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# THE ROLE OF EXTERNAL AUDIT IN ENHANCING THE CREDIBILITY OF SUSTAINABILITY REPORTS (ESG)-FIELD STUDY OF A SAMPLE OF IRAQI BANKS

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## Abstract

This research examines the role of external audit in enhancing the credibility of sustainability reports in Iraqi banks, in light of the increasing global trend towards non-financial disclosure in accordance with environmental, community and governance standards (ESG). The problem of the study is that there are professional and organizational challenges facing the external auditor when auditing sustainability information, which may affect the level of reliability of these reports and the quality of disclosure, especially in emerging banking environments. The research aims to demonstrate the impact of external audit in enhancing the credibility of sustainability reports, analyzing the role of the auditor's experience and commitment to professional standards in improving the level of disclosure, as well as diagnosing the most prominent challenges facing the audit process in this area. To achieve this, the research adopted the descriptive analytical approach in the theoretical aspect, and the field approach in the applied aspect, where the data was collected using a questionnaire addressed to a sample of auditors and employees of Iraqi banks, amounting to (110) valid questionnaires for statistical analysis, and the data was analyzed using the SPSS program based on descriptive and evidentiary statistical methods, and the results showed a statistically significant impact of external audit in enhancing the reliability and credibility of sustainability reports, and it also turned out that the auditor's experience and commitment to professional standards contribute to while the challenges associated with the nature of non-financial information are one of the most significant Obstacles to the audit process. The research concluded that it is necessary to strengthen the role of external audit, adopt international disclosure standards, and develop the

skills of auditors in the field of auditing non-financial information, which contributes to raising the level of transparency and confidence in the reports issued by Iraqi banks .

**Keywords:** External audit, sustainability reports, credibility of information, non-financial disclosure, Iraqi banks.

## **Introduction**

Nowadays, sustainability reports are one of the modern topics that have received increasing attention in the accounting and financial literature, because they represent a strategic tool for disclosing the economic, environmental and social performance of enterprises, and promoting transparency and accountability to stakeholders. These reports are seen as a systematic process of disclosing the impact of the organization's activities on society and the environment, thereby supporting decision-making and enhancing confidence in non-financial information. In this context, modern concepts have emerged such as ESG reports that combine environmental, social and governance dimensions, as well as the role of external audit as an independent confirmation mechanism aimed at enhancing the credibility of these reports. Recent years have witnessed rapid developments in the field of sustainability reporting, driven by the adoption of international standards such as the global reporting initiative (GRI), and the increasing demand by investors and regulators for reliable and comprehensive information. Several recent studies have also stressed the importance of quality external audit in improving the quality of disclosure and reducing information asymmetry, especially in emerging markets. On the other hand, the literature has shown that there are challenges facing auditors, most notably the difficulty of verifying non-financial data and the absence of unified standards for measuring sustainability indicators. It contributes to the development of accounting knowledge related to non-financial disclosure, and also provides practical tools that support decision makers in improving the quality of reports and enhancing confidence in them, especially in the banking sector, which is one of the most sensitive sectors to the application of the concepts of sustainability and financial stability. In the Iraqi environment, this issue is becoming increasingly important in light of the specificity of the banking system and the need to strengthen transparency and governance. Despite this growing interest, however, there is a clear research gap represented by the limited applied studies that have addressed the role of external audit in enhancing the credibility of sustainability reports in banks, especially in developing countries, including Iraq, as well as the scarcity of field studies that rely on the opinions of auditors and practitioners. Hence the need for this study, which seeks to analyze the role of external audit in enhancing the credibility of sustainability reports in Iraqi banks, in preparation for formulating the research problem and its objectives and testing its hypotheses in the subsequent sections.

## **2-Research methodology**

### **2.1 Research problem**

Sustainability reports related to the environment, society and governance standards (ESG) have seen increasing interest from stakeholders for the non-financial information they provide that reflects the performance of organizations and their social responsibility. However, the credibility of these reports is still being questioned in many developing environments, including the Iraqi banking sector, due to the limited professional verification mechanisms. The main problem of the research can be formulated " **what is the role of external audit in enhancing the credibility of sustainability reports (ESG) issued by Iraqi banks?**" Based on the main problem, the following sub-problems can be identified:

1-to what extent do external audit procedures contribute to verifying the reliability of the information contained in the sustainability reports (ESG) of Iraqi banks.

2 - What is the impact of the external auditor's experience and professional standards in improving the level of disclosure and credibility in sustainability reports in Iraqi banks.

3-What are the challenges facing the external auditor when auditing the information of sustainability reports (ESG) in Iraqi banks.

### **2.2 Research importance**

The importance of this research stems from the growing interest in sustainability reports and the need to enhance their credibility through the role of external audit in Iraqi banks.

1-the research contributes to enriching the accounting and audit literature related to the audit of sustainability reports related to the environmental, social, and governance standards ESG (Environmental, Social, and Governance) framework, by analyzing the role of external audit in enhancing the credibility of non-financial information in reports issued by Iraqi banks.

2-the research provides an analytical framework that can support the development of professional practices related to the audit of sustainability reports in accordance with the professional guidelines issued by the International Auditing and Assurance Standards Board and the International Federation of Accountants, which enhances the integration of financial accounting and non-financial reporting.

3-research on enhancing the level of transparency and confidence in the reports issued by Iraqi banks, which positively reflects on the decisions of investors and stakeholders and supports the efficiency of financial markets.

4-it contributes to supporting the orientation of financial institutions towards adopting sustainability and social responsibility practices in accordance with international standards such as Global Reporting Initiative standards, in a way that promotes sustainable development and raises the level of institutional accountability in society.

### **2.3 Research objectives**

This research seeks to explain the role of external audit in enhancing the credibility of sustainability reports in Iraqi banks theoretically and practically through the following .

1-clarify the basic concepts related to sustainability reporting, environmental, community and governance standards ESG (Environmental, Social, and Governance) framework and indicate their importance in non-financial disclosure in banking institutions.

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2-statement of the conceptual framework of the role of external audit in verifying the credibility of sustainability reports in the light of Professional Standards issued by the International Auditing and Assurance Standards Board.

3-analyzing the extent to which external audit procedures contribute to verifying the reliability of the information contained in the sustainability reports of Iraqi banks.

4-measuring the impact of the external auditor's experience and commitment to professional standards in enhancing the level of disclosure and credibility in sustainability reports in Iraqi banks.

5-diagnosing the most prominent challenges facing the external auditor when auditing sustainability reports information and suggesting ways to address them in the Iraqi banking environment.

