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Stowarzyszenie Księgowych w Polsce

The challenges and potential benefits of the external assurance of mandatory non-financial reporting. Evidence from Poland

Wyzwania i potencjalne korzyści zewnętrznej atestacji obowiązkowej sprawozdawczości niefinansowej. Dowody z Polski

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Abstract

Purpose: The paper analyses the challenges and potential benefits that stem from the relationship between an auditing firm and the companies engaged in mandatory sustainability reporting from the company's point of view.
Methodology/approach: Semi-structured interviews were conducted with a sample of Polish companies that engage in mandatory non-financial disclosure.
Findings: The evidence collected through the interviews suggests that cooperation with an auditing company that goes beyond the minimum normative requirements brings benefits to the reporting company while also improving the non-financial reporting process, as well as the company's awareness. This is particularly true for companies that started their non-financial reporting experience when it was not mandatory, as they were able to gradually adopt and grasp the related potential benefits.
Research limitations/implications: A significant limitation is that the research was conducted on a small sample. To draw broader conclusions, the sample should be expanded to include additional companies.
Originality/value: The paper provides empirical evidence on the relationship and cooperation between companies and auditors in the field of non-financial reporting, focusing on the conditions that enable the potential benefits of this relationship to materialize. Such relationships can be essential drivers that foster a sustainability culture within companies.
Keywords: non-financial disclosure process, sustainability reporting, assurance, audit, sustainable development.

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Streszczenie

Cel: Celem artykułu jest analiza, z punktu widzenia firmy, wyzwań i potencjalnych korzyści wynikających z relacji między firmą audytorską a podmiotami zaangażowanymi w obowiązkowe raportowanie zrównoważonego rozwoju.
Metodyka/podejście badawcze: Do realizacji celu przeprowadzono częściowo ustrukturyzowane wywiady z przedstawicielami wybranych spółek w Polsce, zaangażowanych obecnie w obowiązkowe ujawnianie informacji niefinansowych.
Wyniki: Z materiału zebranego w trakcie wywiadów wynika, że współpraca z firmą audytorską, która wykracza poza minimalne wymagania normatywne, przynosi firmie raportującej korzyści i skutkuje usprawnieniem procesu raportowania niefinansowego. Ponadto podnosi świadomość firmy. Dotyczy to w szczególności podmiotów, które rozpoczęły raportowanie niefinansowe, gdy nie było ono obowiązkowe. Były one w stanie ustanowić stopniowy proces adaptacji i dostrzec związane z tym potencjalne korzyści.
Ograniczenia/implikacje badawcze: Istotnym ograniczeniem jest realizacja przedmiotowych wywiadów na małej próbie badawczej. Aby wyciągnąć szersze wnioski, należy powiększyć badaną próbę o kolejne przedsiębiorstwa.
Oryginalność/wartość: Artykuł dostarcza dowodów empirycznych na istnienie relacji i współpracy między firmami a biegłymi rewidentami w zakresie sprawozdawczości niefinansowej, które mogą być realizowane w firmie na warunkach umożliwiających uzyskanie potencjalnych korzyści z tej współpracy. Tego rodzaju relacje mogą być jednym z podstawowych czynników stymulujących kulturę zrównoważonego rozwoju w firmach.

Słowa kluczowe: proces ujawniania informacji niefinansowych, raportowanie niefinansowe, atestacja, audyt, zrównoważony rozwój.

Introduction

Since 2018, Directive 2014/95/EU – the Non-Financial Reporting Directive (NFRD) – has required large listed companies, banks, and insurance corporations ("public interest entities") in the European Union (EU) with more than 500 employees to include non-financial statements in their annual reports or in a separate filing. It must include information on environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards. However, the mere provision of non-financial information in company reporting is obviously insufficient to guarantee the completeness, relevance, reliability, quality and comparability of quantitative and qualitative information disclosed (Carungu et al., 2020). Therefore, assurances on sustainability reporting could play a fundamental role.

Despite the thematic threads raised so far by authors in the field of external certification of non-financial reports, there is still limited research focusing on the role of assurance on non-financial disclosure from the company's point of view. More specifically, there is a lack of research into if and how auditors could contribute to the development of learning processes, dialogue, commitment and assessment tools concerning mandatory sustainability reporting. These elements are essential for the effective transformation of sustainability reporting from mere disclosure into a tool to foster planning and sustainability strategies (Adams, McNicholas, 2007; Massa et al., 2015).

