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SDGS AUDITING AS A NEW GLOBAL TREND IN THE AUDIT PROFESSION



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AUDITING
SUSTAINABLE
DEVELOPMENT GOALS

The corporate sector

Financial auditing has particularly been concerned with the task of expressing its opinion about fair presentation of a business entity's financial position and performance

Stakeholder groups have started requesting business entities to furnish reports about environmental and wider societal impact(s) of operational activities since the early 1970s



Environmental auditing was initially adopted by manufacturing entities to demonstrate that environmental legislations and regulations have not been violated



Social auditing envisages whether the business entity complies with its corporate mission statement on employment conditions and maintains a healthy working environment for employees



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The corporate sector



Report of the World Commission on Environment and Development

Our Common Future



United Nations
1987

UN Environment, Supporting a Blue Planet: Adaptation to Climate Change and the Role of Sustainable Development in the Context of the Paris Agreement and the Sustainable Development Goals

“**BRUNDTLAND REPORT 1987: Our Common Future**” in 1987 by the United Nations’ World Commission on Environment and Development (WCED) further emphasised the need of minimising or avoiding waste of resources, and negative environmental and societal consequences of human activities

The UN emphasises the importance of **sustainable production** and **consumption** to assure the conservation of renewable and non-renewable natural resources

A discussion around **accounting for sustainable development and sustainability auditing** emerged



UNITED NATIONS

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

**OUR
COMMON
FUTURE**

THE WORLD COMMISSION
ON ENVIRONMENT
AND DEVELOPMENT



The public sector

All the tiers of government, including individuals and institutions should play a crucial role in this respect

Accounting for sustainable development reveals financial consequences as well as environmental and social consequences of a government's decisions and policies

