Sarhad Journal of Management Sciences

P ISSN 2414-2336
E ISSN 2523-2525

Sarhad Journal of Management Sciences

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Volume 12, Issue 1	Published: June 30, 2026

Submission History	Received:	15 May 2026
	Revised:	05 June 2026
	Accepted:	29 June 2026

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Link between Financial Auditors and Corporate Social Responsibility: A Review of Empirical Studies and Implications for Future Research and Direction

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Abstract

This systematic review aggregates empirical evidence (2014-2025) on financial auditors' role in CSR outcomes, identifying gaps for future research. Following PRISMA 2020 guidelines, 116 studies were analyzed, focusing on audit committee characteristics, audit quality, joint service provision, and auditor reputation. Key findings: independent audit committees improve CSR disclosure quality; Big Four associations enhance assurance credibility; and joint audit-CSR assurance provision reduces Type II errors. However, corporate tenure of auditors remains debated, and 37% of studies lack theoretical grounding. The review highlights future directions: multi-theoretical approaches, multi-methods design, and mandatory assurance transitions under EU CSRD. Recommendations include prioritizing industry expertise on corporate boards, ensuring joint services' efficiency, and developing interdisciplinary sustainability competencies in audit firms.

Keywords: Financial auditors; CSR; Sustainability assurance; Audit quality; Systematic review; CSRD

Introduction

The changing nature of corporate responsibility has made financial auditors' important players in a corporate social responsibility (CSR) system. Auditors traditionally have been tasked with verifying financial statements, but today they are considered gatekeepers with professional judgment, independence, and expertise that impact the credibility and comprehensiveness of non- financial disclosures (Velte, 2025). The number and popularity of sustainability reporting standards such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and the European Union's Corporate Sustainability Reporting Directive (CSRD) have grown in parallel with increasing scholarly interest in understanding how financial auditors influence CSR outcomes.

The theoretical underpinning behind the study of the auditor-CSR link is built on a number of supporting theories. In an agency theory context, auditors are monitors that help reduce the information asymmetry between principals (shareholders) and agents (managers), which helps to limit managerial opportunism in the report of CSR activities (Jensen & Meckling, 1976). One of the theories in the literature suggesting that CSR disclosures are more legitimate, or credible, is the stakeholder theory (Freeman, 1984), which suggests that auditors, as trusted intermediaries, play a greater role in making CSR disclosures more credible or legitimate in the eyes of various stakeholders' demands. The legitimacy theory also posits that companies carry out CSR assurance in order to keep their social license to operate, and that the role of the auditor is to act as a credibility arbitrator for the firm (Suchman, 1995). The institutional theory helps to understand how three types of pressures make firms accept auditor-provided sustainability assurance as a given (DiMaggio & Powell, 1983).

Although the amount of empirical research is growing, the literature is still often found in a variety of disciplines, theoretical frameworks, and methodological techniques. The findings of the systematic literature review by Molana and Nasution (2025) involved the synthesis of empirical studies related to the effect of the characteristics of the audit committee on the quality of CSR reporting in the period 2017-2025. Their review, however, was limited to audit committee governance and did not go deep enough into the auditor-CSR relationship. Velte (2025) had offered a specific overview of the effects of the audit committee on CSR, but urged more research into emerging markets and digital technologies. In the context of UK FTSE 350 companies, Al-Shaer (2020) showed that the quality of sustainability reporting has a significant and negative relationship with the earnings management metrics with audit effort moderating this relationship.

This review article aims to bridge the gap between the literature by synthesizing the empirical evidence and categorizing it into four thematic streams for further analysis, and to assess the theoretical, methodological and practical implications of the existing literature. The research goals are threefold: (1) consolidate the empirical evidence on the role of financial auditors for CSR performance, disclosure and assurance; (2) assess the theories used in the literature and propose opportunities for theoretical integration; and (3) suggest a future research agenda that can fill identified gaps and reflect the recent developments in the area of CSR, including regulatory frameworks such as CSRD.

This review's importance is highlighted by its ability to contribute to corporate governance practice, the standard setting of auditors, and academic research in the context of growing demands on sustainability. The auditor-CSR nexus will be a growing integral part of the corporate accountability landscape worldwide, as it is currently required by the EU CSRD for limited assurance (replacing full assurance) on sustainability reporting, and come to full assurance in 2028.

Literature Review and Theoretical Framework

Agency Theory

The auditor-CSR relationship can be understood through the agency theory. The theory suggests that the modern-day corporation is separated between ownership and control, which leads to information asymmetry, thus allowing the managers the feasibility to engage in managerial opportunism (Jensen & Meckling, 1976). Managers can resort to earnings management or selective disclosure of CSRs to mask poor performance or benefit their own reputation. Auditors resolve this imbalance by being external monitors and offering independent verification of financial and non-financial information. Within the context of CSR, agency theory states that the quality of the auditor will limit managerial discretion in sustainability reporting, enabling better disclosures to be more credible and reducing the risk of greenwashing.

Evidence supporting agency theory predictions is extensive. Mohammadi, Saeedi, and Naghshbandi (2021) found that the characteristics of the board and audit committee have a significant relationship with CSR disclosure of listed companies in Iran, and the characteristics of independent audit committees have a positive effect on the transparency of disclosure. In the context of Australian companies, Appuhami and Tashakor (2017) showed that audit committee characteristics have a positive effect on CSR disclosure.