## **2.4 Research hypothesis**

Based on the research problem related to the weak credibility of sustainability reports in Iraqi banks, the importance of testing the role of external audit in enhancing their reliability is highlighted. The main hypothesis of the research can be formulated " there is a statistically significant effect of external audit in enhancing the credibility of sustainability reports (ESG) issued by Iraqi banks. Based on the main hypothesis of the research, the following sub-hypotheses can be formulated:

1-there is a statistically significant impact of external audit procedures in verifying the reliability of the information contained in the sustainability reports (ESG) of Iraqi banks.

2-there is a statistically significant impact of the external auditor's experience and commitment to professional standards in improving the level of disclosure and credibility in sustainability reports in Iraqi banks.

3-there is a statistically significant impact of the challenges facing the external auditor in the process of auditing sustainability reports (ESG) information on the level of credibility of these reports with Iraqi banks.

## **2.5 Research limits**

The scope of this research is determined by a set of temporal and spatial boundaries that guide the study.

1-time limits: represents the time period during which the field data was collected and analyzed for the purposes of the study, and extends through the year 2026.

2-spatial limits: the study is limited to a sample of banks operating in Iraq, focusing on banking institutions that disclose sustainability reports related to the ESG (Environmental, Social, and Governance) framework.

## **3-conceptual framework of sustainability reports**

### **3.1 the concept of sustainability reporting and its importance in financial institutions.**

The concept of sustainability reporting has seen increasing interest in the modern accounting literature, due to its role in disclosing the environmental, social and economic performance of enterprises and promoting transparency and accountability to stakeholders. Sustainability reporting is defined as " a systematic process of transparent disclosure of the economic,

environmental, social and governance performance of an organization, with the aim of demonstrating the impact of its activities on society and the environment and enhancing communication with stakeholders. (Agama & Zubairu, 2022). Others have defined it as a corporate disclosure and communication tool used to showcase sustainability practices and the impact of the organization's economic, social and environmental activities, enhancing stakeholder participation and institutional transparency. (Zharfpeykan & Askarany, 2023). Sustainability reports in financial institutions are an important tool to enhance transparency and show how institutions manage their environmental, social and governance impacts, as well as contribute to improving communication with stakeholders and enhancing institutional trust. Recent studies indicate that sustainability reporting enables financial institutions to disclose their practices related to environmental, social and governance aspects, enhancing transparency and accountability to stakeholders. These reports also help to manage risks associated with sustainability, improve the reputation of the enterprise and attract investors interested in long-term responsible investing (Cruz & Mita, 2024). Sustainability reports in the banking sector contribute to enhancing confidence among investors and customers by disclosing how banks manage environmental, social and governance risks, support more sustainable investment decisions and help financial institutions achieve financial stability and long-term economic development (Buallay et al., 2023).

### **3-2 the emergence and development of sustainability reports and their dimensions according to the ESG framework (Environmental, Social, and Governance).**

Modern accounting literature indicates that sustainability reporting has gradually evolved from voluntary disclosure related to social responsibility to an integrated disclosure framework based on environmental, community and governance standards, which reflects a shift in the concept of corporate performance to include non-financial dimensions besides financial performance. Sustainability reporting initially arose within the framework of Corporate Social Responsibility, where organizations voluntarily disclosed their environmental and social activities with the aim of promoting transparency and building trust with stakeholders. With the development of corporate practices and increasing regulatory and environmental pressures, disclosure began to move towards more structured models based on sustainability indicators and non-financial performance assessment, which led to a gradual shift towards the use of the environmental, social and institutional governance framework in modern corporate reporting (Meutia, 2020). Sustainability reporting has witnessed a remarkable development with the advent of the environmental, Social, and Governance (ESG) framework, which focuses on three main dimensions: environmental performance, Social Responsibility, and quality of corporate governance. This framework aims to integrate sustainability into corporate strategies and decision-making processes, where the disclosure of ESG indicators has become an important tool for assessing the long-term performance of companies and enhancing investor confidence and financial markets (Bosi et al., 2022). In recent years sustainability reporting has evolved further as a result of increased global interest in sustainable investment and regulatory pressures calling for disclosure of non-financial information. This development has led to the transition of reporting from a voluntary disclosure framework to more structured models and international standards that seek to

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standardize the measurement of sustainability indicators and improve the quality of information associated with ESG elements of corporate reporting (Zharfpeykan & Askarany, 2023).

### **3.3 objectives of sustainability reports and their relevance to stakeholders.**

Recent studies in accounting and sustainability indicate that sustainability reports have become a strategic tool to enhance corporate transparency and meet the needs of stakeholders, as they provide non-financial information that helps assess the environmental, social and governance performance of organizations. Sustainability reports aim to improve the level of transparency and disclosure of the economic, environmental and social performance of enterprises, which contributes to reducing the information gap between companies and stakeholders such as investors, regulators and society. These reports also help to clarify the impact of organizations' activities on the environment and society, which supports more sustainable decision-making and enhances confidence in corporate reporting (Zharfpeykan & Askarany, 2023). One of the most important objectives of sustainability reporting is to promote effective communication between organizations and stakeholders by disclosing the core issues related to sustainability. The involvement of stakeholders in the preparation of these reports improves the quality of information disclosed and increases its credibility, which helps organizations to understand society's expectations and identify the most important environmental and social issues (Dewi et al., 2023). Sustainability reports also contribute to supporting long-term corporate strategies by identifying risks and opportunities associated with sustainability factors, in addition to enhancing corporate reputation and building strong relationships with investors and stakeholders. These reports are an important means of supporting sustainable development and achieving sustainable economic and social value for enterprises and society (Li et al., 2024).

