# Sustainability Reporting and Esg Assurance: Navigating Opportunities and Challenges in Traditional Auditing

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**Abstract**
This study takes a close look at the new opportunities emerging in non-financial ESG auditing, while also highlighting the hands-on challenges that traditional audit firms face as they move into this area. Using a quantitative, survey-driven approach, data was collected from 18 business clients and 10 chartered accountant firms in the Hubballi-Dharwad region. The goal? To assess both the local demand for non-financial audits and how prepared audit firms actually are to deliver these services.
Findings point to significant potential in ESG assurance. Awareness among business clients was universal—every single participant knew about ESG—and a strong majority (83.3%) indicated a willingness to seek out non-financial audit services from CA firms. Still, several hurdles are hard to ignore. Notably, 90% of the audit firms admitted they hadn't received formal ESG training. Plus, the current regulatory landscape for non-financial audit standards remains murky at best.
The research also identifies 20 different service areas within ESG, signaling a broad field of opportunity. Yet, it's clear that bigger, systemic issues—such as the lack of professional development and ambiguous guidelines—need to be tackled collectively if this sector's potential is to be fully realized. unclear regulations—must be addressed collaboratively to fully realize the sector's potential.

**Keywords:** Non-financial auditing, ESG verification, audit firms, sustainability assurance, BRSR compliance

## 1. Introduction

The audit profession is experiencing a fundamental shift from traditional financial auditing toward comprehensive assurance services that include non-financial ESG auditing. This transformation responds to growing stakeholder demands for verified sustainability information and regulatory requirements for ESG disclosures. Non-financial auditing encompasses verification of environmental data, social impact metrics, governance practices, and sustainability reporting accuracy, representing substantial growth opportunities for traditional audit firms.
The emergence of mandatory ESG reporting frameworks, particularly SEBI's Business Responsibility and Sustainability Reporting (BRSR) requirements and international sustainability standards, creates unprecedented demand for non-financial audit services. Traditional audit firms possess foundational assurance skills but face significant challenges in adapting these competencies to ESG verification, carbon accounting, and sustainability data validation.
This study examines non-financial ESG auditing opportunities available to traditional audit firms while

identifying specific implementation challenges that impede effective market entry. Using Hare Krishna Chambers in Hubballi as a representative case, the research explores both the market potential for ESG verification services and the systematic barriers preventing audit firms from capitalizing on these opportunities.

**Research Objective:** To identify opportunities in non-financial ESG auditing and assess challenges faced by audit firms in implementing these opportunities effectively.

## 2. Literature Review

**Table 1: Literature Review on Non-Financial Auditing**

| Theme | Authors | Key Findings | Relevance to Non-Financial Auditing |
|---|---|---|---|
| ESG Assurance Standards | Salin et al. (2024) | ESG competency requires understanding of ISAE 3000, SAE 3410, and carbon accounting methodologies | Establishes technical requirements for non-financial audit services |
| Sustainability Assurance Evolution | Geok& Fernandez (2022) | Auditors must adapt traditional assurance approaches to qualitative ESG metrics and stakeholder-focused reporting | Demonstrates scope expansion beyond financial verification |
| Non-Audit Service Integration | Arruñada (1999) vs. Causholli et al. (2014) | Conflicting perspectives on assurance bundling: market efficiency versus independence concerns | Critical for ESG verification service positioning |
| Assurance Quality Framework | International Standards (ISAE 3000) | Systematic approach to non-financial assurance requiring specific procedures and documentation | Provides methodological foundation for ESG auditing |
| ESG Verification Demand | Market Research (2024-2025) | Growing regulatory requirements drive demand for third-party ESG verification and carbon footprint auditing | Validates market opportunity assessment |

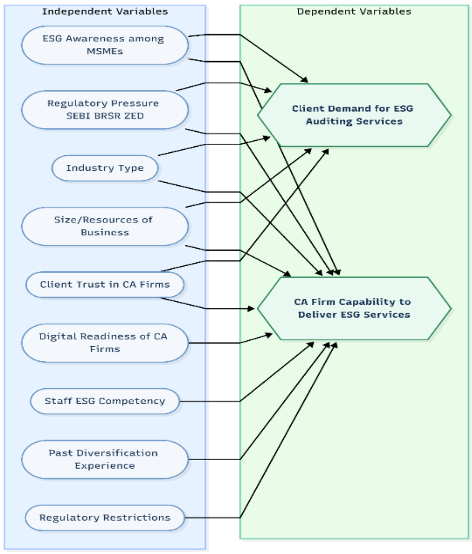
## 3. Research Design and Methodology

This study employed a quantitative survey-based research design focusing on non-financial auditing opportunities and implementation challenges. The research utilized structured questionnaires administered over a two-week period in the Hubballi-Dharwad region to assess market demand for ESG verification services and audit firm readiness for non-financial assurance delivery.