Therefore, it is appropriate to study the potential role of independent assurance and compare companies that use assurance services for non-financial disclosure in a limited way and others that cooperate with auditors to check the completeness, relevance, reliability, quality, and comparability of the quantitative and qualitative information they disclose. The purpose of the study is to analyze the challenges and potential benefits that stem from the relationship between the auditing firm and the companies that engage in mandatory sustainability reporting from the company's point of view. This paper contributes to the scientific debate – as well as to the setting of the regulatory context – by providing empirical evidence on the impact of the relationship between companies and auditors on the overall non-financial reporting process. Specifically, the research answers the following questions:

1. What are the motivations, benefits, and difficulties associated with voluntary non-financial reporting?
2. What are the reasons for a company to collaborate with an audit firm for non-financial reporting?

This study is based on evidence obtained from semi-structured interviews with a sample of Polish companies engaged in mandatory non-financial disclosure. These companies were chosen as the way in which the EU Directive has been transposed in Poland allows for an interesting analysis of the role of the auditing firm. The interviews were based on a questionnaire that investigated firms' non-financial reporting experience and their relationship with the auditing company.

The paper is structured as follows: Section 1 provides an initial overview of the regulatory context concerning corporate non-financial disclosures, especially in Europe and Poland, Section 2 reviews the literature on the role of the audit firm in increasing the reliability and credibility of the information presented in non-financial mandatory reporting, identifying the main challenges that must be carefully managed to benefit from the potential of auditing for the effectiveness of corporate non-financial disclosure. In the subsequent Sections, the main issues derived from the literature (and presented in Section 2) are addressed empirically, with reference to Poland. Section 3 describes the methodology, then Section 4 presents the results of the analysis and discusses the challenges involved in sustainability reporting assurance. Finally, Section 6 summarizes the main findings and contributions of the paper and outlines policy implications and opportunities for further research.

1. The normative context

In the EU, the provisions of Directive 2014/95/EU only require auditors to check that the non-financial statement has been submitted. Member States were then empowered to increase this minimum requirement and decide if and how to include an independent auditing company's verification of the information included in the non-financial statement wider and more demanding.

The flexibility given to Member States when transposing the NFRD requirements into national laws has led to a divergence in practices across Europe. In particular, while about half have the minimum requirement in place, only France, Italy, and Spain require mandatory independent assurance about the compliance of the information provided with respect to the requirements of NRFD, the principles, methodologies and procedures implemented. The remaining states merely have an additional requirement for auditors to check that non-financial information is consistent with financial statements (Accountancy Europe, 2020).

Although assurance on sustainability reporting is largely voluntary, the market for assurance services has developed enormously, in line with the increased normative requirements concerning non-financial reporting. The spread of non-financial report assurance can be seen as one of the elements that have made the increase in the new EU Directive requirements possible. The Corporate Sustainability Reporting Directive (CSRD) entered into force on 5 January 2023 and targets a broader set of large companies, including listed SMEs. It updates and strengthens the rules about the social and environmental information that companies are required to report and opens a new era in sustainability reporting practices (see Table 1).

Table 1. The normative context – Europe

Directive 2014/95/EU	**Directive 2022/2464/EU**
The **Non-Financial Reporting Directive (NFRD)** only requires auditors to check that the non-financial statement has been submitted.	The **Corporate Sustainability Reporting Directive (CSRD)** introduced the requirement for limited assurance of sustainability information with the end goal of gradually moving to reasonable assurance three years from its implementation.
Member States were empowered to increase this minimum requirement	In a limited assurance engagement, the outcome is the expression of a final judgement about the fair representation of the information in a negative form
• 50% have the minimum requirement in place • Only France, Italy, and Spain require mandatory independent assurance regarding the compliance of provided information with the requirements of NRFD, as well as the principles, methodologies, and procedures implemented.	Member States can force companies engaged in reasonable assurance. Assurance practitioners must then formulate an opinion in a positive form as to whether the information is accurate and complete according to the European sustainability reporting standards

Source: authors' own elaboration.