### **3-4 Sustainability Reporting Standards and disclosure principles in accordance with the Global Reporting Initiative guidelines.**

Sustainability Reporting Standards according to the Global Reporting Initiative guidelines are one of the most widely used frameworks globally in regulating the disclosure of environmental, social and economic performance of enterprises, as they provide clear principles to ensure the quality, comparability and reliability of information. The criteria for preparing sustainability reports according to the GRI guidelines are based on a set of principles aimed at enhancing the quality and reliability of reports, including Principles for determining the content of the report such as stakeholder inclusion, relevance, sustainability context, and completeness. These principles help organizations to identify the core issues that should be disclosed in order to ensure a comprehensive picture of the impact of economic activities on the environment and society (Safari & Areeb, 2020). In addition to the principles of determining the content, the GRI guidelines emphasize a set of principles of Report quality, such as accuracy, clarity, balance, comparability, reliability, and timeliness of disclosure. These principles aim to ensure the provision of transparent and verifiable information reflecting the real performance of the organization in various areas of sustainability, which enhances the confidence of stakeholders in the published reports (Ismail

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et al., 2021). Modern GRI Standards are also based on a normative structure consisting of three main levels: general standards (Universal Standards), sector standards (Sector Standards) and topic standards (Topic Standards), as this structure helps organizations to systematically disclose sustainability indicators related to environmental, social and economic aspects according to standardized measurement indicators (Slacik & Greiling, 2024). Recent studies indicate that the adoption of GRI Standards contributes to standardizing the disclosure of sustainability information and enhancing comparability between companies and different sectors, and also helps organizations to integrate sustainability indicators into corporate reports in a systematic way that reflects the relationship between economic, environmental and social performance within the framework of integrated disclosure (Ünlü & Öztürk, 2024)

#### **4-external audit and enhancing the credibility of sustainability reports**

##### **4.1 the concept, objectives and importance of external audit in the Contemporary Accounting environment.**

External audit is one of the most important mechanisms of modern financial governance and control, as it aims to enhance the credibility of financial reports by examining them by an independent entity according to approved professional standards. An external audit is defined as an independent and systematic examination and evaluation of the financial statements and reports prepared by the organization, carried out by an independent auditor with the aim of collecting sufficient evidence and expressing a professional opinion on the fairness of the presentation of the financial statements and their compliance with the approved accounting standards. (Rashid, 2022), external audit means an independent audit of financial statements conducted by a professional entity outside the organization in order to verify that they are free of material errors or misrepresentations, and to provide reasonable assurance to users that these statements fairly reflect the financial position and business results in accordance with professional standards. (Khalil, 2021).

External audit is an essential control tool in the Contemporary Accounting environment, as it contributes to enhancing the credibility of financial reports and increasing the level of confidence among investors and stakeholders. External audit also helps to reduce information asymmetry between management and external users by providing an independent professional opinion on the fairness of the presentation of financial statements, which supports transparency and good governance in economic institutions and enhances the efficiency of financial markets, and highlights the importance of external audit in its ability to improve the quality of accounting information and detect material errors and improper practices such as profit management, in addition to its role in evaluating internal control systems and identifying deficiencies. This supports the reliability of financial reports and enhances the ability of stakeholders to make sound economic decisions in light of digital developments and big data in the modern accounting environment (Ali, 2024).

As for the objectives of the external audit, the main objective is to verify the fairness of the financial statements and their freedom from material misstatements, by collecting sufficient and appropriate audit evidence that enables the auditor to express an impartial professional opinion on the extent to which these statements comply with accounting standards and

applicable laws, ensuring an honest presentation of the financial situation and business results (Abbas et al., 2023). The external audit also aims to assess the effectiveness of the internal control system and ensure the integrity, completeness and correctness of the recording of financial transactions, in addition to providing recommendations to management to improve the efficiency of the accounting system and enhance institutional performance. This contributes to reducing financial risks and supporting the quality of accounting information under modern digital accounting systems (Kazem et al, 2025).

#### **4.2 the role of external audit in enhancing the reliability of financial and non-financial information.**

External audit plays a pivotal role in enhancing the reliability of financial information by providing independent confirmation that the financial statements are fair and free from material misstatements. The audit process depends on the collection of sufficient audit evidence and the examination of internal control systems, which contributes to raising the quality of financial reports, reducing the risk of accounting misinformation and enhancing the confidence of investors and stakeholders in the information published by companies (Nweze, 2024). External audit also contributes to supporting the credibility of accounting information by strengthening the independence of the auditor and improving the quality of the audit, which positively reflects on the transparency of financial reports and corporate performance. Recent literature suggests that the presence of a high-quality external audit is an important control mechanism for reducing errors and manipulations in financial reporting, which leads to an improvement in the reliability of information on which investors and economic decision makers rely (Zalata, 2022). With the development of non-financial reports such as sustainability and Social Responsibility reports, external audit has an increasing role to play in verifying the reliability of this information. The provision of non-financial information confirmation services helps to reduce the phenomenon of “greenwashing” and enhance the credibility of disclosures related to sustainability and social responsibility, providing investors with more reliable information about the non-financial performance of enterprises (Rao, 2025). External audit also contributes to ensuring the reliability of non-financial information by applying professional assurance standards such as the ISAE 3000 standard and verifying the conformity of reports with international frameworks such as Integrated Reporting Guidelines and sustainability reports. This role enhances users' confidence in non-financial disclosures related to environmental, social and governance performance, thereby supporting the decision-making process of investors and stakeholders (Kaspina & Samoilova, 2020).

#### **4.3 professional standards related to the confirmation of sustainability reports issued by the International Auditing and Assurance Standards Board.**

The Professional Standards issued by the international auditing and Assurance Standards Board (IAASB) constitute an essential framework for the implementation of the tasks of confirming sustainability reports, as these standards are used to ensure the reliability of non-financial information and environmental, social and governance disclosures (ESG). The ISAE 3000 (Revised) standard is the general framework for non-financial information

assurance functions, providing professional principles and procedures for the implementation of assurance functions, whether Limited or reasonable, with a focus on collecting appropriate evidence and evaluating control and disclosure systems. Specialized standards such as ISAE 3410 are also used to verify greenhouse gas emissions data within sustainability reports, which contributes to enhancing the credibility of non-financial reports issued by companies (Sánchez et al., 2023, Nangoy et al., 2024).

In the banking sector, these standards have gained increasing importance due to the vital role of banks in financing sustainable development and managing environmental and social risks. The reports issued by banks include indicators related to green finance, climate risk management, and Social Responsibility, which requires independent professional confirmation to ensure the reliability of these disclosures. In this context, auditors rely on IAASB standards such as ISAE 3000 to assess the accuracy of non-financial information and verify banks' compliance with global reporting frameworks such as GRI and WESG, which enhances the confidence of investors and regulators in published information (Buallay et al., 2023). The recent literature also indicates that the application of international standards of emphasis on sustainability reporting in the banking sector contributes to improving the quality of disclosure, transparency and strengthening corporate governance. Confirmations based on these criteria help assess the effectiveness of control systems related to environmental and social risks, as well as support the reliability of information that regulators and investors rely on to assess the sustainable performance of banks. The application of IAASB standards has thus become a key element to ensure the credibility of sustainability reporting in contemporary financial and banking institutions (Ohioma, 2024).