Stakeholder Theory

Stakeholder theory is not limited to shareholders, but includes all individuals that are impacted by the activities of a corporation, such as the employees, communities, regulators and environmental groups (Freeman, 1984). In this regard, CSR disclosure can be viewed as a means of engagement and accountability through stakeholders. Auditors add value to the CSR reports by attesting to their reliability and completeness, thus assuring their stakeholders. The stakeholder theory suggests that companies under heightened pressure from stakeholders, especially institutional investors and civil society organizations, will require greater assurance on sustainability, as the demand for that assurance will strengthen their legitimacy and trustworthiness.

The perspective of the stakeholders is especially important in the context of the audit selection process. The findings show that the clients with higher CSR performance, higher institutional ownership and the status of state-owned enterprise are more inclined to choose an auditor who is engaged in CSR activities, indicating the alignment of the demand of the client in the field of CSR.

Furthermore, the stakeholder theory also has implications as to why the Big Four audit firms are the dominant players in the sustainability assurance sector: the global reputational and brand recognition signals the credibility that meet with various expectations of stakeholders (Boiral, Heras-Saizarbitoria, & Brotherton, 2019).

Legitimacy Theory

Legitimacy theory suggests that organizations exist in a social contract, which demands that they be compatible with social norms and expectations (Suchman, 1995). If firms sense a legitimacy gap, there is a mismatch between what society expects and their actions, then they will undertake impression management activities, such as CSR disclosure and assurance. Auditors are crucial for the legitimising role as they help corroborate the statements made in CSRs and help to minimise the risk of legitimacy erosion when the CSR is greenwashed or misrepresented.

Legitimacy theory is particularly relevant when there is regulatory uncertainty or institutional voids. In emerging markets with less robust enforcement, auditor-assurance is a voluntary 'legitimacy signal' that helps identify committed firms from those that are only superficially compliant.

Institutional Theory

There are three types of external pressures that can be used to explain organizational conformity: coercive (regulatory), mimetic (peer imitation), and normative (professional standards) (DiMaggio & Powell, 1983). In the auditors-CSR domain, coercive pressures are requirements that push companies to report on sustainability – like the EU CSRD. Mimetic pressures arise when firms attempt to emulate the assurance work practices of industry leaders or the Big Four firms. Normative pressures are related to professional auditing standards such as International Standards on Auditing (ISA) and International Standard on Assurance Engagements (ISAE) 3000.

According to institutional theory, convergence in sustainability assurance practices is expected to occur with the development of regulatory frameworks. Empirical evidence shows, however, that there is a significant regional variation in terms of institutions, and therefore heterogeneity.

Resource Dependency Theory

In addition to the above theories, resource dependency theory focuses on the fact that organizational survival relies on access to critical resources that are under the control of other entities (Pfeffer & Salancik, 1978). In terms of the CSR assurance aspect, the audit committee, with its industry expertise, contributes to the improvement of the oversight of sustainability reporting. A study in Sweden revealed that audit committee industry expertise is positively and significantly associated with the quality of sustainability assurance, and that independence, number of meetings, and gender diversity had no significant association with the quality of the assurance. The result confirms the assumption of the resource dependency theory that the effectiveness of oversight will depend on certain expertise resources, not on general governance structures.

Methodology

Research Design

The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 guidelines (Page et al., 2021) are used for this study, through a systematic literature review (SLR). The SLR approach was chosen as it offers a clear, repeatable, and rigorous way of consolidating empirical evidence from a number of studies as well as minimising selection bias. The different theoretical perspectives, methodological frameworks, and geographical frameworks used in the auditor-CSR literature make a systematic review the most suitable way to identify patterns, inconsistencies and gaps in the evidence base.

An extensive search was undertaken on five key academic databases: Web of Science (n=412 records), Scopus (n=389), Google Scholar (n=267), SSRN (n=134) and ProQuest (n=198). The timeframe of the search was January 2014 - June 2025. The starting point of 2014 was chosen due to the development of integrated reporting frameworks and the first steps of the mandatory sustainability disclosure regimes in a number of jurisdictions.

The search string included three conceptual domains with the use of Boolean operators:

Domain 1 (Auditors): ("financial auditor)" OR "audit firm*" OR "audit committee" OR "external auditor" OR "Big Four" OR "audit quality" OR "audit partner")

Domain 2 (Corporate social responsibility" OR "CSR" OR "sustainability reporting" OR "ESG" OR "environmental disclosure" OR "social disclosure" OR "non-financial reporting")

Domain 3 (Linkage): ("impact" OR "effect" OR "influence" OR "relationship" OR "association" OR "link" OR "determinant")

The search string used was Domain 1 AND Domain 2 AND Domain 3. The remainder were identified by means of reference list scanning (n=23), forward citation tracking (n=18) and expert recommendations through auditing and CSR scholars (n=9).