Measuring the progress of attaining the SDGs is a challenging and complex task

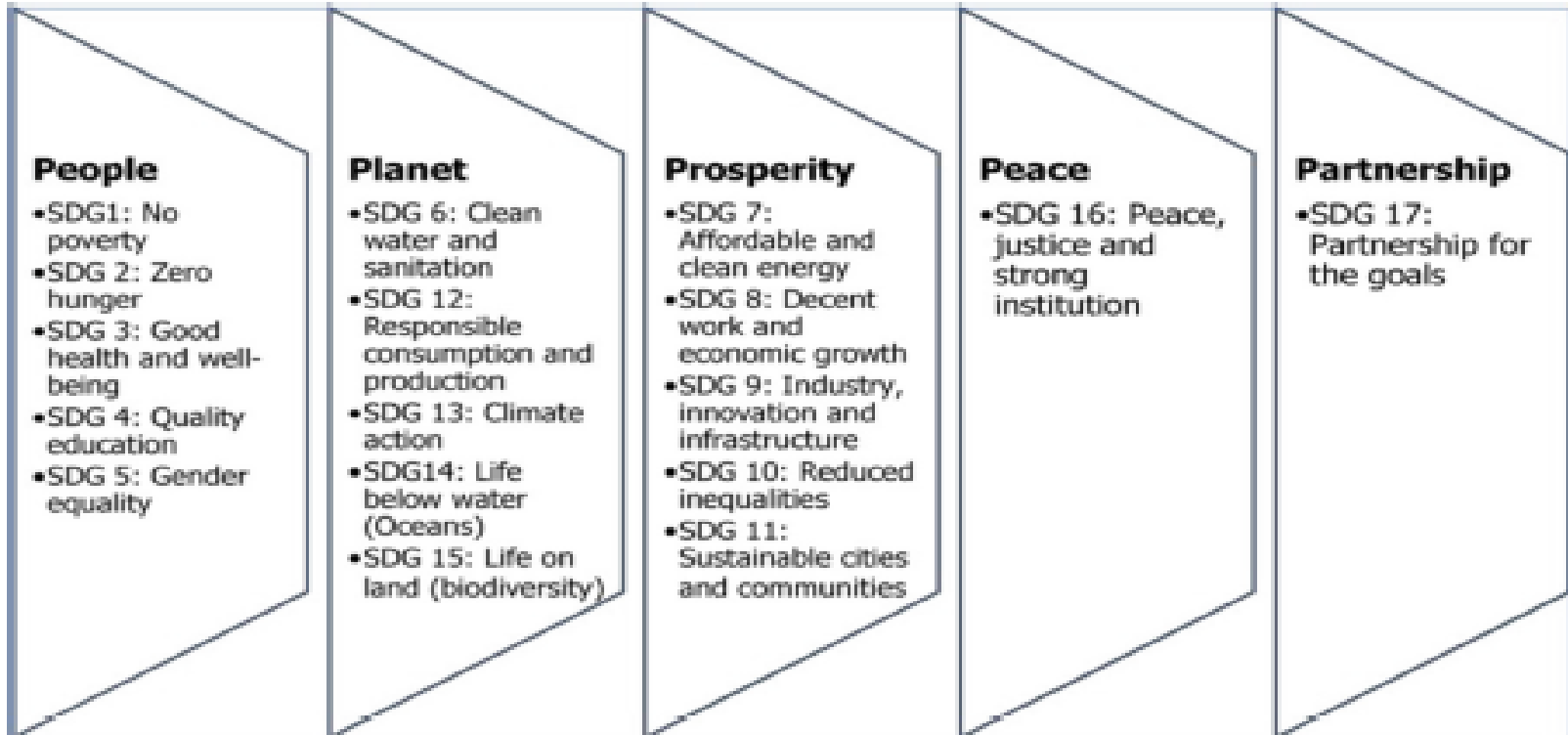


Accounting professionals possess a wealth of knowledge and skills in assessing the possibilities and pitfalls in governance

Governments in both developed and developing countries have attempted to use different **budgeting approaches** and **accounting systems** to govern the public sector



SDGs by aim, source



It is not possible to reach the SDGs without adopting appropriate **budgeting** and **accounting practices** amongst others



**Accounting for
Humanising**



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Standardization



Both **international organisations** (EU, 2018; OECD, 2020) and **professional organisations** (e.g., AICPA-CIMA, 2021) have developed **reports** and **guidelines** to help governments in localising SDGs



European Commission (2018). Delivering the Sustainable Development Goals at local and regional level