#### **4.4 the role of the external auditor in improving the quality of disclosure and institutional sustainability in the banking sector**

An external audit is an independent control mechanism aimed at examining financial and non-financial statements and verifying their truthfulness and fairness in accordance with approved professional standards. The external auditor contributes to enhancing the reliability of information and reducing the information gap between management and stakeholders by providing an independent professional opinion on the correctness of published financial and non-financial disclosures (Ogundipe, 2025; Zahid et al., 2024). External audit contributes to improving the quality of disclosure by verifying the accuracy of information contained in financial and non-financial reports and examining supporting evidence in accordance with systematic audit procedures. External audit also helps to reduce manipulation or misinformation in disclosure by evaluating internal control systems and auditing accounting policies, which enhances transparency and credibility in published reports and increases the confidence of investors and regulators in financial and non-financial information (Nafoukh, 2025).

With the growing global interest in sustainability disclosure, external auditing has an increasing role to play in ensuring the reliability of sustainability reports related to environmental, community and governance factors (ESG). The external auditor examines the data related to environmental, social and governance performance and verifies their accuracy and consistency with international disclosure standards such as GRI and WISSB, in addition

to evaluating the measurement and disclosure methodologies used in these reports. External audit also contributes to reducing the risks of greenwashing by providing independent confirmation of published non-financial information, which enhances the credibility of sustainability reports and increases the confidence of investors and financial institutions in them. Recent studies indicate that the presence of external emphasis on sustainability reporting contributes to improving the quality of disclosure and enhances the sustainable performance of financial and banking institutions (Tumewang et al., 2025; Devdas, 2025). The external auditor plays an important role in enhancing corporate sustainability in banks by supporting corporate governance and improving the quality of information that management relies on to make strategic decisions. External audit helps to assess the effectiveness of internal control systems related to the management of environmental, social and governance risks, which contributes to improving governance practices within banking institutions. The presence of a high-quality external audit also enhances the confidence of investors, depositors and regulators in banks, due to the independent professional confirmation of the reliability of financial and non-financial information. In addition, external audit contributes to supporting strategic decisions related to sustainable financing and responsible investment, which enhances the ability of banks to balance financial performance and achieve long-term sustainability goals. Recent literature confirms that audit quality is an important factor in enhancing sustainable performance and governance in financial institutions (Ahmed, 2026; Zahid et al., 2024). The banking sector is characterized by great privacy compared to other sectors due to the sensitivity of the financial information it deals with, as the decisions of investors, depositors and regulators largely depend on the credibility of financial and non-financial reports issued by banks. Therefore, transparency and quality of disclosure are essential elements in enhancing financial stability and reducing systemic risks in financial markets. In this context, external audit plays a pivotal role in supporting the confidence of the banking market by verifying the accuracy of financial statements and disclosures related to sustainability and risk management. The presence of independent professional confirmation of banks' reports also contributes to reducing information asymmetry and enhancing stakeholders' confidence in the financial and sustainable performance of banking institutions (Sebastião et al., 2024; Ahmed, 2026).

In light of the above, it is clear that the external auditor has an important role to play in enhancing the quality of disclosure and institutional sustainability in the banking sector, by providing independent confirmation of financial and non-financial information and supporting governance and transparency practices. This role is becoming increasingly important in Iraqi banks in light of the increasing trend towards adopting sustainability disclosure standards and enhancing confidence in the banking system. Hence, there is a need to conduct a field study to measure the extent to which external audit contributes to improving the quality of disclosure and institutional sustainability in Iraqi banks (Ogundipe, 2025; Tumewang et al., 2025).

#### **4.5 previous studies**

The following is a systematic analysis of previous Arab and foreign studies on the role of external audit in enhancing the credibility of sustainability reports (ESG) with a focus on the

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financial and banking sector, according to the requirements of scientific research. First: analysis of previous studies

### **1. Classification of studies by subject, curriculum and sector**

Recent studies that have addressed the relationship between external audit and ESG sustainability reports can be classified into three main categories: Studies focused on the role of external audit quality in enhancing the credibility of sustainability reports and non-financial disclosure in public companies (Zahid et al., 2024; Velte, 2021). Studies on the confirmation or external review of ESG sustainability reports and their impact on investor confidence and the quality of reports (Sánchez et al., 2023). Studies focused specifically on the financial and banking sector and the relationship of sustainability disclosure to financial performance and corporate governance (Buallay et al., 2023; Nizam et al., 2021). In terms of methodology, most of the studies relied on the quantitative approach using regression analysis and secondary data from annual reports and sustainability reports, while some studies used the qualitative approach or content analysis to examine the quality of disclosure and reports (Sánchez et al., 2023). In terms of the sector, most foreign studies have focused on listed companies or the global financial sector, while studies on banking environments in developing countries are still limited.

### **Second: summarizing the essence of the studies**

A study (Velte, 2021) aimed to analyze the role of external emphasis on sustainability reporting in improving the quality of non-financial disclosure. The study used the quantitative approach by analyzing the data of listed European companies, and concluded that the presence of external confirmation by independent auditors enhances the credibility of sustainability reports and reduces the risk of misinformation in disclosure. As for the study (Sánchez et al., 2023) has focused on analyzing sustainability reporting confirmation practices globally using content analysis of a sample of large companies. The results showed that major audit firms play an important role in enhancing the reliability of sustainability reports by applying international assurance standards such as ISAE 3000. In the context of the relationship between auditing and WESG, a study (Zahid et al., 2024) to analyze the impact of audit quality on the relationship between ESG performance and corporate capital financing using data analysis of international companies. The results showed that the quality of external audit enhances the credibility of ESG data and supports investors' confidence in this information. As for the banking sector, the aim of the study was (Buallay et al., 2023) to analyze sustainability disclosure practices in global banks using data analysis of international banks. The results showed that disclosure related to governance and the environment is positively correlated with financial performance and corporate sustainability. A study (Nizam et al., 2021) the relationship between sustainability disclosure and financial performance in the banking sector using data analysis of Asian banks. The results showed that the application of ESG disclosure standards contributes to improving financial performance and enhancing investor confidence. In another study (Hummel & Schlick, 2020) aimed to analyze the impact of sustainability disclosure and its quality in reducing information asymmetry in financial markets. The results showed that externally verified

reports are more reliable and reduce the information gap between management and investors. The study (Orazalin & Mahmood, 2021) also aimed to analyze the role of corporate governance and audit quality in the disclosure of sustainability in listed companies. The results showed that the quality of external audit is an important factor in enhancing the credibility of sustainability reports and improving the level of non-financial disclosure.