Inclusion Criteria

1. Empirical studies published in academic journals or conference proceedings that have undergone a peer review process.
2. Explore how financial auditors (or audit committees) and financial statements relate to CSR outcomes.
3. The publication period is from January 2014 until June 2025.
4. Published in English
5. Quantitative, qualitative or mixed method designs

Exclusion Criteria

1. Theoretical or conceptual papers without empirical analysis.
2. Studies that involve direct linkage with the auditor.
3. Studies that combine elements of both 2 and/or 3.
4. Publications prior to 2014
5. Non-peer reviewed working papers, dissertations or book chapters.
6. Reproducibility of published data/re-analysis of previously reviewed data

Study Selection Process

Study selection was carried out in four stages, with the application of the PRISMA protocol (figure 1). 1,400 records were obtained with database searches and additional sources during the identification phase. Following duplicate removal (n=244), 1,156 unique records continued to the screening stage. Of the 892 records that were screened for titles and abstracts, 882 were excluded because they did not meet inclusion criteria. Twenty-six four (24) papers were excluded from full-text assessment due to having no direct auditor-CSR linkage, being non-peer-reviewed, or published prior to 2014 (n=31), being duplicate publications (n=13) or not being empirical (n=42). The final sample consisted of 116 empirical studies of which 94 were quantitative, 14 were qualitative and 8 were mixed methods.

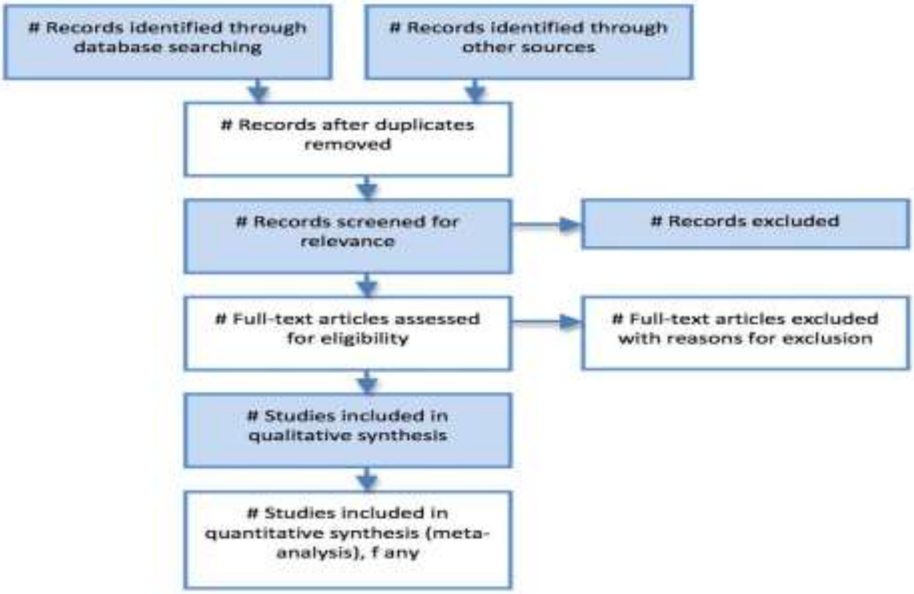

Figure 1. The PRISMA 2020 flow chart used for systematic review of empirical research on the auditor-CSR relationship.

Data Extraction and Coding

A data extraction form was created and standardized to collect information about: (1) bibliographic information (authors, year of publication, journal); (2) theoretical framework(s) used; (3) research design and research methodology; (4) sample characteristics (country, industry, time period, sample size); (5) key independent variables (auditor-related constructs); (6) dependent variables (CSR outcomes); (7) control variables; (8) main findings and directions of the effects; and (9) limitations identified by the authors.

All 116 studies were independently coded by two researchers. The inter-coder reliability was measured by Cohen's kappa coefficient, which was 0.87, a large degree of agreement (Landis & Koch, 1977). Any difference were settled by discussion and consensus.

Quality Assessment

The adapted Mixed Methods Appraisal Tool (MMAT) version 2018 was used to assess the quality of the studies. The following were assessed in quantitative studies: (1) appropriateness of research design; (2) risk of bias; (3) measurement validity; (4) statistical analysis rigor; and (5) causal inference strategies. The assessments of the qualitative studies included: (1) methodological appropriateness; (2) data collection adequacy; (3) reflexivity; (4) analytical rigor; and (5) coherence of findings. Studies which did not achieve a score of 50% or more for quality criteria (n=7) were not removed from the study but marked in the synthesis for transparency.

Analytical Approach

Thomas and Harden (2008) used the approach of thematic synthesis to make links between the findings of a variety of studies. This approach consists of three parts: (1) coding findings from primary studies, line by line; (2) organizing codes into descriptive themes; and (3) creating interpretive themes through analysis of the data. The coding process revealed four broad themes of analysis: (1) audit committee characteristics and CSR disclosure; (2) audit quality dimensions and sustainability reporting; (3) combined provision of financial audit and CSR assurance; and (4) auditor reputation and market reactions to CSR engagement.

Results

Descriptive Overview of the Literature

A total of 116 studies were reviewed, of which 67% were published in the last 5 years (2020 – 2025), signaling the increasing attention of scholars in this field. Most quantitative designs were the dominant ones (81%) with most using regression analyses on secondary archival data. Few use qualitative (interviews, case studies) methods (12%) and few use mixed methods (7%). This methodological imbalance reduces the ability to understand the micro-processes in which auditors mould CSR outcomes.