In Poland, in compliance with the NFRD, the obligation to report non-financial information was transposed by the amended Accounting Act (Act of 15 December 2016). Before mandatory reporting entered into force, about 100 reports were published annually (mostly by listed companies), which were generally extensive reports on Corporate Sustainability Reporting (CSR) (Dadacz, 2017). However, as Carmo and Ribeiro (2022) pointed out, such voluntary publications were often incomplete, focusing only on specific aspects. In 2018, the amended act introduced two types of obligations for the largest Polish entities. The first concerned the disclosure of extended non-financial information, which at the individual level applies to the largest entities defined in Poland as Public Interest Entities (PIEs).[1] At the consolidated level, the obligation applied to the large PIEs that are parent companies of the capital group. The second requirement refers to the disclosure of information on the diversity policy with regard to the composition of the company's governing bodies. However, it only applies to large, listed companies.

Pursuant to the regulations in force in Poland, the reliability of the information contained in non-financial reports does not have to be certified by an external entity, although an audit firm may release an opinion document to certify published information. However, for entities that are subject to the obligations to disclose non-financial information under the Directive, the external audit entity must verify whether a statement or report containing non-financial information has been submitted. This arrangement makes cooperation with an audit firm as part of the certification of non-financial information an individual choice for companies that report voluntarily but a legal obligation for companies obliged to report non-financial data. The scope and type of cooperation in this case can vary, ranging from basic certification of non-financial data publication to full audits. Consequently, Polish companies that now engage in mandatory non-financial reporting, according to the EU Directive, serve as an excellent sample for studying the impact and potential relevance of the relationship between companies and auditing firms.

2. Literature review

According to the International Auditing and Assurance Standards Board (IAASB, 2018), "an assurance engagement is an engagement in which a practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria" (article 10, p. 74).

Several papers have focused on the audit firm's role in increasing the reliability and credibility of the information presented in non-financial mandatory reporting (Manetti, Becatti, 2009; Simnett et al., 2009; Kolk, Perego, 2010; Mock et al., 2013; Junior et al., 2014; De Beelde, Tuybens, 2015; Gürtürk, Hahn, 2016; Boiral et al., 2019a). Boiral et al. (2019b) stated that the verification of non-financial reports is even necessary, as it reduces uncertainty and asymmetry of information between

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[1] PIEs should be understood as entities with a special status in the area of auditing financial statements, whose activities are important from the point of view of the public interest. Pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, PIEs include issuers of securities, banks, insurance and reinsurance companies, open pension and investment funds, entities conducting brokerage activities and companies meeting the criteria set out in the act, cooperative savings and credit unions.

managers and stakeholders while also encouraging companies to improve their sustainable development practices. Legal regulations do affect companies' decisions about cooperating with the auditing firm, as they might force enterprises to act in a particular way.

The discussion of the challenges and the role of assurance in non-financial disclosure within the corporate reporting regulatory landscape, alongside the growing market for assurance services, has led to an increase in interest and calls for more research in this area (Adams, 2015; Cohen, Simnett, 2014; de Villiers, Rinaldi, Unerman, 2014). Consequently, in recent years, numerous thematic threads related to the external assurance of non-financial reports have emerged. Some authors focused on the choice of assurance providers (Matontii et al., 2016; Lu et al., 2023; Prajogo et al., 2020) and the role of external verification of non-financial reports (Ball et al., 2000; Du, Wu, 2019).

Lu et al. (2023) found evidence that firms using the same provider for both financial statements and environment, social and governance (ESG) reporting assurance benefit from higher quality auditing of financial statements without incurring significant audit fees. Meanwhile, Du and Wu (2019) stated that external verification of sustainability reporting can increase its credibility. Research on the audit market in Poland conducted by Bartoszewicz and Rutkowska-Ziarko (2021) shows that only 2.3% of audit firms provide services auditing non-financial statements. The main limiting factor is the limited demand for this type of service, which is probably the result of the lack of obligation to publish non-financial statements for most companies in Poland. Therefore, the applicable legal regulations play an important role in companies' decisions regarding the purchase of non-financial reporting services.

García et al. (2022) indicated that the provisions of Directive 2014/95/EU contributed to the expansion of the insurance market, although they had only a moderate impact on the contractual conditions of the service. In addition, they suggest that there are shortcomings in the criteria used by providers. There is a need to clarify the guidelines to increase the credibility and readability of assurance statements as confirmed by Boiral et al.(2019a).

To ensure the sustainability and growth of audit practices, audit firms must make qualitative changes to ensure that audits are more effective and efficient and to improve communication with clients. Venter and Van Eck (2021) made a significant contribution to the review and summary of publications on the subject of non-financial reporting. They systematized conclusions from 121 publications published between 2009 and 2020. Similarly, Min Yan et al. (2022) analyzed 87 articles published between 2003 and 2021.