### **Third: comparison and critical analysis of studies**

Most previous studies agree that the presence of an external audit or confirmation of sustainability reports leads to an improvement in the quality of non-financial disclosure and enhance the reliability of information provided to stakeholders (Velte, 2021; Luque-Vílchez et al., 2023). Studies also show that external audit contributes to reducing information asymmetry and enhancing transparency in financial markets (Hummel & Schlick, 2020). However, studies differ in the degree of impact of external audit, as some studies believe that its impact is more pronounced when confirmation tasks are performed by large audit firms or when clear international confirmation standards are applied (Luque-Vílchez et al., 2023), while other studies suggest that the institutional environment and governance play a complementary role in enhancing the credibility of sustainability reports (Orazalin & Mahmood, 2021). There is another difference regarding the nature of the economic sector, as many studies focus on industrial companies or companies listed on financial markets, while studies that have specifically addressed the banking sector are still relatively limited (Buallay et al., 2023). Methodologically, most studies rely on the quantitative approach and analysis of secondary data, which provides high explanatory power, but may not accurately reflect the behavioral and organizational aspects associated with the audit process. Also, most of the studies have been conducted in developed environments or global markets, while Applied Studies in developing economies remain limited.

### **Fourth: general trends in the scientific literature**

Recent literature points to a number of key trends, the most important of which are: the growing global interest in ESG sustainability reports and the need to provide independent external confirmation to enhance their credibility. The increasing role of external audit firms in providing sustainability report confirmation services using international standards such as ISAE 3000. The correlation of the quality of external audit with increasing the transparency of disclosure and reducing the risk of misinformation or greenwashing in reports. The importance of sustainability disclosure in the financial and banking sector is increasing due to its role in achieving financial stability and sustainable development. However, there is still a lack of Applied Studies that measure the role of external audit in enhancing the credibility of sustainability reports in banks, especially in developing countries, including Iraq .

### **Fifth: the scientific contribution of the current research**

Despite the significant development of the literature on ESG sustainability reports, most of the previous studies focused on companies listed on financial markets or large industrial companies in developed economies. Studies that have directly addressed the banking sector are still relatively limited, especially in developing countries and transition economies. In

addition, many studies have relied on secondary data and analysis of published reports, while field studies that rely on polling the opinions of auditors, accountants and bank workers are still few. The banking environment in Iraq is characterized by an institutional and regulatory specificity that differs from many global markets, which makes it necessary to conduct a field study to examine the role of external audit in enhancing the credibility of sustainability reports. Therefore, the current research seeks to fill this gap through a field study of a sample of Iraqi banks in order to analyze the role of the external auditor in enhancing the credibility of ESG sustainability reports, and determine the extent to which external audit practices contribute to improving the quality of non-financial disclosure and enhancing stakeholder confidence in the Iraqi banking sector.

## **5-The applied aspect of research**

### **5.1 research methodology and tools**

The research adopted the descriptive-analytical approach in the theoretical aspect by reviewing the literature and previous studies related to external audit and sustainability reports (ESG), while the field approach was used in the practical aspect to study the reality of Iraqi banks. The data was collected using a questionnaire addressed to a sample of external auditors and bank employees. As for the data analysis, it was based on descriptive statistics (averages and standard deviation) and T-test analysis using the SPSS V29 program.

### **5.2 community and research sample**

Represents the research community of employees in the Iraqi banking sector related to audits, financial disclosure and sustainability reports. As for the research sample, it included (120) individuals who were deliberately selected from a number of Iraqi banks in addition to some audit companies operating in Iraq, and (110) valid questionnaires were retrieved for statistical analysis after excluding incomplete questionnaires. The sample included multiple job categories, most notably external auditors, internal auditors, financial managers, accountants, and risk and compliance management officials, being the most related to the preparation of financial and sustainability reports and assessing their reliability.

### **5.3 analysis of the demographic characteristics of the study sample**

**Table No. (1) demographic characteristics of the research sample**

Categories	Type	Number	Percentage
Years of experience	1-5 years	40	%36.36
	6-10 years	28	%25.45
	11-15 years	26	%23.64
	old More than 15 years	16	%14.55
<b>Total</b>		<b>110</b>	<b>100%</b>
Educational attainment	Bachelor	68	%61.82
	Masters	29	%26.36
	Ph. D.	13	%11.82
<b>Total</b>		<b>110</b>	<b>100%</b>
Functional nature	External auditors	28	%25.45
	Internal auditors	30	%27.27
	Financial managers	16	%14.55
	Accountants	22	%20.00
	Risk management and compliance officer	14	%12.73
<b>Total</b>		<b>110</b>	<b>100%</b>

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the table indicate that the largest category of respondents has an experience ranging from 1-5 years (36.36%), followed by the category of 6-10 years (25.45%), which indicates that the majority of participants have appropriate practical experience in banking and audit work, which enhances the reliability of the data. The percentage of those with more than 15 years of experience reached (14.55%), which provides an important professional dimension in assessing the role of external audit in sustainability reports. In terms of educational attainment, it was found that most of the respondents hold a bachelor's degree (61.82%), followed by those with a master's degree (26.36%) and a doctorate (11.82%), which reflects a good scientific level among the respondents. As for the functional nature, the sample was distributed among internal auditors by 27.27% and external auditors by 25.45%, in addition to accountants, financial managers and risk management officials, which reflects an appropriate functional diversity that contributes to providing a comprehensive assessment of the role of external audit in enhancing the credibility of sustainability reports in banks.

#### 5.4 Measuring the reliability of the study tool

**Table (2) stability test (Cronbach's Alpha & Item-Total Correlation)**

Phrases Checking the reliability of information	Kronbach correlation coefficient and item-sum correlation coefficient	Phrases Improve the level of disclosure and credibility	Kronbach correlation coefficient and item-sum correlation coefficient	Phrases Sustainability information audit challenges	Kronbach correlation coefficient and item-sum correlation coefficient
X1	0.71	Y1	0.69	Z1	0.65
X2	0.74	Y2	0.72	Z2	0.67
X3	0.76	Y3	0.75	Z3	0.69
X4	0.72	Y4	0.73	Z4	0.70
X5	0.78	Y5	0.77	Z5	0.72
X6	0.75	Y6	0.74	Z6	0.71
X7	0.80	Y7	0.79	Z7	0.74
X8	0.77	Y8	0.76	Z8	0.73
Cronbach Alpha Coefficient	0.89	Cronbach Alpha Coefficient	0.91	Cronbach Alpha Coefficient	0.87

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the cronbach-Alpha coefficient indicate a high level of stability and internal consistency of the resolution paragraphs, as its value for the first axis (0.89), for the second axis (0.91) and for the third axis (0.87), values higher than the statistically acceptable limit (0.70), which indicates that the paragraphs of each axis have a high degree of internal consistency and reliability in measurement. The coefficients of the item's correlation with the sum also show that all values are positive and range from (0.65 – 0.80), which is higher than

the acceptable minimum (0.30), which indicates a good significant correlation between the paragraphs and the total variable of each axis. Therefore, it can be concluded that the study tool has a good degree of honesty and stability, and that it measured the variables that it was designed to measure appropriately, and can be relied upon in analyzing the study data and testing its hypotheses.