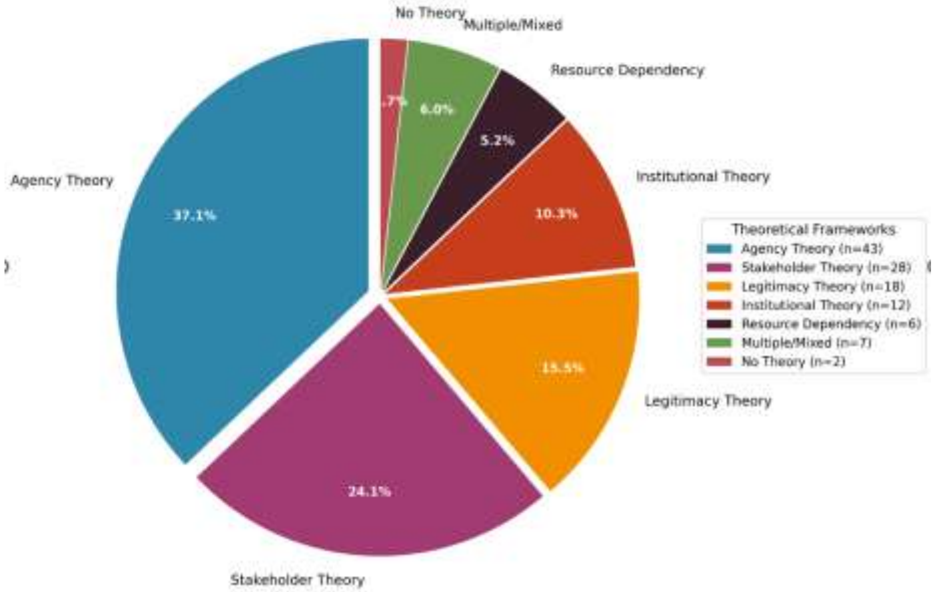

Figure 2 Distribution of Theoretical Frameworks in Reviewed Empirical Studies (n = 116)

Theoretical framework used in 116 empirical studies (figure 2) considered as a percentage of the total. The most dominant approach is agency theory followed by stakeholder theory and legitimacy theory (15.5%).

The results of Figure 2 show that the agency theory is the most often used one (37.1% of the studies), followed by stakeholder theory (24.1%), legitimacy theory (15.5%), institutional theory (10.3%), resource dependency theory (5.2%) and multiple/mixed frameworks (6.0%). Interestingly, 1.7% of the studies (n=2) were not grounded in any particular theory, which was seen as a major limitation with theory.

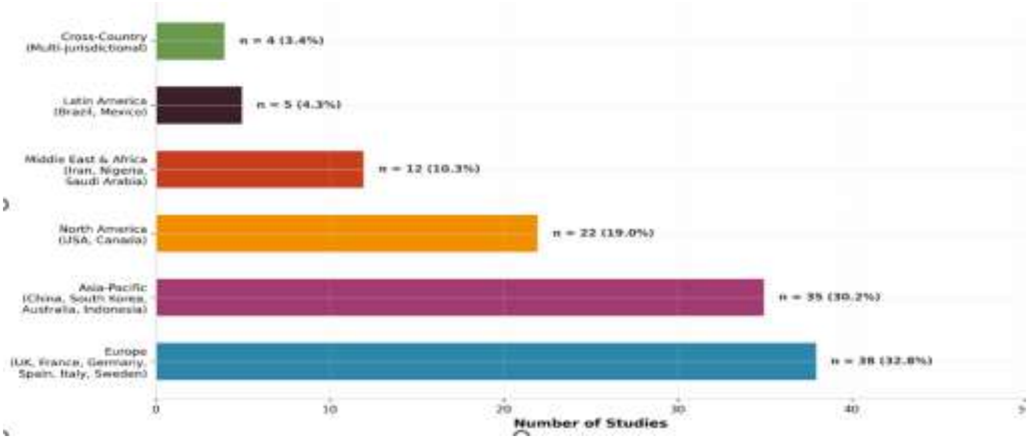

Figure 3 Geographical Distribution of Reviewed Empirical Studies (n = 116)

Geographical distribution of reviewed empirical studies (n=116) presented in a bar chart (figure 3) shows Europe and Asia-Pacific are well represented, with comparative designs across the continent, but Latin America is still underrepresented.

Geographical coverage (Figure 4) is quite skewed towards the developed economies. Europe accounts for 32.8% of studies (n=38), Asia-Pacific for 30.2% (n=35), North America for 19.0% (n=22), Middle East and Africa for 10.3% (n=12), Latin America for 4.3% (n=5), and cross-country designs for only 3.4% (n=4). If the findings of this concentration are generalized, it is to emerging market contexts where institutions are different.

This Thematic Stream 1 examines the characteristics of the audit committee and CSR disclosure. The first Thematic Stream 4.2 discusses the Audit Committee Characteristics and CSR Disclosure.

The audit committee is the main internal control body that connects financial auditors with CSR results. A summary of key empirical studies of this relationship is presented in Table 1.