De Micco et al. (2021) noted the relevance of the contribution of sustainability assurance from the company's point of view in a five-year longitudinal case study. They focused on Estra, a large multiutility Italian company, following its approach to sustainability reporting from the very beginning.

Despite the numerous strands of research into the range of non-financial reporting, not enough attention has been paid to how cooperating with the auditing firm impacts non-financial reporting. Our study fills this research gap.

3. Methodology

Our empirical study is based on semi-structured interviews conducted in April and May 2023. Companies were randomly selected from the 416 companies listed on the Warsaw Stock Exchange (as of 3 March 2023, www.gpw.pl/spolki) that are currently subjected to mandatory non-financial reporting. From the above population, a database of companies was created with contact details.

In the next stage, random sampling was employed. The condition for a company to qualify for the study was meeting the accessibility criterion, i.e., that they performed non-financial mandatory reporting. If a company failed to meet this criterion, refused to participate, or could not be reached, it was excluded from the sample, in which case, another company was drawn from the database. Ultimately, twenty companies were included in the sample.

Initial contact was made using the information found on the respective company websites. Subsequent interviews were always conducted with the people responsible for non-financial reporting. A professional research company was commissioned to perform the interviews using the CATI (Computer-assisted telephone interview) technique.

The questionnaire is divided into three parts:

1) Information about the company (e.g., turnover, number of employees, year of foundation, etc.);
2) Questions about non-financial reporting experience to ascertain the companies' motivations, benefits, and challenges related to non-financial reporting;
3) Questions about the relationship between the company and the auditing firm to ascertain the role and the impact of this collaboration.

The number of questions directed to the different sub-samples ranged from a minimum of 15 to a maximum of 29. The questionnaire consists of various types of questions: closed-ended questions (Yes/No) designed primarily to identify the respondent's completion path, open-questions, multiple-choice questions that include the option "other" to allow freedom of response, and questions with response scales, where the respondent was asked to rank certain aspects in order of relevance.

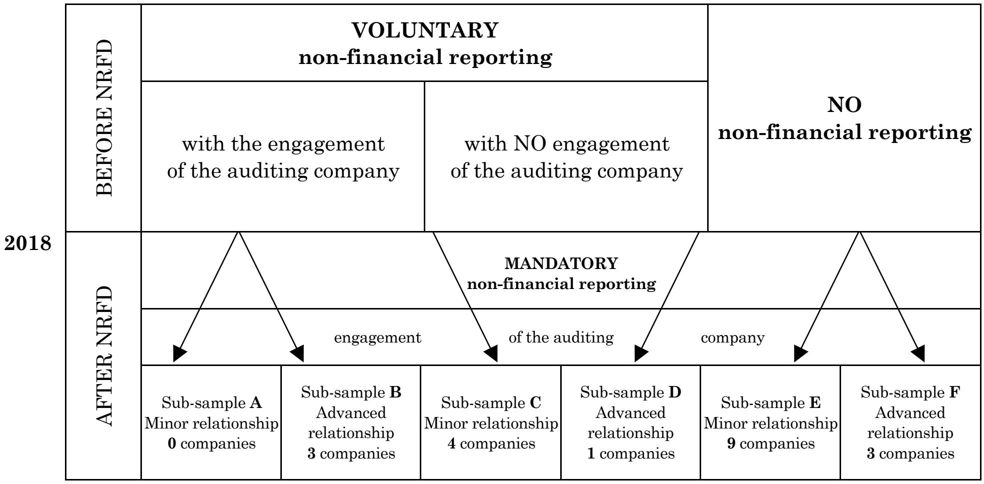
The first four questions were used to create different subsamples (as shown in Figure 1) based on the following characteristics:

- Voluntary Non-Financial Reporting: Did the firm engage in voluntary non-financial reporting before mandatory reporting became a requirement?
- Auditing Support for Voluntary Reporting: For firms that engaged in voluntary reporting, did they receive support from an auditing firm?
- Mandatory Non-Financial Reporting and Audits: As highlighted at the end of Section 2, the Act of 15 December 2016 introduced mandatory non-financial reporting for listed companies in Poland, starting in 2018. This category focuses on the level of auditing for mandatory reporting:
  – Minor Relationship: The auditing company verifies the submission of the non-financial report but has no involvement in checking content, indicators, or the reporting process itself;

– Advanced Relationship: The auditing company is actively involved in the mandatory non-financial reporting process, including reviewing content, indicators, and potentially assisting with report development.