Sampling Strategy: Convenience sampling targeted 18 business clients requiring ESG reporting and 10 audit firms with traditional assurance capabilities. Client criteria included annual turnover ₹5-100 crores, regulatory ESG reporting requirements, and established audit relationships. Audit firm criteria encompassed minimum two years assurance experience, current statutory audit practice, and MSME client portfolio.

Data Collection: The survey-based methodology employed two distinct structured questionnaires. The client survey examined non-financial audit demand, ESG verification requirements, budget allocations, and service preferences. The audit firm survey assessed ESG competencies, training status, service delivery capabilities, implementation barriers, and market readiness indicators. Both surveys utilized closed-ended questions with Likert scales, multiple-choice options, and categorical responses to ensure quantifiable data collection suitable for statistical analysis.

### 3.1 Variable Framework




**Dependent Variables (DVs):**

- Market demand for non-financial ESG auditing services
- Audit firm capability to deliver ESG verification services
- Successful implementation of ESG auditing opportunities

**Independent Variables (IVs):**

- ESG awareness levels among clients and audit firms
- Training and certification status of audit firms
- Regulatory clarity and framework availability
- Industry type and ESG reporting requirements
- Firm size and resource availability
- Current audit experience and competency levels
- Client budget allocation for ESG services

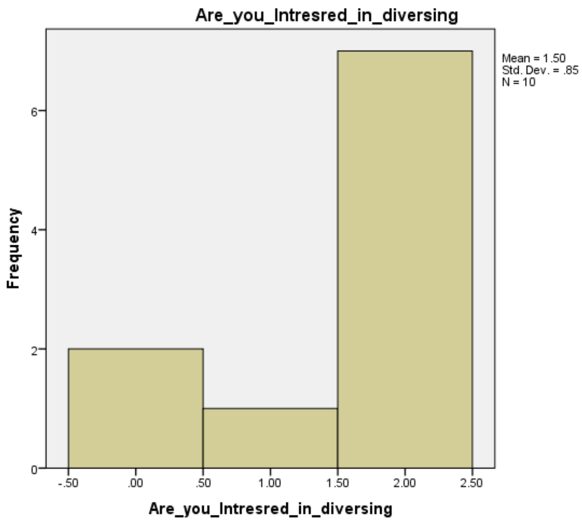
**[Table 2: Variable Operationalization Framework]**

| Variable Type | Variable | Measurement | Data Source |
|---|---|---|---|
| DV | Non-financial audit demand | Likert scale (1-5), percentage willing to outsource | Client survey (n=18) |
| DV | ESG verification | Training status, service delivery readiness | Audit firm survey |

| Variable Type | Variable | Measurement | Data Source |
|---|---|---|---|
| | capability | | (n=10) |
| IV | ESG awareness | Binary (aware/unaware), importance rating | Both surveys |
| IV | Training status | Certification completion, training hours | Audit firm survey |
| IV | Industry type | Manufacturing, textiles, agro-processing, IT | Client classification |
| IV | Regulatory pressure | BRSR applicability, export requirements | Client characteristics |

**4. Data Analysis**

The analytical framework utilized Excel and SPSS for comprehensive examination of non-financial auditing opportunities and implementation challenges. Qualitative thematic analysis identified recurring patterns in ESG verification demand and audit firm capability gaps. Quantitative analysis employed descriptive statistics, frequency distributions, and cross-tabulations to quantify market opportunities and implementation barriers.