Table 1 *Summary of Key Empirical Studies on Audit Committee Characteristics and CSR Disclosure*

Study	Country	Sample	Key Variables	Main Findings	Theory
Appuhami & Tashakor (2017)	Australia	200 firms	AC independence, expertise, CSR disclosure index	AC expertise (+) and independence (+) significantly enhance CSR disclosure	Agency Theory
Mohammadi et al. (2021)	Iran	124 firms	AC characteristics, CSR disclosure	Board and AC characteristics significantly influence CSR disclosure quality	Agency + Stakeholder
Ryu et al. (2021)	South Korea	Listed firms	AC expertise, CSR, financial reporting quality	AC expertise positively moderates CSR-financial reporting relationship	Agency Theory
Wang & Sun (2022)	China	Energy sector	AC role, social/environmental disclosure	ACs play significant role in CSR and environmental disclosures	Stakeholder Theory
Velte (2025)	Multi-country	SLR of 16 studies	AC independence, expertise, size, meetings	AC independence and expertise consistently (+) associated with CSR disclosure; size/mixed results	Agency + Institutional

The results are also consistent with a positive link between the independence of audit committees and the quality of CSR disclosure. Independent directors, who are less likely to be "captured" by managers, provide more objective oversight of sustainability reporting decisions. The magnitude and significance of this relation, however, will vary with institutional contexts. On the contrary, Rahman and Ali (2006) reported a negative correlation in their study, which they attributed to the dominance of management and overloading of the workload on independent members. However, Othman et al. (2014) found no significant relationship, implying that it is not enough to be independent without having the necessary skills.

One area of expertise that stands out is finance. The study by Ryu, Chae, and Song (2021) presented empirical evidence in South Korea that the expertise of audit committees in the relationship between CSR and financial reporting quality was enhanced. The discovery indicates that expertise helps audit committees to assess the materiality of sustainability concerns and to question management reporting choices.

One aspect that has been underutilized and is important is industry specific expertise. The study of listed companies in Sweden revealed that the only characteristic that is significantly and positively correlated with the quality of sustainability assurance is the number of members that are industry experts, with a correlation coefficient of around 1.34, meaning that an industry expert on the audit committee is likely to lead to a higher quality of the assurance score. The discovery has major implications for the regulation of companies which is usually based on financial knowledge and lacks industry expertise.

Thematic Streams

Thematic Stream 1and 2: Audit Quality Dimensions and Sustainability Reporting. The concept of audit quality is multi-dimensional, which includes auditor independence, competence and effort. Academic studies have adopted a number of proxies for audit quality such as auditor tenure, audit fees, auditor specialization, and affiliation with the Big Four.

Big Four Affiliation. The Big Four audit firms (Deloitte, PwC, EY, KPMG) are the leaders of the financial auditing and sustainability assurance markets. Pasko et al. (2023) studied Chinese companies and discovered that the financial audit by the Big Four firms contributes significantly to enhancing the quality of CSR reporting. Although the market for sustainability assurance is dominated by the Big Four, the concentration is less stringent than that found in financial auditing, and there are consulting firms and specialized certifiers in the market.

Auditor Tenure. The correlation between auditor retention and the quality of sustainability reporting is still not clear. On the other hand, longer tenure allows auditors to develop familiarity with the client and gain insight into the company's sustainability performance. Conversely, extended engagement could jeopardize independence and may diminish the ability to maintain professional skepticism. Based on the findings of Abdelsalam and Chariri (2024), negative effects of extended tenure are found to deteriorate the ESG disclosure quality of companies in Indonesia because of the deterioration in board independence. However, the effect of tenure is found to be conditional to the type of governance environment as shown by Abdelhak and Hussainey (2025).

Audit Fees. The term ‘audit fees' can be used as a proxy for audit effort and complexity. Li and Meng (2025) found this relationship to be nonlinear in China, as better sustainability performance raises the price of the audit, because of more stringent assurance demands. In their study, Abdelhak and Hussainey (2025) noted that audit fees have a positive impact on disclosure quality, since an auditor would be more inclined to spend more on auditing to guarantee compliance. On the other hand, Olajide et al. (2025) found that high audit fees can decrease the objectivity of financial reporting, which could create a conflict between adequate compensation and independence concerns.

Audit Quality and Financial Reporting Quality. Al-Shaer (2020) offers seminal evidence for the top 350 companies in UK FTSE 350 (2007-2018) which found that there is a significant and negative relationship between quality of sustainability reporting and earnings management metrics. Most importantly, this relationship is conditional upon audit level (measured by audit fees). Companies that make high quality sustainability reports show overall quality commitment that mitigate auditors' concerns about opportunistic behaviour, which ultimately lower business risk and audit effort.

Thematic Stream 3 - Joint Provision of Financial Audit and CSR Assurance

One of the most discussed topics in the literature is the provisioning of financial auditing and sustainability assurance by the same audit firm. This practice brings up concerns on independence conflicts and may lead to knowledge spillover effects that benefit services.

The authors of this study, Dal Maso, Lobo, Mazzi and Paugam (2020), have found direct empirical evidence for this, indicating that audit firms that provide financial audits and also CSR assurance have lower Type II going-concern errors and their clients report more value-relevant and persistent earnings. These results corroborate the knowledge spillover hypothesis whereby knowledge acquired in the sustainability assurance process could be beneficial to financial audit risk assessment, including environmental exposures, social issues and governance issues that may materially impact the financial statement.