This level of detail allowed us to create six subsets. The questions made it possible to reconstruct the company's reporting experience, both voluntary and mandatory, highlighting its peculiarities. It also allowed us to understand the role of the audit firm and the relationship between them. Figure 1 also shows the distribution of the 20 companies in the different subsamples.

Figure 1. The sub-sample definition process and distribution of companies



Source: authors' own elaboration.

4. Results and discussion

4.1. The sample

The sample is mainly composed of large firms: only one firm is of medium size, with 60 employees and a turnover of less than or equal to €2 million. Furthermore, most firms belong to the production and service sectors. The following table summarizes the main features of our sample, reporting the number of firms per each characteristic.

The descriptive statistics show that none of the companies belong to sub-sample A, which covers companies that were engaged in voluntary non-financial reporting and decided to establish a minor relationship with the auditing firm when mandatory sustainability reporting was introduced. The interviews revealed that companies engaged in voluntary reporting with the assistance of an auditing firm all opted for an advanced relationship during voluntary sustainability, relying on the auditing firm for support that goes far beyond merely monitoring the delivery of

the document. They ask for more support and control to help them choose and measure indicators and to improve the overall reporting process. The situation did not change with the transition to mandatory non-financial reporting.
Summing up, the composition of the sample can be detailed as follows:

- 40% of the respondents reported that they were previously engaged in voluntary non-financial reporting; more than 1/3 of them were already engaged with the auditing company, and all of them opted for an advanced relationship; conversely, only 20% of those that engaged in voluntary reporting but without the help of an auditing company before mandatory sustainability reporting was introduced chose to have an advanced relationship;
- the remaining 60% reported that they had no experience of voluntary non-financial reporting; as for mandatory sustainability reporting, 25% of them have an advanced relationship with the auditing company.

Table 2. Characteristics of the companies of the sample (number of entities)

Year of foundation		How many years it has been listed		Number of employees		Turnover	
Before 1950	5	≤ 10 years	9	≤ 1000	8	≤ €2 million	1
Between 1951 and 2000	11	11–20 years	7	1001–2000	6	€10 million – €50 million	1
After 2001	4	≥ 21 years	4	≥ 2001	6	> €50 million	18

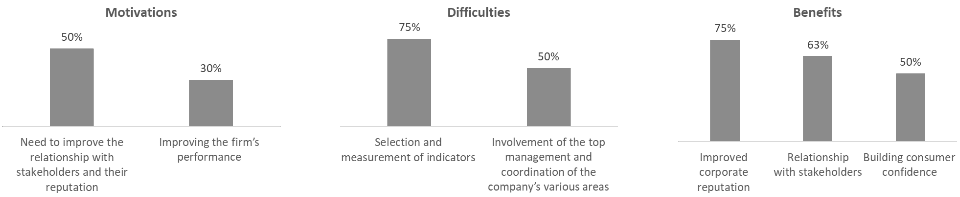
Source: authors' own elaboration.

Focusing on the relationship that firms currently have with the auditing company, 65% of the sample declared they have a minor relationship, i.e., 13 out of 20 choose to limit their engagement with the auditing company to the simple verification of the document elaboration and presentation; seven firms have an advanced relationship.

4.2. Typologies, motivations, benefits, and difficulties of non-financial reporting

The interviews with companies previously engaged in voluntary non-financial reporting revealed that most of them had started their experience in 2015 by publishing a document that focused on one aspect of sustainability (i.e., an Environmental or Social Report). Motivations for being engaged in voluntary non-financial reporting (see Figure 2) include the need to improve the relationship with stakeholders and their reputation (50%), followed by the goal of improving the firm's performance (30%). The main obstacles and difficulties encountered concerned the selection and measurement of indicators (75%) and the involvement of the top management and coordinating the various areas of the company areas (50%). This confirms previous studies, which focused on the main challenges firms have when engaged in non-financial reporting (De Micco et al., 2021). The main benefits obtained from engaging in voluntary non-financial reporting are related to improved corporate reputation (75%), the relationship with stakeholders (63%), and building consumer confidence (50%).