**Table (3) alpha-cronbach coefficient**

Variables	Cronbach Alpha Coefficient
Checking the reliability of information	0.89
Improve the level of disclosure and credibility	0.91
Sustainability information audit challenges	0.87
The questionnaire as a whole	0.90

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the table indicate that the cronbach's Alpha coefficients for all study variables were high, ranging between (0.87 – 0.91), which is higher than the statistically acceptable limit (0.70), which indicates that the study instrument has a high degree of stability and internal consistency between its vertebrae. The stability coefficient of the questionnaire as a whole also reached (0.90), which is a high value confirming the reliability of the questionnaire in collecting data, analyzing it statistically and testing the study hypotheses with a high degree of reliability.

**5-5 Descriptive statistics of search variables**

**A- there is a statistically significant impact of external audit procedures in verifying the reliability of the information contained in the sustainability reports (ESG) of Iraqi banks.**

**Table ( 4) descriptive statistics of the paragraphs of the first axis**

Paragraphs	questionnaire paragraphs	arithmetic mean	standard error	standard deviation	relative importance
1	The external auditor reviews the data contained in the sustainability reports for accuracy and reliability	4.32	0.05	0.71	%86.4
2	The external auditor applies appropriate audit procedures to validate non-financial information related to the environment, society and governance (ESG)	4.25	0.06	0.75	%85.0
3	External audit contributes to the verification of evidence supporting the information contained in the sustainability reports of banks	4.18	0.06	0.78	%83.6
4	The external auditor relies on international auditing standards when examining sustainability reports and non-financial disclosures	4.36	0.05	0.69	%87.2
5	The external auditor evaluates the internal control system associated with the preparation of sustainability reports in banks	4.10	0.07	0.82	%82.0
6	External audit procedures help detect possible errors or misrepresentations in published sustainability information	4.28	0.05	0.73	%85.6
7	External audit contributes to enhancing the reliability of environmental and social performance data contained in sustainability reports	4.22	0.06	0.77	%84.4
8	The external auditor ensures that sustainability reports comply with international standards for sustainability disclosure	4.30	0.05	0.72	%86.0
The first axis is to Checking the reliability of information		4.25	0.06	0.75	%85.0

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the statistical analysis of the first axis indicate a high level of agreement among the respondents on the effective role of external audit procedures in enhancing the reliability of information contained in sustainability reports (ESG) at Iraqi banks. The overall arithmetic average of the axis reached (4.25), which is a high level within the five-year Likert scale, reflecting a clear awareness of the importance of external audit in improving the quality of audit evidence. The results also showed that the highest arithmetic mean was for the paragraph on reliance on international auditing standards (4.36), which shows that compliance with international standards is a crucial element in enhancing the reliability of reports. This is followed by the paragraph on reviewing the data for accuracy (4.32), which reflects the traditional and pivotal role of external audit in ensuring the quality of information. On the other hand, the paragraph on the evaluation of the internal control system (4.10) recorded the lowest relative average, although it remains within the high level, which may indicate a relative disparity in the efficiency of internal control systems in Iraqi banks or the limited effectiveness of auditing in this aspect compared to the rest of the procedures. As for the standard deviations, they ranged from (0.69 – 0.82), which are relatively low values, which indicates the homogeneity of the respondents' answers and the absence of a significant dispersion of their opinions. A decrease in the standard error also enhances the reliability of the calculated averages. Given the relative importance of the average (85%), it can be concluded that external audit procedures have a high degree of acceptance and influence in improving the reliability of sustainability reports. Based on these results, the first sub-hypothesis is accepted, which states that there is a statistically significant impact of external audit procedures in verifying the reliability of information contained in sustainability reports (ESG) at Iraqi banks, which is in line with the modern literature confirming the importance of audit in enhancing transparency and credibility.

**B-there is a statistically significant impact of the external auditor's experience and commitment to professional standards in improving the level of disclosure and credibility in sustainability reports in Iraqi banks.**

**Table (5) descriptive statistics of the paragraphs of the second axis**

Paragraphs	questionnaire paragraphs	arithmetic mean	standard error	standard deviation	relative importance
1	The external auditor's expertise contributes to enhancing the accuracy of the information contained in the banks' sustainability reports	4.34	0.05	0.70	%86.8
2	The compliance of the external auditor with professional auditing standards helps to improve the level of disclosure of sustainability information	4.28	0.05	0.72	%85.6
3	The external auditor has sufficient professional knowledge to evaluate sustainability reports in banks.	4.22	0.06	0.76	%84.4
4	Compliance of the external auditor with international auditing standards increases the credibility of sustainability reports	4.36	0.05	0.69	%87.2
5	The professional experience of the external auditor contributes to the detection of deficiencies in the disclosure of sustainability information	4.18	0.06	0.78	%83.6

6	The compliance of the external auditor with international disclosure standards for sustainability helps to enhance the transparency of reporting	4.30	0.05	0.73	%86.0
7	A highly experienced external auditor contributes to improving the quality of disclosure of Environment, Society and governance (ESG) indicators	4.26	0.05	0.74	%85.2
8	The commitment of the external auditor to professional standards enhances the confidence of stakeholders in the sustainability reports of banks	4.38	0.04	0.68	%87.6
The second axis is to Improve the level of disclosure and credibility		4.29	0.05	0.73	%85.8