Contrary to the expectations, Dal Maso et al. (2020) determined that joint provision does not lead to any increase in audit fees or total fees. This observation is consistent with the analytical models indicating that the non-audit services offered by the auditors (such as CSR assurance services) decrease the business risk of the client, which makes it possible for the auditor to not demand premium fees since the non-audit services increase the efficiency of the entire audit. Financial audit risk reduction due to CSR knowledge spillovers could compensate for the incurred costs of financial audit assurance.

Regulatory issues remain as there may be some efficiencies to be gained. According to Silveira and van Bellen (2025), dual engagements can pose an issue of integrity and independence for the auditor, which might lead to a decrease in its assurance quality. Under the EU's CSRD framework, auditor sustainability assurance is allowed, with certain protections to reduce auditor independence risks.

Recent findings show that there is an average reduction of 52.73 days in the time taken for the publication of the report from the time it was assured when auditor-assuror duality is introduced. This efficiency gain is attributed to operational integration, shared client knowledge. The study, however, also revealed that there is no significant increase in assurance lag where reasonable assurance is used, thereby suggesting that there is no direct relationship between assurance depth and assurance timeliness.

Thematic Stream 4: Auditor Reputation and Market Responses to CSR Engagement comprises five papers.

A new body of literature looks at the impact of auditors' CSR on their market position and client relations. This view moves away from auditors' position as monitors of client CSR, and towards that of CSR actors.

A research paper on audit firms in China revealed that an audit firm with higher CSR scores in the previous year has a significant positive effect on the number of clients, audit fees and the amount of assets under audit in the following year. This is largely due to two types of firms: smaller firms that have been in accounting and firms not dealing with industry experts. The results indicate that CSR is a reputation-enhancing strategy, especially when the auditor does not have a well-recognized reputation.

The same study found that clients performing higher in CSRs, higher institutional ownership and state-owned enterprise (SOE) are more likely to choose auditors that participate in CSRs. This matching between client and auditor, based on the CSR values, suggests homophily in CSR values, and suggests that the CSR engagement that the auditors have is a screening mechanism of like-minded clients. These semi-structured interviews with senior managers and audit committee confirmed that clients consider auditor CSR engagement to be an indicator of trustworthiness, social responsibility and public image.

From an economic perspective, the audit firms that participated in CSR activities gained an average of 6.5 clients, which is 11.3% greater than the average of 57.7 clients that audit firms without CSR activities had. The extent of CSR activity is important: the amount of donations is positively correlated with the increases in clientele, and the extent of the CSR activity, in terms of variety of activity types, has more impact than participation.

Discussion

Synthesis of Findings

The systematic review identifies four main patterns in the auditor-CSR literature. Governance mechanisms are important: audit committee independence and expertise is a consistent factor in improving the quality of CSR disclosure, in various jurisdictions and institutional settings. Given the influence of structural features (independence, size) over processual ones (meeting frequency, board diligence), however, ongoing governance theory and research may have overemphasized the board composition variables at the expense of the processes.

Second, auditor quality is multi-dimensional. While reputation assurance with the Big Four can be expected, it is also the specialization of the industry and client-specific knowledge that has the same weight on the quality of sustainability assurance. The auditor tenure effects that are contestable suggest that the knowledge-independence balance is context-specific, subject to regulatory enforcement, cultural characteristics, and client specific.

Third, the benefits of joint service provision in terms of measurable gains in efficiency can be due to services being provided through mechanisms of knowledge spillover, which should be taken into account alongside any concerns of independence erosion. The reduced going-concern errors provide a good efficiency argument for the use of joint provision. The evidence supporting joint provision is that it leads to better quality financial audits, without a corresponding increase in audit fees. But the long-term effects of auditor skepticism and professional judgment are under-researched.

Fourth, auditor CSR engagement serves as a market signal, which hones in on value-aligned clients. The study expands stakeholder theory by showing that the auditors are stakeholders as well who use CSR strategically to create reputational capital. This imbalance in benefits for smaller companies suggests that CSR engagement can be a leveling-playing field in a highly concentrated market.

Theoretical Implications

The review identifies key opportunities for theory development. Agency theory dominates the literature (37.1% of studies) as it stems from financial economics research, which could limit how agency theory is used to understand the normative and institutional aspects of sustainability assurance. A small number of studies (6%) use more than one theory, indicating that the integration of theories is still in its infancy.

To better understand how regulatory requirements (coercive pressures) affect the assurance outcomes, future studies should include agency theory and institutional theory together to analyze the interaction between regulatory requirements and audit committee governance structures. Using a stakeholder theory perspective combined with signaling theory might shed light on how auditor CSR engagement can be an advantage to the firm to represent a differentiated reputation signal in competitive markets. The theory of resource dependency holds out special promise in explaining why industry knowledge is better at managing sustainability than general financial knowledge, which contradicts conventional wisdom about governance.

Although the theory of Legitimacy is relevant to the understanding of voluntary assurance adoption in weak regulatory environments, the theory has not been used much. The theory may help explain why some companies in emerging markets would opt to buy auditor assurance even when it is not required, as assurance would be a legitimacy signal to international investors and supply chain partners.