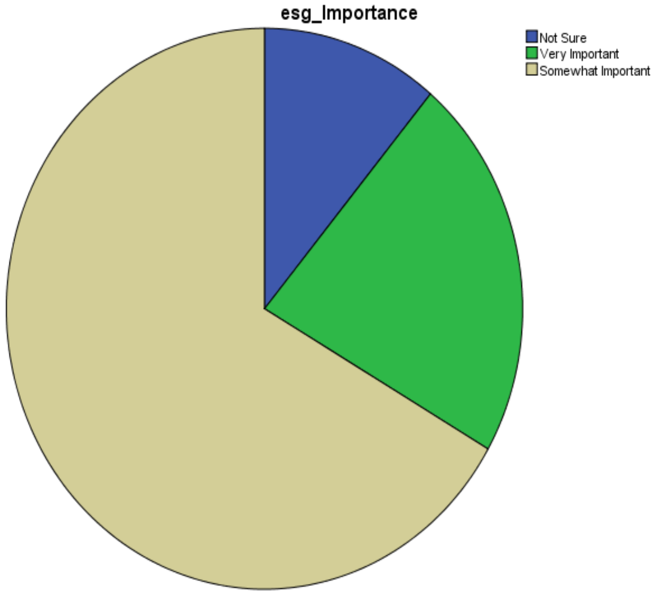

**[Histogram 1 from SPSS Output: Are You Interested in Diversifying - showing Not Currently (20%), Definitely (10%), Maybe (70%)]**

SPSS analysis provided statistical validation of identified themes while Excel supported data visualization and opportunity-challenge mapping. Integration analysis triangulated client demand patterns with audit firm capability assessments to identify specific market gaps and implementation requirements.

**5. Results**

**5.1 Non-Financial Auditing Opportunities**

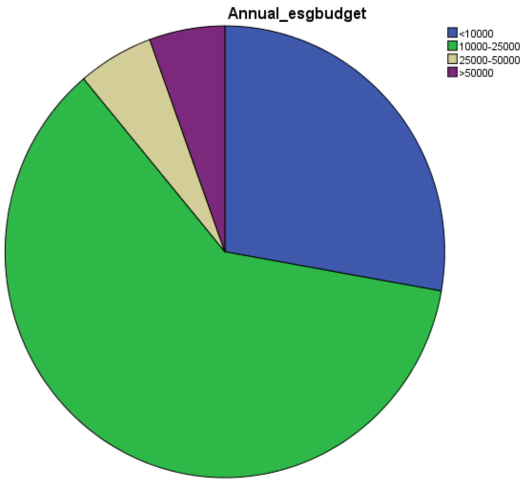
ESG Verification Demand: Universal client awareness (100%) of ESG requirements creates substantial foundation for non-financial audit services. Specific opportunities identified include 20 distinct service areas encompassing ESG Gap Assessment, BRSR Compliance verification, ESG Data Verification and Controls Review, Carbon Footprint Analysis, and Supply Chain ESG Assessment.




**[Chart 1 from SPSS Output: ESG Importance Distribution - showing Very Important (22.2%), Somewhat Important (66.7%), Not Sure (11.1%)]**

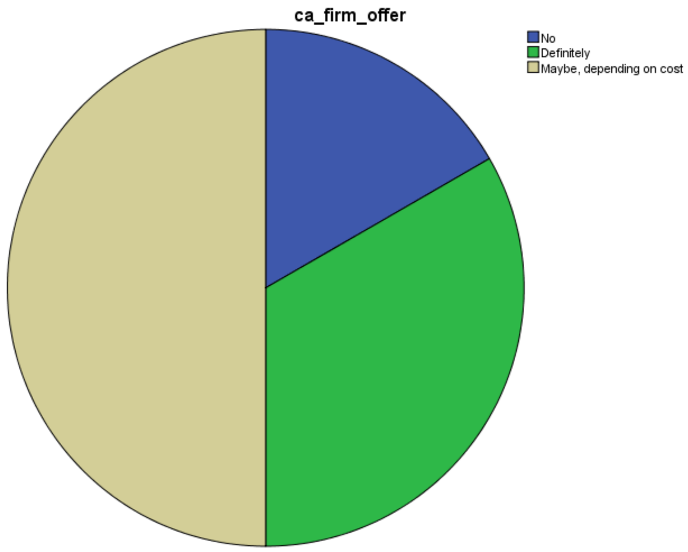
Market Segmentation: Client interest concentrates in regulatory compliance verification (BRSR assurance), environmental data auditing (carbon footprint verification), and supply chain ESG validation. Export-oriented clients demonstrate highest demand for comprehensive ESG verification services to meet international market requirements.