Figure 2. Motivations, benefits and difficulties of non-financial reporting (companies previously engaged in voluntary non-financial reporting)

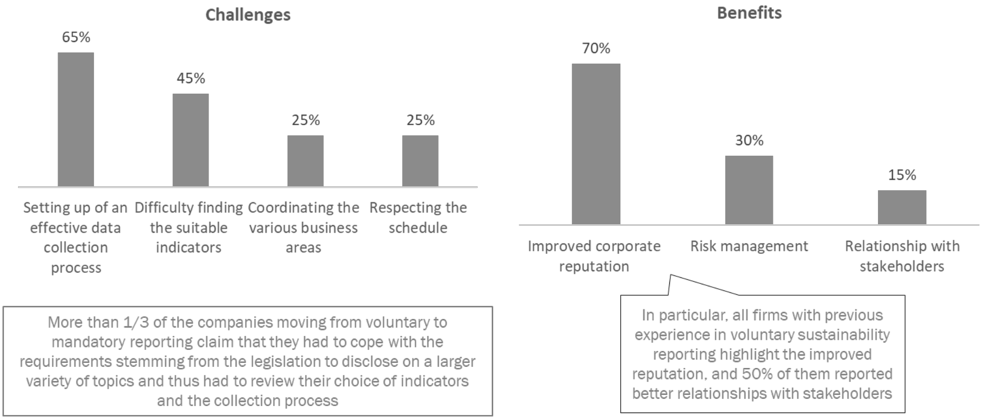


Source: authors' own elaboration.

When companies with no previous experience in voluntary sustainability reporting were asked why they made this choice, 42% reported that the company had other priorities and 16% focused on the high costs and effort required. The other firms either did not consider the reporting practice important and/or useful or they complained about the lack of internal skills needed to start and manage the whole reporting process. Restricting the sample to those firms that opted for an advanced relationship with the auditing company, they were not previously engaged in voluntary reporting due to the lack of internal skills and because they were pursuing other priorities. As a sustainability manager highlighted, "We wanted to promote these things, but the management said that he doesn't do it to brag about it".

Relating to the overall sample (see Figure 3), the main challenges companies faced when they began mandatory non-financial reporting include the setting up of an effective data collection process (65% of respondents), the difficulty finding suitable indicators (45%), as well as coordinating the various business areas and respecting the schedule (25% each). More than one-third of the companies that moved from voluntary to mandatory reporting claimed that they had to cope with the requirements stemming from the legislation to disclose on a larger variety of topics and thus had to review their choice of indicators and the collection process. The perceived benefits of engaging in mandatory non-financial reporting are mainly related to the improved corporate reputation (70% of respondents), risk management (30%), and the relationship with stakeholders (15%). In particular, all firms with previous experience of voluntary sustainability reporting highlight the improved reputation and 50% noted a better relationship with stakeholders.

Figure 3. Motivations, benefits and difficulties of non-financial reporting (overall sample)



Source: authors' own elaboration.

4.3. Relationship with the auditing company in non-financial reporting

Table 3 presents the responses from each sub-sample regarding the extent to which their understanding of sustainability and non-financial reporting increased as a result of their relationship with the auditing company. Responses were measured on a scale ranging from "not at all" to "very strong".

Table 3. Question: Has your understanding of sustainability and non-financial reporting increased as a result of your relationship with the auditing company? (number of firms)

Sub-sample	Characteristics	Answers	
B	Voluntary reporting – auditing company – advanced relationship Mandatory reporting – advanced relationship	strong	2/3
		very strong	1/3
C	Voluntary reporting – NO auditing company Mandatory reporting – minor relationship	not at all	2/4
		average	1/4
		strong	1/4
D	Voluntary reporting – NO auditing company Mandatory reporting – advanced relationship	average	1/1

<table>
<tr><th>Sub-sample</th><th>Characteristics</th><th colspan="2">Answers</th></tr>
<tr><td rowspan="3">E</td><td rowspan="3">NO Voluntary reporting
Mandatory reporting
– minor relationship</td><td>not at all</td><td>7/9</td></tr>
<tr><td>a little</td><td>1/9</td></tr>
<tr><td>very strong</td><td>1/9</td></tr>
<tr><td rowspan="3">F</td><td rowspan="3">NO Voluntary reporting
Mandatory reporting
– advanced relationship</td><td>not at all</td><td>1/3</td></tr>
<tr><td>strong</td><td>1/3</td></tr>
<tr><td>very strong</td><td>1/3</td></tr>
</table>

Source: authors' own elaboration.