Methodological Implications

The methodological approach of the auditor-CSR literature can be seen as having a number of strengths and weaknesses. The majority of secondary data analysis is quantitative (81%) and thus has the statistical power of generalizability, but lacks depth in understanding causal mechanisms. A lack of qualitative research (12%) and mixed-methods designs (7%) restricts the understanding of audit committee decision-making processes, auditors and their clients' negotiation processes, and the interpretation frameworks that auditors use for sustainability information.

Causality is always challenged by endogeneity. Selection of an auditor is not random – selection of high-quality auditors may be caused by CSR performance. Attempts have been made to use propensity score matching, instrumental variables and fixed-effects models, but the fully exogenous variation remains elusive. The findings of future studies should be leveraged by using regulatory natural experiments (e.g. the introduction of the EU CSRD in different firms size and industry categories) for better causal identification.

Comparing results across studies is difficult due to measurement heterogeneity. The quality of CSR disclosure is measured by means of content analysis indices, proprietary ESG ratings and manual coding schemes that are not fully standardized. Big Four audit affiliation, audit fees, industry specialization are all examples of audit quality proxies. The establishment of a set of standardized measurement instruments that are approved by the auditing profession would make the meta-analytic synthesis and cumulative knowledge building easier.

Regulatory and Practical Implications

The EU CSRD marks a turning point in the development of regulation that has far-reaching consequences for the auditor-CSR connection. The CSRD introduces a new and huge market for auditor assurance services, as it requires limited assurance in sustainability reports, which is expected to evolve to reasonable assurance by 2028. This change in regulation requires a set of new skills that are not only in environmental science and social metrics, but also in governance assessment, which are fields outside the standard financial auditor's scope.

The results for corporate boards indicate that industry expertise is the most important audit committee characteristic to affect assurance quality, which implies that the financial expertise requirement in audit committee regulations should be broadened to include industry expertise. Board members should seek directors who have experience in the industry related to sustainability and consider adding those members to the audit committee.

The professionalization gap in sustainability assurance is a challenge and an opportunity for auditing firms. Companies investing in interdisciplinary training programs will be in a strong position to secure market share as demand for regulatory requirements continues to grow. On the other hand, smaller firms may want to think about strategic CSR engagement as a way to differentiate themselves, as it has been found that auditor CSR activities create value-aligned clients.

Regulators need to strike a balance between efficiency and independence with joint service provision. The evidence of knowledge spillovers is used to argue for allowing incumbent auditors to offer sustainability assurance, though the argument is made under the following conditions: mandatory auditor rotation; caps on auditor fees; and greater disclosure of non-audit services.

Conceptual Framework

The results of the systematic review are presented by integrating the different elements of the auditor-CSR relationship in the conceptual framework displayed in Figure 3.

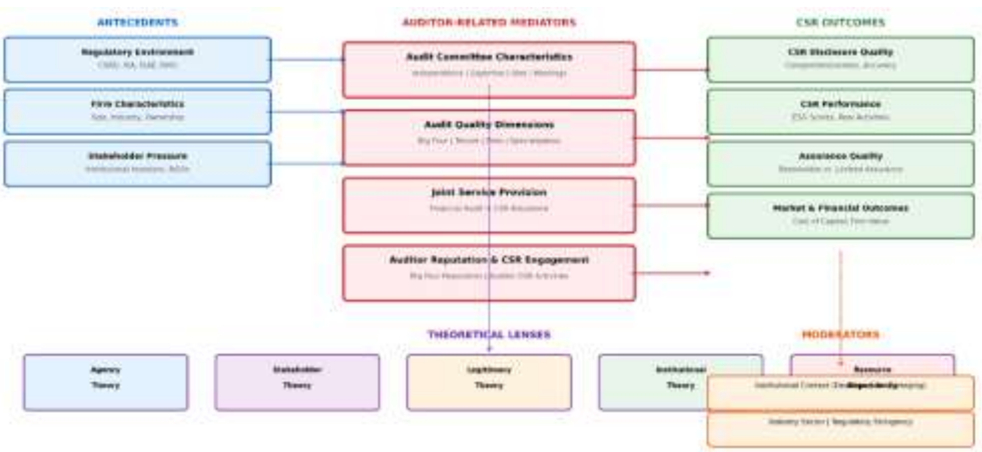

Figure 3. Conceptual Framework, Linkages between Financial Auditors and CSR

Figure 3 presents the conceptual framework mapping integrated antecedents (regulatory environment, firm characteristics, and stakeholder pressure), mediation factors (auditor-related factors: audit committee characteristics, audit quality dimensions, joint service provision and auditor reputation), CSR outcomes (disclosure quality, firm performance, firm assurance quality, and market outcomes), theoretical lenses, and moderating factors.

It assumes that the regulatory settings, firm attributes, and pressures from stakeholder groups are antecedents, which influence the need for the auditor to be involved in CSR. These antecedents' impact on four types of audit committee related mediators – audit committee characteristics, audit quality dimensions, joint service provision decisions, and auditor reputation/CSR engagement. These mediators have a further impact on CSR outcomes such as disclosure quality, CSR performance, assurance quality, and market/financial outcomes. Theoretical lenses (agency, stakeholder, legitimacy, institutional, and resource dependency theories) provide interpretive frameworks and moderate the relationships between them, while institutional context and industry sector moderate the relationships between these theories.