Revenue Potential: Annual ESG budgets of ₹10,000-25,000 (61.1% of clients) support viable non-financial audit service pricing, while 11.2% allocating above ₹25,000 indicate premium service opportunities for comprehensive ESG assurance engagements.




**[Pie Chart 2 from SPSS Output: Annual ESG Budget Distribution - showing <10000 (27.8%), 10000-25000 (61.1%), 25000-50000 (5.6%), >50000 (5.6%)]**

Service Interest: Strong preference for outsourcing ESG verification (77.8%) validates non-financial audit market opportunity, with 83.3% expressing specific interest in audit firm ESG assurance services, demonstrating clear market acceptance of traditional auditors for non-financial verification.




**[Pie Chart 3 from SPSS Output: CA Firm Service Offer Interest - showing No (16.7%), Definitely (33.3%), Maybe depending on cost (50.0%)]**

### 5.2 Implementation Challenges Analysis

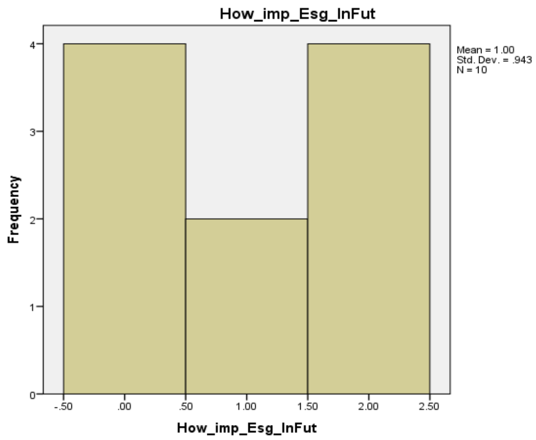
Training and Competency Gaps: Critical implementation barrier identified through 90% of audit firms lacking formal ESG training required for non-financial assurance. Specific competency deficits include understanding of sustainability assurance standards (ISAE 3000, SAE 3410), carbon accounting methodologies, and ESG data validation procedures.


**[Histogram 2 from SPSS Output: ESG Training Status - showing No (90%), Yes (10%)]**

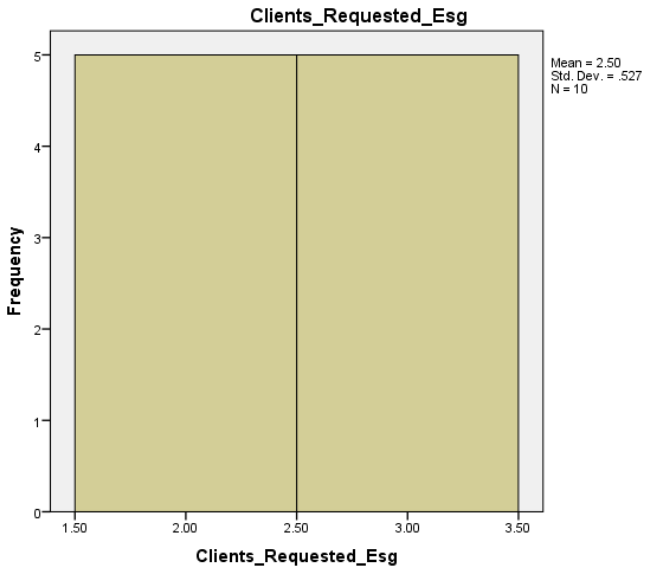
Regulatory Uncertainty: Implementation challenges include unclear non-financial auditing standards (50% of firms citing regulatory ambiguity), limited guidance on ESG verification procedures, and uncertainty regarding audit independence requirements for sustainability assurance services.

Resource Constraints: Audit firms report insufficient internal expertise (30%), time constraints for ESG service development (20%), and uncertainty about investment returns from non-financial audit capability development.

Market Readiness Challenges: Despite universal ESG awareness among audit firms (100%), practical implementation experience remains limited. Client ESG service requests distribute equally between occasional (50%) and rare (50%), indicating emerging but underdeveloped market conditions.