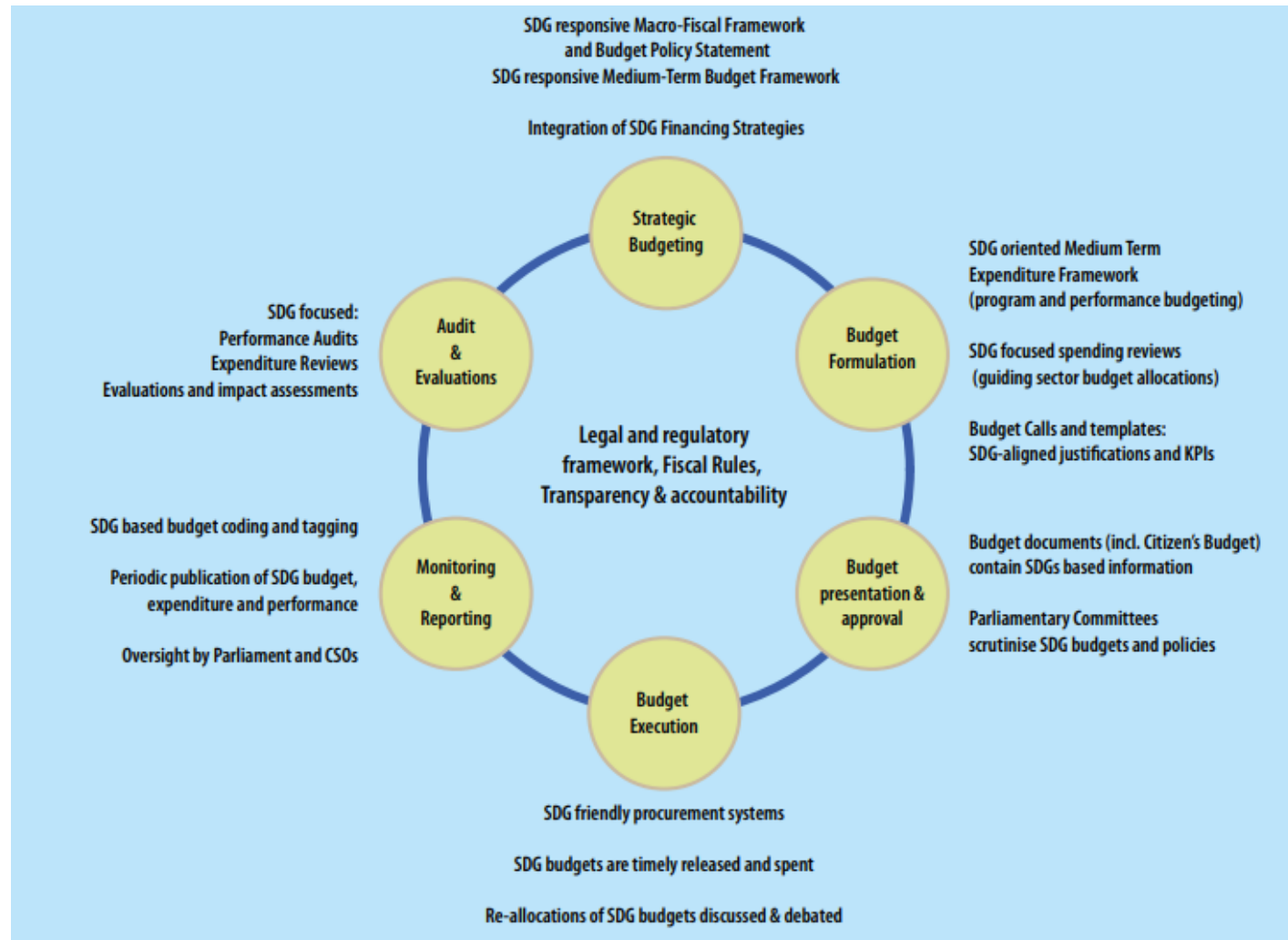
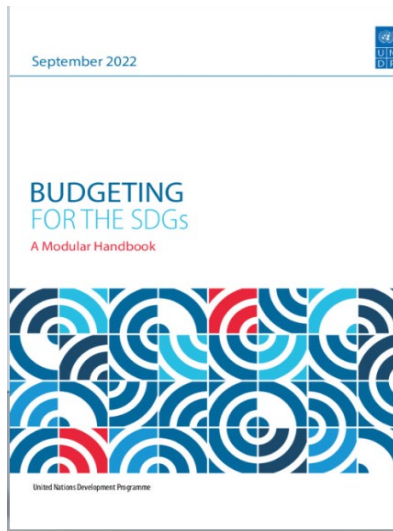


OECD (2020). A territorial approach to the sustainable development goals. Synthesis report



AICPA-CIMA (2021). Accounting for the sustainable development goals

SDGs Budgeting



SDGs Budgeting: the state of the art in selected European countries

<i>Countries</i>	<i>Central government</i>			<i>Regional Government</i>			<i>Local Government</i>		
	<i>Yes/ No</i>	<i>Law/ Guidelines</i>	<i>Mandatory/ Voluntary</i>	<i>Yes/ No</i>	<i>Law/ Guidelines</i>	<i>Mandatory/ Voluntary</i>	<i>Yes/ No</i>	<i>Law/Guidelines</i>	<i>Mandatory/ Voluntary</i>
Austria	Partly	N	V	Partly		V	Partly	N	V
Croatia	N ^a			N			N		
Finland	Y	Y ^b	V	N	Y ^c	V	N	Y ^d	V
France	N						Y	Y (Guidelines) ^e	V
Germany	N		V	N ^f		V	N ^g		V
Greece	N ^h			N			N		
Italy ⁱ	Y	Y	M	Y	Y	M	N	N	V
Malta	Y ^j			<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	N		
Norway	Y	Y (National strategy)	M	Y	Y (National strategy)	M	Y	Y (National strategy)	M
Portugal	Y	Y (Guidelines)	V				N		
Spain	Y	Y	V	Y ^k	N	V	Y ^l	Y (Guidelines)	V
Sweden	Y	Y ^m	M ⁿ	Y	–	V	Y	–	V
Switzerland	N	N	N	Some	N	V	– ^o	N	N
The Netherlands	N	N	V				Y	Y(Guidelines) ^p	V
UK	Y	Y (Guidelines)	V				Y	Y (Guidelines)	V
Ukraine	Y	Y (Law)	M	Y	Y(Law)	M	Y	Y (Law)	V