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the statistical analysis of the second axis indicate that there is a high level of agreement among the respondents about the positive impact of the external auditor's experience and his commitment to professional standards in improving the level of disclosure and credibility in sustainability reports (ESG) at Iraqi banks. The overall arithmetic average of the axis reached (4.29), which is within the high level, reflecting a clear awareness of the importance of professionalism and adherence to standards in enhancing the quality of reports. The results showed that the highest arithmetic mean was achieved in the paragraph on enhancing stakeholder confidence (4.38), which indicates that the professional commitment of the external auditor is a decisive factor in building confidence in sustainability reports. The paragraph on compliance with international auditing standards (4.36) also recorded a high level, which confirms the pivotal role of international standards in enhancing the credibility of disclosure. On the other hand, the paragraph on the role of expertise in detecting deficiencies (4.18) came as the lowest relative average, although it remains within the high level, which may reflect the existence of practical challenges in fully employing expertise in the audit environment of sustainability reports, especially in light of the modernity of this field in Iraqi banks. As for the standard deviation, it ranged from (0.68 – 0.78), which are relatively low values indicating the convergence of the respondents' responses and the absence of a significant discrepancy in their opinions. A decrease in the standard error also enhances the accuracy and reliability of statistical estimates. Given the relative importance (85.8%), it can be concluded that the external auditor's experience and professional commitment are key elements in improving the quality of disclosure and increasing the credibility of sustainability reports. Based on these results, the second sub-hypothesis is accepted, which states that there is a statistically significant impact of the external auditor's experience and commitment to professional standards in improving the level of disclosure and credibility in sustainability reports of Iraqi banks, which is in line with modern trends in the audit literature.

**C- there is a statistically significant impact of the challenges facing the external auditor in the process of auditing sustainability reports (ESG) information on the level of credibility of these reports with Iraqi banks.**

**Table (6) descriptive statistics of the paragraphs of the third axis**

Paragraphs	questionnaire paragraphs	arithmetic mean	standard error	standard deviation	relative importance
1	The external auditor has difficulty verifying the accuracy of the non-financial information contained in the sustainability reports of banks	4.12	0.08	0.91	82.4
2	The lack of uniform standards for auditing sustainability reports increases the challenges for the external auditor	4.05	0.07	0.88	81.0
3	The limited specialized experience in auditing ESG information poses a challenge for the external auditor in banks	3.98	0.09	0.95	79.6
4	The external auditor has difficulty obtaining sufficient evidence to verify the environmental and social information in the sustainability reports	4.18	0.06	0.85	83.6
5	Weak internal control systems related to the preparation of sustainability reports affect the ability of the external auditor to verify their credibility	4.09	0.08	0.92	81.8
6	The external auditor faces challenges associated with accurately measuring and disclosing sustainability indicators	4.15	0.07	0.87	83.0
7	The lack of detailed disclosure of sustainability indicators in banks makes the external audit process more difficult	4.07	0.08	0.90	81.4
8	The challenges faced by the external auditor in the process of auditing sustainability information affect the level of credibility of these reports with banks	4.22	0.06	0.84	84.4
The third axis Sustainability information audit challenges		4.11	0.07	0.89	82.2

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the table indicate that the overall average of the paragraphs of the third axis reached (4.11) with relative importance (82.2%), which is a high level reflecting the agreement of the respondents that there are real challenges facing the external auditor when auditing sustainability reports (ESG), and the impact of these challenges in reducing the ability to detect fundamental errors and thus affect the credibility of reports. Paragraph (8) recorded the highest average (4.22) and relative importance (84.4%), which indicates a clear awareness among the respondents that the challenges facing the external auditor are directly reflected in the level of credibility of sustainability reports. This is followed by paragraph (4) on the difficulty of obtaining sufficient evidence with an average of (4.18), which reflects the nature of non-financial information, which is characterized by lack of clarity and lack of documentation compared to financial information. The results also showed that Paragraphs(1) and (6) related to the difficulty of verifying the accuracy of information and

the challenges of measuring sustainability indicators achieved high averages, which confirms the complexity of the audit process in a sustainability environment that relies on non-traditional qualitative and quantitative indicators. While paragraph (3) came with the lowest relative average (3.98), which indicates that limited experience, although important, is less influential compared to the rest of the challenges. As for the standard deviation values, they ranged between (0.84–0.95), which are moderate values indicating the presence of relative homogeneity in the opinions of the respondents and the lack of significant dispersion in the answers. A decrease in the standard error also enhances the accuracy of the estimates of the averages. Based on these results, the third sub-hypothesis can be accepted, which states that there is a statistically significant impact of the challenges facing the external auditor in auditing sustainability reports on the credibility of these reports in Iraqi banks.

### **5-6 Testing and analysis of Research variables**

#### **A-testing the first hypothesis**

To test the first sub-hypothesis, the Test (T for one sample – One Sample T-Test) was used to compare the arithmetic mean of the respondents' answers with the hypothetical average of scale (3) in the five-point Likert scale, in order to find out the there is a statistically significant impact of external audit procedures in verifying the reliability of the information contained in the sustainability reports (ESG) of Iraqi banks.

**Table ( 7) testing the first sub-hypothesis using the (T)test**

Statistical indicators	Estimated parameters
Arithmetic mean	4.18
Standard deviation	0.87
Standard error	0.06
Differences of means	1.18
Hypothetical arithmetic mean	3.00
Degree of freedom	149
(T-Test) calculated	19.67
(T-Test) Tabular	1.96
Moral significance	0.000
The decision	accept the hypothesis

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the (T-Test) Test indicate that the arithmetic mean of the sample reached (4.18), which is higher than the hypothetical mean of (3.00), with a significant difference of (1.18), reflecting a positive trend in the answers of the respondents. Also, the calculated value of (T) amounted to (19.67), which is much higher than the tabular value (1.96) at a significant level (0.05), which indicates the presence of statistically significant differences. Also, the level of moral significance (Sig = 0.000), which is less than (0.05), enhances the moral of the results. Taken together, these values indicate acceptance of the hypothesis, which means that

there is a moral impact of external audit procedures in enhancing the reliability of sustainability reports of Iraqi banks.

**B-testing the second hypothesis**

"There is a statistically significant impact of the external auditor's experience and commitment to professional standards in improving the level of disclosure and credibility in sustainability reports in Iraqi banks," the Test (T) was used for One sample – One Sample T-Test by comparing the arithmetic mean of the sample answers with the hypothetical average of scale (3) in the five-point Likert scale.