**[Histogram 3 from SPSS Output: How Important ESG in Future - showing Not Sure (40%), Very Important (20%), Somewhat Important (40%)]**




**[Histogram 4 from SPSS Output: Clients Requested ESG - showing Sometimes (50%), Rarely (50%)]**

### 5.3 Opportunity-Challenge Gap Analysis

**[Table 3: ESG Service Opportunities and Implementation Requirements]**

| Service Category | Market Opportunity | Implementation Challenge | Training Investment |
|---|---|---|---|
| BRSR Assurance | High demand (regulatory | ICAI SSAE 3000 | ICAI BRSR Certificate |

| Service Category | Market Opportunity | Implementation Challenge | Training Investment |
|---|---|---|---|
| | mandate) | compliance | (₹3,540) |
| Carbon Footprint Auditing | Growing export market requirement | GHG accounting expertise | SAE 3410 Training (₹20,000-₹35,000) |
| ESG Data Verification | Universal client interest | Non-financial audit procedures | NSE Academy Bootcamp (₹7,670) |
| Sustainability Strategy Audit | Premium service potential | Advanced ESG frameworks | IICA Certified Professional (₹2,36,000) |

Significant misalignment exists between market opportunity scope (20 distinct ESG services) and audit firm implementation readiness (90% lacking required training), representing both substantial market potential and systematic capability development requirements.

## 6. Discussion and Implications

The research demonstrates substantial non-financial ESG auditing opportunities for traditional audit firms, supported by regulatory mandates, client demand, and market acceptance of auditor ESG verification capabilities. However, successful opportunity capitalization requires systematic addressing of implementation challenges through professional development, regulatory clarity, and strategic capability building.

Opportunity Landscape: The identified 20-service ESG portfolio encompasses comprehensive non-financial auditing opportunities from basic BRSR compliance verification to advanced sustainability strategy auditing. Market demand concentration in regulatory compliance and environmental verification aligns with traditional audit firm strengths in assurance methodology and regulatory compliance expertise.

Implementation Barriers: The systematic training deficit (90% of firms) represents the primary implementation challenge, requiring structured professional development through available certification pathways. Entry-level certifications like ICAI BRSR Certificate (₹3,540) provide accessible starting points, while advanced programs such as IICA Certified ESG Professional (₹2,36,000) support comprehensive capability development.

Strategic Positioning: Traditional audit firms possess fundamental assurance competencies transferable to non-financial ESG auditing, including verification procedures, control testing, and regulatory compliance experience. However, successful market entry requires ESG-specific training, sustainability framework understanding, and non-financial data validation expertise.

Market Development: The regulatory uncertainty affecting 50% of audit firms indicates need for clearer guidance on non-financial auditing standards, ESG verification procedures, and independence requirements for sustainability assurance services. Industry-wide standardization could facilitate broader market development and service quality assurance.

## 7. Limitations and Future Research

The study's geographic focus on tier-2 cities may limit generalizability to metropolitan markets with different regulatory pressures and client sophistication levels. The compact timeframe prevented longitudinal analysis of implementation success rates and client satisfaction with non-financial audit services.Future research should examine implementation effectiveness through tracking audit firms developing ESG verification capabilities over 12-18 months, comparative analysis of regulatory frameworks across different jurisdictions, and detailed financial modelling of non-financial audit service profitability and pricing optimization.

## 8. Conclusion

This research establishes significant opportunities in non-financial ESG auditing for traditional audit firms while identifying systematic implementation challenges requiring coordinated addressing. The comprehensive 20-service opportunity portfolio, supported by universal client awareness and 83.3% service interest, demonstrates substantial market potential for ESG verification services.

However, successful opportunity realization depends on systematic capability development through structured training programs ranging from basic BRSR compliance (₹3,540) to advanced ESG professional certification (₹2,36,000). The 90% training deficit among audit firms represents both immediate implementation barrier and competitive advantage potential for early capability developers.

The research confirms that traditional audit competencies provide strong foundation for non-financial ESG auditing expansion, but market success requires ESG-specific expertise development, regulatory clarity enhancement, and strategic positioning around sustainability assurance capabilities. Audit firms addressing these implementation challenges systematically can capitalize on substantial non-financial auditing opportunities in the growing ESG verification market.

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