As previously noted, within the firms that engaged in voluntary sustainability reporting, more than 1/3 turned to an auditing company for support, and all opted for an advanced relationship. When asked about the reasons for this, a variety of motivations appeared, in particular, always being up to date with any non-financial reporting changes (e.g., standards and regulations), as well as improved stakeholder engagement and the process of sustainability reporting (25% each). This confirms previous studies that showed how the relationship with the auditing company decreases information asymmetry between the company and its stakeholders, thus improving stakeholder engagement practices (Boiral et al., 2019b).

In line with this, one company defined the relationship as "an advisory relationship based on consultation and cooperation." Another one referred to the reporting period: "We met every day; the auditing company performed the audit and also the control function." When asked about the main benefits of this relationship, all companies noted improvements in the quality of the data reported, in the contents of their financial reports, and in the overall non-financial reporting process. They also found it easy to remain up to date on regulatory changes, and they enjoyed being able to rely on support to enhance the role and the relevance of non-financial reporting within the company.

This is in line with studies that investigated the impact of the auditing company's activities on the quality and the credibility of the information contained in non-financial reporting (e.g., Manetti, Becatti, 2009; Simnett et al. 2009; Kolk, Perego, 2010; Mock et al., 2013; Junior et al., 2014; De Beelde, Tuybens, 2015; Gürtürk, Hahn, 2016; Boiral et al., 2019a). "By working with the auditing company, we started to pay attention to the importance of certain data and to the overall process of data collection and reporting, giving rise to good practices." Another company pointed out the learning process concerning more specific aspects, such as "the terminology and language of CSR and sustainable development and the awareness about social aspects that were ignored before, such as diversity, mobbing and discrimination.[…] These are important features that can be turned into real money; we also benefited from more technical things, like environmental aspects and risk management assessment."

The drawbacks of this relationship lie in the monetary costs the company must bear (25%). All companies report that there had been no change in the relationship following the non-financial reporting obligation, emphasizing the continuity of the relationship, which persisted as an advanced relationship. When asked to provide examples of non-financial reporting practices that have changed/improved due to the advanced interaction with the auditing company, the firms mostly mentioned environmental aspects, such as their carbon footprint and the description of climate change risks. The main benefits perceived from this advanced relationship (Figure 4) are related to improved quality of the data reported, that it was easy to remain up to date on regulatory changes (38% each) and that the auditing company is seen as a support in solving difficulties and challenges related to non-financial reporting (25%), confirming previous studies (Du, Wu, 2019).

Companies with experience of voluntary non-financial reporting are more inclined to embrace the advanced relationship with the auditing firm. They do so in 50% of cases, compared to 25% of companies that instead began the experience of non-financial reporting with the enactment of the requirement. Due to the learning effect developed, they accept – and indeed seek – the challenge of greater control because they are aware of the benefits that may arise from this collaboration. Firms that opted for the advanced relationship with the auditing company underline the growth that this has triggered. One interviewee stated: "There were changes because, in the first period, the auditing company helped us set up the whole process and the tools to be used; it implemented a specific data collection methodology and supported us in becoming more aware and independent. Nowadays, we have regular meetings, we verify data together, and they help us to interpret the data. Moreover, the auditing company pays attention to the fact that time management is efficient." Similarly, another Sustainability Manager stated: "Our relationship with the auditing company has evolved over time. Cooperation with them pays off."

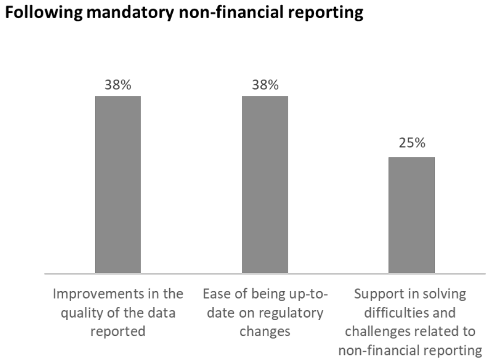
Even acknowledging that, when asked about the relevance that legislation on mandatory non-financial reporting should give to the role of the auditing company, 60% of all companies interviewed agree that it should be given more importance when enacting legislation related to mandatory non-financial reporting.

Furthermore, when asked about the kind of relationship firms would like to have with the auditing company, 20% of the companies interviewed – all currently characterized by an advanced relationship – talk about "advisory cooperation". They point out that the role that auditing should play within non-financial mandatory reporting should go well beyond the mere external control of data and the relative approval. Even the majority of companies currently engaged in a minor relationship with the auditing company would like more involvement, recognizing the value of this relationship. However, unlike companies already committed to an advanced relationship, they tend to focus more on technical aspects, such as data selection and collection, and updates about normative requirements, rather than on the overall reporting process. Seventy percent of the companies agreed that the auditing company should play a role in making data reliable and comparable to avoid greenwashing and a lack of transparency.