Source: Bisogno et al. 2024

SDGs Reporting: the state of the art in selected European countries

<i>Countries</i>	<i>Central government</i>			<i>Regional government</i>			<i>Local government</i>		
	<i>Yes/No</i>	<i>Law/Guidelines</i>	<i>Mandatory/Voluntary</i>	<i>Yes/No</i>	<i>Law/Guidelines</i>	<i>Mandatory/Voluntary</i>	<i>Yes/No</i>	<i>Law/Guidelines</i>	<i>Mandatory/Voluntary</i>
Austria	Partly	N	V	Partly	N	V	Partly	N	V
Croatia	Y	N	V	N			N		
Finland	Y	Y (Guidelines ^a)	V	N	N	V	N	N ^b	V
France	N						Y	In progress for budget	V ^c
Germany	Y	Y (National Sustainability Strategy)	M (biannually)	Y	Y (Federal state specific Sustainability Strategies)	Mostly mandatory	Y	Y (Municipality specific Sustainability Strategies)	M (Mostly)
Greece	N			N			N		
Italy ^d	Y	Y	M	Y	Y	M	N	N	V
Malta	Y	Y (Law)	M				N		
Norway	Y	Y (National strategy)	M	Y	Y (National strategy)	Y	Y	Y (National strategy)	M
Portugal	Y	Y (Guidelines)	V				Y	Y (Guidelines ^e)	V
Spain	N	N	–	Y ^f	N	V	Y ^g	N	V
Sweden	Y	Y ^h	M ⁱ	Y	–	V	Y	–	V
Switzerland ^j									
The Netherlands ^k	Y	N	V				Y	Y (Guidelines)	V
UK	Y	Y (Law ^l)	M (limited)				Y	Y (Guidelines)	V
Ukraine	Y	Y (Law + Guidelines)	M						



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SDGs Reporting: enhancing credibility & quality

Criteria	Focus
Stakeholder engagement	Stakeholder engagement and reporting on the stakeholder engagement process are critical to the credibility of SDGs reporting
Governance oversight	It adds to their credibility, not least because governing bodies are ultimately responsible for strategy
Embedding sustainable development thinking	Credibility involves demonstrating that “sustainable development thinking” is embedded within the organisation and applied to all key decisions
Internal controls and internal audit	Adequate internal controls are essential to ensuring the accuracy of data reported. It also add credibility and robustness to an organisation
External assurance	It is critical to trust in the integration of sustainable development considerations around strategy and decision making

WHAT'S THE ROLES OF AUDITORS IN RELATION TO SDGS?

- **Internal auditors** can play various roles: ambassadors, advisors and assurance providers
- **External Auditors** can play various roles: promote the new dimension of Accountability, be a sparring partner, develop methodology and disclose key audit matters in a way that connect with citizens and their trust
- **Collaboration and coordination with various actors** (environment, social human rights, and anti corruption specialists) is key for non-financial reporting: need to align efforts, **strategy, planning, and methodology**
- **New skills and mindsets** will be needed and **training** for auditors must start asap
- **Reconfiguration of auditors' identities** and their **ability** to link financial aspects, compliance and non-financial dimensions



As **partners** in organisations, auditors also assist in identifying opportunities and risks and setting strategic goals to enhance sustainability of public services