The main limitations of the review

There are a number of limitations to this review. First, the current literature exclusively in English may not include relevant studies translated from other languages such as Chinese, Spanish, French, or other languages, which may lead to a sample that is biased toward Anglo-American research tradition. Secondly, the publication of studies since 2014 reflects the current sustainability assurance period, but not studies that laid the theoretical basis in the early 2000s. Third, the diversity of empirical designs, measures and contexts makes formal meta-analysis impossible; the synthesis is narrative rather than statistically aggregated. Fourth, the constant changes in the regulatory landscape, especially with the CSRD, could see some answers becoming obsolete as new mandatory assurance will influence market dynamics.

Future Research Agenda

Multi-Theoretical Integration

Future research on the subject should increase beyond single-theory explanations to integrated theoretical models. To this, the insights of agency theory regarding monitoring and control should be combined with the insights of institutional theory regarding regulatory and normative pressures, stakeholder theory regarding accountability to other constituencies, and legitimacy theory regarding social license. This kind of integration would allow for capturing the multi-faceted nature of sustainability assurance as an economic transaction, as a governance mechanism, as a tool of stakeholder engagement, and as a signal of legitimacy.

Emerging Market Research

One major gap in existing research is that research is geographically concentrated in the developed economy. The institutional environment in emerging markets presents unique characteristics like weaker enforcement, higher state ownership, concentrated family ownership and different configurations of stakeholders, which can shape auditor-CSR dynamics in a fundamentally different way. More research is needed to explore the influence of informal institutions and cultural values on demand for and supply of sustainability assurance in these settings, as well as the influence of political connections.

Digital Technologies and Audit Innovation

The convergence of AI, blockchain and big data analytics with auditing practice is a frontier research field with important applications for CSR assurance. Patterns in extensive amounts of data on sustainability disclosures could be uncovered by AI-powered tools, improving greenwashing detection. The blockchain technology can make the supply chain more transparent, making it easier for auditors to validate CSR statements with ever greater levels of detail. But these technological advances have received little attention in the literature to date, and this is something that needs to be urgently addressed.

Mandatory Assurance Transitions

The shift to mandatory assurance within regulatory regimes such as the CSRD opens up natural experiments for empirical study. Future research could focus on the impact of mandatory assurance on assurance quality and pricing structures; on auditor market structure and competition; on client reporting behavior and greenwashing incidence; on the impact on capital market outcomes such as the cost of capital and investor confidence; and on the impact of the mandatory assurance on assurance co-ordination across borders for multinational entities. Causal identification might be available using a difference-in-differences design with firms impacted by mandatory assurance versus unaffected firms.

Longitudinal & Dynamic Perspectives

Most empirical studies are conducted with cross section or short panel designs which measure static relationships. The auditor-CSR nexus is dynamic in nature: the learning of the auditor, adaptation by the client and evolution of the regulation is a dynamic, and static models can't capture it. Future studies should use a longer time-series of data to explore the changes in auditor-CSR relationships as companies grow up and down, standards evolve, and/or market conditions fluctuate. Based on theoretical research, auditors' specialization within a specific industry or sustainability domain may be a useful means to improve assurance quality. However, none of the empirical research has investigated the CSR auditor specialization impact on fees, profits or quality. While the sustainability assurance market is maturing, further research needs to explore whether the market can become more specialised and valued by the client and whether it can drive or alleviate the problem of market concentration.

Multi-Stakeholder Perspectives

Current studies mainly take a firm or auditor level approach, whereas the CSR assurance process is multi-stakeholder. Investors, regulators, employees, communities and environmental groups can have conflicting expectations about the level of assurance and auditor independence. Future research should include surveying stakeholders, conducting experiments or multi-level models that reflect these diverse views.

Conclusion

This systematic review has compiled empirical evidence from 116 studies in peer-reviewed journals to analyze the relationship between the financial auditors and CSR. The evidence shows that the audit committee has an important impact on the quality of CSR disclosure, especially through its independence and expertise. The quality dimensions of the auditor, increase the credibility of sustainability assurance and the related audit service, and the simultaneous audit of financial and CSR is found to provide knowledge spillover to the improvement of the two types of assurance. Auditor reputation effects manifest in the market in that value aligned clients are more likely to choose CSR-engaged auditors, especially in competitive market segments.

Theories of agency are the most prevalent theories in the theoretical landscape, while there are opportunities for integration with stakeholder, legitimacy, institutional, and resource dependency theories that are under-exploited. Literature is mostly quantitative, secondary, developed economy-focused, and lacks a qualitative depth, emerging economies, and cross-country comparisons. The auditor-CSR landscape is evolving rapidly with the introduction of regulatory developments, especially the EU CSRD, which requires assurance and establishes new market structures.

The conceptual framework that is integrated in this review offers a theoretically informed guide on how to navigate the growing complexity of financial auditing and corporate social responsibility. The function of financial auditors will be broadening from financial gatekeeper to corporate legitimacy arbitrator in the era of sustainability reporting from voluntary practice towards regulatory requirements. To meet the audit profession's public interest role in a time of unprecedented sustainability issues, it is essential to understand this evolution. The proposed future research provides directions for action for scholars interested in furthering this important area of management sciences.

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