Figure 4. Benefits of the relationship with the auditing company in non-financial reporting (companies previously engaged in voluntary non-financial reporting supported by the auditing company)

During voluntary non-financial reporting

- All companies saw improvements in:
  - the quality of the data reported
  - the contents
  - the overall non-financial reporting process
  - being up-to-date on regulatory changes
  - being able to rely on support to enhance the role and relevance of non-financial reporting within the company



Source: authors' own elaboration.

Summing up, the evidence collected through the interviews suggests that cooperation with an auditing company that goes beyond the minimum normative requirements brings benefits to the reporting company. The non-financial reporting process and the company's awareness improve, as pointed out by Ball et al. (2000) and Du and Wu (2019). This is particularly true for companies that started their non-financial reporting when it was not mandatory, as they were able to set up and benefit from a gradual process. Thus, it can be claimed that the relationship between the controlled (the company engaged in non-financial reporting) and the controller (the auditing firm), if experienced beyond mere legislative obligations, produces benefits that exceed sustainability reporting itself.

Conclusions

Some studies have dealt with public companies' non-financial reporting and auditing (e.g., Makarenko, 2017). However, the role of the audit firm in mandatory non-financial reporting remains under-investigated, with research mainly focusing on how it affects the quality of reporting (e.g., Darnall et al., 2022). They tend to overlook the whole process, the dynamics it triggers and *if* and *how* it can be a driver for the dissemination of the culture of sustainability within the firm. Additionally, this field of research needs more empirical evidence. Empirical evidence is often restricted to the analysis of a single case study, making it difficult to generalize the conclusions.

This paper presents the results of research based on semi-structured interviews with Polish companies. The companies belong to different sectors and have different levels of experience in sustainability reporting. Therefore, the paper is an important contribution to the debate, offering insights on how companies should structure and develop their relationship with the auditing company when they are engaged in mandatory non-financial reporting. Furthermore, to the best of our knowledge, no other study has been specifically focused on providing evidence on the non-financial reporting experiences of Polish companies, pointing out the benefits stemming from the relationship with the auditing company.

However, as the paper focuses only on Poland, it could be regarded as a limitation of the research. Therefore, future research should be expanded to include other countries with minimum requirements regarding the role of the audit firm in mandatory non-financial reporting. It would also be appropriate to expand the sample (in terms of the number of firms investigated) on which the empirical analysis is based. This is particularly necessary as the sample analyzed in the study is unbalanced, which might affect the validity of conclusions.

The empirical evidence gathered in this study through the interviews makes it possible to compare the non-financial reporting experiences and practices of companies that are subject to mandatory reporting today, focusing on the impact that the relationship with the auditing firm has on reporting itself. In particular, the study confirms evidence from prior studies related to the main challenges firms face in sustainability reporting (De Micco et al., 2021), which are connected to the selection and measurement of indicators and the involvement of the top management and the coordination of the various areas of the company.

The analysis of the relationship between the company and the auditing firm aligns with previous studies, with the respondents recognizing that this collaboration leads to:

1) Decreased information asymmetry between the company and its stakeholders, thus improving stakeholder engagement practices (Boiral et al., 2019b).
2) Improved credibility of the information contained in non-financial disclosure (Manetti, Becatti, 2009; Simnett et al., 2009; Kolk, Perego, 2010; Mock et al., 2013; Junior et al., 2014; De Beelde, Tuybens, 2015; Gürtürk, Hahn, 2016; Boiral et al., 2019a).
3) Enhancement quality of the data reported and the support they receive to solve difficulties and challenges related to non-financial reporting (Du, Wu, 2019).

Our research has significant policy implications, highlighting the relevance of improvements that the company can enjoy when supported by the auditing company in its non-financial reporting process. Our findings can provide insights for the legislator who must regulate the role of auditing firms within non-financial reporting. It can also offer evidence of good practices for firms and help them understand how the apparent burden of a regulatory obligation can be transformed into an opportunity for organizational growth and improvement.

In addition, the new European CSRD is being transposed in EU Member States right now. Therefore, it is important to understand the implications of the role of the audit firm, which is one of the aspects where each Member State can intervene by requiring fewer or more requirements.

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