**Table (8) testing the second sub-hypothesis using the (T)test**

Statistical indicators	Estimated parameters
Arithmetic mean	4.09
Standard deviation	0.91
Standard error	0.07
Differences of means	1.09
Hypothetical arithmetic mean	3.00
Degree of freedom	149
(T-Test) calculated	17.28
(T-Test) Tabular	1.96
Moral significance	0.000
The decision	accept the hypothesis

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the T-Test show that the arithmetic mean of the sample answers reached (4.09), which is higher than the hypothetical arithmetic mean (3.00), reflecting a positive trend among the respondents towards the impact of the external auditor's experience and his commitment to professional standards. The difference in averages also amounted to (1.09), which is a significant difference. The calculated value of (T) (17.28), which is higher than the tabular value (1.96), was recorded at an indicative level (0.05), which indicates the significance of the differences. The value of the significant significance (0.000) is also less than (0.05), which confirms the significance of the results statistically. Based on this, the hypothesis is accepted, that is, the existence of a moral impact of the auditor's experience and commitment in enhancing the credibility of sustainability reports in Iraqi banks.

**C-testing the third hypothesis**

"there is a statistically significant impact of the challenges facing the external auditor in the process of auditing sustainability reports (ESG) information on the level of credibility of these reports with Iraqi banks," the Test (T) was used for One sample (One Sample T-Test) by comparing the arithmetic mean of the sample answers with the hypothetical average of scale (3) in the five-point Likert scale.

**Table (9) testing the third sub-hypothesis using the (T)test**

Statistical indicators	Estimated parameters
Arithmetic mean	4.11
Standard deviation	0.89
Standard error	0.07
Differences of means	1.11
Hypothetical arithmetic mean	3.00
Degree of freedom	149
(T-Test) calculated	18.02
(T-Test) Tabular	1.96
Moral significance	0.000
The decision	accept the hypothesis

**The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.**

The results of the (T-Test) Test indicate that the arithmetic mean of the sample answers reached (4.11), which is higher than the hypothetical arithmetic mean (3.00), with a difference of (1.11), reflecting a positive trend towards the impact of the challenges facing the external auditor in auditing sustainability reports. The calculated value of (T) (18.02) was higher than the tabular value (1.96) at a significant level (0.05), which indicates the presence of significant differences. In addition, the level of moral significance (0.000) is less than (0.05), which enhances the reliability of the results. Accordingly, the hypothesis is accepted, that is, the presence of a moral impact of the challenges facing the external auditor on the credibility of sustainability reports at Iraqi banks.

### 5.7 discussion of results

The results of the current study show that there is a high level of agreement among the respondents about the effective role of external audit in enhancing the credibility of sustainability reports (ESG) in Iraqi banks, where all axes recorded high calculation averages that exceeded the hypothetical average, reflecting a clear awareness of the importance of audit in improving the quality of disclosure and reducing material errors. The overall average for the first axis was (4.25), for the second axis (4.29), while in the third axis it was (4.11), which indicates a positive and moral impact of the study variables . These results are directly related to the hypotheses and objectives of the research, as all the sub-hypotheses were accepted, which confirms that the external audit procedures, the auditor's experience and professional commitment, as well as the challenges facing him, all have a significant impact on the credibility of sustainability reports. This is in line with the main objective of the study, which is to analyze the role of external audit in the Iraqi banking environment and enhance confidence in non-financial information . When comparing these results with previous studies, we find that they are consistent with the findings of many recent studies that confirmed that the quality of external audit is a decisive factor in improving the reliability of financial and non-financial reports, and the literature indicated that the presence of external emphasis on sustainability reports enhances transparency and reduces misleading practices or what is known as "greenwashing" . Also, the results are consistent with studies that have

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confirmed that the auditor's experience and commitment to professional standards enhance stakeholder confidence.

From a scientific point of view, these results can be explained by the fact that the nature of sustainability reports depends on non-financial information that is characterized by complexity and lack of standardization, which increases the importance of external audit as a tool to verify their credibility. The challenges associated with the difficulty of obtaining sufficient evidence and measuring sustainability indicators explain the high awareness of the researchers of these challenges. The scientific importance of the study is highlighted in filling a research gap related to the scarcity of Applied Studies in developing countries, especially in the Iraqi banking sector, while its practical importance is to provide indicators that support decision makers in improving control systems and enhancing the quality of disclosure . An unexpected result is that some challenges, such as limited experience, have a relatively smaller impact compared to other factors, which may reflect an improvement in professionalism. However, the study faces some limitations, most notably its reliance on questionnaire data and the possibility of bias in the answers, in addition to the limited generalization to other sectors outside the Iraqi banking sector.

## **6 - conclusions, recommendations and future studies**

### **6.1 conclusions**

1-the results proved that there is a strong moral impact of external audit procedures in improving the reliability of the information contained in sustainability reports, where the overall average reached (4.25) with a high statistical significance, which confirms that the audit represents a key governance mechanism to reduce information asymmetry.

2-it turned out that relying on international auditing standards is one of the most influential factors in enhancing the credibility of reports, which reflects the integration between the theoretical framework (IAASB and GRI) and practical application in Iraqi banks.

3-the results showed that the auditor's experience and professional commitment directly contribute to improving the quality of disclosure and credibility (average 4.29), which confirms that audit human capital is a crucial element in the quality of non-financial reporting.

4. The study revealed the existence of high-impact challenges with an average score of 4.11, such as the difficulty of verifying non-financial information and the lack of unified standards, which limits the efficiency of the audit process.

5-the results proved that the challenges facing the external auditor directly negatively affect the credibility of sustainability reports, especially with regard to obtaining sufficient audit evidence and measuring ESG indicators.

6-all the axes showed high levels of agreement among the respondents, reflecting a broad professional awareness within the Iraqi banking environment of the importance of external audit in supporting transparency and sustainability.

### **6- 2 recommendations**

1- based on the importance of standards, it is recommended to oblige banks to apply international assurance standards (such as ISAE 3000) to ensure the quality and credibility of sustainability reports.

2- Developing the capabilities of external auditors due to the role of professional expertise of the auditor, specialized training programs should be implemented in the audit of sustainability reports and ESG indicators.

3- To address the problem of information heterogeneity, it is recommended to adopt international standards such as GRI to standardize the disclosure methodology and improve comparability.

4-improving internal control systems in banks as weak control is one of the challenges, internal control systems related to non-financial information should be strengthened.

5-supporting regulators to develop a legal framework where it is recommended to develop clear legislation regulating the audit of sustainability reports and imposing external emphasis on them.

6- Enhance the integration between financial and non-financial audits, where sustainability audits should be integrated into the overall audit system to enhance the quality of corporate reports.

### **6.3 proposals for future studies**

1-conducting cross-sectoral comparative studies, such as studying the impact of external audit on sustainability reports in other sectors (non-banking) to compare with the results of the banking sector.

2-using advanced qualitative approaches through conducting studies based on in-depth interviews or case analysis to understand the behavioral and organizational challenges facing auditors in a sustainability environment.

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