis, raising the profile and importance of sustainability auditing.

	Phrase	Mean	Standard Deviation
1.	Creating and transparently disseminating sustainability reports on a regular basis.	3.9	0.6
2.	Planning awareness campaigns and workshops for the staff of the company.	4.0	1.0
3.	Involve stakeholders to promote open communication.	3.9	1.1
4.	Benefit from digital channels and social media.	3.7	1.2
5.	Attempting to bolster policies and programs that promote sustainability.	3.6	1.2
6.	Showcasing achievements and cutting-edge methods in the sustainability auditing industry.	3.7	1.1
7.	Working together with organizations that specialize in sustainability and auditing.	3.7	1.4

With an average score of 4 points and a standard deviation of 1 point the findings of the fourth axis raising awareness and emphasizing the value of sustainability auditing in

planning training sessions and employee awareness campaigns took first place. Second place went to the regular and transparent preparation and distribution of sustainability

reports with an average score of 3 points and a standard deviation of 0 points. Third position went to involving stakeholders and encouraging open communication with them with a mean score of 3 points and a standard deviation of 1 point.

Discussion

In line with the opinions of Baumgartner and Ebner (2010)^[3] the findings show the significance of sustainability audits in enhancing compliance with environmental and social laws and regulations enhancing the organizations reputation and luring sustainable investments. The findings are also generally consistent with the theoretical framework.

Say and Gray (2010)^[6] note that adopting more sustainable practices and integrating social and environmental performance is becoming more and more necessary. Krivacic (2017)^[10] and Babadas *et al.* have identified as issues connected to the lack of awareness and commitment from top management as well as the challenge of defining corresponding indicators. (2017) draw attention to the discrepancy between reported and actual performance. Building on successful practices and creating integrated information systems are two strategies for implementing sustainable audits that align with the findings of Hirshlova *et al.* The significance of integrated audits has been discussed by Rausch (2011)^[12] and (2015)^[17].

Ultimately the dissemination of information and the promotion of sustainability through sustainability workshops and reports align with the perspectives of Bebbington *et al.* (2014)^[4] and Searcy (2012)^[13] regarding the enhancement of sustainability management and sustainable decision-making through integrated information.

Conclusion

Increasing compliance with social and environmental laws and regulations enhancing resource efficiency lowering operating costs attracting sustainable investments and enhancing the organizations reputation are the main potential benefits of implementing sustainable performance audits. The main barriers to incorporating environmental and social indicators were the senior management's lack of commitment to sustainability the difficulty of choosing relevant and quantifiable indicators and the scarcity of trustworthy data and information to assess environmental and social performance.

The development of integrated information and measurement systems for environmental and social performance the involvement of internal and external stakeholders in audits and learning from the successful practices and experiences of top sustainability-focused companies were the three most crucial strategies and frameworks for implementing sustainable performance audits.

The organization of workshops and awareness campaigns for staff members the regular and transparent preparation and distribution of sustainability reports stakeholder engagement and the encouragement of open communication were the most crucial strategies to raise awareness and emphasize the significance of sustainability auditing.

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**Appendix
Questionnaire**

Part 1: Demographic data

Gender	<ul style="list-style-type: none"> • Male • Female
Age	<ul style="list-style-type: none"> • Less than 25 • 25-35 • 36-45 • More than 45
Qualification	<ul style="list-style-type: none"> • High school and below • Diploma • Bachelor's • Master's • Ph.D.

Part 2: Topics of the study

The first axis: The potential benefits of adopting sustainable performance audits

	Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Improving the organization's reputation and attracting sustainable investments.					
2.	Improving compliance with environmental and social laws and legislation.					
3.	Enhancing resource efficiency and reducing operational costs.					
4.	Improving risk management associated with environmental and social issues.					
5.	Improve stakeholder engagement and build stronger relationships.					
6.	Promote innovation and sustainable development of products and processes.					
7.	Improving long-term financial performance.					

The second axis: Obstacles and challenges in including environmental and social indicators

	Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Lack of reliable data and information to measure environmental and social performance.					
2.	Weak awareness and commitment of senior management to the importance of sustainability.					
3.	Difficulty in identifying appropriate and measurable indicators.					
4.	High costs associated with data collection and reporting.					
5.	Resistance to change within the prevailing organizational culture.					
6.	Absence of a legislative and regulatory framework supporting the adoption of sustainability practices.					
7.	Difficulty integrating environmental and social indicators with traditional auditing systems.					

The third axis: Strategies and frameworks for implementing sustainable performance audits

	Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Build a strong commitment from senior management and integrate sustainability into the organizational strategy.					
2.	Developing integrated information and measurement systems for environmental and social performance.					
3.	Training and developing the competencies required to conduct a sustainable performance audit.					
4.	Involve internal and external stakeholders in audits.					
5.	Adopt a comprehensive framework such as Global Sustainability Reporting (GRI) or other standards.					
6.	Benefit from the successful practices and experiences of leading companies in the field of sustainability.					
7.	Integrating sustainable audits into existing management and governance systems.					

Fourth axis: Raising awareness and enhancing the importance of sustainability auditing

	Phrase	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Preparing and distributing sustainability reports periodically and transparently.					
2	Organizing workshops and awareness campaigns for the organization's employees.					
3	Engage stakeholders and promote open dialogue with them.					
4	Take advantage of social media and digital channels.					
5	Working to strengthen legislation and initiatives that support sustainability.					
6	Highlighting success stories and pioneering practices in the field of sustainability auditing.					
7	Cooperating with organizations specialized in the field of sustainability and auditing.					